

Next Level Mobility For All

About This Report

The 2020/21 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 participation 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 systematically manage the company's 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 foreign 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 the quantitative environmental data, have been included.

Reporting period

NEXEN TIRE has been publishing an ESG Report every year since the 2020 publication of the 2019/20 ESG Report (download in Korean). This report focuses on the activities and performances from January 1 to December 31, 2020. Some performances from the first half of 2021 may also be included.

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 the K-IFRS.

Third-party assurance

To ensure credibility of the report's drafting process and content to our stakeholders, NEXEN TIRE received third-party assurance from the Korea Management Register (KMR), an independent audit entity. AA1000AS v3 was applied to the assurance process, which reflects the revisions of the current year. The Assurance statement is available on pages 124-125.

Feedback on the report

This report can be downloaded from the NEXEN TIRE's website (<http://www.nexentire.com/international/>). If there are any additional inquiries or feedback on the report, you can reach us via the contact information below.

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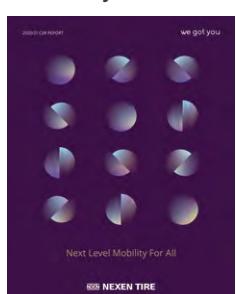
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Cover story



The circle is an abstract expression of dynamic movements representing the mobility environment that NEXEN TIRE is striving to create.

Executive Summary & Highlights

Economic Dimensions

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Mark on Next Generation

Sales in 2020
KRW **1.6981** trillion

Boosting Competitiveness in the Market



- Selected as the **2020 Best Supplier of the Year** by Stellantis
- Received the '**2020 Supplier Quality Excellence Award**' from GM for the 8th consecutive year
- NEXT LEVEL service received the '**National Service Award**' for the 2nd consecutive year
- First** in the Korean tire industry to establish venture capital in the U.S.

Advancing Global R&D Capacities



- R&D investment as a percentage of sales: **5.4%**
- Operated a **global R&D network** in the U.S., Germany, and China based around the Central Research Institute in Korea
- Participated in **industry-university joint research** in order to develop eco-friendly tires
- Cooperated on smart tire sensor technology research** with REALITY AI, a U.S. Silicon Valley-based AI company

Improving Customer Satisfaction



- Ranked no. **1** in global customer satisfaction in the tire sector for the 12th consecutive year
- Carried out free inspection services for **4,929** vehicles
- Provided product life cycle management warranties to **733** vehicles

Environmental Dimensions

- 44 Environmental Management System
- 45 R&D and Raw Materials
- 48 Manufacturing
- 50 Use, Recycling & Disposal
- 54 Response to Climate Change

Mark on Environment

Approx. **23,000 t** reduction of GHG emissions, compared to the previous year

Responding to Climate Change



- Reduced annual energy usage by **86,400 kWh** when compared to 2017 by adjusting the pipe structures for heating pumps
- Reduced energy usage by **69%** by expanding usage of energy-saving, high-efficiency facilities
- Harvested **3,600 MWh** of solar power energy at the Changnyeong plant

Implementing Eco-Friendly Management



- Completed **100%** implementation of environmental management systems (EMS)
- Completed **100%** implementation of environmental risk assessments (ERA)
- Signed a **Green Premium** contract for the purchase of renewable energy
- Responded to the **CDP Initiative**

Minimizing Environmental Impact Within the Value Chain



- Sustainable ingredients: **23%**
- Participated in the **Global Platform for Sustainable Natural Rubber (GPSNR)**
- Reduced waste by approx. KRW **24.4 million**
- Designated as an **excellent workplace for reducing particulate matter**

Social Dimensions

- 62 Human Rights
- 64 Employees
- 75 Local Communities
- 82 Suppliers
- 88 Data Protection

Mark on Society

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

Innovating Corporate Culture



- Recognized for maintaining an excellent workplace with regards to health and safety activities for the **13th** consecutive year (Yangsan plant)
- Recorded no labor strikes for the **29th** consecutive year
- Operated the **N'Dea System** for internal proposals
- Operated the **Change Agent** system to collect feedback from employees

Mutually Growing with Suppliers



- Enacted **supplier CSR policy** (2020)
- Signed the **ethical management pledge** for new transactions
- Conducted regular **quality and CSR evaluations** for suppliers

Contributing to Local Communities



- Operated the One-Company, One-Village Program and the Dream Start Child Matching Project, led Hope Sharing Club volunteer activities, and signed an MOU with the Korean Red Cross
- Operated cultural foundations** such as the NEXEN Wolsuk Cultural Foundation, Wolsuk Busan Leading Scholarship Committee, and the KNN Cultural Foundation
- Sponsored sports competitions**, including motorsports, soccer, hockey, and golf

Governance

- 96 Responsible Governance
- 100 Ethical Management
- 103 Risk Management

Mark on Governance

Zero cases of serious corruption
found as a result of two corruption audits in 2020

Governance Structure



- Achieved professionalism and diversity
- Enhanced the independence and transparency of the Board of Directors through committees



Ethically Managing



- 100% percent of employees have completed ethics training
- Conducted internal auditing for ethical management **twice** in each sector throughout 2020
- Operated a reporting center to catch violations to our Code of Ethics

Managing Risk



- Designated a CRO and Risk Management Department to systemically and internally manage financial and non-financial risks
- Established the **NEXEN Steering Committee (NSC)** to respond quickly to the COVID-19 pandemic

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Message from the CEO

NEXEN TIRE aims to become the pride of our customers with the best quality. We will provide happiness through the development of innovative technologies and products. We will move forward towards a top-notch company, looking forward to the next century. Beyond history and passion, we will become your greatest faith, heading towards the next generation in the name of trust.



Dear stakeholders,

First, I would like to express my sincere gratitude to our shareholders, customers, partners, and employees for their unwavering interest and support for NEXEN TIRE. Based on the value of mobility, we have published our second sustainability report in the hope of connecting more people to the world in a more convenient and safe way.

The world is now undergoing a rapid transition into a digital economy due to the prolonged COVID-19. With the development of AI technology, a revolution is taking place in the manufacturing industry, including the automobile sector. Above all, the new mobility industry, such as autonomous and eco-friendly vehicles, is accelerating due to a paradigm shift, resulting in a surge in demand for innovative tire technologies.

Last year, NEXEN TIRE recorded KRW 1.6981 trillion in sales and KRW 39.4 billion in operating profits. In spite of the uncertain business environment, we launched the industry's first contact-free tire installation service called "Next Level GO." We also received high marks in various assessments conducted by world-renowned automobile magazines including Auto Bild, and ADAC. Moreover, we achieved meaningful results, such as the continuous expansion of supply to automobile manufacturers including Canoo, Porsche, Audi, and Volkswagen.

Following last year, we will make the following efforts to further increase corporate value this year. We will maximize sales through market segmentation strategies and secure new R&D technologies through digital transformation. In addition, we will create world class products by strengthening a quality-oriented production system. Ultimately, we aim to establish a sustainable management system by enhancing management efficiency and strengthening company-wide competence. NEXEN TIRE will continue to challenge itself and promise continuous innovative growth to become a customer-oriented company.

At the beginning of this year, NEXEN TIRE announced a new vision, "Next Level Mobility for All," reflecting its desire to create a world where mobility becomes a daily pleasure for everyone based on innovative technologies and services that put humans first. Alongside with our new vision, we have selected "We Got You" as our brand slogan to deliver the message that NEXEN TIRE will always stay next to its customers as a trustworthy supporter.

Creating more opportunities and values through new connections with the world and enriching the lives of mankind is what NEXEN TIRE pursues. In order to achieve this goal, we will constantly make the utmost effort to provide better service and carefully respond to each and every customer.

As various environmental and social issues arise, social demands for environmental, social, and corporate governance (ESG) in corporate management are increasing. Accordingly, NEXEN TIRE will fulfill its corporate social responsibilities by firmly establishing an ESG-based management system. All of our staff members will proactively participate in environmental issues, which is our common task to make a better world.

NEXEN TIRE has been strengthening its ESG policies for natural rubber purchases by joining the Global Platform for Sustainable Natural Rubber (GPSNR) to contribute to the achievement of the UN's Sustainable Development Goals (SDGs). As a result, we obtained a 'Bronze' rating in the 2021 ESG evaluation conducted by EcoVadis, a global sustainability evaluation institution. Furthermore, we are continuously participating in activities for sustainable development, such as the Carbon Disclosure Project (CDP Worldwide), in an effort to preemptively respond to global environmental issues.

Although uncertainty will continue across the globe, we will overcome this period of crisis as always through our unique corporate DNA of turning crises into opportunities. We ask for your continued interest and support for NEXEN TIRE's new challenge to create a better future.

Thank you.

Global CEO, Ho-Chan Kang

A handwritten signature in black ink, appearing to read "Ho-Chan Kang".

Company Profile



THE NEXEN univerCITY View

Company History

Started as Heung-a Tire Industry in 1942, NEXEN TIRE has grown tremendously by making epoch-making achievements in the domestic tire industry, starting with the production of the first domestic automobile tires in 1956. After the company changed its name from 'Woosung Tire' to 'NEXEN TIRE' in 2000, it recorded the highest sales growth rate and earned recognition for its technological leadership. Currently, NEXEN TIRE has expanded its operation beyond Korea, operating four plants in China and Europe. Centering around Magok Central Research Institute, the company has established global R&D networks in the U.S., China, and Germany, responding quickly to the diversifying market.

NEXEN TIRE, which travels the roads in more than 150 countries based on its know-hows and technologies accumulated over 70 years, will not slow down its progress towards becoming a top-notch company that looks forward to the next generation.

Awards and Achievements



May 2021 Received the Grand Prize in Korea Labor-Management Cooperation from the Korea Enterprises Federation

Sep. 2020 NEXT LEVEL GO Service won grand prize for the 2020 National Service Award in the tire general service sector hosted by the Institute for Industrial Policy Studies for the 2nd consecutive year since 2019

Apr. 2021 N'FERA Sport ranked no. 1 in summer tire performance test conducted by German automobile magazine ACE Lenkrad

Jun. 2021 Selected as "the 2020 Best Supplier of the Year" by a global carmaker Stellantis

Jun. 2021 Received the grand prize in 2021 QCC contest of the Gyeongnam province (Yangsan and Changnyeong plants) for the 11th consecutive year since 2011

Jun. 2021 Received the 2020 GM Supplier Quality Excellence Award for the 8th consecutive year

Jul. 2021 Ranked no.1 in the global Customer Satisfaction Index (CSI) for the 12th consecutive year



GERMAN RED DOT DESIGN AWARD



GERMANY IF DESIGN AWARD



AMERICA'S IDEA DESIGN AWARD



AMERICA'S
GREEN GOOD
DESIGN AWARD



AMERICA'S
GOOD DESIGN
AWARD



GERMAN
DESIGN
AWARD



EUROPEAN
PRODUCT
DESIGN AWARD



ITALY
A'DESIGN
AWARD



ASIA
DESIGN
PRIZE



ASIA
DESIGN
PRIZE



KOREA
GOOD DESIGN
AWARD



KOREA
PIN UP DESIGN
AWARD

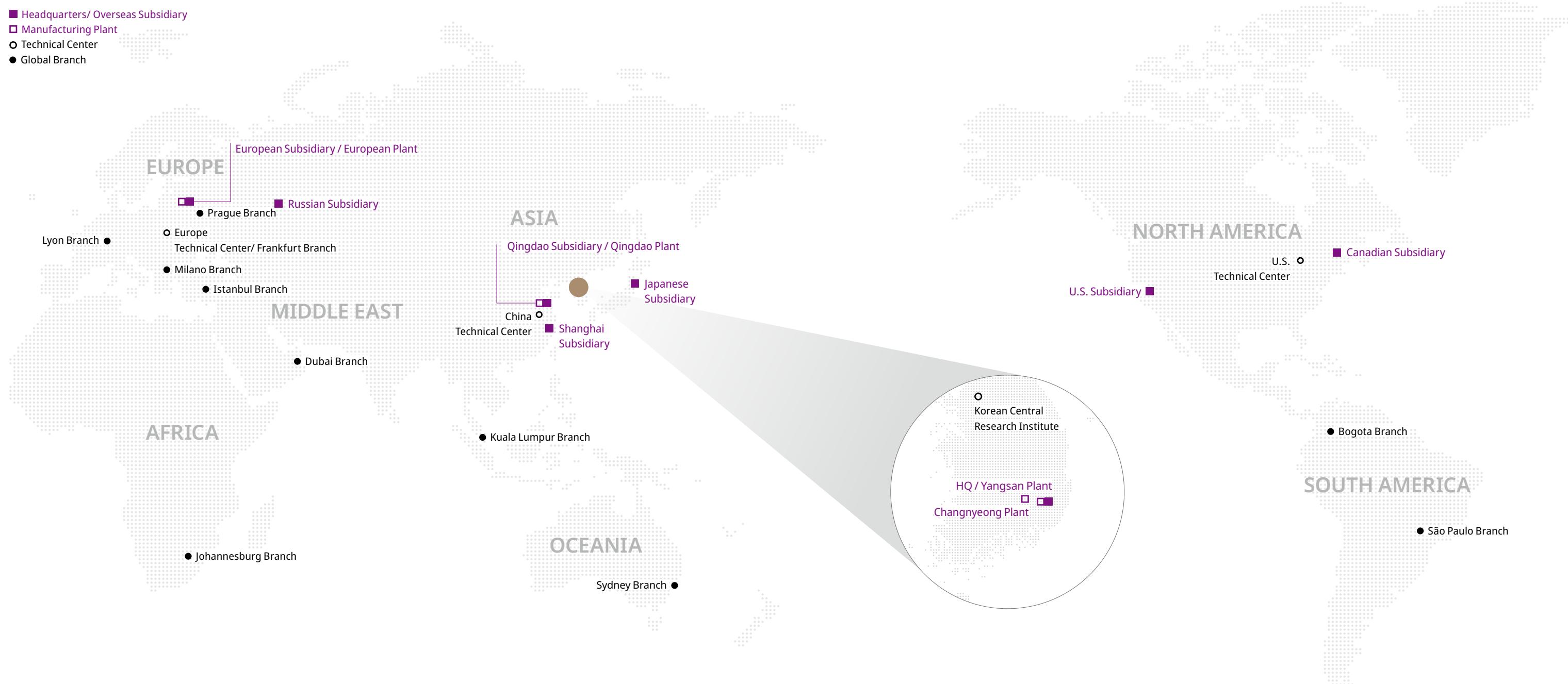


	1942-1956	1973-1987	1991-2000	2005-2013	2014-2015	2017-2021	
Jun. 1942	Established Heung-a Tire Industry Co., Ltd	May 1973	Heung-a Tire Co., Ltd. undertaken by Wonpung Industry Co., Ltd	Oct. 1991	Signed a technology cooperation agreement with Ohtsu Tires, Japan	Jun. 2005	Established a sales branch in the U.S.
Mar. 1952	Changed the company name to Heung-a Tire Co., Ltd.	May 1976	Wonpung Industry Co., Ltd. listed in the Korea Stock Exchange	Mar. 1994	Changed company name to Woosung Tire Co., Ltd.	Aug. 2011	Launched the eco-friendly tire brand N'blue Eco
Jun. 1956	Produced the first domestic automobile tires	Aug. 1979	Wonpung Industry Co., Ltd. undertaken by Kukje Group	Mar. 1999	Took over the management of NEXEN Corporation (former Heung-a Tire Co., Ltd.)	Dec. 2011	Received a presidential citation for labor-management cooperation
		1984	Began construction of the radial tire plant in Yangsan	2000	Changed company name from Woosung Tire to NEXEN TIRE	Mar. 2012	Completed construction of the Changnyeong plant in the Gyeongnam province
		Feb. 1986	Wonpung Industry Co., Ltd. undertaken by Woosung Group			Oct. 2012	Began operations at the Changnyeong plant in the Gyeongnam province
		Jun. 1987	Established joint venture with Michelin Korea Tire Co., Ltd.(terminated the cooperation in June 1991)			Feb. 2013	Held the earliest general shareholders' meeting of all listed Korean companies for the 14th consecutive year
						Mar. 2013	Began investing in expansion of the Changnyeong plant
						May 2021	Received the Grand Prize in Korea Labor-Management Cooperation Award

Company Overview

Headquartered in South Korea, NEXEN TIRE manufactures and sells tires through its global sales networks in China, the U.S., Europe, and Southeast Asia. After the full-fledged operation of the European plants to establish global production bases in Europe and North America, NEXEN TIRE has been providing the best driving experience to customers around the world based on enhanced quality competitiveness by securing stable product quality as well as advanced productivity.

Domestic and International Sales Network



NEXEN UNIVERSE

Mission

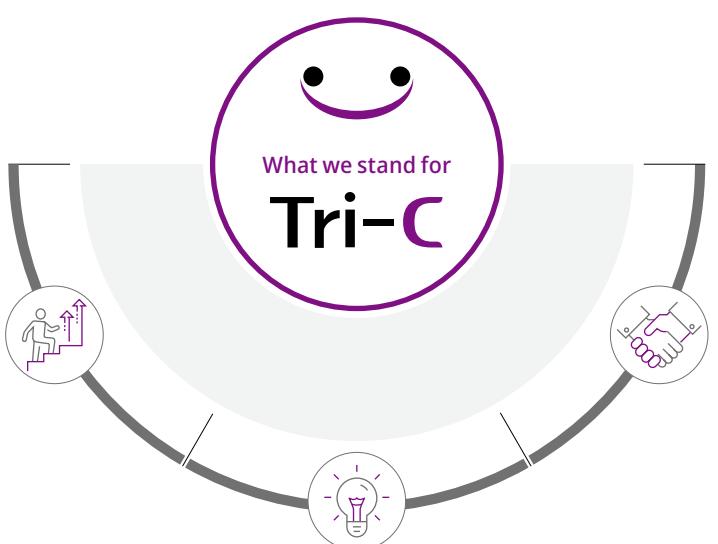
Creating Value for Tomorrow, Every Step of the Way

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 guideline that stimulates 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 fulfillment of satisfaction and expectations of mankind.

Vision

Next Level Mobility for All

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



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

Code of Conduct

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

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

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

Our business sector is categorized into the tire sector, which includes tire sector - production, sales, and rental of tires - and the non-tire sector - transportation, storage, molding, and bakery.



Products

NEXEN TIRE meets with customers all over the world with a variety of brands covering all types of vehicles and products.

Tire Brands & Products

Summer



Winter



SUV



All Seasons



N'FERA

N'Priz

N'blue

RODIAN

WINGUARD

e.ZY

NEXEN TIRE Value Chain

NEXEN TIRE is striving to minimize the environmental and social impacts within the overall organizational supply chain in response to the increasingly stringent domestic and international regulations and the demands of automobile manufacturers.

Environment	
· Percentage of sustainable products: Korea 6.6%, Europe 9.8%	
Society	
· Patents: 95	
Economy	
· R&D investment amount: KRW 91.495 billion	
· Ratio of R&D expenditure to annual sales: 5.4%	
Environment	
· Scrap tire recycle rate: Approx. 100%	
Economy	
· Scrap tire processing cost: KRW 969 million	

1. R&D

NEXEN TIRE defines eco-friendly products as products with superior energy consumption efficiency, e.g., rolling resistance performance compared 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 our GHG reduction goals and minimize particulate matter emissions.



2. Raw Materials

Currently, approximately 23% of our 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 academia to develop high-performance tires using eco-friendly raw materials

Environment	
· Percentage of sustainable (reused/reusable) materials being used: 23%	
Society	
· Percentage of raw material suppliers ESG evaluated: 91%	

3. Manufacturing

For the past two years, we have obtained ISO 14001 certification at our four domestic and international plants and established EMS. We will continue to minimize environmental risks through systematic risk identification, evaluation, and improvement activities. Furthermore, we are carrying out a variety of investment activities to minimize environmental impacts by reducing GHG emissions, waste water, garbage, and energy usage.

Environment	
· Percentage of NEXEN plants with ISO 14001 certification: 100%	
· GHG intensity (scope1+2): 0.858 tCO ₂ eq/ton	
Society	
· LTIFR (YP): 0.67	
· LTIFR (CP): 0.295	
· Total number of employees: 6,718	

5. Recycling & Disposal

Nearly 100% of tires produced in our Korean and overseas plants use recycled material from scrap tires. Scrap tires are ground down to obtain their key ingredients such as rubber and steel. In the case of Korea, these tires are reused to create thermal energy through incineration. The obtained rubber is then used in eco-friendly rubberized asphalt.

Tires are directly related to driver safety since 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 safety and quality. In addition, we provide safety campaigns and inspection services to customers in order to fulfill our product responsibilities.

Society	
· Number of vehicles that received a free inspection service: 4,929	

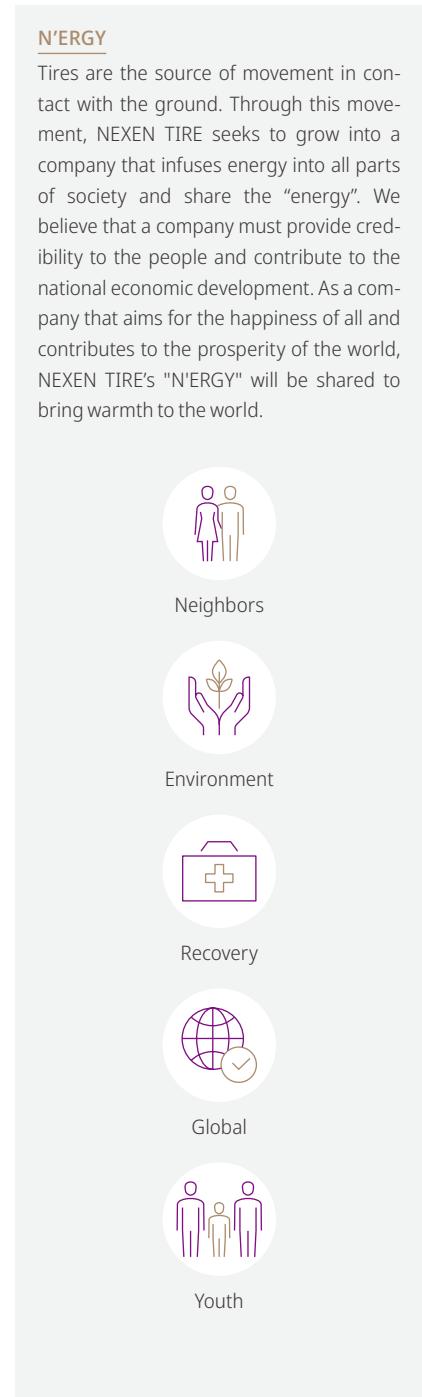
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ESG Management System

NEXEN TIRE pursues solid growth with all stakeholders, including customers, business partners, local communities, and employees, by fulfilling its corporate social responsibilities and contributing to the increase of corporate value. To this end, NEXEN TIRE considers ESG as the basis of its corporate management and carries out company-wide integrated ESG management to realize ESG through daily work.



ESG Policy

NEXEN TIRE established ESG principles to develop together with stakeholders and fulfill corporate social responsibilities in pursuit of the value of consideration, coexistence, and symbiosis. NEXEN TIRE's ESG principles set the guidelines by considering how to fulfill social responsibilities in areas such as 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 that pursue the value of consideration, coexistence, and symbiosis and develop together with our shareholders, customers, suppliers, partners, local communities, and employees. We endeavor to practice ethical management, for example by conducting ethical management surveys for employees, providing regular training, and operating a report center for ethical code violations.

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, NEXEN TIRE has established a human rights management policy and a Human Rights Declaration to present the standards of value judgment that all employees and stakeholders should comply with and has pledged to practice them in all business activities. NEXEN TIRE plans to establish an ESG committee to carry out various activities aimed at establishing a human rights management system and reinforcing company-wide human rights.

Environment, Health, and Safety (EHS)

NEXEN TIRE endeavors to become a company that leads social development through feasible environment, health, and safety (EHS) activities by putting customers and environment first. We pursue harmony between business activities and the environment (e.g. production of eco-friendly products; reduction of contaminants, chemicals, and waste; biodiversity protection; resource circulation) by operating the EHS management system. We will fulfill our social responsibilities and create an accident-free workplace by prioritizing the safety of our employees and stakeholders.

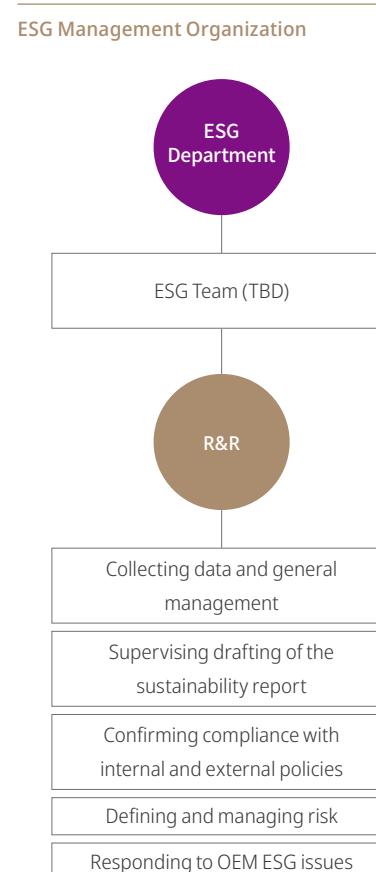
Supply Chain Management

NEXEN TIRE supports the growth of its partners through transparent and healthy transactions and strives to create a sustainable ESG supply chain system. To this end, we are communicating with our suppliers regarding ESG factors such as business ethics, labor and human rights, health and safety, and environmental policies. Moreover, we have established policies such as the Supplier CSR Policy, Code of Ethics, and Conflict Minerals Policy for the proliferation of ESG values into the entire supply chain.

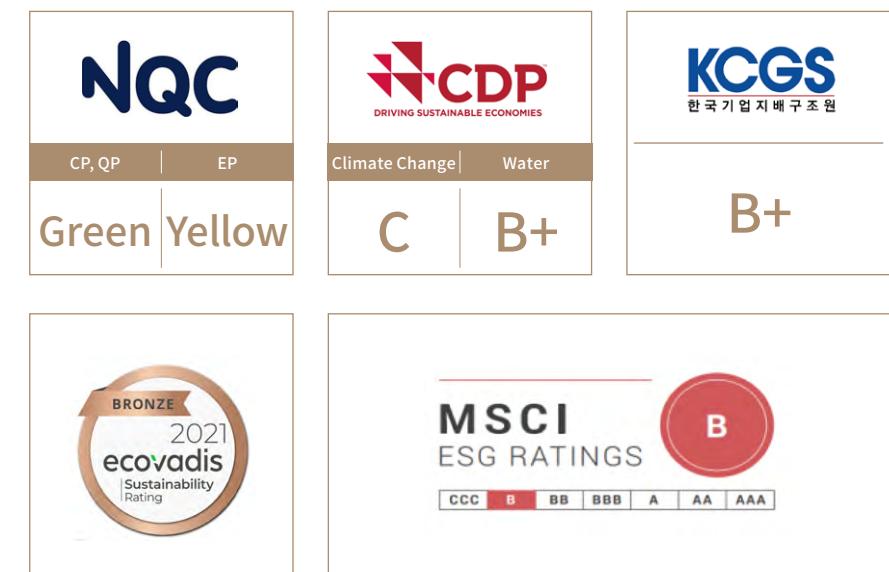
ESG Implementation System

ESG Management Organization

NEXEN TIRE pursues the long-term development of ESG and mutual growth with stakeholders including customers, shareholders, investors, employees, local communities, and suppliers. In order to effectively accomplish these goals, NEXEN TIRE plans to establish an ESG organization directly under the CEO under the supervision of Business Administration Business Group (BG). This department will supervise the planning of specific ESG strategies for each of the major issues—products, labor and human rights, EHS and climate change, social contributions, business ethics, and supply chain management.



2020 NEXEN TIRE Initiative Response Achievements



Responding to Business Partners' ESG Requirements

Client ESG Requirements Implementation Status

NEXEN TIRE understands clients' ESG-related demands and strives to fulfill them. Detailed subsections are set up and implemented for each category—obtaining ESG-related certifications, conducting self-evaluation and external disclosure, joining related organizations and initiatives, and making efforts for quality enhancement.

Fulfillment Status of ESG Demands

Certifications	Self-evaluating and disclosing	Joining related organizations	Enhancing products
<ul style="list-style-type: none"> ISO 14001 certification (Yangsan, Changnyeong, Magok, Qingdao, Europe) ISO 45001 certification (Yangsan, Changnyeong, Qingdao, Europe) IATF 16949 certification (Yangsan, Changnyeong, Qingdao, Europe) 	<ul style="list-style-type: none"> Take the SAQ 4.0 from the NQC-Supplier Assurance Program Joined the GPSNR (2020) Publish Sustainability Reports Obtain third-party verification for the sustainability report Offer company-wide ESG training 	<ul style="list-style-type: none"> Participated in the CDP Climate Change (2020) Participated in the CDP Water Security (2020) 	<ul style="list-style-type: none"> Downstream product lineup Procure performance optimization technologies Continuously manage supply of Original Equipment (OE) tires

Certifications

To satisfy client demand for various certifications, NEXEN TIRE currently holds the ISO 14001 (Environmental Management Systems) certification. And in 2020, we completed the transition from OHSAS 18001 to ISO 45001 certification at all of our plants. Now that the Czech plant has obtained ISO 14001 and 45001 certifications, all of NEXEN TIRE's plants have attained their certifications. As requested by our global Original Equipment (OE) clients, we have obtained the IATF 16949 certification.

Self-Assessment and Disclosure

NEXEN TIRE is making efforts to implement and publicize self-assessment priorities.

SAQ 4.0 Assessment NEXEN TIRE annually conducts the Self-Assessment Questionnaire (SAQ) 4.0 of the NQC-Supplier Assurance program, which is the standard for supply chain evaluation in the automotive industry. We receive and reflect feedback on SAQ 4.0 items by the NQC in order to improve our sustainable management activities.

Publication of the ESG Report NEXEN TIRE is making utmost efforts to implement and publicize self-evaluation priorities. We communicate NEXEN TIRE's sustainability management activities in an effective and transparent manner through the publication of the ESG report and third-party assurance.



Operation of Company-Wide ESG Training NEXEN TIRE endeavors to enhance the sustainable management capacities of our employees by conducting training across the various fields of ESG. We conduct company-wide ethical management training, security awareness training, legal training for air quality technicians, hazardous chemical manager and handler training, training for all employees and managers in facilities handling hazardous chemical substances, training for ISO 14001 system managers and internal auditors, non-discrimination training, regular health and safety training, etc.

Registration of Organization

NEXEN TIRE participated in the 2020 Global Platform for Sustainable Natural Rubber (GPSNR) as a responsible company in the natural rubber value chain. To secure sustainability of natural rubber, a major raw material for tires, we are fulfilling our social responsibilities by complying with the global regulations and cooperating with stakeholders in various areas. In addition, we participated in the 2020 Carbon Disclosure Project (CDP) and disclosed our strategies, goals, and achievements for carbon emission reduction.

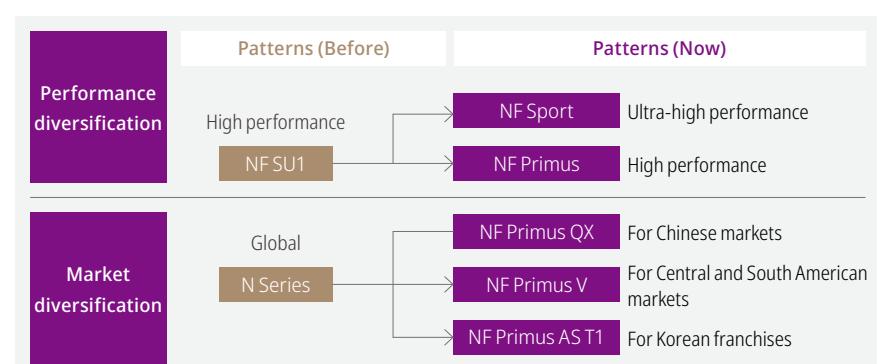
Strengthening Product Competitiveness (Quality Improvement)

To satisfy the demands of both global carmakers and individual consumers who need parts replaced, NEXEN TIRE continues to develop products and establish operational policies.

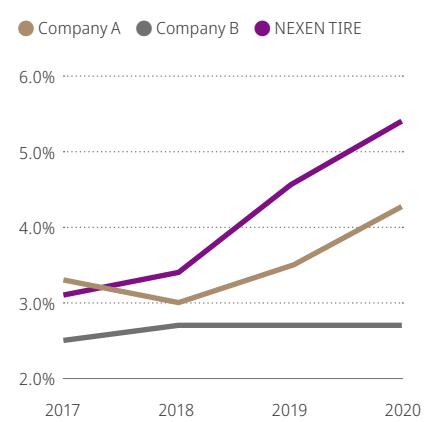
Downstream Product Lineup NEXEN TIRE analyzes the needs of customers and markets all over the world and commercializes products accordingly. We are constantly investing in our product lineup and conducting quantitative market analysis.

Along with the diversified car models, we are making products that satisfy customer needs with specialized products according to detailed customer requirements, performance, and target markets.

Product Lineup



The ratio of R&D expenditure to annual sales



Source: Each corporate report and NEXEN TIRE processes

Securing Performance Optimizing Technology In order to advance into the premium OE (Original Equipment) market and develop the highest quality products required by customers, NEXEN TIRE conducts research on optimizing the four key performances indicators - fuel efficiency, wet grip, noise, and wear - by securing design technologies and developing new materials. Furthermore, we strive to improve quality by applying big data technology to our product development processes. This allows us to develop new patterns, determine applications for new materials, and optimize existing designs.

Continuous OE Supply Management NEXEN TIRE contributes to the increase of product and brand awareness by proving its value through the supply of original equipment (OE) tires for leading brands. We have steadily expanded the supply of new OE tires in 2020 and are continuously improving our products' technological competitiveness by achieving the technological level required by automobile manufacturers.

Overview of New Global OE Supply for 24 Car Models in 2020

Brand	Model	Product (pattern name)
 HYUNDAI	KONA HEV	N'BLUE S
	SONATA HEV	N'priz AH8
	SONATA TAXI	MILECAP
 KIA	Next-gen Carnival	ROADIAN GTX
	Next-gen K5 Lpi	N'priz AH8
	K5 TAXI	MILECAP
	Next-gen K5	N'priz AH8
	Next-gen SORENTO HEV	ROADIAN GTX RG1
SsangYong Motor	 SSANGYONG MOTOR	G4 REXTON F/L
VW		8th-gen Golf
SEAT		LEON
SKODA		KODIAQ
AUDI		A3
FIAT		JEEP COMPASS ICE
RENAULT		JEEP COMPASS PHEV
Beijing Hyundai		LODGY/DOKKER
Dongfeng Yueda Kia		N'blue HD
QOROS		LODGY/DOKKER LRR
LEAP MOTOR		N'blue HD Plus
		N'FERA RU1
		N'FERA SU1
		N'FERA AU7
		N'priz CX SH6
		Next-gen K5
		N'FERA AU7
		Next-gen KX3
		N'priz CX SH6
		KX7
		N'priz RH7
		QOROS7
		N'priz RH7
		T03
		NBLUE ECO
		N'blue Eco SH01

Supporting Innovative Activities of Manufacturing Plants Total productive maintenance (TPM) is used to stimulate the activities of the quality control circle (QCC) in order to boost the productivity of technicians and optimize the implementation of plant innovations. We are solving issues in the areas of production, quality, loss, cost, delivery, and safety (PQLCDS) through suggested activities that encourage the improvement of the manufacturing environment and sites. An internal QCC contest is held annually, and we have also proven our exceptional on-site capabilities by consistently receiving the presidential award since 2011.

Awards from the 2021 Gyeongnam QCC Contest



Record of Presidential Awards for Excellent QCC Received at the National Quality Management Convention (2011–2021)

● Gold ● Silver ● Bronze

2020 —	 2	 1	
2015 —	 1	 1	
2019 —	 1	 1	 1
2014 —			 3
2018 —		 2	 1
2013 —		 1	 1
2017 —		 2	
2012 —		 1	
2016 —	 1	 1	 1
2011 —			 1

Materiality Assessment

NEXEN TIRE conducts a materiality assessment every year to determine the important issues and influences that impact the sustainability of the company. Through this assessment, the most critical issues and areas for NEXEN TIRE's businesses are established. For all material issues, both the importance to the business and interest level of the stakeholders are determined based on the standards of the evaluation. Accordingly, we identify and respond to issues in the economic, environmental, and social aspects that are most crucial to companies and stakeholders.

Stage 1: Issue Identification

We created a pool of 28 issues for NEXEN TIRE by referencing major issues in global evaluations, public initiatives, and the overall industry. Reflecting the increase in strategic importance since last year's materiality assessment, the issues of technological innovation and work environment safety were separated and added to the issue pool. Other additions include product and service quality as well as reducing the environmental impact of products, which is regarded as being important according to global initiatives and relevant industries.

2020 NEXEN TIRE Sustainability Issue Pool

Governance & Economic	1. Sound BOD operation 2. Ethics and anti-corruption	3. Response to climate change and risk management 4. Technological innovation	5. Customer health and safety 6. Compliance
Environmental	1. Reduction of GHG emissions 2. Waste management 3. Water control and water resource protection	4. Protection of biodiversity 5. Resource circulation resources 6. Transition to renewable energies and improvement of energy efficiency 8. Processing scrap tires 9. Managing pollutants and harmful substances	7. Reduction of environmental impact of products 8. Processing scrap tires 9. Managing pollutants and harmful substances
Social	1. Safe workplace 2. Maintenance of employee health 3. Fair HR system and employee welfare 4. Employee education and training	5. Win-win management with suppliers 6. Protection of human rights 7. Social contribution 8. Anti-discrimination and diversity	9. Stakeholder communication 10. Information security & privacy protection 11. Responsible procurement of raw materials 12. Product and service quality 13. Labor-management relations

Global evaluation/reporting initiatives



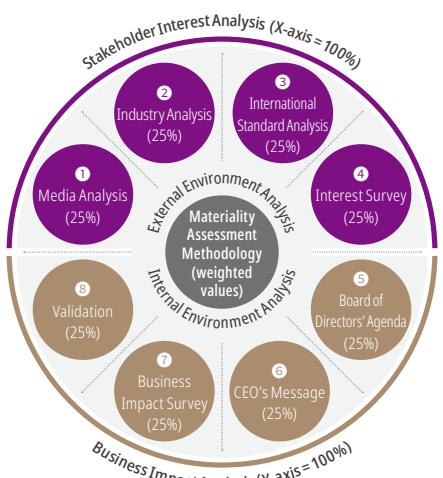
Issues within the relevant industry

Stage 2: Materiality Assessment

Through eight methodologies, including internal and external stakeholder surveys, issues with high stakeholder interest and business impact were finally derived.

Detailed Methodology

- 1 **Media Analysis:** Analysis indicating the number of times issues were seen in the media
 - Total number of articles: 1,735 (Jan. 1-Dec. 31, 2020)
- 2 **Industry Analysis:** Analysis indicating the issues identified in the materiality assessment that were addressed in relevant industry reports
 - Hankook Tire, Michelin, Pirelli
- 3 **International Standard Analysis:** Analysis indicating the issues that were addressed in global guidelines, standards, and indexes
 - GRI Standard, ISO 26000, UNGC, SDGs, MSCI, TCFD, SASB, EcoVadis
- 4 **External Surveys:** Survey with 5-point criteria administered to external stakeholders
 - 21 total valid respondents (May 31-Jun. 11, 2021)
- 5 **Board of Directors Agenda:** Agenda items reported and approved by the Board of Directors
- 6 **CEO's Message:** Agenda items mentioned in the CEO's message
- 7 **Business Impact Survey:** Survey with 5-point criteria administered to key-men in ESG-related departments
 - 29 total valid respondents (Jun. 7-Jun. 11, 2021)
- 8 **Validation:** Strategic decisions

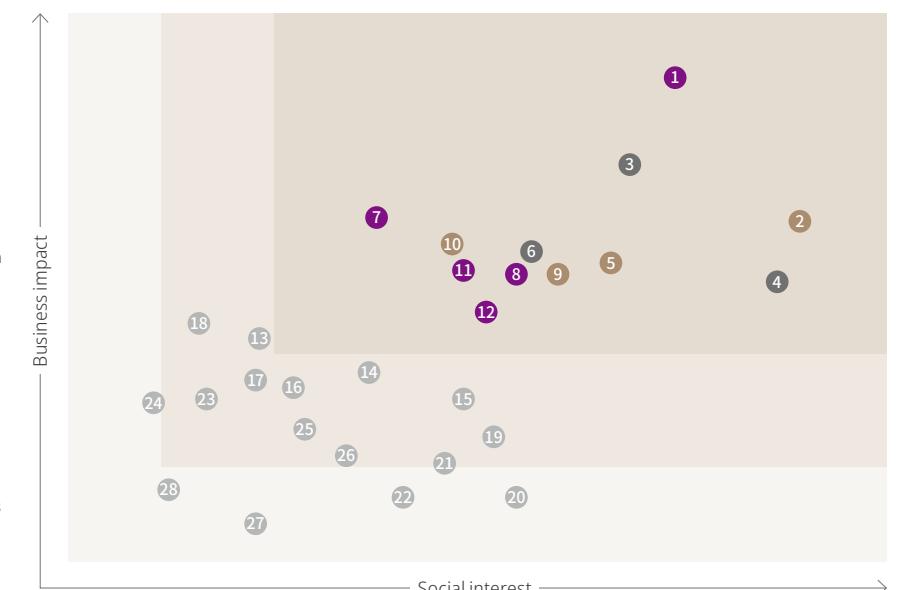


2020 Materiality Assessment Results

As a result of the materiality assessment, 12 out of a total of 28 issues were selected as material issues for NEXEN TIRE's 2020 sustainability management.

NEXEN TIRE's Primary Sustainability Issues

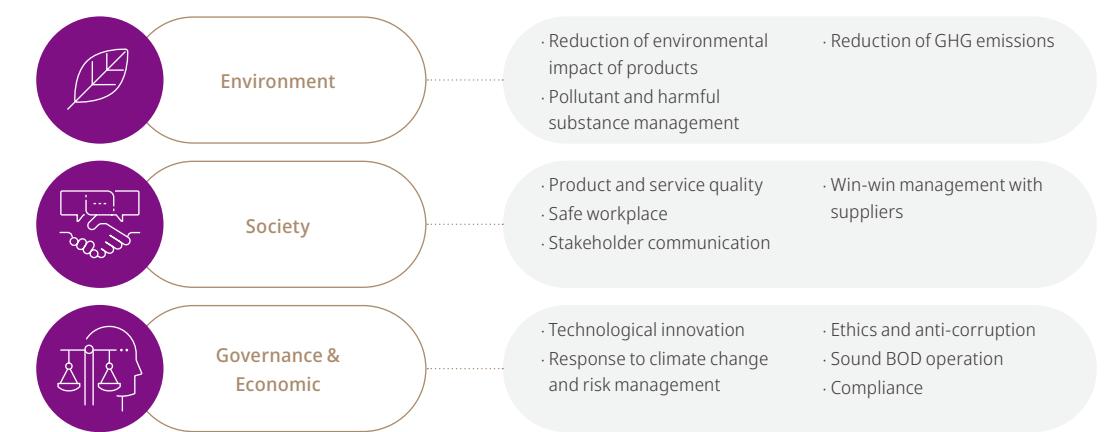
- Governance & Economic — 5
 - Environmental — 3
 - Social — 4
- 1 Technological innovation
 2 Product and service quality
 3 Reduction of GHG emissions
 4 Reduction of environmental impact of products
 5 Safe workplace
 6 Pollutant and harmful substance management
 7 Ethics and anti-corruption
 8 Sound BOD operation
 9 Stakeholder communication
 10 Win-win management with suppliers
 11 Compliance
 12 Response to climate change and risk management
 13 Fair HR system and employee welfare
 14 Customer health and safety
 15 Protecting biodiversity
 16 Protection of human rights
 17 Water control and water resource protection
 18 Maintenance of employee health
 19 Transition to renewable energies and improvement of energy efficiency
 20 Resource circulation
 21 Social contribution
 22 Anti-discrimination and expansion of diversity
 23 Employee education and training
 24 Labor-management relations
 25 Responsible procurement of raw materials
 26 Processing scrap tires
 27 Information security & privacy protection
 28 Protecting biodiversity



Stage 3: Identifying Material Issues and Reporting

The scope, target, and role of the material issues identified in Stage 2 were reflected in the report.

Material Issues



Managerial Approach

Core Issue	Definition of Issue	Reason for Selection	Risk Management Method	Report Page	Report Boundary
1. Technological innovation	Activities related to innovation and expansion such as new product creation, technological development, and business portfolio enhancement	It is necessary to our business in order to discover new mobility-related business areas that will pioneer in the future era of smart mobility	Establish company-led venture capital operations in Silicon Valley that focus on AI and big data research to discover potential new growth drivers	30-33	Customers, shareholders
2. Product and service quality	Activities that maintain or enhance product quality through scientific advancement, managerial practices, or R&D	It is necessary to provide products which fulfill our customers' needs in order to maintain their trust and bolster our competitiveness in the market	Provide constant quality monitoring, proactive quality assurance programs, and conduct optimization research with regards to the core performance metrics of tires, including fuel efficiency and wear, in order to improve quality	34-37, 47	Customers, shareholders
3. Reduction of GHG emissions	Activities to reduce GHG emissions through management since they are a major driver of climate change	It is necessary to respond to heightened international efforts to reduce GHG emissions, such as the Paris Accords, as well as industrial regulations, such as the RE100 initiative	Expand the utilization of energy-saving, high-efficiency equipment and photovoltaic facilities throughout the tire manufacturing process	56-59	Shareholders, government, local communities
4. Reduction of environmental impact of products	Creation of a manufacturing process or product which enhances eco-friendliness, from manufacturing to the use and disposal of the product	It is increasingly important to reduce the environmental impacts of products across their life cycle and not limit these reductions to the product itself	Conduct research on reducing the weight of tires to increase fuel efficiency and improve roll resistance to make them more energy efficient	47	Customers, local communities
5. Safe workplace	Activities to continuously improve policies and management systems in order to provide a safe workplace for employees	It is necessary to bolster safety management-related responsibilities because of revisions to the Occupational Safety and Health Act as well as increased interest in the safety of employees	Implement a safety management system in all workplaces and offer safety training for all employees and suppliers	72-74	Employees, local communities
6. Pollutant and harmful substance management	Activities to manage chemical substances that have been deemed harmful to the environment and health according to legal standards	It is necessary to maintain a clean ecological environment for the members of our local communities	Manage harmful substances that are used as raw materials in tires by using our harmful chemical substance management system and constantly monitoring and reducing air pollution	45, 48	Local communities
7. Ethics and anti-corruption	Activities related to transparency and fairness such as preventing corruption and bribery as well as the creation of an ethical corporate culture by conforming to the Code of Ethics and ethical management guidelines	As social interest in ethical management grows, it has become a basis through which many stakeholders establish a good relationship with the company beyond simple risk management	Implement regular ethical training for employees and a reporting center which can process reports of unethical management	100-102	Shareholders, employees
8. Sound BOD operation	Activities related to establishing sustainability-related structures for ensuring a sound Board of Directors, promoting the efficient operations of the Board of Directors, protecting shareholder benefits, and guaranteeing the independent activity of directors	It is necessary to protect shareholder rights and make rational corporate decisions by ensuring that the Board of Directors is sound.	Establish a Non-Executive Director Recommendation Committee to individually appoint non-executive directors and maintain the majority of non-executive directors within the Board of Directors, ensuring its independence	96-99	Shareholders, employees
9. Stakeholder communication	Communication with various stakeholders regarding corporate issues and how those issues are being responded to	It is necessary to continuously communicate with stakeholders in order to maintain equitable coexistence with them and ensure the company's sustainability	Establish a communication channel for each stakeholder and be responsive	27	Shareholders, employees, local communities, government, suppliers
10. Win-win management with suppliers	Mutually beneficial cooperation with suppliers and activities related to expanding and supporting sustainable management	As part of an effort to minimize ESG risks throughout product and service production, we must comply with an increasing number of supply network-related restrictions and initiatives, such as the EU Supply Chain Due Diligence Law	Manage the supply network through the establishment of sustainable purchasing policies and by conducting ESG-related evaluations of suppliers	82-87	Suppliers
11. Compliance	Activities related to compliance with international declarations and guidelines in order to fulfill voluntary sustainable management goals while also abiding by domestic and international regulations	As regulations are strengthened across the globe, we must emphasize the importance of legal compliance and risk management because of the considerable financial and non-financial risks entailed by violating the law	Appoint legal support to assess our compliance with legal and regulatory standards	102, 105	Government, shareholders
12. Response to climate change and risk management	Activities related to the creation of processes that can manage financial and non-financial risk and propose responses in relation to business opportunities, climate change, etc.	It is necessary to enhance our response to the financial and non-financial risks of climate change and recognize the increasing importance of environmental management	Identify and evaluate climate-related risks and opportunities more than once a year with the Environmental Safety Team; establish short-, mid-, and long-term goals and response strategies by incorporating this into the company-wide risk management process	54-56	Shareholders, local communities

Stakeholder Communications

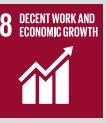
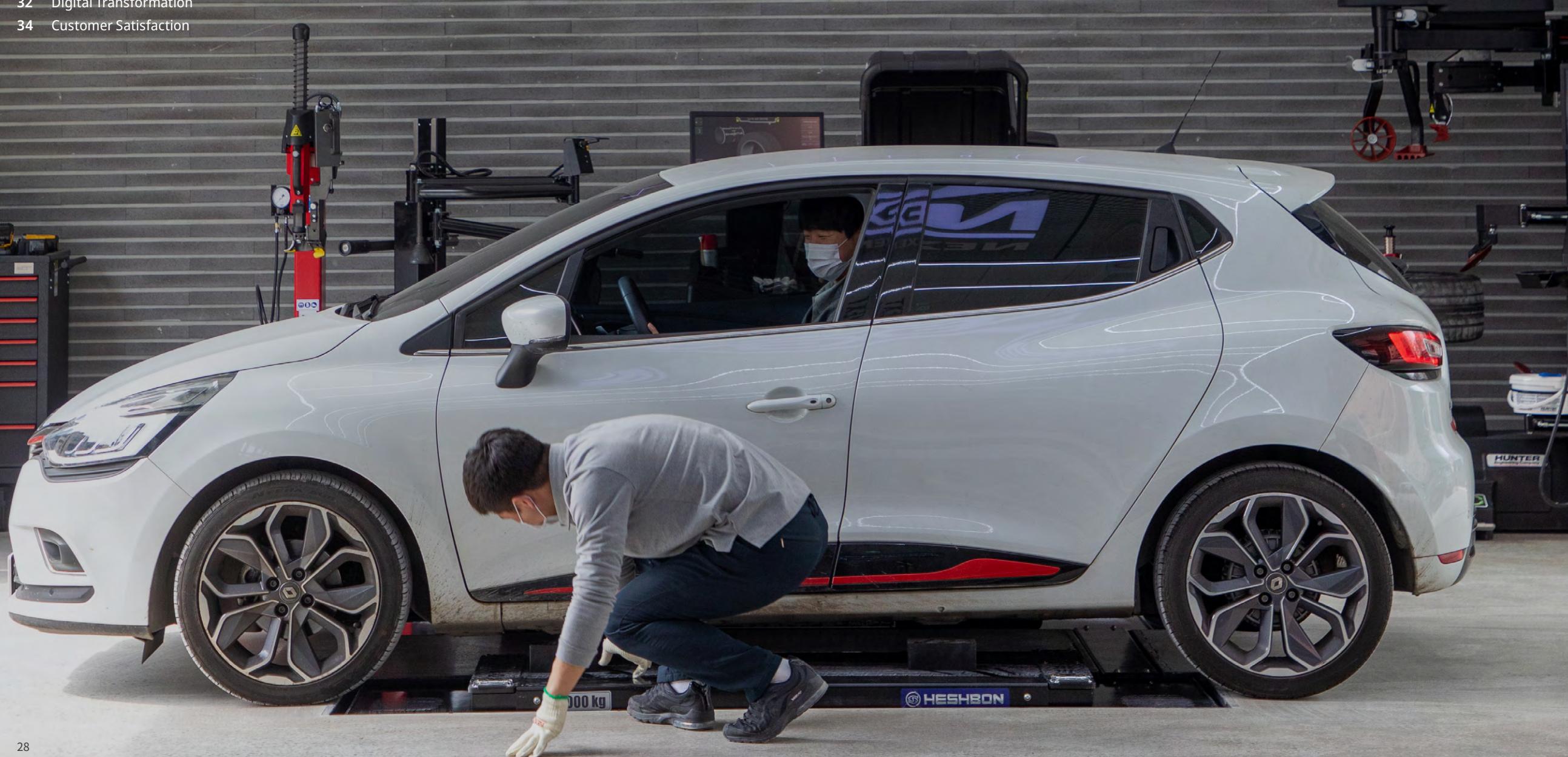
NEXEN TIRE seeks to walk the path of shared growth and coexistence by listening to the issues of interest from various stakeholders, conducting continuous communication through ESG communication channels, and actively reflecting it in NEXEN TIRE's ESG management activities in the future.

Stakeholders	Major Interests	Key Communication Channels	Response Activities
Employees 	<ul style="list-style-type: none"> - Fair HR system (equal opportunity, diverse) - Safe work environment and health of employees - Benefits, training, and human rights protection 	<ul style="list-style-type: none"> · CEO meeting · Surveys · Reporting center 	<ul style="list-style-type: none"> - Conducting sustainability survey - Running the reporting center
General consumers 	<ul style="list-style-type: none"> - Product innovation (product quality) - Customer health and safety related to products - Information security and privacy protection 	<ul style="list-style-type: none"> · Customer satisfaction centers · Sweepstakes · Events for agency owners 	<ul style="list-style-type: none"> - Free tire inspection service
Clients 	<ul style="list-style-type: none"> - Product innovation (product quality) - Certifications and compliance with external demands - Human rights and labor - Response to climate change 	<ul style="list-style-type: none"> · Domestic and overseas exhibitions and fairs · Participation in global initiatives 	<ul style="list-style-type: none"> - Enhancing products in relation to customer safety and health - Enhancing product quality and ensuring safety
Local communities 	<ul style="list-style-type: none"> - Social contributions to offset industrial impact - Activities to meet socioeconomic demands - Response to climate change 	<ul style="list-style-type: none"> · Social contribution activities · Roundtable events with local residents 	<ul style="list-style-type: none"> - Hosting of THE NEXEN univerCITY year-end music festival - Kimchi-sharing event
Suppliers 	<ul style="list-style-type: none"> - Purchasing policy - Supplier ESG policy - Regulatory compliance - Responsible procurement of raw materials 	<ul style="list-style-type: none"> · Events for suppliers · Training for suppliers · Regular monitoring 	<ul style="list-style-type: none"> - Hosting of the 2020 NEXEN TIRE Awards - Hosting of the 2020 Purple Summit Manchester
Governments and NGOs 	<ul style="list-style-type: none"> - Activities to meet socioeconomic demands - Response to climate change - Regulatory compliance 	<ul style="list-style-type: none"> · Policy meeting · Participation in global initiatives 	<ul style="list-style-type: none"> - Reporting use of harmful chemicals and observing regulations
Shareholders and Investors 	<ul style="list-style-type: none"> - Managerial achievements - Managerial structure - Ethical management - Regulatory compliance 	<ul style="list-style-type: none"> · General shareholders' meeting · Corporate presentation (IR meeting) 	<ul style="list-style-type: none"> - Holding general shareholders' meeting - Changing executives

ECONOMIC DIMENSION

- 30 R&D (Technological Innovation)
- 31 Drivers of NEXEN's Growth
- 32 Digital Transformation
- 34 Customer Satisfaction

NEXT LEVEL!



Key Highlight

KRW **1,698.1 billion**

Total sales



5.4%

Ratio of R&D expenditure to annual sales



24 models

New OE Supply



4,929 vehicles

Free Car Inspection Service on Highway

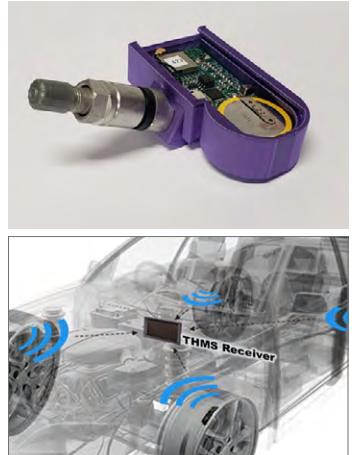


733 vehicles

Warranty for product lifecycle management



R&D (Technological Innovation)



Smart tire sensor

NEXEN TIRE is strengthening the core performance requirements of tires, such as fuel efficiency, tread, stiffness, noise, and wear, in line with 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 to develop new patterns, apply new materials, and optimize design. NEXEN TIRE is further strengthening its future competitiveness by reflecting the latest technology in its products, actively responding to rapidly changing automotive requirements, and responding quickly to changes.

One & Open R&D

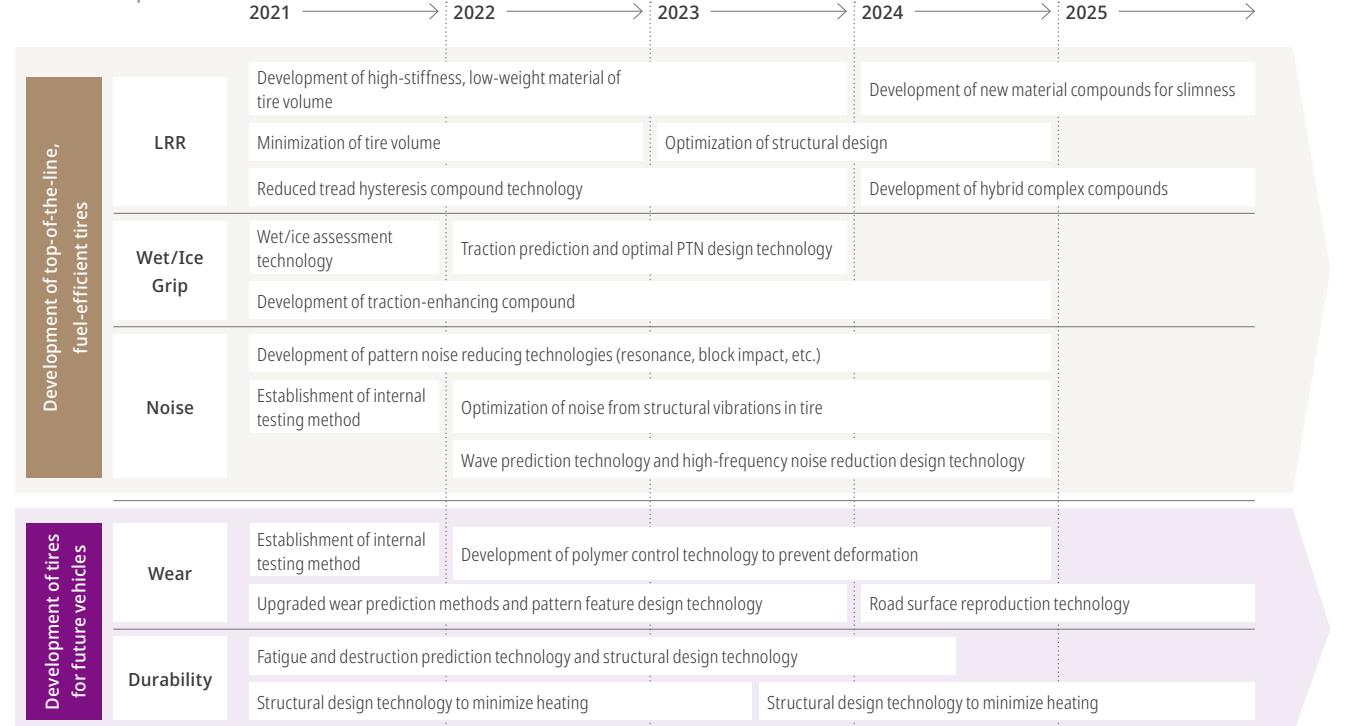
NEXEN TIRE is conducting its One & Open R&D to establish a creative culture that drives change and innovation. One refers to our focus on a single goal, while Open refers to the active communication that takes place across our digital and global collaboration systems.

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

In preparation for the near future where self-driving cars lead the market, NEXEN TIRE is developing the Tire Health Monitoring System (THMS). This is a smart tire sensor technology which self-diagnoses the tire condition and either notifies the driver directly or transmits it to the central control system through the cloud.

In this regard, our Central Research Institute in Korea and the Research Institute in the U.S. have been working together with REALITY AI, a Silicon Valley-based AI company to carry out research on topics such as using big data to create machine learning algorithms.

R&D Roadmap

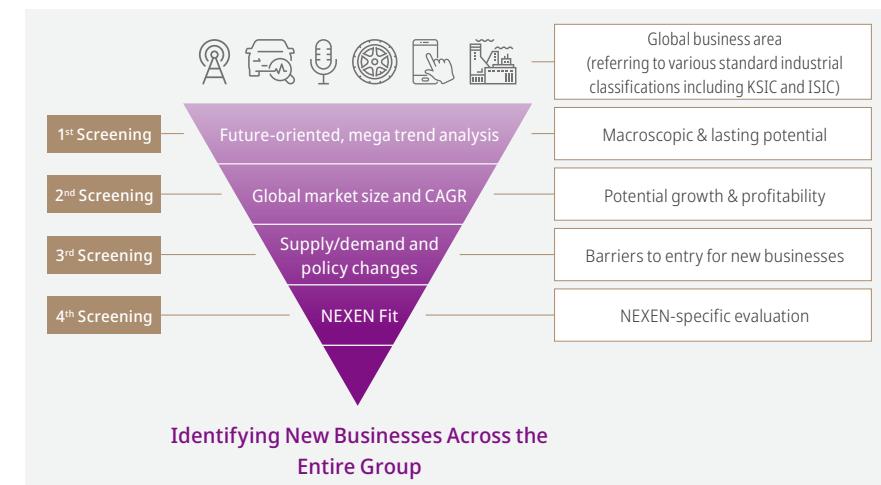


Drivers of NEXEN's Growth

Screening System to Discover New Businesses

NEXEN TIRE is open to all possibilities and business areas, even those outside our established tire industry, and works to discover new businesses at the group level.

Screening System to Discover New Businesses



* KSCI (Korean Standard Industrial Classification), ISIC (International Standard Industry Classification)

Securing New Growth Engines Through Venture Capital

In March 2021, NEXEN TIRE became the first in the Korean tire industry to establish Corporate Venture Capital (CVC) in Silicon Valley. We did this to secure a foundation for identifying new growth drivers. The new corporate identity was named Next Century Ventures, which encapsulates our identity and passion for the future.

NEXEN TIRE is planning to invest in startup companies that are developing innovative new technologies in the mobility sector such as vehicle sensors, AI, electric/hydrogen vehicles, self-driving systems, Mobility as a Service (MaaS), and Urban Air Mobility (UAM) in Silicon Valley, Israel, and Germany.

By investing in startups with high growth potential, NEXEN TIRE will secure various business opportunities and nurture and develop with startup companies as a strategic partner rather than a simple investment. Through the operations of the CVC, we strive to transcend the boundaries of the tire industry to become an all-encompassing mobility company.

next century
ventures

Digital Transformation

In preparation for the Fourth Industrial Revolution, NEXEN TIRE is focusing on AI and Big Data research and strengthening its data integrity and connectivity by upgrading its product development system. The technological data produced throughout the product development process is linked to a globally integrated system that manages test information. This contributes to the development of products that can achieve optimal performance. Additionally, we are planning to transition to a more digital culture by improving our work environment and enhance productivity by adopting new tire development simulation methodologies.

Establishing and Advancing NEPS

NEXEN TIRE newly established the NEXEN Tire Product Lifecycle Management System (NEPS)—a PLM system—and strengthened the integrity and connectivity of data by continuously conducting projects for its advancement.

We secured data infrastructure for Big Data and AI technologies by connecting technological data regarding design, analysis, specification, and evaluation of products and establishing a global Laboratory Automation System (LAS). Also, we are committed to expanding digital transformation by managing all R&D projects through the Project Management System (PMS).

NEPS Operational System

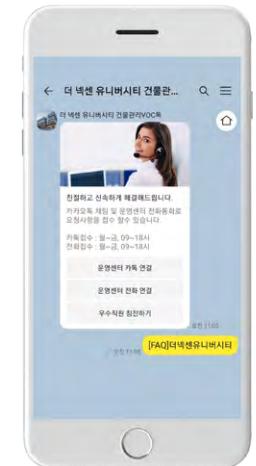


Entertainment facilities within the workplace

Innovating the Workspace Through Our Digital Culture

Due to the prolonged pandemic, opportunities for internal communication have been limited. For this reason, NEXEN TIRE has installed various entertainment facilities (arcade machines, dartboards, billiards tables, etc.) within the workplace to enhance employee morale and create spaces for open communication.

Moreover, to quickly resolve various inconveniences within the workplace, a VOC reception platform was opened utilizing Kakao Channel to provide one-stop services—from receiving complains to handling issues—for the welfare of our employees.

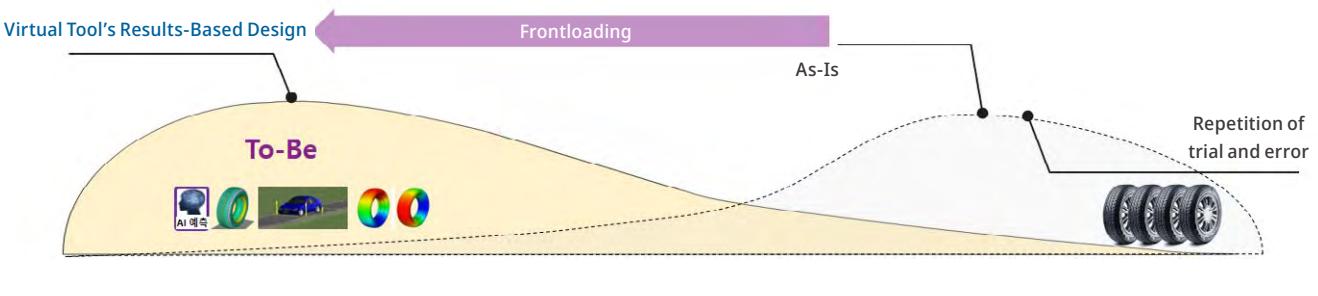


Kakao Channel VOC

Virtual Tire

NEXEN Virtual Product Development (NVPD) is a method of creating a virtual tire and predicting its performance through simulation; if the performance does not satisfy the evaluation standards, a new virtual tire is created through re-simulation. This allows us to reduce the production of actual tires and minimize time and money spent accordingly, contributing to technological innovation.

VNPD Simulation Screen



Customer Satisfaction

Invigorating Communication with Customers

NEXEN TIRE is constantly working to identify the various needs of its customers and reflect those needs in its products. Thanks to this effort, we are able to make sure our products are competitive and grow symbiotically with suppliers, providing a higher quality of service to our customers (automakers, general customers, and dealers).

Communicating to be More Competitive in the Market

The global OE business division constantly strives to build trustworthy relationships with our key clients, automobile manufacturers, by supplying them with innovative products that prioritize safety. In addition, NEXEN TIRE is developing products tailored to our clients' needs through constant R&D investment and by providing enhanced value through communication. As a result, we were designated as the 2020 Best Supplier of the Year by Stellantis, a multi-national automotive company. Furthermore, our OE tires were supplied for 24 new vehicles, including the Volkswagen GOLF and Hyundai TUCSON, demonstrating our credibility in the eyes of global automobile manufacturers. We do not settle with the achievements we have accomplished so far; we aim to achieve sustainable growth by actively fulfilling our social responsibilities and maintaining mutual trust with our clients.

Sharing of Operational Policies Related to our Products

We are improving the stability and reliability of the products supplied to our clients by conducting company-wide OE contract review meetings and inspections. With the goal of supplying our products to automobile manufacturers in a timely manner, we preemptively develop products of supply quality and share them with our clients, forming a closer network. We are also forming a collaborative system with the relevant sectors so that our operational policies can reflect in our mid- to long-term product strategies and in the clients' developmental policies.



N'FERA Sport

Independent Quality Improvement System

As the importance of ESG continues to rise, NEXEN TIRE share revised requirements of the international standard IATF 16949, which has been acquired by all manufacturing plants, with our internal and external stakeholders. Relevant system changes have been implemented accordingly.

Providing Products Meeting Customer Needs

High-Performance Tire: N'FERA Sport

Based on the experience and technology of performance tires we have accumulated over the years with Porsche, a global premium brand, NEXEN TIRE has started supplying the N'FERA Sport tires for the Panamera. Through activities as such, we are successfully achieving quality growth and enhancing our brand image.

Selected as the 2020 Best Supplier of the Year by Stellantis

NEXEN TIRE was selected as the 2020 Best Supplier of the Year by Stellantis, a global automotive company. Stellantis was officially launched earlier this year following the merger of Italian-American automotive group Fiat Chrysler Automobiles (FCA) and French automotive group Peugeot Citroën (PSA), which includes Jeep, Maserati, Peugeot, Fiat, Chrysler, Ram, and Citroën. In the awards ceremony, held online due to COVID-19, NEXEN TIRE was the only tire company to be selected as a top company in the 'competitiveness' sector.

NEXEN TIRE will keep striving to become a supplier that continuously grows alongside its customers. We will strengthen our competitive edge in the global market by widely improving our quality and technology and using our designation as an excellent supplier.



Stellantis Award

Supplying Products Created through Application of AI and Big Data Technologies to KIA K8

NEXEN TIRE developed a new tread pattern based on a noise-reducing prediction system for the first time in Korea. This system was developed by a joint research on noise, vibration, and harshness (NVH) using Big Data analytics, together with Hyundai and KIA Motors. AI and Big Data technologies were applied so that AI could learn the ideal direction for noise reduction. The N'FERA AU7 AI, which was created through the application of this technology, successfully reduced noise by predicting low-noise patterns and improved the subjective performance of the vehicle.

Through continuous investment in R&D, NEXEN TIRE will be a pioneer in the future mobility industry by applying AI and big data technologies in self-driving vehicles and tire products.



Supplying N'FERA AU7 AI to KIA K8

Received the 2020 GM Supplier Quality Excellence Award for 8 Consecutive Years

NEXEN TIRE received the 2020 GM Supplier Quality Excellence Award for the eighth consecutive year from GM, a global automotive company. The GM Supplier Quality Excellence Awards have been held every year since 1992, and awards are given to suppliers who have added value or led to innovation for GM based on an evaluation of quality, logistics, and the supply chain.



GM Award

Supplying for the Fourth-Gen Audi A3

NEXEN TIRE began supplying OE tires including N'FERA Sports, N'blue S, and WINGUARD Sport 2 for the Audi A3 vehicles, demonstrating excellence in performance and technology of its products.



Canoo OE Supply

New Tire Supply for the American Electric Vehicle Manufacturer Canoo

NEXEN Tire supplies OE tires to vehicles produced by Canoo, an electric vehicle startup based in the U.S. This shows that our product meets requirements for a next-generation electric car regarding safety, durability, and noise. Canoo vehicles are provided to customers under a vehicle subscription service in line with the global mobility industry trends towards electric vehicles and the sharing economy. Canoo is attracting attention thanks to its futuristic design that maximizes the interior of vehicles. With customer-tailored models, like the OE supply to Canoo, NEXEN TIRE will contribute to the expansion of an eco-friendly mobility industry based on technological innovation and excellence in design.

Advanced Global R&D Capacities Reflecting Customer Needs

NEXEN TIRE is operating four global manufacturing plants and four global R&D centers. Centered around the Central Research Institute in Korea, our global R&D network operates in the U.S., Germany, and China. Differences in regional road conditions and driving styles are analyzed to develop best quality products. Research results for each region are shared across our 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, we are contributing to the improvement of our R&D capabilities by acquiring various local know-hows and synergy through our global R&D network.

R&D Global Network

US Technical Center

Richfield, Ohio, United States



US R&D Center

As the first building in the newly developed complex located in Richfield, Ohio, NEXEN TIRE's R&D Center is strengthening its position in the US market by developing OE and RE tires which reflect the demands of local automakers and customers.

CHINA Technical Center

Tsingtao, China



China R&D Center

NEXEN TIRE's Chinese R&D Center was established to enter the Chinese market, the largest consumer market in the world. It is serving the role of developing not only tires optimized for local conditions but also strategic OE and RE tire products for the overseas market. In addition, it is contributing to stabilizing the quality of finished products while supporting production efficiency.

USA
●

EU Technical Center

Kelkheim, Germany



European Sales and R&D Center

NEXEN TIRE integrated the once separate European R&D Center and sales and marketing department in Germany into a newly constructed building in September 2018. The new R&D Center located in Kelkheim serves as an outpost to target the European market.

Germany
●

Spain
●

Czech Republic
●

EP Research Lab (Czech Republic)



IDIADA PG



China
●

Republic of Korea
●

KOREA Central R&D Center

Seoul, Korea



THE NEXEN univerCITY (Central Research Institute)

Magok Central Research Institute, also known as THE NEXEN univerCITY, consists of two underground floors and eight above-ground floors, with a total area spanning of 57,146m². It was completed in the Seoul Magok Business Complex in April 2019. The Magok Central Research Institute established a basis for enhancing next-generation technology through various research facilities, including optimized OE/RE product design, AI, and virtual tire technology.

Improving Product Competitiveness

By securing design technology and developing new materials, NEXEN TIRE is conducting research on optimizing the four key performance indicators: fuel efficiency, wet grip, noise, and wear. In addition, we are focusing on improving product performance by applying big data technology to the product development to develop new concepts in tires and products for electric vehicles, developing new patterns, applying new materials, and promoting optimized design.

Quality Management System

Monitoring of Quality via Alarm Operation To ensure reliability and quality in the global market, we regularly conduct systematic quality monitoring. If any quality issue arises, there is an alarm function that can be used to provide quick feedback to production and management departments.

Preparing Recurrence Prevention Measures By establishing improvement measures for product issues, NEXEN TIRE continuously works to prevent the recurrence of issues and ensure the production of high-quality products.

Improving Risk Management for all Products NEXEN TIRE focuses on maintaining a flawless quality assurance system that manages potential risks throughout the process, for example by managing the quality of test products and raw/subsidiary materials through import inspections and supplier quality management.

Adopting Error Proof System In order to fundamentally block potential failures due to operator error and emergency malfunction of production facilities when performing standard work for each process, we are actively implementing the Error Proof System for each process.

Achieving Zero Quality Issues NEXEN TIRE aims for zero quality issues by securing a finished product quality assurance system for semi-finished products and mixed materials through strengthening statistical quality control and a quality assurance system for finished products by strengthening reliability tests for finished products.

Managing the Quality of Developed Products The characteristics of our target markets are analyzed so that they are reflected in the planning stage of development. NEXEN TIRE strictly inspects performance requirements at each stage, from the performance enhancement stage to the final development stage. Through this process, NEXEN TIRE strives to provide products that are the best fit for the market.

Systemizing Change Management for Mass-Produced Products NEXEN TIRE developed a system that systematizes the manufacturing and design processes of transforming raw materials into semi-finished products, and then into mass-produced products. Through this system, a standardized quality verification is conducted for products that have been changed for mass-production in order to ensure consistency in the quality of products provided to customers.

Implementing Quality Awareness Enhancement Training

In order to apply and improve quality system that is mainly required in the automotive industry, we are conducting training on the five quality system methodologies of the IATF 16949 core tool: Advanced Product Quality Planning (APQP), Production Part Approval Process (PPAP), Failure Mode and Effects Analysis (FMEA), Measurement System Analysis (MSA), and Statistical Process Control (SPC). To this end, we are planning continuous education to provide customers with products of stable quality and to enhance customer satisfaction.

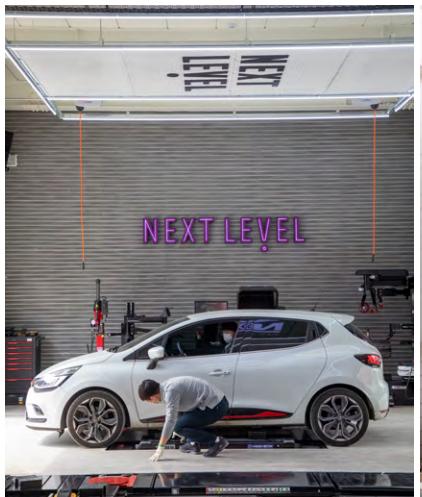


NEXT LEVEL GO service



NEXEN TIRE-Coupang Strategic Partnership

Opening of a New Concept Tire Replacement Store



General Consumers

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

Advancement of Contact-Free Tire Replacement Service: NEXT LEVEL GO

NEXT LEVEL GO NEXEN TIRE is developing and promoting a customer-based service that reflects recent consumer and environmental trends. The NEXT LEVEL GO service, based on modern consumer keywords such as online and contact-free, strives to provide a sustainable customer convenience service while reflecting recent trends, such as visiting installations, pickup & delivery services, and installations at branch offices.

The service region, which was limited to Seoul and the metropolitan area, was expanded nationwide to include the metropolitan cities as well as Gangwon, Chungcheong, Jeolla, and Gyeongsang provinces. To this end, NEXEN TIRE is continuously working to upgrade its equipment and conduct personnel training in order to provide high-quality services that are also convenient.

From January 2020, when the actual service was launched, to June 2021, the customer satisfaction rating averaged 4.9 points out of 5.0, maintaining a very high level of customer satisfaction. To provide services which are convenient and satisfy customer needs, we signed a strategic partnership with Coupang which allows us to provide the sale and services of NEXT LEVEL GO online, thereby maximizing synergy.



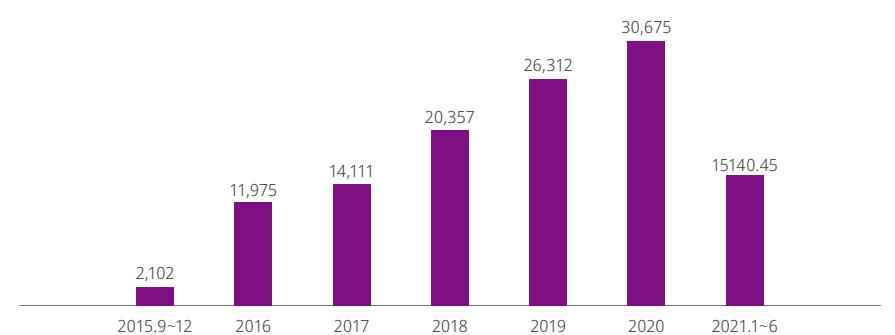
Next Level Rental Service

NEXT LEVEL Rental Service Tailored to Customer Needs

NEXT LEVEL Rental NEXEN TIRE's first tire rental service in Korea, NEXT LEVEL Rental, transcends the existing single payment purchasing model. With our relentless efforts to offer our customers tailored experience that fits to their needs, this service recommends products according to economic assurance, relief assurance, and free rental. With this, we present a professional tire care service to our customers.

NEXT LEVEL Rental Services Annual Sales

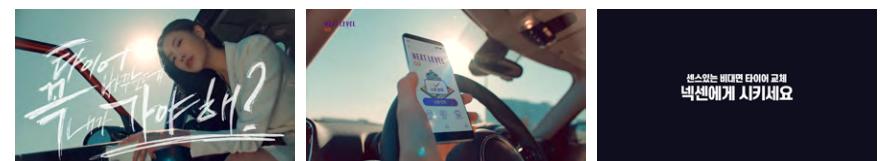
(Unit: KRW 1 million)



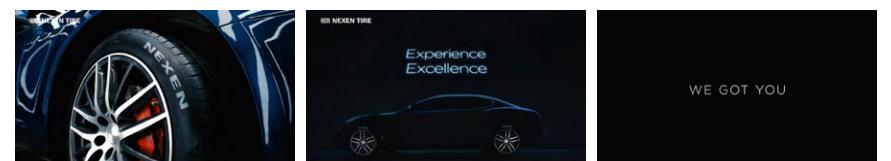
Sales graph from Sep. 2015 to Jun. 2021; continuous YoY increase in sales; sales in 2021 expected to be similar to those recorded in 2020

Strengthening Communication Through Continuous Promotional Campaigns

As part of an effort to provide convenience as a customer-friendly brand, NEXEN TIRE is continuously strengthening its promotional activities for the NEXT LEVEL GO and NEXT LEVEL Rental services. These activities are promoted through continuous communication activities since the launch of the NEXT LEVEL campaign in March 2020. In the global market, we are planning to continuously conduct a product performance-based brand campaign and boost communication with customers through our website and various social media channels.



NEXEN TIRE advertisement



NEXEN TIRE Brand Campaign

Providing Product Warranties

With our confidence in our product and service quality, NEXEN TIRE has been operating a special warranty system since 2007. All customers who purchase products with a special warranty are offered a one-time replacement and compensation for not only manufacturing negligence but also user negligence.

Free Car Safety Inspection Service on Highway

For the safety and happiness of customers who purchase NEXEN TIRE products, NEXEN TIRE provides free car inspection services on highways. In 2020, the inspections were held three times for seven days each. NEXEN TIRE has remained the preferred choice of its customers by carrying out interior & window cleaning, washer fluid refills, and engine oil inspections. Tire pressure & puncture inspections were done as a safety measure.



Free Car Inspection Service on Highway

Highway Safety Inspection Campaign

A free safety inspection campaign was conducted on four major highways during times of high traffic, such as national holidays and summer vacation seasons. At these inspections, the safety of tires and vehicles were inspected and management tips were provided.

Improving Customer Satisfaction Through Reasonable Complaint Processing

NEXEN TIRE values its customers' trust and conducts customer-oriented quality management. First, we receive customer complaints on our website and representative call center, and provide quick feedback to customers through 1:1 answers and in-depth consultations at designated service centers nationwide.

Claim Consultation NEXEN TIRE operates service centers in various locations nationwide to provide quick consultations and services to customers. One-on-one customized consultations are conducted at designated service centers.

Happy Call To evaluate opinions, consultation quality, and overall satisfaction, we conduct a Happy Call service for customers who received our service and consultation in order to continuously monitor and achieve effective follow-up management.



Support for Store Interior and Promotional Materials



Online Customer Event

Business partners (distributors and dealers)

Supporting the Marketing Activities of Clients

NEXEN TIRE supports marketing activities in various areas to enhance the sales and profits of its global clients. Along with financial support for various online and offline marketing activities carried out by customers in their respective countries, we provide data and operating guidelines that can be used for marketing. We also support interior/exterior guides to improve store environment, display items that can promote NEXEN TIRE within the store, and product promotional materials. In particular, we provide online product training services for on-site salesmen to provide professional and improved customer service.



Collaborative Test Drive Event



Dealer Conference Support

Hosted the 2020 Purple Summit Manchester NEXEN TIRE invited major business partners from around the world through the 4th Purple Summit event to create a space for mutual cooperation and exchange.

Visions and strategies for the future such as goals for development and product introductions were shared which allowed attendees to establish partnership strategies and pursue efforts for mutual growth.



2020 Purple Summit Event

ENVIRONMENTAL DIMENSION

- 44 Environmental Management System
- 45 R&D and Raw Materials
- 48 Manufacturing
- 50 Use, Recycling & Disposal
- 54 Response to Climate Change



Key Highlight

0.858 tCO₂eq/ton
GHG intensity (Scope 1+2)



38,184 tCO₂eq/ton
GHG reduction in 2020
(Government quota – Actual emissions)



95%
Waste recycling rate



1,652,699 m³
Water intake



23%
Ratio of sustainable raw material used



100%
Environmental Management System (EMS) implementation rate



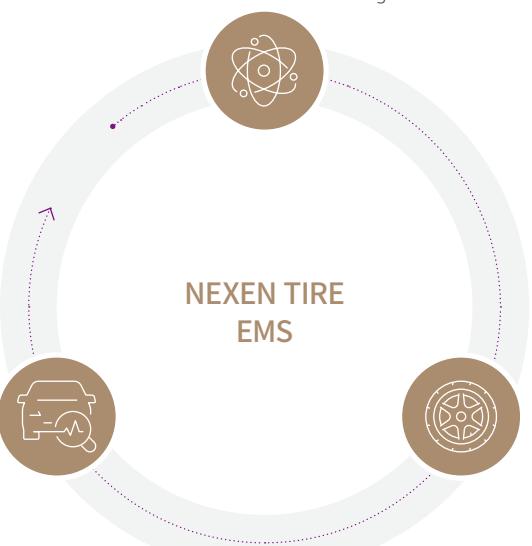
Environmental Management System

NEXEN TIRE's Environmental Management System

NEXEN TIRE operates its environmental management system based on the ISO 14001. We evaluate all environmental risks across all stages from tire production to usage and disposal. In order to minimize our environmental impact, we continuously conduct R&D, such as projects on developing sustainable raw material or energy efficient technologies. To further pursue sustainability, we set environmental targets and manage our performance. In addition, NEXEN TIRE offers environmental training for all employees. Particularly, those who handle harmful chemical substances have completed special training covering the definition and handling of chemical substances and emergency response procedures. We communicate transparently with stakeholders regarding our environmental performance, and we will continue to reduce our environmental impacts by strengthening our environmental management system.



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



3. Use, Recycling & Disposal

- Reducing GHG emissions by selling energy-efficient products including N'blue S
- Managing recycling targets for waste tires and complying with mandatory used tire recycling plans designated by the Ministry of Environment
- Establishing targets to reduce waste produced during the manufacturing process and continuously monitoring contractors hired for treating waste

2. Manufacturing

- Managing the amount of air pollutants emitted and installing pollutant reduction devices
- Minimizing the energy usage by optimizing curing time
- Reducing the water usage and managing contaminants in wastewater

- Reducing the water usage and managing contaminants in wastewater
- Establishing targets to reduce waste produced during the manufacturing process and continuously monitoring contractors hired for treating waste

R&D and Raw Materials

NEXEN TIRE is making efforts to mitigate negative environmental impacts by considering impacts along the complete value chain. In particular, we have worked to re-establish our chemical substance management system during the product development stages and are continuously developing technologies to enhance our eco-friendly materials and energy efficiency.

Chemical Substance Management System

Re-establishing Processes According to the Material Safety Data Sheet (MSDS)

As global climate change and various climate-related issues become increasingly critical, movements to reinforce regulations on chemical substances are accelerating. Likewise, following the revision of the Occupational Safety and Health Act and the Chemical Substances Control Act, management regulations are strengthened to enhance the systematic management of chemical substances and prevent industrial and chemical accidents. NEXEN TIRE has developed an inventory of domestic chemical substances in accordance with the chemical substance management processes. We have recently re-established our chemical substance management system in accordance with the revision of the Material Safety Data Sheet (MSDS)-related requirements in the Occupational Safety and Health Act. Based on the revised processes, the chemical substances used by NEXEN TIRE are classified into domestic demand and export according to the distribution method, and the MSDSs are being comprehensively re-evaluated to identify potential hazards and risks.

Depending on the review results, we decide whether to approve the application of chemical substances on-site and operate a process so that only chemical substances that have been given an approval number can be imported and used. We plan to improve our chemical substance management system through regular inspections.

Advancing the Chemical Substance Management System

The importance of properly managing raw materials and chemical substances is increasing alongside the reinforcement of global chemical substance-related regulations. During the initial stages of development, NEXEN TIRE inspects the compositions of the raw materials and chemical substances used and confirms whether they are subject to regulations. Additionally, harmful substance assessment results are regularly monitored to reduce hazards and risks. The chemical substance management system is advanced through regular monitoring and data management, which enables us to comply with related regulations and manage raw material ingredients and their usage.

R&D for the Adoption of Sustainable Raw Materials

To ensure the sustainability of tire materials and reduce the use of petroleum resources, NEXEN TIRE is establishing a mid- to long-term plan to develop and apply eco-friendly raw materials such as recycled or renewable materials. Furthermore, we are conducting research on tire development using sustainable raw materials with domestic raw material companies through state-funded research.

Discovering Sustainable Raw Materials

NEXEN TIRE is studying the development of tire products using recycled butyl rubber and various recycled raw materials. We are conducting research on substituting natural oils and resins for oils and resins produced from existing petroleum resources, as well as substituting and applying existing mineral silica with recycled silica from vegetable waste. NEXEN TIRE plans to continue studying and identifying various recyclable and renewable raw materials and expanding their applications.

Use of Sustainable Raw Materials

As of April 2021, a total of 23% of the raw materials used by NEXEN TIRE were sustainable. We plan to increase the proportion of recycled raw materials obtained from various end-to-life renewable materials extracted from natural and biological resources. This will reduce the usage of oil and chemical resources and increase the usage of sustainable raw materials.

Industry-University Joint Research for the Development of Eco-Friendly Tire Materials

Various eco-friendly materials must be discovered to ensure the sustainability of tires as well as technologies that can secure the performance of tires related to fatigue, wear, braking, and fuel efficiency. To promote the efficient development of tires, NEXEN TIRE is conducting an industry-university joint research (open innovation) across various fields by connecting influential companies, governmental researchers, and universities. Through this research, we plan to develop various technologies that can replace widely used raw materials—polymers, fillers, oils, and cords—with eco-friendly raw materials.

Detail of the National Project

General project name: Development of Eco-Friendly Tire Technologies Utilizing Sustainable Materials for Future Vehicles

Period: April 2021 to December 2024

Detail: Development of eco-friendly, highly fuel efficient tire technologies using sustainable materials:

Zeus Oil & Chemicals Co., Ltd.: development of eco-friendly oil; NEXEN TIRE Co., Ltd.: development of eco-friendly tire;

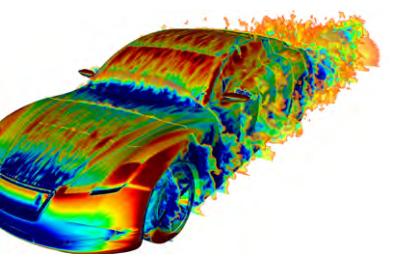
KOLON Co., Ltd.: development of eco-friendly cord; D.Y Polymer: development of recycled PET;

Korea Automotive Technology Institute: development of fatigue characteristic analysis methodology; Korea Research Institute of Chemical Technology: research on natural oil degeneration technology

R&D on Energy Efficiency-Enhancing Technology

NEXEN TIRE operates a tire energy efficiency rating system. This is a system that measures the rolling resistance and wet grip of a tire and grades them on a scale of 1 to 5. Among the rating items, the fuel economy item indicates the rolling resistance of the tire. The lower the rolling resistance, the less frictional resistance between the tire and the road surface, which increases fuel efficiency and reduces carbon dioxide emissions, contributing to environmental protection. In Korea, the minimum energy consumption efficiency standard system was introduced in December 2013, prohibiting the production, sale and distribution of products that do not meet the government minimum standards. As of 2020, NEXEN TIRE manufactures tires that satisfy these standards and has successfully developed aerodynamic technology that dramatically improves vehicle fuel efficiency.

This technology, completed through joint research with Dassault Systèmes, predicts the shape that minimizes air resistance through simulation and directly applies it to the product, thereby improving vehicle fuel efficiency. In particular, we are expanding cooperation with European automakers such as BMW, Benz, and Volkswagen, and our fuel efficiency improvement technology is being recognized. We will continue our efforts to improve the energy efficiency of our products.

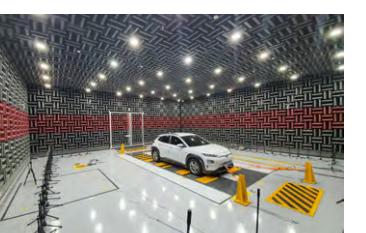


Aerodynamics

Research on Tire Weight Optimization

Research on Tire Weight Optimization

While restricting the usage of various raw materials to minimize environmental impact, NEXEN TIRE has been conducting research on ways to enhance fuel efficiency by reducing the weight of tires. While refining the structure of tires, we have prevented quality risks by conducting thorough design reviews of tire components that require optimization. We are also conducting weight optimizations without any deterioration in quality by reconfiguring design technologies and optimizing structures and materials.



AI and Big Data-based Noise Reduction Prediction System

Research on Reducing Tire Rolling Resistance and Noise

NEXEN TIRE is continuously conducting research on ways to reduce rolling resistance of tires in order to create products with improved energy efficiency. In 2019, we improved the rolling resistance class from B to A for our OE products equipped in VW 8th-gen Golf models. Through continuous structural and material research, we have developed products with 20% enhanced rolling resistance compared to our existing A-class products in 2020.

We have also developed material technologies that enhance rolling resistance, braking, wear, as well as general performance. Because we were able to develop materials with 20% increased wear resistance, our products were applied to new vehicle OE products such as HKMC, AUDI, and BMW. Furthermore, our technological prowess was recognized both internally and externally by securing remarkable results in rolling resistance, braking, and low-noise performance at the competition hosted by HKMC, where we won second place among 7 domestic and foreign tire manufacturers. Additionally, we managed to establish a prediction system capable of reducing tire noise by using AI and big data through a joint research project with Hyundai, KIA Motors, and Inha University.

Manufacturing

Reducing Emission of Air Pollutants

Due to the increasingly severe particulate matter, social demands for the reduction of corporate emissions are increasing. To minimize air pollutant emissions, NEXEN TIRE manages its emission pollutant concentrations through monthly self-measurements. In addition, we regularly carry out maintenance on our pollutant prevention facilities to improve dust collection efficiency. In 2020, we invested approximately KRW 400 million to reduce particulate matter emissions. We reduced nitrogen oxide emissions by 22.7% by replacing boiler burners with low NOx burners at our Yangsan, Changnyeong, and China manufacturing plants. In the case of the Yangsan and Changnyeong plants, we signed a voluntary agreement with the Gyeongsangnam Provincial Government to reduce particulate matter for five years from 2020 to 2024. In 2020, these two plants were designated as excellent workplaces for dust reduction in the province. In order to achieve our goal of a 30% reduction in nitrogen oxide emissions by 2024 compared to 2018, we will establish and manage an annual investment plan. In the case of the European manufacturing plant, in 2018, we installed a reduction device with new technologies such as regenerative thermal oxidizers (RTO) and Cold Plasma for volatile organic compounds (VOC) reduction and odor reduction of exhaust gas. We are also working to improve the external environment of our production sites.

Developing Energy Saving Technology

The curing process is a process of putting the flexible rubber tires into a set frame and applying heat and pressure to improve its elasticity and create a pattern. NEXEN TIRE is conducting research on optimizing the curing time to improve productivity and save energy. In 2020, we optimized the cure time margin, which is the time added to the curing time, in consideration of the various process variations that may affect the curing time. We optimized the cure time in order to simultaneously establish a safe amount of curing time that would also prevent quality issues in our finished products. As a result of applying this optimization to the manufacturing process, we were able to reduce the cure time for approximately 560 standard products by an average of 18 seconds. By extending the idle time of curing equipment, we also achieved a reduction in energy usage corresponding to the reduced curing time, and will strive to find more ways to efficiently manage process resources through continuous optimization.

Water Management and Recycling of Treated Water

In order to minimize the impact on the water environment and prevent risks, NEXEN TIRE is making efforts to increase the water reuse rate by managing water consumption and wastewater pollution concentration. Pollution and emissions levels are self-monitored under the supervision of the Engineering Team at each plant where goals are set and managed every month. In addition, wastewater pollution is managed by self-measurements as well as measurements that are carried out by an independent party bimonthly. We also prevent the risk of an increase in pollution concentration by dredging the wastewater collection tank three times a year. To combat the dropping of water quality levels due to nonpoint pollution sources belonging to NEXEN TIRE, pollution reduction facilities have been installed. To ensure a long lifespan, these facilities are maintained and cleaned every month and their filters are completely replaced. Additionally, at the Europe plant, we created a system where a portion of the spray water used for cooling pressed semi-finished products is recycled through water treatment in order to reduce water usage as well as reduce wastewater. We transparently disclose information regarding our water management practices in the Carbon Disclosure Project (CDP) and obtained a B grade in 2020. In 2021, we will do our best to reduce water usage and lower wastewater contamination levels.

Improving Waste Management and Recycling

In order to reduce waste created from the manufacturing process and increase recycling, NEXEN TIRE classifies waste as general waste, scrap metal, paper, wood, plastic, and oil and disposes waste according to its classification. To minimize losses during the manufacturing process and manage waste, we set specific waste reduction targets based on environmental impact assessments and track our progress. Through an environmental impact assessment, the amount of waste produced was identified and a reduction target was set. In 2020, the amount of general waste produced was reduced by 122 tons when compared to 2019, resulting in a reduction of approximately KRW 24.4 million. Additionally, we conduct on-site inspections of waste processing companies to evaluate their compliance with regulations, and waste is monitored until the final stage.

NEXEN TIRE is constantly working with professional processing companies to increase the recycling rate, and, as a result, a total of 95.3% of our disposed waste is now being recycled.

Use, Recycling & Disposal

NEXEN TIRE defines eco-friendly products as those with a minimum environmental impact. The company also conducts continuous R&D to produce products that comply with the definitions established. Furthermore, we are fulfilling our social responsibilities by participating in the Extended Producer Responsibility (EPR) system by recycling waste tires.

Establishing Definitions for Eco-friendly Products

Eco-friendly products are defined as products with improved fuel efficiency in accordance with global greenhouse gas reduction measures. NEXEN TIRE is operating a product policy so that consumers can choose to purchase our products by enhancing their understanding of eco-friendly products by specifying the level of products for each fuel efficiency class. For products supplied to areas that are not subject to the eco-labelling system for tire products, standardized fuel efficiency design is applied to all of our products through environmental review. In addition, priority is placed on improving fuel efficiency during the design process to fulfill the CO₂ emission standards of automobile manufacturers and promote 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 products with excellent energy consumption efficiency, i.e. rolling resistance performance, and tires with a rolling resistance rating higher than 3-4, which is the average rolling resistance of tires for cars distributed in the Korean market in 2020. In the future, as environmental regulations strengthen, the reinforcement of CO₂ reduction targets and rolling resistance requirements, minimization of particulate matter emission, and the acceleration of electric vehicle distribution will be required. Therefore, we plan to establish a target that meets the global performance requirements and continuously expand the proportion of eco-friendly products.

Examples of Eco-friendly Products

Starting with N'blue ECO, efforts to create eco-friendly products evolved into the next-generation pattern, N'blue S. N'blue S is an OE tire product that is currently being supplied to leading car manufacturers as a first-class rolling resistance product (class A by the EU Tire Label). In addition, the N'FERA sports product, an ultra-high performance product, has also acquired the first class in rolling resistance through steady technological development. Furthermore, rolling resistance A-class products such as the N'blue HD pattern, targeted at the European RE tire markets, are being developed and sold.

In 2012, the European tire environmental rating system was implemented, and all products supplied to Europe were converted to eco-friendly products. To this end, we released the high-performance N'FERA series as well as the comfort zone N'blue Series. To achieve the level of sustainability demanded in the market, we introduced a next-generation styrene-butadiene rubber (SBR) dedicated rubber mixer. This new equipment is operated as a major facility that satisfies the fuel efficiency standards demanded by automakers such as eco-friendly market response and premium OE.

Additionally, to prevent the loss of fuel efficiency which can occur because of rolling resistance, a low-weight design standard was introduced. NEXEN TIRE is constantly focusing on R&D to apply new materials such as the low-weight, high-tensile "open steel cords."

Eco-Friendly Products

N'blue S, Ideal for Eco-Friendly and High-Performance Vehicles

NEXEN TIRE's N'blue S, which is supplied for Volkswagen's best-selling, 8th-gen Golf and SEAT's best-selling LEON vehicles, is suitable for eco-friendly and high-performance vehicles. We minimized the rolling resistance of N'blue S tires in response to the stricter CO₂ regulations in Europe. This feature improves fuel efficiency and reduces the pass-by noise (PBN) level, one of the European environmental regulations. Notably, we strengthened high-speed drainage and braking in wet surfaces while applying simple groove designs compared to existing products. NEXEN TIRE's quality and technology were recognized in the global market through our consistently expanding supply to global automakers such as Porsche, Benz, BMW, Škoda, Renault, Stellantis (FCA/PSA) and Mitsubishi.



Future Eco-friendly Concept Tire Green Hive

The tread recharge-type eco-friendly concept tire, 'Green Hive,' has received recognition by winning awards at global design contests such as the IDEA Design Awards and the Green Good Design Awards in the United States, A Design Award in Italy, and the Red Dot Award in Germany. Green Hive is a next-generation innovative product that can be used after simply purchasing a refillable tread on a wheel-inclusive tire. Due to the fact that it can be used semi-permanently, Green Hive received high marks in innovation, eco-friendliness, and economy, and was evaluated for breaking the existing tire mold and presenting a new paradigm.



Breathe

Air pollution is intensifying due to yellow dust, thermal power plants, and various means of transportation. Breathe offers a pragmatic remedy to these environmental problems. Breathe includes an air-purifying filter within the tire that filters contaminated air and particulate matter while driving, and release clean air back into the atmosphere. It received an award at the Green Good Design Awards in 2018, along with the IDEA Design Award in the United States and the Red Dot Award in Germany.



Collecting Waste Tires and Fulfilling Recycling Duties

Domestic Disposal

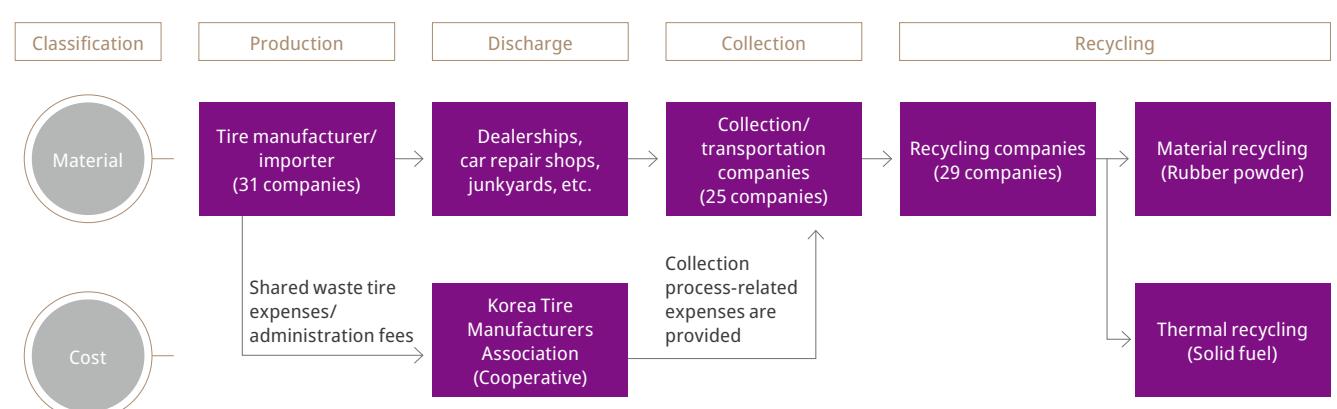
Based on the principle of Extended Producer Responsibility (EPR), domestic waste tires are collected and recycled to achieve the recycling target set by the Ministry of Environment every year. As a member of the Korea Tire Manufacturers Association, NEXEN TIRE is entrusted with the collection, disposal and cost settlement of waste tires.

If the work of collecting and processing waste tires is not carried out smoothly, tire dealerships may experience difficulties due to a lack of storage space for these waste tires. Therefore, we are striving to overachieve the target each year through proactive collection and processing of tires.

At the beginning of each year, a recycling duty fulfillment plan is established by estimating the shipment weight of new products what will occur in the year. In addition, waste tires collected from waste tire collection companies designated by the Korea Tire Manufacturers Association and the weight of waste tires supplied from the recycling companies are recorded to manage recycling goals. If issues occur during the collection or recycling processes, they are resolved through a close cooperation with the Association and its members.

In April each year, each member of the association reports the total amount of tires distributed domestically to the Korea Environment Corporation, and the Corporation compares recycling performances with actual waste tire collection to decide whether the recycling duty fulfillment plan set at the beginning of the last year is fulfilled.

Extended Producer Responsibility (EPR)



Tire Recycling

(Unit: %)

Classification	2016	2017	2018	2019	2020
Recycling rate ¹⁾	76.7%	80.7%	82.6%	78.0%	²⁾ 79.0%
Target set by the government ²⁾	76.7%	76.7%	78.6%	78.6%	79.0%

1) Recycling rate = approved recycling fulfillment amount / waste tire production

2) Approved recycling fulfillment amount: According to the detailed standards for usage method of waste tires (only 70% of the total obligation is approved for heat utilization), cases of heat utilization were excluded. For 2019, the recycling rate based on the total recycled weight before exclusion was 82.1% as calculated by the Korea Environment Corporation.

3) Waste tire production: New tire delivery rate × wear rate (0.85)

2) The recycling goal for waste tires changes every year according to notifications by the Ministry of Environment.

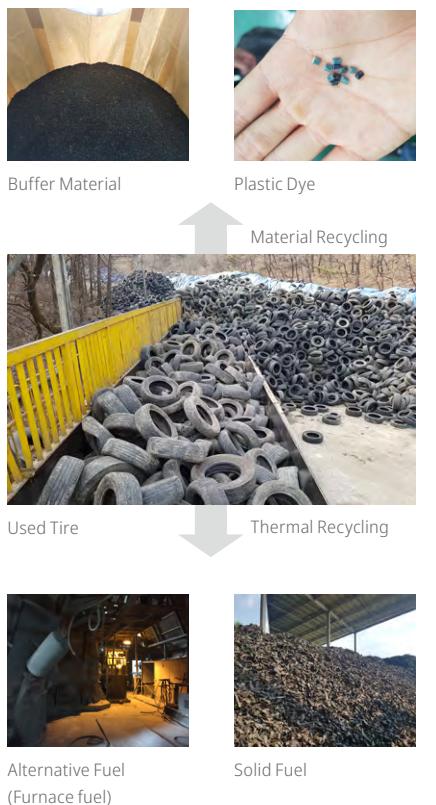
3) The recycling rate of waste tires in 2020 is planned to be determined through the investigation of the Korea Environment Corporation in September 2021.

Overseas Disposal

NEXEN TIRE Europe complies with regulations that require companies to maintain a waste tire collection rate of at least 65%. The collected tires are recycled or incinerated with energy recovery.

On an annual basis, we report the collection of tires to the official database.

Example of Material/Thermal Recycling



Recycling Methods for Waste Tires

Domestic Recycling

Collected waste tires can be largely divided into material recycling and thermal recycling according to the recycling method. As stated in the Act on the Promotion of Saving and Recycling of Resources, 30% of the mandatory recycling amounts must be recycled as material recycling.

Material recycling refers to cases where collected waste tires are crushed, and iron rims are separated to produce rubber powder. The rubber powder is often used for flooring with a shock buffering effect or for turning plastic black. Therefore, NEXEN TIRE is striving to discover new suppliers every year to supply 30% of its annual recycling fulfillment amount to rubber powder manufacturers. In the case of thermal recycling, waste tires are supplied to cement companies and used as an alternative source of fuel, while some are supplied to companies which produce solid fuel.

Overseas Recycling

NEXEN TIRE Europe is developing recycling methods by continuously increasing the proportion of material recycling over thermal recycling.

Response to Climate Change

Adapting to Climate Change

The Importance of Adapting to Climate Change

As climate change accelerates, extreme weather events continue to occur, causing massive economic losses. Therefore, countries across the globe have been proactively setting goals to reduce GHG emissions while practicing various methods to fulfill them. Along with the trend of transitioning from internal combustion locomotives to electric vehicles, the demand for carbon neutrality from major carmakers is getting stronger, and the level of demand is also becoming more specific.

As GHG emission reductions are starting to be conducted in earnest, the use of additional necessary expenses increases production costs, which can weaken export competitiveness in the global market. However, new growth opportunities can be obtained by leading the market through developing sustainable products and by selling carbon credits earned from GHG reductions.

To effectively respond to these risks and opportunities, NEXEN TIRE is keeping an eye on changes in domestic and international regulating regarding carbon neutrality and we are proceeding with various response activities that will help reduce GHG emissions.

Management System

NEXEN TIRE manages the entire supply chain starting from raw materials purchased from suppliers to the products sold to its customers. We minimize environmental risks that may occur during business operations by managing the entire supply chain. GHG emissions occur in all areas of tire manufacturing, from the production of raw materials to the operation of vehicles after installation. By preemptively responding to climate change throughout the process, we meet the demands of our stakeholders regarding climate protection and strictly comply with local regulations where our manufacturing plants are located.

For company-wide climate change management, NEXEN TIRE identifies and evaluates climate-related risks and opportunities at least once a year led by the Global Environment & Safety Team. They are then integrated into the company-wide risk management processes to establish short/mid/long-term adaptation strategies and goals. Since 2020, the Global Environment & Safety Team makes overall decisions regarding climate protection and implements detailed adaptation strategies through risk monitoring.

Specifically, we manage monthly GHG emissions and analyze the reasons for achieving and not achieving targets. QA/QC verification is conducted through internal inspection each year, and climate change response activities are disclosed through the Carbon Disclosure Project (CDP). Furthermore, we established a company-wide GHG inventory in 2021 to manage emissions and allocate the target reduction amount. In the case of the European plant, an energy audit is planned for 2021. During this audit, we will identify opportunities for energy reduction and establish and improve an Energy Saving Action Plan within 4 years from the audit date to achieve the target amount of reduction through energy reduction activities. In addition, we continue to share the importance of carbon neutrality by holding a carbon-neutral briefing session for employees of relevant departments in the company for effective company-wide implementation of carbon neutrality.

Efforts to Achieve Carbon Neutrality

Risks and Opportunities

NEXEN TIRE is operating an evaluation process every year to identify and solve important management issues such as climate change. The identified risks and opportunities are as follows:

Risks

Risk Factors	Impact	Response
Transition Risks	Policies and Regulations	Increased CER purchasing fees due to strengthened GHG emission regulations
	Technology	Investment to make transition to a low-carbon operation system
	Market	Reduction of tire demand due to unmet eco-friendly demands of customers
Physical Risks	Short-term	Losses due to factory shutdown in case of typhoons and floods
		NEXEN TIRE conducts periodic facility inspections and risk investigations on damage caused by natural disasters such as typhoons and heavy rains. We continuously conduct safety inspections and repair buildings to prevent natural disasters. Crisis management experts in various fields such as fire, gas, electricity, and rescue were hired, and a dedicated emergency response team was formed. Furthermore, we created an emergency response manual and conducted regular training and safety diagnosis activities.

Opportunities

Opportunity Factors	Impact	Response
Market	Maximizing sales by accessing new and rising markets	GHG emission amounts are allocated to all companies according to emissions trading. By reducing GHG emissions, Certified Emission Reductions (CERs) can be sold to obtain profit. NEXEN TIRE is carrying out energy saving activities to enter the carbon credit market. We plan to continuously manage and reduce the energy consumption of new facilities and plants.
	Development of new products or services through R&D and innovation	One of NEXEN TIRE's main products is winter tires. We predict winter tire sales by collecting big data and adjusting production accordingly. Additionally, we are continuously developing tires that can adapt to environmental changes caused by climate change.

Carbon Neutral Strategy and Establishment of an RE100 Roadmap

To appropriately respond to domestic and foreign low-carbon policies and meet the demands of our clients, NEXEN TIRE started to establish a systematic carbon neutral strategy and an RE100 roadmap together with a professional consulting firm along with internal preparations. Currently, risks and opportunities for internal and external issues and demands by stakeholders are analyzed to diagnose the internal status of the company. We plan to set a strategic direction based on the diagnosis result and establish mid- to long-term climate goals. In particular, we will utilize the competence of a global consulting firm to thoroughly inspect the renewable energy application status in regions where overseas plants are located to provide and implement an optimized carbon-neutral strategy. Through a series of internal and external implementation activities, we will inform our employees and customers of our firm commitment and take a step forward in achieving carbon neutrality through our systematic long-term roadmap.

Review of Factory Energy Management System (FEMS) Application

NEXEN TIRE is reviewing the application of Factory Energy Management System (FEMS) that can perform integrated energy management for the entire plant in the long term. Energy usage is accurately identified through the FEMS, where energy usage and repair timing of manufacturing facilities to promote efficient energy use. Starting with the Yangsan plant in 2021, we plan to establish FEMS to secure foundations for energy reduction by monitoring energy usage and air flow volume. We will continue to expand the scope of FEMS applications in the future.

Signing of Green Premium Contract for Renewable Energy Usage

NEXEN TIRE signed a "Green Premium" contract to certify the use of 128 MWh of renewable energy per year, and receives electricity generated from renewable energy at the Changnyeong plant. The Green Premium is a system in which a company pays an additional fee (premium) to KEPCO and receives a certificate confirming the amount of electricity from renewable sources, such solar and wind, used by the company. NEXEN TIRE is planning to start implementing RE100 in earnest through this Green Premium contract and will gradually expand the application scope.

Reduction of GHG Emissions

NEXEN TIRE replaces outdated facilities, introduces high-efficient equipment, and invests in new technologies. In 2020, our domestic and European plants reduced GHG emissions by about 23,000 tCO₂eq compared to the previous year. In addition, we are actively participating in programs that promote the conversion of renewable energy. In particular, since 2021, the Changnyeong plant has participated in the Green Premium program implemented by KEPCO and purchased renewable energy. We will further obtain the "Renewable Energy Usage Certificate" to implement RE100. In order to implement RE100 not only in Korea, but also in Qingdao and Europe plants, we started a full-scale investigation of relevant conditions in the country from 2020. We are preparing systematically, starting with an investigation on renewable energy purchasing methods that can be applied first, such as the Green Pricing and Guarantee of Origin (GoO) certification. In the future, NEXEN TIRE plans to gradually expand the share of renewable energy by implementing policies that are newly institutionalized or planned to be further developed, such as Renewable Energy Certificate (REC) and Power Purchase Agreement (PPA), through continuous research and revision.

Application of an Energy-Saving-Type Operating System at Manufacturing Plants

NEXEN TIRE installed air conditioners appropriately in each zone at the Europe plant to keep the work environment pleasant, maintain the quality of semi-finished products, and reduce energy. Particularly, by installing a dedicated air-conditioner in the automatic warehouse for storing semi-finished products, we kept the product quality and saved energy. In the production unit, an automatic air conditioning system is installed to prevent overheating or overcooling to minimize energy usage. The above systems have been applied since 2018, leading to the reduction of energy use when compared to existing processes. For the Changnyeong plant, the heating pump structure was simplified in the mixing room and in the raw material heating room, saving 86,400 kWh of electricity per year when compared to 2017.



Air Compressor

Application of Energy Saving High-Efficiency Equipment

NEXEN TIRE is expanding the use of energy saving high-efficiency equipment to improve energy efficiency throughout the tire manufacturing process, thereby reducing carbon emissions. In the European plant, a small-sized air compressor with an inverter was installed to supply air using minimum energy in the early stages of production when air consumption is low. In addition, inverters were applied to most utility pumps to minimize energy usage upon operation. When changing the production specifications for the mixer used in the mixing process, a software was improved to prevent idling of the main motor, reducing energy consumption. The Europe plant switched all lightings to LEDs, while the Yangsan plant achieved 69% reduction in energy consumption when compared to the business-as-usual by replacing some of the existing lights to LEDs.

Minimization of Energy Leakage

To minimize energy leakage, efforts are made to minimize heat radiation from curing equipment and steam pipelines in all process of each plant and old steam traps are regularly replaced. In the European plant, air conditioners equipped with heat exchangers that meet the continuously strengthening EU energy saving regulations based on the 2016 EN 1253-2014/Eco design requirements were applied, which minimized energy leakage during air conditioning in the production unit. Regarding the raw material heating room in the Changnyeong plant, the heat source is converted from steam to waste heat. We strive to maximize the utilization of waste heat during the production processes. As such, NEXEN TIRE is conducting periodic energy reduction activities in the long-run or applying new ideas to minimize the increase in energy consumption as much as possible.



Electric Forklift

Usage of Renewable Energy Through Photovoltaic Facilities

A photovoltaic facility, which equals 5 football fields combined ($37,000\text{ m}^2$), is installed on the roof of the Changnyeong plant. This is the first in Korea to construct a solar power generation facility on the roof with thermoplastic polyolefin (TPO) waterproof sheets, which can produce 3,600 MWh of electricity annually with a capacity of 3 MW. This equals to the amount of energy which can be used by 1,200 households. In total, 1,524,400 kg of CO₂ were reduced from the facility every year, which is equivalent to planting 16,250 pine trees.

Efforts to Reduce Exhaust Gas Emissions

The Yangsan and Changnyeong plants are continuously converting existing diesel forklifts into low-pollutant electric forklifts to improve the working environment and reduce carbon emissions. In 2021, 22 vehicles in the Yangsan plant and 7 vehicles in the Changnyeong plant were converted to EVs. In total, 34 out of 76 forklifts are currently electric. The Korean plants' electric forklift transition ratio is 45%, and 100% electric forklifts are in operation at the European plant.

Eco-Friendly Office

THE NEXEN univerCITY: A Global Hub Created From Eco-Friendly Design

THE NEXEN univerCITY, which brings together the growing DNA and identity of the NEXEN Group, is the core facility that leads the growth of global NEXEN. With a total floor area of $57,171\text{ m}^2$, it is designed to have two basement floors and eight floors above the ground. The building is divided into the research block and the office block for employees to perform creative work in a horizontal and free atmosphere. The research facility consists of an R&D center for studying product design, AI technology, and virtual tires; a performance research center that develops matching performance between vehicles and tires; and a material research center that analyzes various materials. The characteristics of the industry were visualized using the shape of the tire thread outside the building.



THE NEXEN univerCITY is a green building with eco-friendly design such as a solar power generation system, air conditioning system using geothermal heat, and heat loss reduction with green roof system. The courtyard—the main green space of the building—and the multi-helix green roof walkway surrounding it connect the overall space, which is used as a space for creating continuous idea expressions. In particular, floors 1 to 3 are open as public spaces where employees, local residents, and local communities can interact.

THE NEXEN univerCITY contains the identity and value of NEXEN TIRE, as it is the R&D Control Tower that manages the European Technology Research Institute in Germany, the Technology Research Institute in the United States, and the Technology Research Institute in China as well as the hub for four global bases.

City



Urban Campus

600 employees will achieve future-oriented values and develop creative capabilities based on free exchange in this place, where the path of encounter and communication spread through every direction.

Boulevard & Street



A Place to Stay

The sloping spiral path that surrounds the courtyard forms the main moving line of the building, and various common spaces are created at the junction of the path and the square to enable members to meet and communicate with each other.

Plaza



Communication Hub

The courtyard located in the center of the building is a space like a city square, which is a resting place and a communication hub that creates new changes and future-oriented values.

Encouragement of Eco-Friendly Commute and Movement

NEXEN TIRE offers flexible working hours that allow employees to select their favored work times, and telecommuting. We have also launched a campaign to replace business travel with video conferencing to save time and resources.



Commuter Bus



Electric Vehicle Charging Station

Commuter Bus Support and Installation of Electric Vehicle Infrastructure for the Reduction of GHG

NEXEN TIRE offers commuter buses and infrastructure for electric vehicles (EVs) to reduce GHG emitted during commuting. Currently, a total of 17 commuter bus lines operate in Yangsan, Busan, Changnyeong, Daegu, and Masan regions. Employees' usage of personal vehicles decreased following the operation of commuter buses for each work shift. In addition, we operate a 5th-day-no-driving-system to encourage employees to use our commuter buses. Among the 21 commuter buses, we are planning to replace 10 old vehicles that are classified as class-3 according to vehicle emission standards.

Following the trend of increasing EV owners, 7 EV charging stations have been installed. We plan to further increase the infrastructure for EVs to encourage employees to use sustainable vehicles.

SOCIAL DIMENSION

62 Human Rights
64 Employees
75 Local Communities
82 Suppliers
88 Data Protection



Key Highlight

0.509 cases/1 million working hours
Lost Time Injury Frequency Rate (LTIFR)



92%

OHSMS operation



29 consecutive years

No strikes



13 consecutive years

Yangsan plant certified as an excellent workplace for health promotion



99.7%

Union membership



100%

Human rights training completion



Human Rights

Human Rights Management

NEXEN TIRE incorporated human rights management into its mid- to long-term ESG strategies to guarantee human rights and values in all management activities. In fulfillment of the responsibility to respect human rights, NEXEN TIRE supports and complies with human rights-related domestic and international standards and norms. 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 social responsibilities faithfully and pursue sustainable development with all stakeholders, NEXEN TIRE has included human rights principles in its Declaration of Human Rights, which must be observed by all members within the corporation. NEXEN TIRE is committed to promoting principles of internationally recognized human rights, particularly those defined in the UN Universal Declaration of Human Rights and UN Guiding Principles on Business and Human Rights. Also, we make our utmost effort to protect 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, stated also in our Declaration of Human Rights.



Human Rights Training

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

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 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 the business relationship are encouraged to respect the same principles.

- ① We are committed to ensure that each employee and potential employee is not discriminated by gender, age, race, nationality, religion, disability, religion, disability, political orientation, and region of origin in all processes of human resource management, such as recruitment, evaluation, compensation, and training. We respect diversity in the workplace.
- ② We prohibit child and forced labor and adhere to all ILO-recommended, state-ratified labor principles regarding health, safety, working hours, and 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 working environment for employees.
- ⑤ We protect human rights of local communities wherein the workplace is located.

Inclusivity and Diversity

NEXEN TIRE prohibits workplace discrimination and harassment. A Human Resources Team is designated and operated as a department handling discrimination and harassment-related grievances. In case of discrimination or harassment, a person in charge is assigned and the personnel disciplinary committee is implemented based on evidence.

In addition, to promote diversity at the corporate level, we have consulted with the Korea Labor and Employment Service(KLES) and provided company-wide training for the active improvement of working conditions.

NEXEN TIRE operates a system for securing and fostering excellent talents by creating a culture that embraces diversity. We are promoting activities considering general factors of diversity such as gender, age, and disability. To provide stable jobs for people with disabilities and to fulfill the company's social responsibility, "Angel With Us Co., Ltd." was established in 2017, which is a subsidiary for the disabled. "Angel With Us" provides bread and confectionery at the Yangsan and Changnyeong plants and NEXEN Corporation. In 2020, a total of 66 people with disabilities were employed. Thus, we strive to promote diversity when hiring employees.

Employees

Innovation in Personnel System and Corporate Culture

NEXEN TIRE operates the "NEXEN UNIVERSE," which features a corporate value system that allows individuals to think and act together for an organization. Through this, we are striving to foster members of NEXEN to uphold the fundamental values and try to improve their abilities constantly. In addition, we are making various investments based on the mindset that the happiness of employees translates into the competitiveness of the company. We are reinventing the corporate culture to increase the substantive satisfaction of the employees, from innovation in working methods to create a workplace realizing high satisfaction to benefits tailored to the lifestyles of millennials.

To realize the core values of challenge, creativity, and cooperation, we are operating various systems and campaigns for the establishment of a horizontal, interactive, and communicative organizational culture.

Fair Employment

NEXEN TIRE has set NEXEN TRI-C as the ideal image of personnel it seeks, and has a system for recruiting talented personnel accordingly. We invest heavily in fostering talented personnel, from recruitment to various training opportunities for self-development after employment, fair evaluation, and reward. Moreover, NEXEN TIRE has implemented the "Career Challenge" system since 2019 to provide employees with opportunities for job conversion through the process of vacancy announcement on the company portal, submission of application forms, and document screening. We also recruit excellent human resources depending on their experience and the nature of the job. All recruitments are carried out in an open procedure based on an AI-driven interview to enhance fairness of employment and provide opportunities to many applicants. Furthermore, we are training interviewers on gender equality before the interview.

Open Recruitment Process



Cultivating Human Resources Based on Gender Equality

By fostering a culture that embraces diversity, NEXEN TIRE provides various opportunities to secure and foster talent regardless of gender. In the overall human resources operations, equal standards are applied to both male and female employees in terms of position, performance evaluation, and promotion systems to ensure that abilities of all workers are not discriminated against.

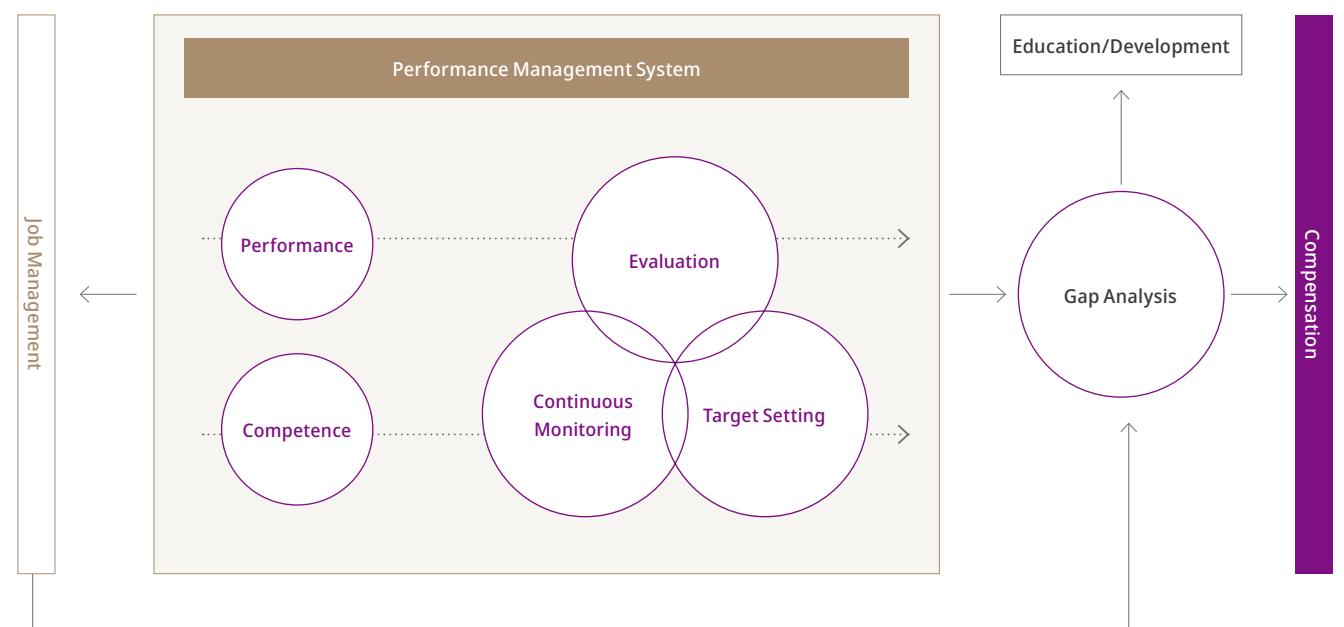
Furthermore, a briefing session was held for employees after being consulted on the Affirmative Action (AA) program at the end of 2019 as part of efforts to promote a culture of gender equality.

Equal Compensation

NEXEN TIRE has established a transparent, objective personnel evaluation and compensation system to evaluate the efforts of employees fairly. In 2019, the evaluation and compensation system was reorganized to incentivize employees with excellent performance and competency. We conduct personnel evaluations annually and utilize them for promotions, compensation adjustments, training, and leader selections. Moreover, an inflation is reflected on wage increases to stabilize the lives of our employees, and compensation is based on work performance by differentiating the rate of increase in bonuses and annual salary according to the results of performance evaluations. Two HR briefing sessions have been held since 2020 to establish a performance-based annual salary system, and the HR Team has diligently responded to inquiries from employees.

In addition, the wage of new hires is approximately twice the legal minimum hourly wage, and the same wage is paid regardless of gender.

Compensation Process





NEMO

Increasing Productivity by Improving Work-Life Balance

To ensure that the statutory 52-hour work week is established, we are implementing a campaign to monitor working hours.

Since 2019 in particular, we have introduced and operated the attendance registration system for quality improvement through the quantitative management of working hours. Workers are assigned extended work and holiday work only through prior approval, and monthly working hours are shared by each department to improve the working hours gradually. We are also running a childcare center for our employees to work worry-free. Meanwhile, to ensure high-quality education and safety of children, we maintain the number of teachers above the legal standards by age, avail ourselves of educational programs from specialized educational institutions, and provide a nutritious meal through separate cooking facilities. All operating expenses, excluding government subsidies, are fully borne by the company to create a working environment where our employees can take care of their children and work at the same time. In addition, we provide female employees with 1-day monthly unpaid menstrual leave and 90 days (120 days when pregnant with more than one baby) when pregnant and operate a maternity support system and pre-mother care system with 45 days or more (60 days if pregnant with more than one baby) of post-pregnancy leave.

In terms of work, working processes or methods that are unnecessary or which need improvements are set and executed as goals for each BG for the improvement of work efficiency. Flexible working system, telecommuting, and two-hour "Core Time" system make for a work style optimized for individual circumstances while providing an environment where employees can immerse themselves in their work uninterrupted. In terms of employee welfare, leaders (from team leaders to executives) take the lead and use N-change Day (refresh once a month) for a free vacation culture.

Strengthening Organizational Communication:

Operating NEMO, a Gathering of NEXEN Members

NEXEN TIRE opened the "NEXEN Gathering: NEMO" website in 2020. NEMO is being used as a platform to promote small gatherings among employees, share used goods, and notify employees of benefits through corporate partnerships. In addition, we continuously develop and share programs with our employees' participation such as regular in-house broadcast, video content for intergenerational understanding, and in-house radio broadcast during lunchtime.

Organizational Culture Innovation

Operating the In-House Proposal System N'Dea

We are operating a N'Dea system, an in-house proposal system that collects creative and diverse ideas from employees and reflects them in the company. Now in its second season since its launch in May 2019, the N'Dea system is providing opportunities to employees to participate in the company's development. A total of 263 ideas were received over the past year through the N'Dea system.

Among the excellent proposals discovered in the N'Dea system and the TPM system, which is a proposal system for manufacturing plants, the first and second-best proposals were selected following a review by the jury. In addition, one project was awarded as the most popular based on popular votes by the planning department of each Business Group.

The 2nd N'Dea system in 2021 is being operated in an improved way. The upgraded system has strengthened accessibility to idea proposals and reinforced compensation standards to expand participation. Basic rewards such as coffee coupons and cultural gift certificates were provided to participants, with excellent awarded up to KRW 15 million. In the first half of 2021, by integrating the Hackathon method, we came up with the N'ackathon method which better suits the mission of NEXEN. In the N'ackathon method, the feasibility of implementation is demonstrated as much as possible after deriving ideas and creating results within a limited time. We expect to strengthen the implementation of ideas and secure fairness and transparency of the results with this innovative method.

[N'Dea HERO (1st place): "Introduction of Tracking System to Prevent Market Disruption"]

Expected to build customer trust, strengthen sales power, help manage sales prices, and prevent a decrease in sales.

[N'Dea Changer (2nd place): "Cost Reduction by Expanding the Width of Wrapping Papers of the Factory's Automatic Tire Packaging Machine"]

Expected to prevent worker labor intensity and musculoskeletal diseases and reduce the usage of packaging paper.

[N'Dea Popularity Award: "Allocation of Departmental Union Expenses Among Welfare Benefits for Personal Culture/Education Expenses"]

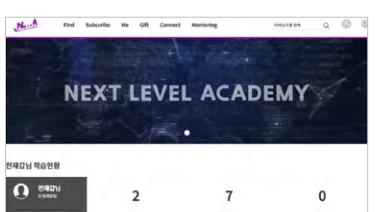




Change Agent



OPR (One Page Report)



Next Level Academy

NEXEN TIRE Leadership Program

	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	
Education Roadmap	Performance management (1 day) Organizational goal and strategy Executives' seminar	Organization management (Video conference) Clear work distribution/order	Personnel management (Video conference) Fostering by situation	Organization management (Video conference)	Performance management (Video conference) Effective KPI interim evaluation Executives' seminar	SEASON BREAK	Personnel management (Video conference) Delegation of authority for motivation	Performance management (1 day) Fair performance evaluation	Performance management (Video conference) Enhancement of evaluation/consultation skill Executives' seminar	Change management (1 day) Management of new-normal	
Linked Education	Online education (e-learning, micro learning, etc.) Letter Service										Insight Special Lecture
	Knowledge										

Organizational Culture Improvement Activities

NEXEN TIRE operates "Change Agent (CA)" to collect grievances and opinions from employees. The "CA", which consists of 25 people, is in charge of various organizational culture improvement contents. In particular, CA agents are making efforts to handle employee complaints by holding regular/irregular Town Meetings. After conducting the organizational culture diagnosis in 2019, we have established a plan to conduct the diagnosis on a regular basis for a continuous improvement.

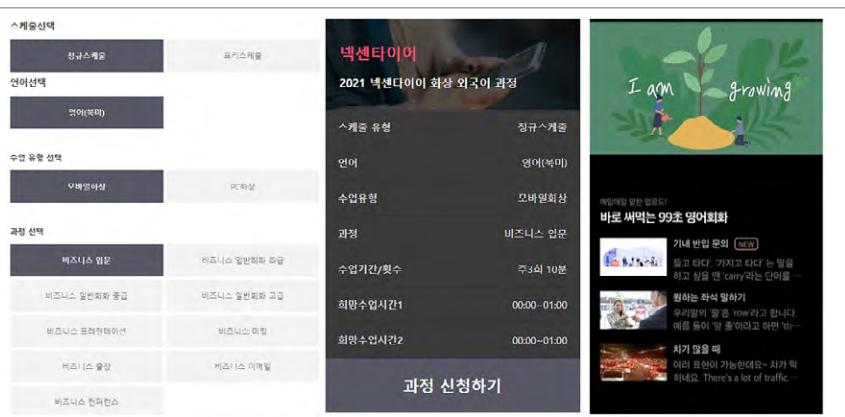
Global Competency Enhancement

As the global network is fully established, an understanding of different cultures and communication have become more important. Accordingly, we are concentrating on strengthening the global competency of all employees. We provide training on foreign languages and cultures to our employees to enhance their communication skills in the global society.

E-learning and video learning have enabled us to create an environment where learning is possible without spatial and temporal restrictions.

Efficient Meeting and Reporting Culture

By introducing a stand-up meeting format in some meeting rooms, we are trying to create a culture of short, clear, and conclusive meetings and improve the meeting culture. We also monitor and share minutes of meetings every month to ensure that they can be distributed within 24 hours. We have also introduced the One Page Report (OPR) standard format to promote a culture of clear and concise reporting. Measures and cases related to clear and specific work instructions and feedback are delivered to leaders through regular newsletters. In addition, we are continuously holding campaigns to promote non-face-to-face reporting (e.g., via messengers, e-mails, and direct messages).



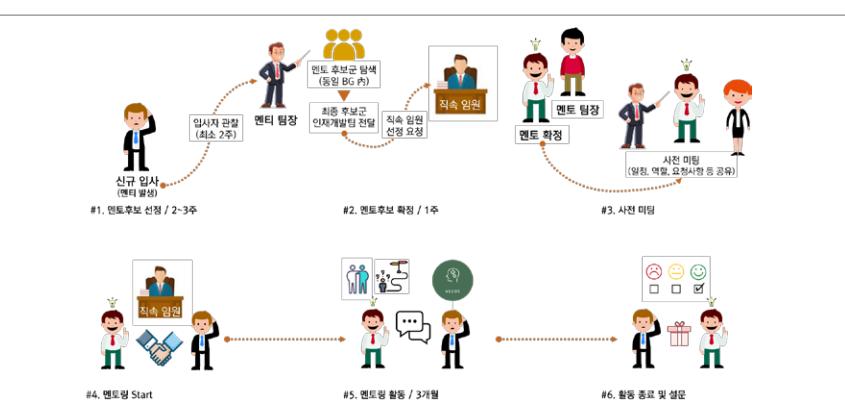
E-learning and video learning

Competency Development

NEXEN TIRE is undergoing a paradigm shift in education to nurture "NEXEN-type talents" who can overcome the new wave of rapid changes in society, business environment, and work patterns due to COVID-19. We started to make improvements by constantly researching and contemplating to provide the best and optimal learning opportunities to our employees.

Re-organization of In-house Talent Management System for Fostering NEXEN-type Talents

To compensate for the weakening of the human network due to the spread of non-face-to-face culture, the mentoring system has been reorganized to actively support the stable adaptation and settlement of new employees. Team leaders and directors participate in the mentor selection stage to decide on the educational direction, with an internal KPI for managing excellent employees set and managed (less than two resignations of excellent employees). We are focusing on developing NEXEN-type talents by minimizing resignations of excellent employees to less than two.





2020 collective bargaining agreement signing ceremony



Labor union membership rate
(based on technical workers)

99.7%



Labor-management dispute

Zero



No strikes for

29 consecutive years

Labor-Management Relations

In keeping with the basic spirit of the Constitution of the Republic of Korea and the Trade Union and Labor Relations Adjustment Act, NEXEN TIRE's labor union has been promoting the improvement of working conditions and stabilization of labor-management relations on equal footing between labor and management. The labor union and management have been mutually contributing to the company's sustainable development and productivity enhancement through measures, such as improvements in working conditions and welfare benefits. In addition, collective agreements are made regularly to discuss matters on employee health and safety and working environment. The CEO and union executives also meet regularly through annual delegates' meetings.

Establishing a Communicating Labor-Management Relationship

NEXEN TIRE's labor and management have recorded "no strikes" for 29 consecutive years in 2020. While union strikes continue to occur every year in the tire industry, NEXEN TIRE holds an amazing record of 29 consecutive years of no strikes. This was achieved after going through several owners until finally stabilizing as NEXEN TIRE in 1999, when a spirit of "a stable company ensuring the survival of employees" was instilled among our employees. A communication between labor and management has been emphasized based on the understanding that neither the company nor its employees can develop without a win-win cooperation between labor and management. We created a foundation of trust between labor and management by transparently disclosing our management status, going through a process of agreeing with the union on material issues, and continuing to invest in employee welfare. These are considered keys to achieving zero conflict for 29 years in a row. In particular, in 2020 when the internal and external business environments had deteriorated due to the COVID-19 pandemic, both the management and labor union were keenly aware of the management status and came to a wage freeze deal without negotiations. This was only possible due to active communication and trust that both parties have been building up.



Grand prize in the 2021 Labor-Management Cooperation

Received the Grand Prize in Labor-Management Cooperation in 2021

Win-win labor management and trust-building led to the Grand prize in Labor-Management Cooperation 2021.

Since 1990, NEXEN TIRE and the labor union have achieved a record of reaching a collective bargaining agreement without a single labor dispute for 29 consecutive years. Based on a common perception that neither the company nor its employees can develop without a win-win relationship, we recognize the importance of trust between both parties. As a result, we won the grand prize in the 33rd Labor-Management Cooperation Award hosted by the Korea Enterprises Federation in 2021.

NEXEN TIRE aims for a mutual growth under the sole value of "NEXEN family" rather than a dichotomous thinking of "labor" and "management." Hence, we have various communication channels to listen to our employees' opinions and offer various cooperative programs and events between labor and management. We will continue to do our best to create a cooperative culture that ensures employees' happiness, contribute to local communities, and enable a mutual growth between the union and management by preventing industrial accidents and strengthening ESG activities.

Co-existence of Labor Union and Management

The relationship between the labor union and the management built through communication contributes to a working culture of trust and harmony.

The union respects the company's right to conduct business and does not interfere with the company's fair exercise. The company also faithfully provides documents and materials necessary for the union to make decisions. We ensure a streamlined communication between both parties by allowing the use of designated bulletin boards and posting of union signboards. Posting and distribution of banners and attachments for union activities are also allowed. In addition, we respect the right of employees to join the union voluntarily by introducing the union during training sessions of new hires. With the participation of the union in the company's social contribution activities, the win-win spirit has been expanded to a mutual growth also with local communities.

In the midst of the economic crisis due to COVID-19, NEXEN TIRE experienced difficulties such as a decrease in sales and orders, which led to a decrease in production. Labor and management worked hand in hand from March to December to overcome the crisis by agreeing to shut down the factories for a total of 59 days. We held a joint labor-management declaration ceremony on June 10, 2020 and reached the following agreements:



No. of cases of
labor-management council
agenda processing

20



CEO meetings

1 session

① To overcome the COVID-19 crisis, the union shall share the burden of the company, specifically regarding wages, working hours, and suspension of work. The union shall actively cooperate on matters pertaining to productivity enhancement, flexible work arrangements, and improvement of facilities for shared growth and development. Also, the union shall form a cooperative atmosphere between the management and employees.

② The company recognizes its employees as companions. It shall retain its employees but overcome the COVID-19 crisis through burden sharing, for example by shortening working hours and suspending operations. Based on a cooperative labor-management relationship, we strive for a mutual growth by promoting workers' welfare, increasing productivity, creating jobs and revitalizing the regional economy.

NEXEN TIRE's labor-management relationship is attributed to the CEO's excellent leadership and the active partnership of the union.

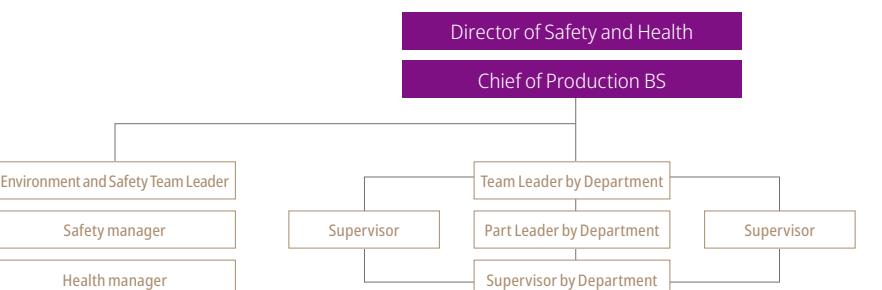
Environment, Health, and Safety (EHS)

Protecting the lives and health of workers requires an autonomous and systematic health and safety management of workplaces. Through preemptive activities for sustainable growth of the company, NEXEN TIRE operates a company-wide safety management system to foster a culture that ensures employee safety and health. Our Yangsan plant has acquired KOSHA-MS and ISO 45001 certifications. Regular risk assessments conducted on departments and suppliers enabled us to decrease the accident rate by 60% in 2020 compared to the previous year. Our initiative is to focus on prevention of workplace accidents with a goal of achieving zero accidents. Through diverse activities—such as safety inspections conducted together with the labor union, safety schools, Total Productive Maintenance (TPM), a smart reminder, a progressive penalty system for violations of safety regulations, and installation of banners for each department—we aim to raise employees' safety awareness and establish an autonomous safety management system.

Safe Workplace Environment

In order to prevent accidents, NEXEN TIRE designates a special safety management period whenever there is a high risk of safety-related accidents. The Global Environment & Safety Team and management supervisor are preventing serial safety accidents in advance through intensive workplace management, such as patrolling to guide negligence and compliance of work standard. In addition, we run various training courses, including safety awareness programs. We provide customized training on high-risk accidents and similar disasters, traffic safety training for commuter bus drivers, and safety training for business partners. Special trainings are provided for workers working in high-risk departments. As sub-contractors' health and safety management is also essential for suppliers, we are operating a mutual health and safety program facilitating a cooperation between large companies and small/medium-sized companies to prevent industrial accidents. Our Yangsan plant scored grade A, ranking among the top 10% in the country, while the Changnyeong plant obtained grade B. We will fulfill our responsibilities to manage safety of our suppliers by operating programs preventing musculoskeletal diseases, providing workplace safety courses, and offering consultations on safety. With an aim of ensuring an accident-free workplace, the Magok Central Research Institute manages safety and health risks through its health and safety management system and measures to prevent serious industrial accidents. Company-wide efforts are made to prevent the recurrence of similar accidents by reinforcing key management activities for each type of work. The institute provides safety trainings on the experiment type and handling of chemical substances prior to the experiment, conducts daily safety inspections to prevent and manage safety accidents, and discovers and improves risk factors through annual regular self-safety inspection and precise safety inspections from a specialized institution.

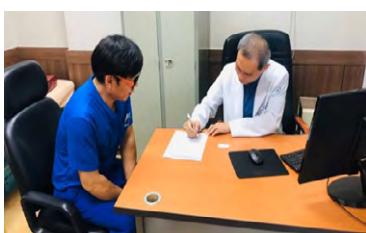
Industrial Safety Management System



Response to COVID-19



Temperature measurement for COVID-19 prevention



Consultation with medical specialists



Consultation with nurses



Exercises using tools

Employee Health Management

NEXEN TIRE shows a high interest in employee health management programs, as employees are the source of corporate competitiveness. In particular, the Yangsan plant is maintaining the certification as an excellent workplace for health promotion, organized by the Korea Occupational Safety and Health Agency, for 13 consecutive years since it was first certified in 2011. Based on 43 evaluation items, including an establishment of a health promotion system, a health awareness level, and an operation of programs, the plant was selected as an excellent workplace following on-site visits and screening committee. It is the only certified plant in the tire industry out of 86 workplaces nationwide.

A health management room was established in the Magok Central Research Institute where nurses are employed to manage employees' health. We provide devices for simple body measurement as well as equipment to measure blood pressure, blood sugar, triglyceride, and test dyslipidemia. Annual health check-ups are conducted and follow-ups are done accordingly. For processes involving noise control or chemical handling, we conduct work environment and safety assessments to identify and improve harmful risk factors, preventing any occupational diseases. As part of our efforts to prevent the spread of COVID-19, we have restricted access to our premises, operated a temperature check at each entrance gate, and disinfected public areas twice a week. For executives and employees, we operate a flexible work arrangement in three groups and encourage telecommuting when the national social distancing level is elevated.

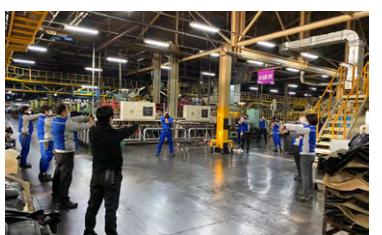
Enhancing Employee Health Management

NEXEN TIRE operates an obesity clinic to encourage employees with high risk of obesity to learn healthy diet and exercise habits to control their weight. We recorded an average success rate of 66% between 2018 and 2020 by reducing body fat and performing various missions. In addition, employees are divided into three groups according to their cerebro-cardiovascular disease risk level indicated in the health check-up results. High-risk groups are managed through expert consultations and distribution of educational materials. In 2020, we developed a customized stretching training for our suppliers as part of the mutual cooperation program. For 2021, we plan to manage health data, such as blood pressure, blood sugar level, and body composition measured in quarterly health counseling sessions.

NEXEN TIRE prevents and manages three major occupational diseases (high blood pressure, diabetes, and hyperlipidemia) at the workplace through health promotion programs and annual employee health check-ups. Our obesity clinic helps employees to lose weight voluntarily as part of the health promotion program, and our fitness center provides free personal training and exercise equipment to encourage weight control. We regularly broadcast and guide employees on health management methods. During annual general check-ups and biannual comprehensive check-ups, ultrasound, gastroscopy, colonoscopy, and cancer screening tests are performed. If necessary, a computed tomography scan of brain, cervical spine, lumbar spine, and abdomen is used. Employees are notified of their examination results immediately, and follow-up tests are conducted consistently to prevent and manage chronic diseases and occupational diseases.



Stretching by Process 1



Stretching by Process 2

Enhancing Workplace Environment Management

To prevent health problems of employees that may be caused by raw materials, hazardous substances, and equipment and products used in the workplace, we conduct work environment measurements twice a year. We evaluate hazards of the working environment through special health examinations and risk assessments. Based on the assessment results, counter-measures are established. Following a special health check-up, we provide regular consultations with medical specialists and nurses depending on the seriousness of the disease.

In particular, we currently have approximately 180 air-conditioning facilities and booths, and on-site refrigerators in order to maintain a pleasant working environment with regard to temperature, humidity, and illuminance. We measure the illuminance on site once a year.

In 2020, we measured the illuminance of the entire process and established improvement plans. We further strengthened the light replacement management through daily inspections and negotiated the installation of additional lights in consultation with relevant departments to maintain the rate of 94.3% based on the 2020 illuminance standards. We are further working on improvement activities to achieve 100%.

The Magok Central Research Institute conducts legal work environment measurements twice a year including safety inspections and precise safety assessments through specialized inspection agencies. Such measurements contribute to enhancing the hazardous working environment and preventing safety-related accidents. For building maintenance, we conduct preventive measures every year for all possible accidents through continuous structural safety assessments on buildings, elevators, gas facilities, electrical equipment (e.g., water substation), and pressure vessels.

Establishment of Musculoskeletal Disease Prevention and Response System

After analyzing the work posture of each process through customized stretching since 2019, we have developed stretching exercises and operated exercise programs using small tools (e.g., foam rollers, resistance bands) for employees with musculoskeletal symptoms and those interested. In addition, we actively supported the musculoskeletal system enhancement activities by investing KRW 3.4 billion in building a new conveyor, based on the results of the investigation of harmful factors to the musculoskeletal system.

Local Communities

Social Contribution Activities

NEXEN TIRE conducts social contribution activities tailored to low-income families as well as the socially disadvantaged in local communities. In addition to the existing “one-company, one-village program” and “Dream Start child matching program,” our employee volunteer group “Hope Sharing Group” also engages in various volunteering with welfare institutions. In 2020, we conducted a blood donation campaign due to the blood shortage following the COVID-19 crisis and signed an MOU with the Korean Red Cross for more systematic social contribution activities. In 2021, we plan to further encourage blood donation to employees and residents together as part of our strategic social contributions. We will develop quality social contribution programs to promote employee participation.

Neighbors



Social contribution activities for the vulnerable classes

- Local charity event (Changnyeong plant)
- Bread and sweet potato donation event for the low-income (Yangsan plant)
- Volunteer activities for rural farmers
- Removal of asbestos slate and improvements of residential environment
- Briquette donation with love

Environment



Environment-related social contribution activities

- Plastic use reduction campaign “Go Go Challenge”

Recovery



Social contribution activities for overcoming COVID-19

- Donated KRW 200 million to the Korean Red Cross Daegu branch
- “Thanks to you challenge” for overcoming COVID-19
- Supported media arts exhibitions for hospitals treating infectious diseases

Global



Creating partnerships with NGO groups

- Signed an MOU with Korean Red Cross
- Blood donation campaign

Youth



Youth/Child support project

- Dream Start 1:1 child matching
- Provided scholarships through the NEXEN Wolsuk Foundation
- Child traffic safety relay challenge

Operation of Foundations

Through three cultural foundations—NEXEN Wolsuk Cultural Foundation, Wolsuk Busan Leading Scholarship Committee, and KNN Cultural Foundation—where CEO Byung-joong Kang serves as chairman, NEXEN TIRE contributes to the development of local communities and creation of local culture. Established with the purpose of returning profits to society, each foundation actively supports projects in the education, arts, culture, and academic sectors. In particular, we provide scholarships and financial support for schools in the Gyeongnam region, supporting young talents who will lead the future.



Cultural Foundations

NEXEN Wolsuk Cultural Foundation

The Wolsuk Cultural Foundation was founded in January 2008 with the support of CEO Byung-joong Kang, with an aim of returning profits back to society. The foundation has been continuously expanding the target and scope of its support, starting with making donations to the socially underprivileged, such as donating rice. The scope further extends to promoting academics and developing culture and art in local communities.

Wolsuk Busan Leading Scholarship Committee

Twice a year, the Wolsuk Busan Scholarship Foundation provides scholarships and living assistance to middle school and high school students living in the Busan region who have excellent grades but are experiencing difficulties in livelihood. So far, more than 1,700 students have benefitted 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 highly rated in terms of returning corporate profits to society.

Scholarships

(As of 2020)

Foundation	Total amount of contribution	Total number of recipients
NEXEN Wolsuk Cultural Foundation	KRW 595 million	497
Wolsuk Busan Leading Scholarship Committee	KRW 60 million	80
KNN Cultural Foundation	KRW 155 million	154

Operation of Volunteer Clubs

NEXEN TIRE is helping disadvantaged classes in local communities where employees perform volunteer work with an attitude of sharing. Having focused on the quantitative aspects such as number of hours and maximization of volunteer personnel, we concentrated on improving qualitative aspects starting 2020. Given the decreased social contribution activities due to COVID-19, we are planning to encourage autonomous contactless volunteer activities among our employees.

NEXEN Hope Sharing Club

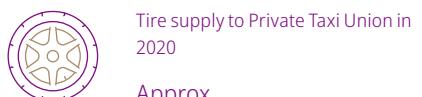
Created by employees who shared the same values for volunteering, the NEXEN Hope Sharing Club signed an MOU with the Yangsan City Rehabilitation Center in 2019 and visited homes of the disabled for the delivery of side dishes. In addition, the club participated in the day for children with disabilities event and donated heating supplies to families of persons with disabilities within the region in cooperation with the Yangsan City Rehabilitation Center. In 2020, to complete the minimal amount of volunteer work due to the COVID-19 crisis, employees delivered basic food items through direct visits from March, collected used containers, and checked on the health of residents. We plan to continue various social contribution activities in 2021 as well.



Side dish delivering volunteer work



130



7,000 annually

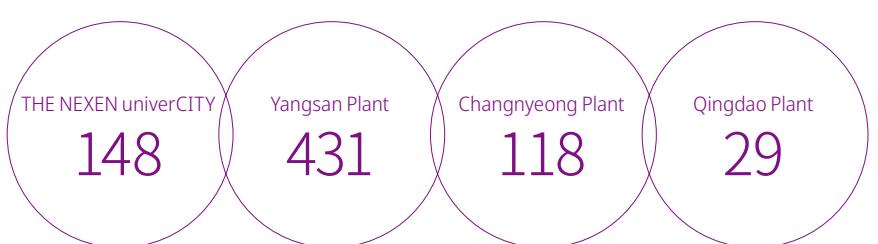
Support to Enhance Medical Welfare

Starting 2018, NEXEN TIRE carried out blood donation activities for more meaningful social contributions. Going beyond worksites in Korea, such endeavor was started by employees in NEXEN TIRE's manufacturing plants in China and Europe. The employees' efforts to save lives made it even more meaningful and valuable.

Blood Donation from Local and Foreign Employees

In celebration of NEXEN TIRE's 76th anniversary in 2018, various blood donation activities were conducted in each worksite including THE NEXEN univerCITY. The signing of an MOU with the Korean Red Cross in 2020 was aimed at expanding regular blood donation and fostering a culture of voluntary blood donation. We plan to fulfill our corporate social responsibilities in 2021 through various blood donation activities by encouraging participation of local residents.

Blood Donors (2017–2020)



Blood donation



Participated in 24 Hour Race Nürburgring, Germany



Participated in Nürburgring Endurance Series, Germany

Contribution to Local Cultural Development

The encounter between cultural arts and companies is very active both inside and outside of the country. Cultural arts bring an increased value to companies. In return, cultural arts can flourish with corporate support. NEXEN TIRE is supporting various areas and enhancing the status of host cities by nurturing cultural and artistic talents.

Sponsorship of Sports Competition Motor Sports

NEXEN TIRE is consistently participating in various events, such as motorsport competitions to increase its brand awareness and spread the excellence of its products.

NEXEN TIRE experienced unprecedented achievements in May 2021 with its first set of racing tires, winning the opening game during its first-ever participation in the "SUPER 6000" class in the CJ Logistics Super Race Championship, one of the most prestigious motor sports competitions in Korea.

It finished second in its first-ever participation in the June 2021 ADAC Total 24h Race, one of the top 3 global durability races held in the homeland of motor sports. Moreover, NEXEN TIRE continuously took part in the Nürburgring Endurance Series (Nürburgring Langstrecken Serie) held on the same circuit, showcasing its excellent technology to the European market.

We have been an official tire sponsor of the NEXEN TIRE Speed Racing competition since 2006 and also sponsored the BMW M-Class of the Super Race Championship in 2018. As well, we sponsored the Cadillac CT4 Class in 2021. By continuously participating in Formula Drift, the top drift competition in the United States, and Toyota 86 / BRZ Race in Japan, NEXEN TIRE is striving to promote its brand awareness and technology.



NEXEN TIRE Speed Racing Contest



Super Race Championship

Football

NEXEN TIRE started a partnership with Manchester City in 2015. In 2017, NEXEN TIRE became the first sleeve partner in the Premier League with Manchester City and expanded its partnership. The NEXEN TIRE logo continues to be exposed on the left sleeve of all Premier League and British national league uniforms, including the newly launched e-sports uniforms, and has continued the sponsorship up to now. NEXEN TIRE utilizes promotional campaigns and TV advertisements as well as various offline events and social media activities through its partnership with Manchester City as a marketing platform to communicate with fans worldwide.

We also entered into a partnership with a German professional football club Eintracht Frankfurt and participated in the Bundesliga. Established in 1899 with over 100 years' history, Eintracht Frankfurt is well-known as a team where a legendary football player, Bum-kun Cha, played an active role.

Hockey

NEXEN TIRE also sponsors the BK Mladá Boleslav ice hockey team in the Czech Republic where ice hockey is one of the popular sports. The BK Mladá Boleslav is a team with rich history since its establishment in 1908. It is also part of Extraliga, the top ice hockey league in the Czech Republic and one of the world's top 10 ice hockey leagues. We will continue to carry out sports marketing activities through this sponsorship, while aiming to enhance brand awareness in the Czech Republic.



Manchester City



SG Eintracht Frankfurt



BK Mladá Boleslav

Golf

Since 2013, NEXEN TIRE has hosted the "NEXEN-Saintnine Masters" KLPGA Golf Competition with NEXEN Corporation. As the only KLPGA golf competition in the Busan/Gyeongnam region, the NEXEN-Saintnine Masters competition is hosted by the 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 this competition. Several well-known professional athletes currently participate in this competition including Go Jin-young, the no. 1 player in women's golf who won the 2015 NEXEN-Saintnine Masters competition, and 2016 winner Park Sung-hyun who achieved outstanding results in the LPGA. For its eighth iteration in 2021, the NEXEN-Saintnine Masters KLPGA Golf Competition was changed from three rounds to four rounds, and the prize pool was increased from KRW 200 million to KRW 800 million to contribute to continuous development of the sport.



NEXEN-Saintnine Masters 2021

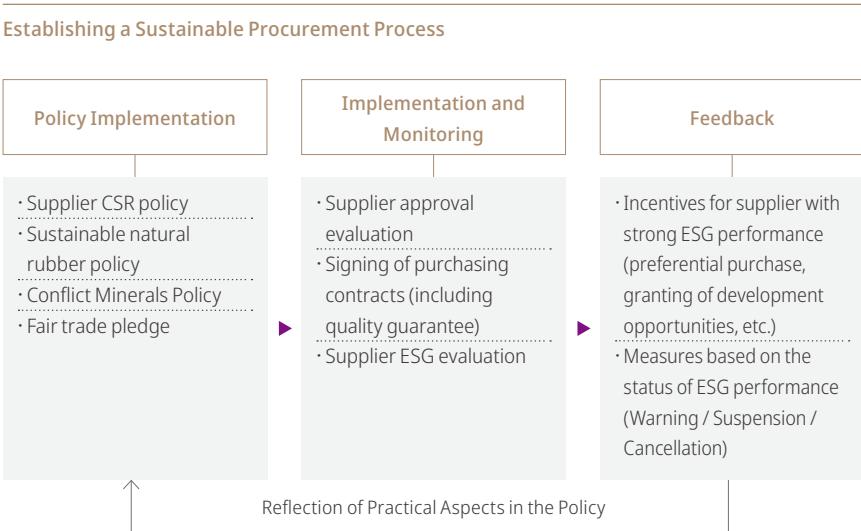
**Sports Competition Sponsorships**

Classification	Country	Sponsorship
Motor Sports	Korea	NEXEN TIRE Speed Racing
	Germany	CJ Logistics Super Race Championship
	Germany	Nürburgring Langstrecken Serie
	U.S.	ADAC TOTAL 24H Race
	Japan	Formula Drift
	Japan	Toyota 86/BRZ Race
Football	U.K.	Manchester City
	Germany	SG Eintracht Frankfurt
Ice Hockey	Czech Republic	BK Mladá Boleslav
Golf	Korea	NEXEN-Saintnine Masters

Suppliers

Transparent Supply Chain

A responsible supply chain management not only establishes a high-quality raw material procurement system, but also completes a supply chain system that can deliver economic, social, and environmental values to its stakeholders. Having established a sustainable procurement process as described below, NEXEN TIRE will grow as a sustainable global company by securing traceability and transparency of the procurement process within the supply chain.

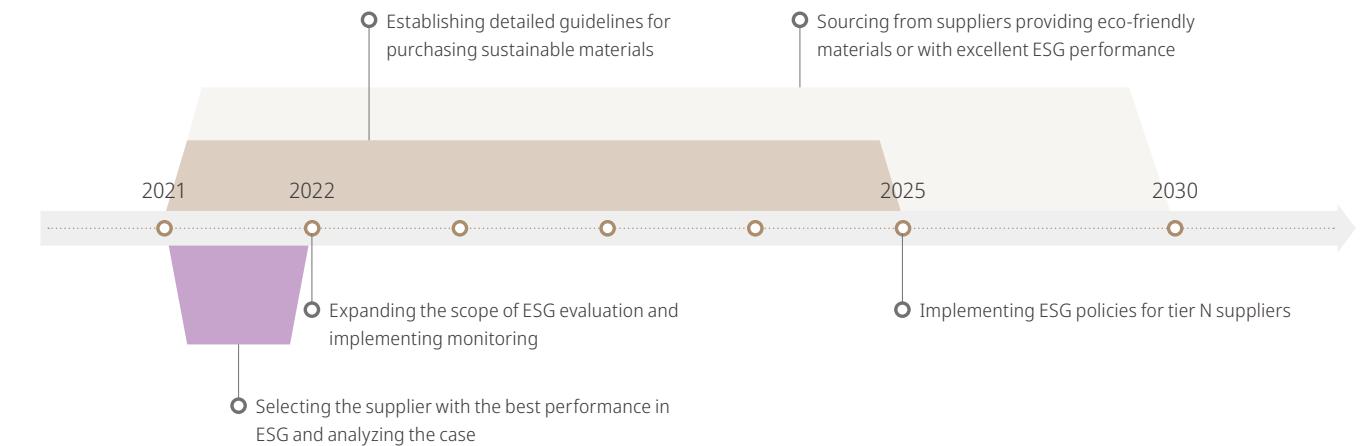


Supply Chain Management Status

NEXEN TIRE is implementing initial plans for purchasing sustainable materials and securing ESG competency within the supply chain. In the medium to long term, we plan to expand our sourcing from suppliers providing eco-friendly materials.

Classification	Details
Internal Policy	Supplier CSR Policy Establish sustainable procurement policy that upholds corporate ethics and social responsibilities between NEXEN TIRE and the suppliers
	Sustainable Natural Rubber Policy Join a Global Platform for Sustainable Natural Rubber (GPSNR)
Supply Chain Evaluation and Training	Supplier audits (on- and off-site) - Give additional points to companies that obtained relevant certifications (ISO 14001, etc.) during the supplier approval - Inspect regularly for relevant certifications' renewals
ESG evaluation of all suppliers	- Measure and analyze suppliers' ESG performance → Based on the 2020 ESG evaluation results, the ESG evaluation criteria will be diversified and categorized based on the example of the best performing supplier

Mid- to Long-Term Supply Chain Management Plan



ESG-evaluated suppliers in 2020:
121 companies

Percentage(*) of suppliers who were evaluated for their ESG performance in 2020:
91%

* This percentage was calculated based on suppliers with the purchasing history of raw materials in 2020.

Proportion of purchase from grade A companies among total raw material purchases:
30%

ESG Evaluation of Suppliers

In 2020, NEXEN TIRE conducted an ESG evaluation based on the level of impact on production and internal ESG guidelines to measure and manage the suppliers' ESG competencies. Targeting the Korean corporate's tier 1 suppliers, the evaluation inspected various areas such as corporate ethics, health and safety, labor and human rights, environmental policy, and the management of internal ESG competencies. Most suppliers had excellent performance in the areas of corporate ethics and labor and human rights, but tended to fall short in environmental policy and ESG competency management areas. Specific areas of improvement were climate change and internal ESG management. After the evaluation, we are encouraging suppliers to enhance their level of ESG management in order to meet the global standards gradually. To improve the suppliers' level of ESG management, the evaluation criteria will be categorized and the ESG evaluation will be conducted in 2021 for all tier 1 suppliers of all global corporate offices. In the long term, NEXEN TIRE seeks to establish a sustainable supply chain by expanding the evaluation to tier 2 and 3 suppliers.

After evaluating ESG competencies multiple times by 2023, we will select excellent suppliers that acquire "A" grade and implement purchasing policy to provide benefits, such as prioritization of market share and provision of development opportunities, to those excellent suppliers.

Supplier ESG Evaluation Criteria

Classification	Evaluation Details
Internal policy	Raw materials For suppliers that supply materials with a huge impact on automobile's performance or driver's safety
	For suppliers that supply materials that can partially impact automobile's performance or driver's safety
	For suppliers that supply materials necessary for basic tire production
Sustainable trade	Evaluates quarterly the buyer's financial stability based on purchasing performance of the previous year
	Measured based on the previous year's purchasing price
	Purchasing amount
ESG Areas	Corporate ethics Evaluates basic human rights, respect for international trade order, protection of intellectual properties, and ethical management
	Labor/Human rights Evaluates aspects related to child employment/youth workers, salary and welfare, non-discrimination, and freedom of association
	Health/Safety Evaluates the management of occupational/facility safety, preparation for emergency, prevention of industrial disasters and disease, and education on health and safety
Environmental policy	Evaluates compliance with environmental regulations, pollution prevention and energy reduction, chemical substance management, air pollution management, and legal material acquisition (conflict minerals)
	ESG competency Evaluates risk management evaluation and response, supplier ESG management, and training status

Supplier CSR Policy

- Compliance with laws, regulations, and Code of Ethics
- Anti-corruption, anti-bribery
- Respecting and protecting human rights
- Health and safety management
- Environment and GHG management
- Prevention of conflicts of interest
- Rejection of anti-competition
- Protection of confidential information, personal information, and intellectual rights
- Prohibition of use of conflict minerals
- Demands related to supplier sustainability guidelines

Through regular internal reporting based on "fair trade and compliance with social responsibilities," NEXEN TIRE is independently managing mutual growth with suppliers at the executive level. We are strengthening our corporate competitiveness by managing suppliers, and we strive to create a sustainable supply chain and establish a healthy industrial ecosystem.

The Supplier CSR Policy was declared for the first time in 2020 based on NEXEN TIRE's ideology of mutual growth with suppliers and ethical management. The policy was disseminated across 22 countries and 137 companies.

NEXEN TIRE plans to expand its scope and channels of communication in order to continuously disseminate its ESG policies and ethical management ideology to its suppliers.

Development and Selection of Suppliers

To satisfy the global market demand and prepare for future changes in the tire market, NEXEN TIRE discovers and evaluates high-quality raw materials and processing companies. The quality, environment, and safety aspects of companies as well as the performance of raw materials are comprehensively considered when selecting suppliers based on the raw material development procedures.

Additionally, NEXEN TIRE is distributing the Supplier CSR Policy and ethical management pledges along with the basic contract when starting a new transaction since 2019 in order to enhance the mutual social responsibility and uphold fair trade. Moreover, we plan to select suppliers with sustainable management capabilities by regularly evaluating ESG risks of suppliers based on the human rights due diligence criteria, already from the supplier selection stage every year.



Total quality evaluations of suppliers in 2020:

31



Percentage of grade A companies

34%

Comprehensive Management of Suppliers

NEXEN TIRE performs regular quality evaluations based on manufacturing plant inspections, certifications (ISO/IATF 16949), delivery etc. It updates the list of approved suppliers twice a year, where suppliers must undergo regular factory inspection evaluation according to the quality grade. NEXEN TIRE's factory inspector possesses qualifications such as VDA6.3 for internal inspection in the purchasing, quality management, and R&D departments and conducts factory inspections based on thorough understanding of the suppliers' production processes. Although factory inspection is evaluated on site in principle, a written evaluation may be performed instead for grade A or B companies that do not possess special issues such as faults and noncompliance of deadlines.

Risk Evaluation of Suppliers

NEXEN TIRE evaluates internal and external risks by comprehensively considering the delivery terms and quality, management activity, impact on the company, etc. In particular, suppliers engaging in socially unacceptable actions or purposely violating the terms of contract may be permanently barred from trading with NEXEN TIRE. In addition, to reinforce mutual risk management system, suppliers garnering grade 3 for two consecutive years or suppliers that acquired less than 69 points are reviewed for their qualifications.

Standards for Regular Factory Inspection

Grade	Point (%)	Details
A	90~100	Maintenance management
B	80~89	Improvement required for inadequacies
C	70~79	Improvement required for inadequacies and grade B or higher required (trade is terminated with suppliers garnering a grade of C for two consecutive years)
	69 or below	Trade termination

Comprehensive Grading Standards

Grade	Point (%)	Evaluation item	INCENTIVE/PENALTY
Class 1	90~100		Review enhancing the payment conditions and M/S
Class 2	80~89	1. Factory inspection (60%)	Continuous improvements
Class 3	70~79	2. Quality of delivery (20%) 3. Certification (10%)	1) Conducting evaluation on special factory 2) Requires class 2 or higher (Registration is terminated if class 3 is maintained for two consecutive years)
	69 or below	4. Delivery (10%)	Registration termination

Traceability of Suppliers

GPSNR Participation

In 2020, NEXEN TIRE joined GPSNR as a member of the natural rubber value chain and a responsible purchaser. In 2021, GPSNR committee plans to provide sustainable natural rubber policy and action plan to member companies, and NEXEN TIRE plans to conduct GPSNR activities accordingly. In the long term, we will select natural rubber suppliers by considering GPSNR membership as well as the level of ESG competence when purchasing natural rubber.

Policy on Conflict Minerals Supply

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

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

* NEXEN TIRE considers tin, which is used to manufacture bead wire, to be a mineral that is subject to conflict minerals management.

NEXEN TIRE's Conflict Minerals Policy in Brief

All suppliers of NEXEN TIRE are prohibited from using minerals mined from regions under conflict and are required to submit proof of origin of the material. NEXEN TIRE may conduct on-site inspection of suppliers, if needed.

- Designated conflict regions (10): Democratic Republic of the Congo, Sudan, Central African Republic, Congo, Angola, Zambia, Tanzania, Burundi, Rwanda, and Uganda.
- Minerals subject to regulation: tin, tantalum, and tungsten mined from the 10 regions above.

NEXEN TIRE's Sustainable Natural Rubber Policy in Brief

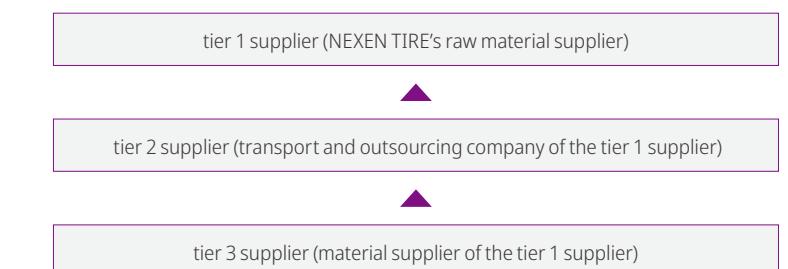
NEXEN TIRE vows to put continuous effort into achieving the economic, social, and environmental sustainability of the natural rubber supply chain.

- Natural rubber supply chain includes all growers, dealers, processors, and manufacturers.
- Having joined the GPSNR in 2020, NEXEN TIRE plans to establish a widely acknowledged standard that balances economic, environmental, and social aspects to secure an international sustainable natural rubber business with all industrial stakeholders.

Enhancing the Traceability of Raw Materials

NEXEN TIRE is planning to define and trace each stage of supply process in order to enable suppliers to fulfill their social, economic, and environmental responsibilities from manufacturing to supplying and provide better value to stakeholders.

NEXEN TIRE's supply system



Responsible Supply Chain Management System



Data Protection

Principles of Data Protection and Privacy, and Related Organizations

NEXEN TIRE establishes and shares its data protection and personal information protection principles befitting the tire rental business, which collects customers' private data. NEXEN TIRE's data protection policy is composed of principles and guidelines so that it can be easily applied in practice. Recently, NEXEN TIRE's data protection policy was modified as new items related to the revisions in regulations and legislation, such as the Personal Information Protection Act and Act on the Promotion of Information and Communications Network Utilization and Information Protection, were added, redundant regulations were simplified, and action guides were specified.

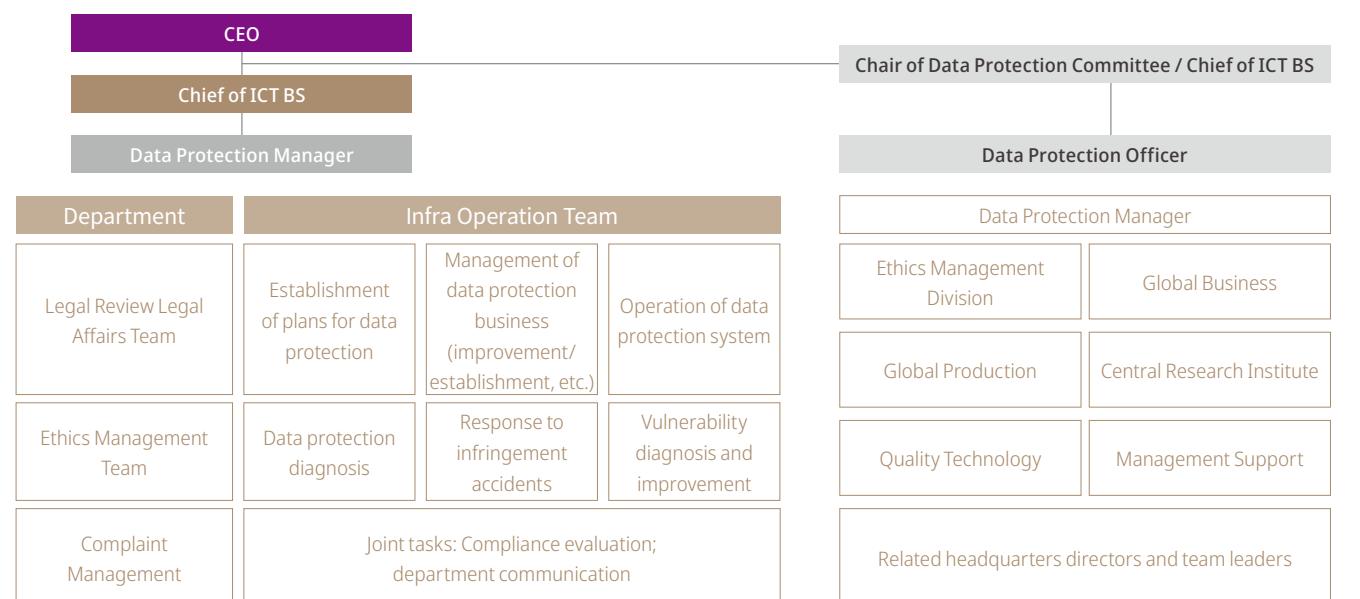
Principles of Data Protection and Privacy

NEXEN TIRE's data protection principles—covering internal data management, online security compliance principles, countermeasures and reporting system in the event of an information violation, and matters to occur in the event of a violation of principles—apply to all employees. NEXEN TIRE's personal information protection principles consist of guides for the collection and use of minimal personal data, safe management, and compliance with laws. In accordance with the enactment or amendment of the Personal Information Protection Act, the personal information protection guidelines and personal information processing policies were revised, and announcements and trainings were held.

Data Protection Organization

NEXEN TIRE operates a data protection team centered on the Data Protection Committee, an executive committee operated under the control of the chief of the ICT BS, with each section chief from the business sectors participating as data protection officer. The committee establishes a comprehensive management system that includes the data security and personal information protection sectors. Practical work related to data protection is performed by the infrastructure operation team, and personal information protection manager is assigned for clear distribution of work so that all employees can freely and actively participate in the data protection system.

Data Protection Organizational Structure



Data Protection Management System

NEXEN TIRE thoroughly maintains data security and protects customers' personal information by conducting various data protection activities. For data protection and person information protection, the management process is defined for total 28 types including policy, regulation, guideline and procedure, and life cycle management system is introduced to protect personal information during data collection, retention and use, and destruction.

NEXEN TIRE values the personal information of customers and complies with the requirements of the Protection of Communications Secrets Act, Act on the Promotion of Information and Communications Network Utilization and Information Protection, and other laws. We post our privacy policy on our website pursuant to the Act on the Promotion of Information and Communications Network Utilization and Information Protection, Etc. and operate a cutting-edge security system to protect customers' personal information.

Data Protection Policy and System

NEXEN TIRE enhances document security including personal information by operating the highest-class document security system DRM based on security management policies. We share documents externally under validated security processes, and DRM applied documents are managed to prevent their viewing or editing by external or unauthorized users. All personal data are managed under database encryption, and third-party or unauthorized access is blocked through a dedicated database access control system along with enhanced security via real-time monitoring, regular usage status report, etc.

Personal Data Collection and Consent

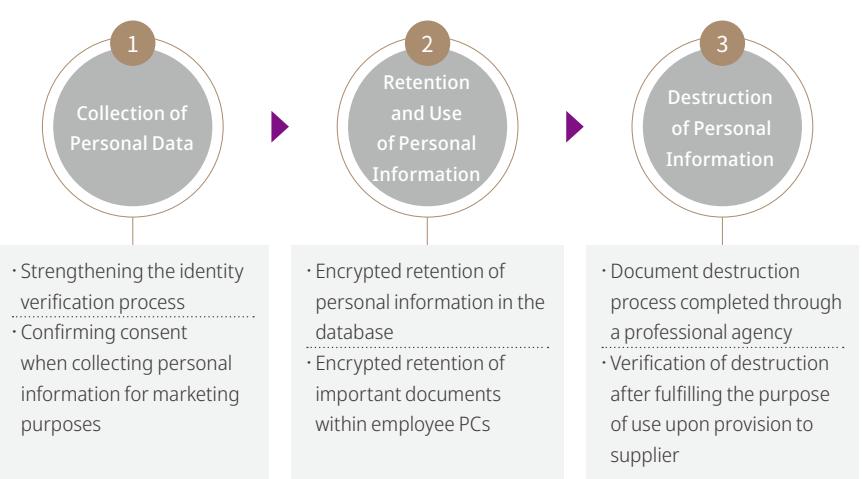
In the process of collecting customers' personal information and seeking consent to collect information, we are making every effort to prevent misunderstandings by complying with laws and regulations and providing clear explanations of the contents. In particular, we have applied stricter procedures for checking whether the customer has understood the items for consent during the collection and consent process. If developments or corrections occur within the personal data processing system that contains personal data, we plan to proceed with an inspection process based on a checklist for data security in the testing stage.

Personal Information Protection Life Cycle Management

NEXEN TIRE seeks to manage data safely throughout the entire process of personal data collection, storage, use, and destruction by carrying out personal information protection life cycle management. For enhanced data protection throughout the life cycle, we also implement data protection measures in the management, physics, and technology areas. We promote human security through data protection training along with information handling based on data asset classification in the management area. Overall system control and resilience are secured beyond the limits of physical management by conducting diagnosis, control, and incident recovery based on ICT systems in the technology area.

NEXEN TIRE posts on its website its privacy policy, which notifies the items for collection, collection method, and collection purpose along with the principle of destruction after fulfilling the purpose of use. If retention is required by related regulations for consumer protection such as the Commercial Act and Act on Consumer Protection in Electronic Commerce, we retain customer data for a certain period of time according to the relevant regulations. The retention period is three years for complaints or dispute processing, five years for transactions and supply of products, etc., and five years for contracts or subscription withdrawal records, etc. Information is used only for the purpose of retention, and the retention period is observed. If the customer requests the individual deletion of personal data through appropriate processes (e-privacy clean service), we perform the appropriate measures accordingly.

Personal Information Protection Life Cycle Management System



Detailed Items for Data Protection Measures

Management Area	Physical Sector
· Protection of External Assets	· System Development Security
· Data Protection Training	· Access Control
· Data Asset Classification	· Infringement Incident Management
· Human Security	· Password Control
	· Operational Security
	· IT Disaster Recovery

Personal Information Infringement Accident Response System

Upon infringement of personal data, damage is minimized through rapid initial response, and incident response system is established and regularly disseminated to related departments to ensure that there are no additional damages. First, if an incident is detected, the suspected incident is reported immediately to the data protection department and the data protection officer, and an incident response team is formed. This is followed by an incident response process consisting of (a) initial response, (b) cause analysis, (c) problem solving, and (d) post-management, and the status is reported to the relevant reporting organizations. Finally, recurrence prevention measures are established, applied, and monitored, and post-management is carried out.

Internalization of Data Protection Through Training

NEXEN TIRE is enhancing competencies by conducting data protection training for domestic employees. We have been conducting data protection training for all employees at domestic worksites since 2013. We conducted online data protection training for all employees and offline training for new employees in 2020. NEXEN TIRE strives to develop training methods and content to enhance data protection awareness.

Data Protection Incident Response

Stage	Process	Action Plan
Accident recognition	Notification of occurrence of security incident	<ul style="list-style-type: none"> Division that recognized the occurrence of incident: Report suspected security incident to data protection officer Data protection department (Infra Operation Team): Identifies the cause of security incident
Formation of incident response team		<ul style="list-style-type: none"> Data protection officer: Initial report to top data protection officer Related department: Urgent assignment of incident response team personnel Incident response team: Preparation for incident response
Response by incident response team (implemented by each manager of the data protection department)		1st (Initial response) → 2nd (Cause analysis) → 3rd (Problem solving) → 4th (Post-management)
Report incident	Report to infringement incident response team	<ul style="list-style-type: none"> Data protection department: The seriousness of the security incident is determined and reported to the KISA Internet Infringement Response Center (tel. 118) or the National Cyber Safety Center (tel. 111).
Post-management	Establishment of recurrence prevention measures	Accident response team: Establishment of recurrence prevention measures and relevant plans for application
	Monitoring of measures	Accident response team: Monitor and report periodically whether recurrence prevention measures are implemented

Employee Participation Rate for Data Protection Training *

Classification	2018	2019	2020	2021 goal
Employees	970	954	929	-
Participation (%)	90	90	90.5	100

* Calculated based on domestic employees

Monitoring and Inspection Process

Regular data protection and personal information protection monitoring are performed for the implementation of the data protection system.

In response to external cyberattacks and data infringement, we not only operate a data encryption and security system but also conduct risk analysis for company-wide systems and regular weakness diagnosis and implement improvement measures.

Key Activities and Achievements on Data Protection Monitoring in 2020

NEXEN TIRE is strengthening technological security management standards by inspecting weaknesses in the information system, network, database, and security systems and implementing appropriate countermeasures. We diagnose weaknesses and take technological measures according to the KISA security guide and take protection measures so that all data systems can maintain the security level at above "satisfactory."

Data Protection Monitoring Activities and Achievements in 2020

Classification	Details	Key Activities and Achievements in 2020
Operation of data protection management system	Operation of data protection management system	<ul style="list-style-type: none"> Strengthening of data protection system Importance evaluation of assets list and update of persisting period
Internet data center (IDC)	Weakness diagnosis and improvement (yearly)	<ul style="list-style-type: none"> Weakness diagnosis of important systems and implementation of supplementary measures
Monitoring of personal data database	Personal data encryption and controlled database management	<ul style="list-style-type: none"> All personal data are managed in encrypted state in the database Access is controlled and monitored through a certified database control system
Document security	Operation of document security system	<ul style="list-style-type: none"> Operation and monitoring of a professional document security system (DRM)
Employee training	Data protection training	<ul style="list-style-type: none"> Online training targeting employees
Disaster recovery response training	Disaster recovery system and verification of procedure accuracy	<ul style="list-style-type: none"> Disaster training and response training to minimize damage due to the suspension of information system operation.

Cases of Violating Laws/Regulations Related to Data Protection

Classification	2018	2019	2020
Violation incidents related to data protection and cybersecurity	0	0	0
Violation incidents related to the personal information of customers	0	0	0
Customers negatively impacted due to data violations (Unit: person)	0	0	0
Penalties/Fines due to violations related to data protection and cybersecurity (Unit: KRW)	0	0	0

Privacy-related Complaints and Processing in 2020

NEXEN TIRE's privacy policy on the website notifies users or legal representatives who provided their personal information that they can view or edit their personal information or request cancellation. Such requests made through phone calls, emails, or other written format are processed without delay through the procedure.

NEXEN TIRE independently operates an ethical management report center to strengthen ethical management. We also operate an internal report system for violations of general ordinances and company regulations as well as actions violating personal information and the Code of Ethics.

Privacy-related Complaints in 2020

Complainant	Registered complaints	Confirmed complaints	Processed complaints
External stakeholders	0	0	0
Regulatory institution	0	0	0

Mid- to Long-Term Data Protection Plans

Investment program	Investment year	Investment amount / Remarks
Upgrade of employee document security (DRM)	2021	230,000,000 NEXEN TIRE has been operating a company-wide (domestic/overseas) document security DRM system since 2015, and we plan to invest for security reinforcement and upgrades.

GOVERNANCE DIMENSION

96 Responsible Governance
100 Ethical Management
103 Risk Management



Key Highlight

100%
Board meeting attendance rate of
non-executive directors



0
Confirmed cases of corruption



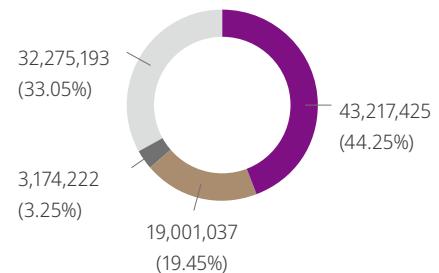
100%
Completion of ethical
management training



Responsible Governance

Shareholders' Status (As of Dec. 31, 2020)

● NEXEN Corp. ● Byung-joong Kang
● Ho-chan Kang ● Other shareholders



Status of Shares Held by Founders (As of Dec. 31, 2020)

1. Byung-joong Kang: 19,001,037 (19.45%)
2. NEXEN Corp.: 43,217,425 (44.25%)

Status of Shares Held by Management (As of Dec. 31, 2020)

1. Byung-joong Kang: 19,001,037 (19.45%)
2. Ho-chan Kang: 3,174,222 (3.25%)

CEO-to-Employee Compensation Ratio (As of Dec. 31, 2020)

- Total CEO compensation: KRW 998 million
- Average employee compensation: KRW 61 million
- Ratio: 16.36

NEXEN TIRE maintains a stable, effective, and transparent management structure to ensure sustainable growth and protect the profits of stakeholders including shareholders. By delegating decisions and tasks to the Board of Directors, the company aims to settle a stable management structure through checks and balances. Additionally, the Board of Directors is formed based on the judgment that professionalism and diverse perspectives lead to an effective management structure. Regular and irregular meetings among members are frequently held, and we adhere to the disclosure principle to secure the transparency of procedures and results in order to obtain a transparent governance.

Structure of the Board of Directors

NEXEN TIRE's Board of Directors (BOD) can consist of 3 to 6 people according to the articles of association; as of December 2020, the BOD consists of two executive and three non-executive directors. All non-executive directors have no relation to the company, management, and major shareholders. Currently, there is no female directors among the BOD, with the CEO serving as the Chairman of BOD. NEXEN TIRE operates a Non-Executive Director Recommendation Committee and an Audit Committee within the BOD. The Audit Committee consists of three non-executive directors, one of whom serves as the chairman. The Non-Executive Director Recommendation Committee may consist of two or more directors, more than half of whom are non-executive directors. Currently, it consists of two non-executive directors and one executive director. An executive director serves as the chairman of the Non-Executive Director Recommendation Committee.

Organization of the BOD



Operational Status of the Board of Directors

The Board of Directors (BOD) serves as the highest permanent decision-making organization. In order to ensure that checks and balances are in place, decision-making and task execution roles are separately delegated to the BOD and management, and the management's business execution status is reported to the board of directors. As a result, the BOD's independence is ensured and a decision-making structure centered around BOD is formed. To effectively exercise oversight on management, the right to elect and dismiss the CEO is given to the BOD. To ensure that the board oversight is not weakened due to the board's alliance with the management, non-executive directors with proven independence constitute the majority of the BOD. Regular and irregular meetings are also held frequently among members to integrate and supplement individual directors' knowledge in order to solve various tasks and challenges effectively. Following the active collection of stakeholders' opinions, tasks from each meeting are deduced, and efforts are made to ensure that the tasks are led to results. In 2021, we plan to revise the operational regulations of the BOD and the Code of Ethics. By revising the BOD delegation policy and re-examining the process, we will further strengthen the actual operation of the BOD.



Board meeting attendance rate of non-executive directors

100%

Operation Status of Board of Directors by Year

	2018	2019	2020
Number of BOD meetings	16	13	14
Attendance rate of non-executive directors	100%	100%	100%
Audit committee meetings held within the BOD	5	4	9

Independence of the Board of Directors

The directors of NEXEN TIRE are appointed at the general shareholders' meeting as per Article 382 of the Commercial Act. We comply with related regulations such as the Commercial Act, Monopoly Regulation, and Fair Trade Act when forming the BOD. According to the Articles of Incorporation, a minimum of 3 people and a maximum of 6 people can be appointed. In order to enhance the transparency and independence of the Board of Directors, we are complying with the stipulation that more than a majority of the BOD has to be formed by non-executive directors. NEXEN TIRE excludes candidates who have a major relationship with the company and are deemed to have difficulties in fulfilling duties as non-executive directors. According to Article 34 (5) of the Commercial Act, a person is considered to have a major relationship with the company if he or she has previously worked for one of the subsidiaries, has previously worked for a company of which the size of its transaction with the company exceeds 10% of its assets or total sales in the last three years, or holds a large amount of shares of the company. Additionally, a verification process is used to appoint non-executive directors who can perform their tasks from an objective and neutral perspective.

Independence of the Board of Directors

Classification	Name	Trade with the company	Relation with the largest shareholder or major shareholders
Executive director	Byung-joong Kang	N/A	Largest shareholder CEO & Chairman of NEXEN Corp.
Executive director	Ho-chan Kang	N/A	Largest shareholder CEO & Vice Chairman of NEXEN Corp.
Non-executive director	Seung-hwa Kwon	N/A	N/A
Non-executive director	Yoo-kyung Kim	N/A	N/A
Non-executive director	Hyun-jeon Kim	N/A	N/A

Diversity of the Board of Directors

NEXEN TIRE imposes no limitations in terms of nationality, gender, religion, or race when appointing non-executive directors. In addition, we form the BOD so that it can represent the interests of stakeholders including shareholders and engage in major decisions and management activities in consideration of social value.

Composition of the Board of Directors

Classification	Name	Gender	Position	Date appointed	Expected termination date	Specialty	Major career
Executive director	Byung-joong Kang	Male	- CEO - Chairman of the BOD - Chairman of Non-Executive Director Recommendation Committee	Jun. 1, 1999	Mar. 23, 2023	General Corporate Management	- Chairman of NEXEN TIRE - Chairman of Wolsuk Scholarship Foundation - CEO of NEXEN Corp.
Executive director	Ho-chan Kang	Male	- CEO	Mar. 1, 2001	Feb. 17, 2022	General Corporate Management	- Vice Chairman of NEXEN TIRE - CEO of NEXEN Corp.
Non-executive director	Seung-hwa Kwon	Male	- Chairman of Audit Committee - Non-Executive Director Recommendation Committee	Mar. 24, 2020	Mar. 23, 2023	Accounting, Audit	- CEO of EY Advisor - Former CEO of EY Accounting Firm
Non-executive director	Yoo-kyung Kim	Male	- Member of Audit Committee - Non-Executive Director Recommendation Committee	Feb. 17, 2015	Feb. 18, 2021	General Corporate Management	- Professor at Media Communications Department of Hankuk University of Foreign Studies - Former expert advisor of Presidential Committee for Cultural Enrichment
Non-executive director	Hyun-jeon Kim	Male	- Member of Audit Committee	Feb. 17, 2016	Feb. 17, 2022	General Corporate Management	- CEO of Hwayang Industry - Previously worked in Samsung Techwin

Professionalism of the Board of Directors

NEXEN TIRE appoints individuals with specialized knowledge and wealth of experience in fields such as corporate management and accounting as non-executive directors. We are frequently providing necessary trainings for major subjects such as internal accounting control system, audit issues, and changes in accounting policy, and we plan to expand the scope of training provided. In 2020, to enhance the professionalism of non-executive directors, two sessions of training were held on strengthening internal accounting management system and audit, and two sessions of training were held on designated audit and post-COVID-19.

Internal Training for Non-Executive Directors

Training date	Subject of training	Training content
Jan. 2020	NEXEN TIRE Accounting Team	Strengthening internal accounting management policy and audit (internal training)
Feb. 2020	NEXEN TIRE Accounting Team	Strengthening internal accounting management policy and audit (internal training)
Jun. 2020	NEXEN TIRE N Culture Team	Designated audit and post-COVID-19-related training (internal training)
Sep. 2020	NEXEN TIRE N Culture Team	Designated audit and post-COVID-19-related training (internal training)

Transparency of the Board of Directors

In order to ensure transparency of the board of directors, NEXEN TIRE appoints three out of five directors as the non-executive directors and operates an audit committee consisted of non-executive directors. The Audit Committee receives and reviews reports on the operation of the internal accounting management system from an internal accounting manager to prepare and disclose transparent and reliable accounting information. In addition, the Audit Committee supervises the work of directors and the management and is responsible for approving the appointment of external auditors.

NEXEN TIRE appoints competent directors with expertise and responsibility through a transparent process through the Non-Executive Director Recommendation Committee. The committee establishes, inspects, and complements the non-executive director appointment principle, recommends candidates for non-executive directors, and regularly manages and verifies non-executive director candidates.

The Non-Executive Director Recommendation Committee comprehensively evaluates the independence and competence of candidates, according to related regulations as well as the Articles of Association. Then, candidates for non-executive directors are recommended transparently to the general shareholders' meeting. To prevent the self-empowerment of non-executive directors, an executive director is included in the Committee, and the verification results of non-executive director candidates are evaluated in the BOD for enhanced transparency in the appointment process.

Function of Committees Within the Board of Directors

Candidates for directors are transparently appointed by receiving recommendations through fair procedures through the board of directors for executive directors and the Non-Executive Director Recommendation Committee for non-executive directors. Term of office for all directors is three years, and vacant positions due to early resignation or termination are filled by individual appointment through the general shareholders' meeting.

Composition of the Non-Executive Director Recommendation Committee and Purpose of Establishment

Name of committee	Classification	Name	Purpose of establishment and permissions
Non-Executive Director Recommendation Committee	Full-time director Non-executive director	Byung-joong Kang Seung-hwa Kwon, Yoo-kyung Kim	- Satisfies Article 542-8(4) of the Commercial Act - Recommends a non-executive director during the general shareholders' meeting

Audit committee Consisted of non-executive directors with specialty in each professional field, the Audit Committee within the BOD conducts surveillance, diagnosis, and evaluation of management activities and provides rational alternatives. This not only ensures management transparency and enhances competitiveness, but also minimizes management risks and reports the interests of stakeholders such as shareholders and customers.

Structure of the Audit Committee and Professions

Name of committee	Classification	Name	Specialization
Audit Committee	Non-executive director	Seung-hwa Kwon	Accounting and Audit
	Non-executive director	Yoo-kyung Kim	Media Communication
	Non-executive director	Hyun-jeon Kim	General Corporate Management

Operating Status of Audit Committee and Non-Executive Director Recommendation Committee

Classification	Composition	Key functions	Operation status
Audit Committee	Non-executive directors (3 persons)	<ul style="list-style-type: none"> Review of audit procedures and audit results of accounting documents and accounting firms Additional review request for accounting books and related documents from accounting firms and result review Review of operational status of internal accounting control system after receiving reports from the internal accounting manager 	4 times in 2015, 3 times in 2016, 5 times in 2017, 5 times in 2018, 4 times in 2019, 9 times in 2020
Non-Executive Director Recommendation Committee	Executive director (1 person) Non-executive directors (2 persons)	Recommendation of non-executive director candidates during the general shareholders' meeting	2 times in 2016, 2 times in 2019, 2 times in 2020, once in 2021

Provision of Remuneration According to Achievements

Remuneration is determined by considering the nature of delegated tasks and results of performance in accordance with the executive remuneration regulations (resolved by the board of directors); bonuses are paid in consideration of the previous year's annual remuneration, management performance coefficient, and increase rate by evaluation grade.

Compensation Policy of the Board of Directors

Compensation for directors and auditors is paid in accordance with regulations within the annual remuneration limit of KRW 6 billion approved by the general meeting of shareholders. The actual compensation is calculated based on management performance, which is measured through economic, social, and environmental key performance indicators. In addition, separate stock options are not provided to non-executive directors. We are considering establishing a fair internal evaluation standard through regular evaluations of activities based on comprehensive criteria, such as meeting attendance, independence, and contribution, as long as it does not impair the independence of each director. We also plan to establish a method to reflect the results of evaluation on the compensation and reappointment decisions.

Compensation for Directors

(Unit: person, KRW 1 million)

Classification	Number of directors	Total Compensation	Average compensation per director
Registered director	2	1,478	739
Non-executive director (Audit Committee)	3	122	40
Total	5	1,600	320

Ethical Management

NEXEN TIRE strives to foster a transparent, fair, and mature corporate culture based on its Code of Ethics and management philosophy that pursues mutual development, consideration, coexistence, and cooperation with its stakeholders including shareholders, suppliers, partners, local communities, and employees. We strive to achieve continuous ethical management by conducting regular training and ethical management surveys for employees and operating a reporting center for the violation of the Code of Ethics.

Ethical Management Process

NEXEN TIRE implements ethical management in each sector through the following processes:



Code of Ethics

NEXEN TIRE wants to grow into a top-notch global company. In order to do so, we recognize that a fair and transparent corporate culture is essential. We establish and practice ethical standards as a standard for correct behavior and value judgment that all executives of the company must follow.

Behavioral Guidelines

NEXEN TIRE distributed 10 behavioral guidelines and enforcement regulations to its employees, and also published them on the NEXEN TIRE website in order to make them accessible to everyone.

Enforcement Regulations of the Code of Ethics

For the efficient operation of the Code of Ethics, NEXEN TIRE has stipulated the enforcement regulations regulating the scope of all benefits, such as money, valuables, entertainment, and convenience, received from stakeholders in relation to the performance of employees' work, and the standards of behavior to be observed. The enforcement regulations apply to all executives and employees and include the prohibition of accepting bribes or conveniences, congratulatory gifts, event approval, transactions using job-related information, use of budget, monetary transactions, preferential treatment, and discrimination.

Code of Ethics and Action Guide

Code of Ethics	<ul style="list-style-type: none"> We provide the satisfaction and trust to our customers by providing safe and quality tires. We constantly strive to improve our technology and contribute to our 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 do not promote unfair benefits related to work nor abuse power in relation to our work. We establish a shared relationship based on trust and harmony with pride that all workers and managers are the owners of our company. 														
Behavioral Guidelines	<table border="1"> <tbody> <tr> <td>Legal Compliance</td><td>Ethical Compliance of Employees</td><td>Respect and Protection of Employees</td><td>Transparent Management</td><td>Fair Trade</td></tr> <tr> <td>Prohibition of Accepting Money, Goods, or Entertainment</td><td>Environmental Protection</td><td>Labor-management relationship</td><td>Contribution to Country and Society</td><td>Compliance with the Code of Ethics</td></tr> </tbody> </table>					Legal Compliance	Ethical Compliance of Employees	Respect and Protection of Employees	Transparent Management	Fair Trade	Prohibition of Accepting Money, Goods, or Entertainment	Environmental Protection	Labor-management relationship	Contribution to Country and Society	Compliance with the Code of Ethics
Legal Compliance	Ethical Compliance of Employees	Respect and Protection of Employees	Transparent Management	Fair Trade											
Prohibition of Accepting Money, Goods, or Entertainment	Environmental Protection	Labor-management relationship	Contribution to Country and Society	Compliance with the Code of Ethics											

Organization of Ethical Management



Organizational Structure

NEXEN TIRE has established the Ethics Management Team under the direct control of the Asia-Pacific regional representative to perform ethical management. At the same time, we support ethical management by granting the Global CEO and Asia Pacific regional representative new work rights such as financial reporting support, the role of the audit committee secretariat, internal accounting operation status investigation, whistleblowing system operation, and employee fraud inspection. The role has been expanded to a central department that spreads ethical management, such as notification of messages from the CEO and ethical management training.

Reporting Center

NEXEN TIRE receives reports on all acts that violate or may violate the Code of Ethics, including an employee's job-related fraud and damages to the company's and employees' reputation. We received six reports in 2020 and implemented responsive measures for all of them.

As per Article 15 of the Enforcement Regulations of the Code of Ethics, the identity of the whistleblower, the reported content, and the process results are kept confidential. 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 whistleblower.

Reports on employees' compliance with the Code of Ethics are released according to the corporate regulations if there are facts that can be disclosed after reviewing. Rewards or punishments will be enforced in accordance with Article 16 of the Code of Ethics Enforcement Regulations to declare the management's will to implement ethical management.

Reporting Method and Procedure

Email	Direct internal email (ethics@nexentire.com)
Website	Click "Report" at top * Direct external email (nexenethicscenter@gmail.com)
Document	Ethics Management Team, THE NEXEN univerCITY, 7F, 177, Magokjungang-ro, Gangseo-gu, Seoul



Online Ethics Training 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. To fortify ethical management among employees, we provide annual ethics training. In 2020, we also provided online training on a group level. We also strive to raise the awareness of ethical management by publishing regular ethical management newsletters.

Ethics Training

Training title	Time for action: ethical management
Training content	Compliance and practice of the Code of Ethics such as anti-corruption and antitrust
Training type	Online
Date	April 1-30, 2020
Completion	All 1,010 employees in management completed the training



Confirmed Cases of Corruption
0

Ethical Management Status Diagnosis

NEXEN TIRE conducts a regular diagnosis each year to assess the status of ethical management of each department and prevent corruption. Specifically, we conduct a diagnosis for each department through employee surveys and monitoring. Based on the result of the diagnosis, customized trainings are held. In 2020, we conducted two diagnoses for each department due to COVID-19, and in 2021, we completed a regular inspection of the Purchase team. We also possess internal accounting control regulations and guidelines for transparent management, and the internal accounting management team operates in accordance with the regulations and guidelines. The CEO, internal accounting officer, and the Audit Committee inspect the effectiveness of the internal accounting control system every year based on objective KPIs. The inspection results are reported to the general shareholders' meeting, BOD, and the Audit Committee.

Compliance Management

NEXEN TIRE declared its commitment to ethical management on its website on June 1, 2019. We prepare and create the values of tomorrow, securing a clean and transparent corporate culture focusing on ethical management.

Our ethical management philosophy, constant and unchanging even in the face of challenges, has been recognized internally and externally. We have been recognized by the Grand Prize of Transparent Accounting (held by the Korean Accounting Association), the Trusted Taxpayer Award (held by the Ministry of Economy and Finance), the Presidential Commendation for Labor-Management Cooperation (held by the Ministry of Employment and Labor). Furthermore, we are striving to become a top 10 company in the global industry through the operation of the Wolsuk Scholarship Foundation, sisterhood relationship with rural regions, clean factories, and enforcement of our environmental and safety policies to earn the trust of our customers, shareholders, employees, and suppliers.

NEXEN TIRE focuses on the practice of ethical mindset for all employees. All NEXEN TIRE executives and employees are responsible for properly understanding and adhering to this Code of Ethics. Suppliers in relationship with NEXEN TIRE are also encouraged to adhere to the Code.

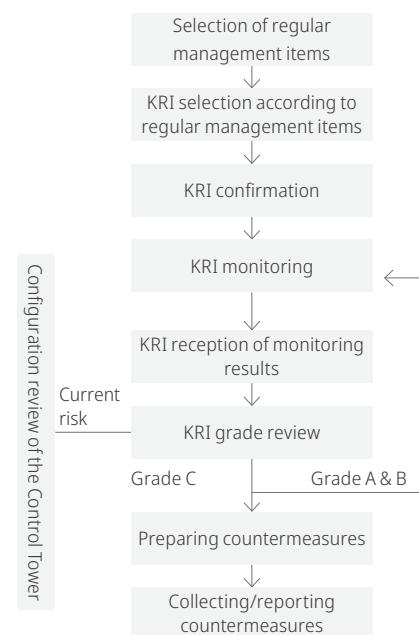
Legal Compliance We appoint a compliance officer who is certified to inspect compliance to legal standards, and the inspection result is disclosed in the Annual Report. The compliance officer monitors the legal compliance of the executives and employees as well as corporate activities. We faithfully support our organization and business through various compliance activities, and the results of these activities must be reported to the Board of Directors.

Anti-Corruption and Anti-Bribery Aside from creating and distributing guidelines regarding anti-corruption, NEXEN TIRE conducts regular inspections to ensure that there are no violations of the Anti-Corruption Act for fair business performance. We select business sites every year to conduct regular and irregular diagnosis for corruption. When a corruption is identified, appropriate measures are taken in cooperation with the compliance officer. In 2020, two inspections were conducted due to COVID-19, and no serious corruption incidents were found.

In addition, we conducted training to comply with various anti-corruption laws not only in Korea but overseas, and completed the signing of pledges for all executives and employees. NEXEN TIRE also complies with the Political Funds Act of Korea and does not provide any political contributions, such as political funds, campaign funds, and lobbying funds for a particular political organization. However, we contribute to the development of public policies and interest through regular sponsorship of associations with the public interest that are guaranteed political neutrality.

Risk Management

Risk Management Process



NEXEN TIRE has designated a Chief Risk Officer (CRO) and is operating a risk management department since 2020 for preemptive and retroactive risk management through proactive recognition, analysis, and response of risk factors in the business environment. We strive to secure the foundation for normal business activities and stabilize corporate development by systematically monitoring risks that have a high impact on the company.

COVID-19 Response

To respond to COVID-19 situation, the NEXEN Steering Committee (NSC) meeting was held, to monitor the daily status and promptly share the situation with relevant departments. We also improved the work speed by managing a series of value chain through a company-wide response plan and prompt decision-making.

COVID-19 Response Status Given such an unprecedented crisis brought by COVID-19, NEXEN TIRE has made various efforts to respond preemptively in various ways: establishment of a decision-making system, protection of employees, communication with customers, stabilization of supply chains, maintenance of financial stability, and preparation for the post-COVID-19 era. With the situation rapidly changing due to COVID-19, the Control Tower and NSC were formed for prompt decision making and monitoring of daily situations. Such decision makings allowed measures such as infection prevention and commuting time adjustments to protect employees. We also strengthened communication with our customers by establishing customer support policies, reinforcing cooperative relationships with key customers, and running special promotions.

In addition, we established a daily forecasting system for business conditions and predicted the rolling order volume every five months, preemptively managing the inventory in accordance with the inventory reduction policy. A flexible operation of factories was also carried out by adjusting holidays, with an ultimate goal of stabilizing the supply chain. In order to maintain financial integrity, we conducted simulations for each scenario and prepared countermeasures. Proactive liquidity was secured by improving profit and loss through budget and cost reductions, deferring expenses, and securing caps. As a preemptive response to the upcoming post-COVID-19 era, we have established a risk management system, prepared guidelines for risk distribution, and considered ways to expand OE volumes. In addition, by establishing an action plan for each stage of emergency management, measures such as adjusting the factory utilization rate, reducing costs, and securing cash were carried out simultaneously according to the number of orders received.

COVID-19 Support Activities NEXEN TIRE is promoting various activities to prevent the spread of COVID-19. We continuously disclose the status of employees with symptoms and provide guidance on the preventive measures. We also carry out body temperature checks at each entry and exit, and mandate employee to sanitize their hands, wear masks, and perform self-disinfection activities. Measures are being taken to minimize close contacts by installing screens between seats at the work canteen, where the risk of the spread of virus is high, and implementing flexible working hours and telecommuting.

Efforts were made to provide transportation for the return of employees and their families working in countries where the COVID-19 situation is serious. To support customers located in countries where it is difficult to supply masks, 2,800 masks—100 each for 28 clients—were provided to the Chinese subsidiaries, and 2,400 masks were provided separately for overseas subsidiaries. In addition, NEXEN TIRE supported dealers who are experiencing a decrease in sales due to COVID-19 and consumers whose safety is threatened by prolonged tire replacement cycles due to their limited outside activities.

In April 2020, we provided quarantine sprayers and large-capacity disinfectants to 774 stores across the country to facilitate consultations in a safe space for both dealers and consumers. In May 2020, banners informing customers that they can use their disaster relief funds at the store were distributed to 490 stores nationally to help dealers recover their sales and expand options for customers.

In January 2021, we delivered secondary quarantine products, such as large-capacity disinfectants and hand sanitizers to 1,253 stores nationally, as a means to reduce financial burdens on dealers when carrying out quarantine activities.

Post-COVID-19 The Post-COVID workshop was held in preparation for sudden changes in the business environment after the COVID-19. The workshop covered contactless trends after COVID-19, digitalization, expansion of eco-friendly industries, deglobalization, and changes in working methods. By inviting experts from each field to deliver lectures, we tried to increase our understanding of the direction of change and deduced 25 detailed tasks as a result, including the development of eco-friendly products.

Financial Risk Management

As NEXEN TIRE carries out business at overseas, it is exposed to various financial risks, foreign exchange risks, liquidity risks, and tax risks. Risk management is essential for the entry into the second major growth phase with the operation of the European plant and for the establishment of a stable financial foundation. As such, we are constantly monitoring risks, reviewing the identified major issues, and preparing response strategies.

1. Financial Risks While working capital volume has risen due to continued sales growth, borrowings have increased since 2017 due to a new investment in the European plant. In response, we have established a financial risk 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 through borrowings using 'Swap'. Moreover, in 2020, we were able to achieve excellent credit ratings and stable financial activities by using the cash generated as a financial source for stable borrowing and successfully issuing corporate bonds.

2. Foreign Exchange Risks As NEXEN TIRE is expanding its global operations, exports accounted for about 80% of its sales as of 2020. As a result, we are exposed to foreign exchange risks related to the collection and operation of foreign currencies. Assets and liabilities for each currency are matched to minimize foreign exchange risks. Foreign exchange risks are managed for surplus currency based on cash flow analysis for each currency. We are internally reviewing foreign exchange risk management through more sophisticated derivatives trading compared to existing products, and we plan to establish a more professional strategy.

3. Liquidity Risks Through integrated and organic liquidity management between the head office and overseas subsidiaries, we are preparing for an unpredictable liquidity shock. We are concentrating on establishing a stable financial structure to respond immediately to global turbulences by selling export bonds and possessing a large-scale limited credit loan that can be borrowed and repaid at any time. Finally, distributed transactions of multiple financial institutions under this credit line enable us to manage financial costs and reduce risks from specific financial institutions.

4. Tax Risks NEXEN TIRE proactively identifies and manages tax risks by continuously monitoring changes in tax-related regulations and tax policies. It faithfully fulfills its tax reporting and payment obligations at domestic and overseas business sites based on a reasonable tax strategy. We also comply with the tax laws and regulations of the country where the business sites are located in. It is strictly prohibited to transfer values to areas with low tax jurisdictions, use financial structures for tax evasion and tax havens, and conduct transfer pricing.

Non-Financial Risk Management

Stakeholder expectations with regard to the company's non-financial factors are gradually increasing. Accordingly, we are subdividing internal and external risk factors related to sustainability management to identify risks preemptively and strengthen our response for continued market competitiveness.

1. Business Continuity Risk NEXEN TIRE has established a process so that the Chief Risk Officer can immediately form a control tower to respond systematically in the event of a current risk (factory fire, natural disaster, disease, war, etc.), and established a dedicated department. In the event of a current risk, we will overcome the risk through effective response and further seize new opportunities to develop together with our employees, stakeholders, shareholders, and customers.

2. Legal Risk As a global business, NEXEN TIRE is exposed to various legal risks both domestically and internationally. These legal risks are derived from potential risks arising from (i) non-compliance with domestic or 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.

In relation to this, legal issues may arise in the fields of product liability, personal data protection, fair trade and e-commerce, international commerce, etc., depending on the business operated by the company. Results from the occurrence of such legal risks may cause significant financial damage as well as adversely affect the company's business activities and reputation.

Meanwhile, in 2019, the Fair Trade Commission imposed a penalty for the behavior of "resale price maintenance." After the event, in order to actively prevent the occurrence of anti-competitive behavior and effectively respond to possible risks in the future, the legal and ethical management organization controls whether various transactions are properly concluded and implemented. Also, we provide a regular company-wide training, implement regular inspections, and take improvement measures.

Given the situation where conflicting interests exist and adaptations to changing industrial paradigm are needed, a rational and legal decision making is required for companies, and risk management is becoming increasingly important. In order to manage the legal risk systematically, we established a risk management organization to analyze and assess the potential impact of risk, response activities, and future plans. Also, we formed a organizational review system to allow cooperation between relevant departments. Furthermore, we strengthened the contract signing and screening procedures to check in advance whether there are any violations of domestic and foreign laws and international treaties.



Announcement of Exemplary Case of Honorary Industrial Safety Inspector



Comprehensive Fire Drill

3. Information Security Risk Along with the reinforcement of information security laws domestically and internationally, the importance of securing information systems, networks, and data is increasing. Accordingly, NEXEN TIRE is making various efforts to prevent cyber-crimes and protect customer data from cyberbreaches.

We operate and manage an optimized information security management system through professional consultations and appoint a Chief Information Security Officer and a Data Protection Officer to prevent cyber breaches. The Audit Committee regularly monitors the company's information security risks. The department in charge of managing risks designates information security risks as a Key Risk Indicator (KRI) and conducts monthly inspections.

Distributed business sites have specialized security operation personnel who take appropriate actions according to a manual when security-related issues occur. We conduct regular information security training for all employees. Particularly, employees dealing with personal information are appointed as personal information managers every year and receive mandatory personal information security training, covering types and scopes of personal information and customer information protection.

4. Health and Safety Risks We made efforts to establish a health and safety management system through joint efforts between labor and management to directly participate in the management and raise the level of awareness among workers. As a result, we received the grand prize in the Honorary Industrial Safety Inspector Exemplary Case Presentation Contest, hosted by the Ministry of Employment and Labor and the Korea Occupational Safety and Health Agency. In the case of the Yangsan plant in 2020, the CEO certified by the Korea Occupational Safety and Health Corporation incorporated health and safety policies into the group management policy. The health and safety management system, which focuses on systematically managing all these activities, has been newly certified (KOSHA-MS). Domestic and overseas business sites have also been certified with ISO 45001, which is the international standard for occupational health and safety management system.

5. Fire Risk By identifying risks that may occur at NEXEN TIRE, we establish an annual management plan to respond to emergency situations such as fire, earthquakes, storms, flooding, and leak of hazardous chemicals. Action guidelines for each situation have been established and are being distributed and trained on a group level. Particularly, we seek to improve our initial response capabilities through regular training on high-risk situations such as fires and boiler explosions. We also carry out monthly inspections of firefighting facilities together with specialized firefighting companies, legal inspections, and active investments. In addition, training departments have been reorganized for each process, and a joint fire response training targeted at the self-defense fire brigades is held in collaboration with fire stations at excellent training districts. Finally, we are working hard to establish self-directed training through annual training for our resident suppliers.

6. Risks in Other ESG Management Areas NEXEN TIRE's Risk Management Department collects, selects, and manages ESG-related risks that may newly arise by the Risk Management Department every year, and establishes risk response plans.



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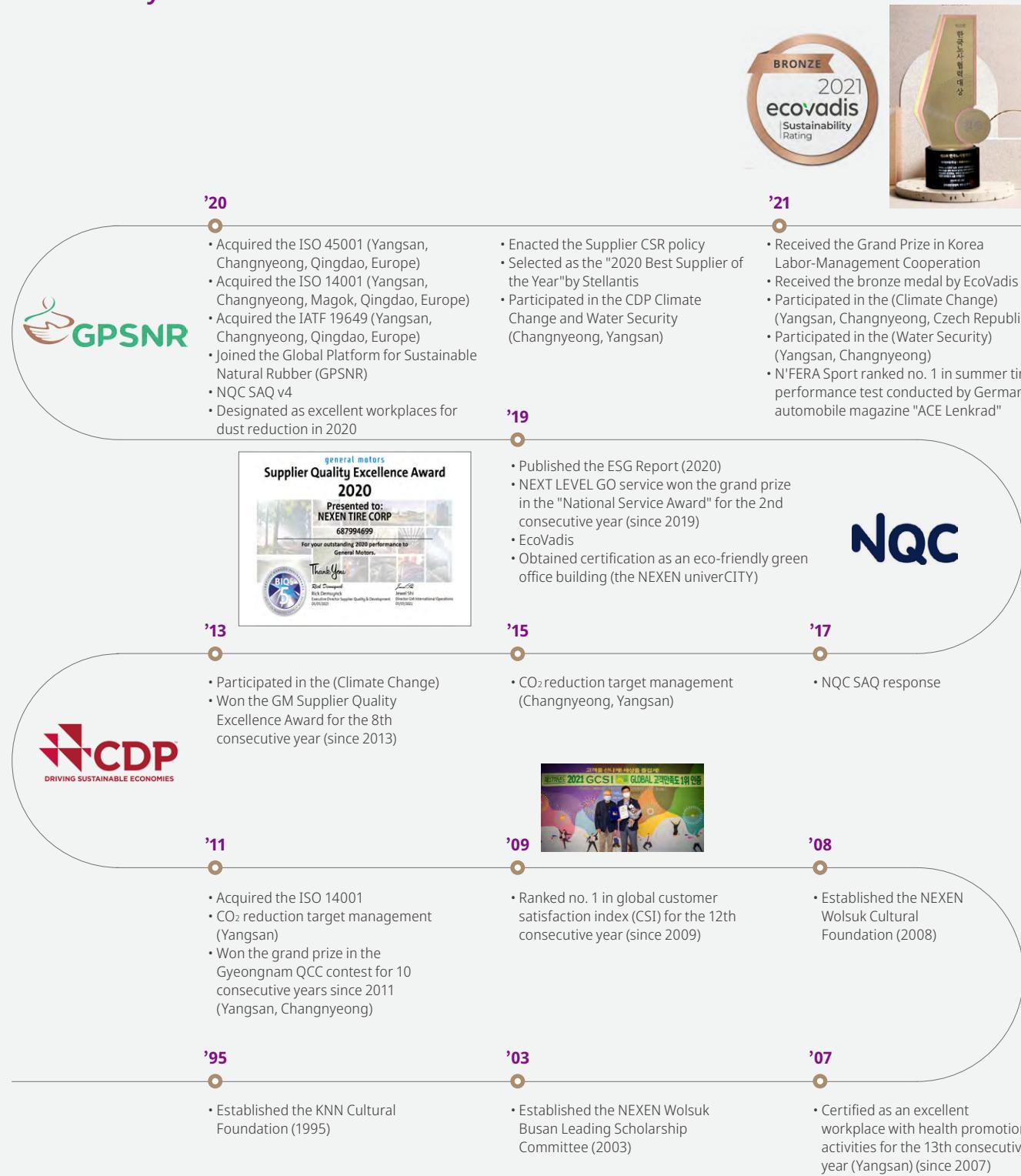
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NEXEN TIRE ESG History



UN SDG Activities

Countries worldwide are making various efforts to implement the UN's Sustainable Development Goals (SDGs) established at the 70th UN General Assembly in 2015. NEXEN TIRE seeks to fulfill its social responsibilities as a corporate citizen by engaging in various activities to achieve the UN SDGs in line with the efforts of countries around the world.

UN SDGs Goal Promotion Direction	Main Activities			
<p>We will strive to improve not only the safety and health of our employees but also the health of our members within the value chain. We will also minimize negative impacts by safely managing hazardous chemicals and monitoring water quality.</p>	<ul style="list-style-type: none"> Certified as an excellent workplace for safety-promoting activities for the 13th consecutive year Rigorous management and training-related workplace safety Operating health and safety symbiotic cooperation programs for large companies and small- to medium-sized suppliers 			
<p>To develop and strengthen the capabilities of our employees, we will do our best to reduce inequality in community education and develop various educational activities.</p>	<ul style="list-style-type: none"> Scholarships for the vulnerable classes in the local communities Fostering local science talents through the Cultural Foundation Implementing the NEXEN UNIVERSE program 			
<p>We will do our best to eliminate gender inequality in employee recruitment and HR policies and minimize discrimination against women and girls in local communities.</p>	<ul style="list-style-type: none"> Promoting a culture of gender equality among employees by improving the AA program Prohibiting discrimination through the enactment of human rights management policy Operating a care system for mothers-to-be 			
<p>We are managing water resources according to legal standards—cognizant of the importance of water resources—and we will continue to enhance the management of safe and healthy water in the future.</p>	<ul style="list-style-type: none"> Participating in CDP Water information disclosure Water resource reduction and reuse enhancement activities Wastewater pollutant management and wastewater reduction activities 			
<p>Through self-generation and purchase of renewable energy, we will continue to expand the use of sustainable energy, striving to improve energy efficiency in our business sites.</p>	<ul style="list-style-type: none"> Implementing RE100 at global business sites Signed the "Green Premium" contract to certify the use of 128MWh renewable energy per year Operating the solar power generation facility in Changnyeong Plant 			
<p>We strengthen product capabilities and secure new growth engines to contribute to the growth of the mobility industry and expand the company's business performance. We will also do our best to create quality jobs.</p>	<ul style="list-style-type: none"> Investing in mobility startups through the establishment of "Next Century Ventures" Securing 24 new models of global OE supply in 2020 Operating the "Career Challenge" system 			
<p>We will pursue the development of local communities as a corporate citizen with the goal of shared growth and coexistence, providing equal opportunities to the vulnerable to contribute to the creation of an inclusive society.</p>	<ul style="list-style-type: none"> "One-Company, One-Village" program that exchanges with Hoengseong Noguso village Supporting local community academics, culture, and arts through the Cultural Foundation 			
<p>We seek to provide equal opportunities to our employees and shun all kinds of discrimination by strictly implementing the human rights management policy. We monitor the occurrence of discrimination in the supply chain and strive to reduce inequality in local communities.</p>	<ul style="list-style-type: none"> No discrimination or harassment within the company Operation of "Angel With Us," a subsidiary-type standard worksite for people with disabilities Dream Start 1:1 child matching activity 			
<p>Through sustainable supply chain and resource management, we will do our best to improve the quality of life of members of the supply chain and value chain and to manage a responsible supply chain.</p>	<ul style="list-style-type: none"> Participating in the Global Platform for Sustainable Natural Rubber (GPSNR) Management of conflict minerals procurement Activities for the sustainable use of raw materials 			
<p>We have established a climate change management system based on the growing awareness of global climate change risks and to expand GHG reduction activities at our business sites while continuing our efforts to develop eco-friendly products.</p>	<ul style="list-style-type: none"> Approximately 23,000 tCO₂ reduction in GHG emissions in 2020 compared to the previous year Participating in CDP Climate Change information disclosure Applying energy-saving operation systems 			
<p>Good Health and Well-being</p> <p>Ensure healthy lives and promote well-being for everyone of all ages</p>	<p>Quality Education</p> <p>Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all</p>	<p>Gender Equality</p> <p>Achieve gender equality and empower all women and girls</p>	<p>Clear Water and Sanitation</p> <p>Ensure access to water and sanitation for all</p>	<p>Affordable and Clean Energy</p> <p>Ensure access to affordable, reliable, sustainable, and modern energy for all</p>
<p>Decent Work and Economic Growth</p> <p>Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all</p>	<p>Industry, Innovation and Infrastructure</p> <p>Build resilient infrastructure, promote sustainable industrialization, and foster innovation</p>	<p>Required Inequalities</p> <p>Reduce inequality within and among countries</p>	<p>Responsible Consumption and Production</p> <p>Ensure sustainable consumption and production patterns</p>	<p>Climate Action</p> <p>Take urgent action to combat climate change and its impacts</p>

Awards



Quality Management/Customer Satisfaction

- Sep. 2020 Won the grand prize in the tire general service sector of the "2020 National Service Award" hosted by the Institute for Industrial Policy Studies for 2 consecutive years
- Jun. 2021 Selected as the "2020 Best Supplier of the Year" by a global automaker Stellantis
- Jun. 2021 Won the grand prize in the Gyeongnam Quality Control Circle (QCC) Contest for the 11th consecutive year since 2011 (Yangsan Plant, Changnyeong Plant)
- 2021 Won the GM Supplier Quality Excellence Award for 8 consecutive years
- Ranked no. 1 in global customer satisfaction index (CSI) for 11 consecutive years

Corporate Management

- May 2021 Won the Grand Prize in the Korea Labor-Management Cooperation Awards hosted by the Korea Enterprises Federation

Design Award

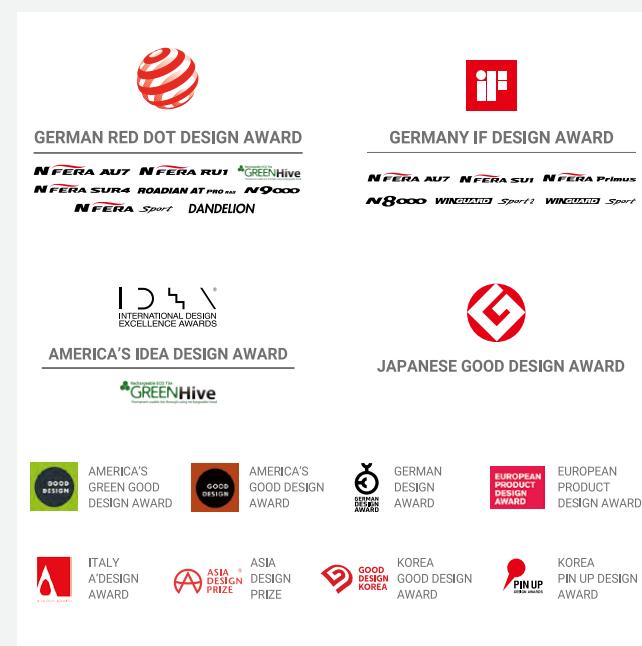
<Global Pattern Guidebook>
NEXEN TIRE received top 4 global design awards for the first time in the industry

Germany Red Dot Design Award
As the world's largest design awards event, the Red Dot Design Awards is hosted by the Design Zentrum Nordrhein Westfalen in Germany. Winners are selected and announced in three categories, which are product design, concept design, and communication design. Since it was first organized in Germany in 1955, the Red Dot Design Award has received more than 11,000 entries from 61 countries.

Germany iF Design Award
Launched in 1954, the iF Product Design Award is organized every year by the iF International Forum Design. More than 2,000 works are submitted from around 37 countries every year, and the best ones become iF-certified.

United States IDEA Design Award
The United States IDEA Design Awards is an international design award event organized by the Industrial Designers Society of America. The best design is selected following a comprehensive evaluation based on various criteria such as design innovation, user benefits, and social responsibility.

Japan Good Design Award
As an international design awards event launched in 1957 and hosted by the Japan Industrial Design Promotion Organization (JIDPO), the Japan Good Design Awards evaluates products according to strict evaluation criteria. Products chosen by the Japan Good Design Awards boast of high quality and innovative designs, enhancing the reputation of the design awards.



Sustainability Performance Data

Economic Performance

Classification	Main Activities	2017	2018	2019	2020
Financial Performance	Sales	19,647.9	19,839.8	20,223.4	16,981.2
	Cost of sales	13,275.7	14,222.0	14,056.9	12,598.0
	Gross profit	6,372.2	5,617.7	6,166.5	4,383.2
	Sales and administrative expenses	3,425.5	3,411.8	3,644.6	3,516.0
	Operating profit	1,854.2	1,824.4	2,073.7	394.2
	Net profit before income tax (loss)	1,667.4	1,485.9	1,843.3	-126.8
	Operating profit from continued operation (loss)	1,254.0	1,035.4	1,184.5	-165.9
	Net profit (loss) during the term	1,254.0	1,035.4	1,184.5	-165.9
	Other comprehensive income	107.9	-39.9	215.7	156.1
	Total comprehensive income	1,362.0	995.5	1,400.2	-9.8
	Current assets	9,135.0	9,835.4	10,885.6	12,002.6
	Non-current assets	18,805.1	22,587.4	23,475.0	23,408.1
	Total assets	27,940.1	32,422.9	34,360.5	35,410.8
	Current liabilities	6,482.0	6,349.5	6,184.2	7,667.5
	Non-current liabilities	8,068.8	11,791.5	12,597.3	12,277.3
	Total liabilities	14,550.8	18,141.0	18,781.5	19,941.2
	Total equity	13,389.3	14,281.8	15,579.0	15,469.5
Sales by business sector	Total sales	19,657.9	19,839.8	20,223.5	16,981.2
	Tire sector	26,936.0	28,026.9	29,471.8	24,305.5
	Non-tire sector (transportation and storage)	839.4	62.4	154.1	100.0
	Non-tire sector (molds)	61.8	49.6	39.3	59.8
	Non-tire sector (bakery, etc.)	-	35.2	55.8	50.7
	Internal transaction removal	-8,179.3	-8,334.3	-9,497.5	-7,534.8
	Gross operating profit	1,854.2	1,824.4	2,073.8	394.0
Operating profit (loss) by business sector (loss)	Tire sector	1,581.5	1,799.7	1,808.4	177.7
	Non-tire sector (transportation and storage)	26.4	7.6	16.7	19.9
	Non-tire sector (molds)	-1.0	-2.7	-1.6	2.1
	Non-tire sector (bakery, etc.)	-	-0.3	0.2	-0.5
	Internal transaction removal	247.3	20.1	250.1	195.1
Assets by business sector	Total assets	27,940.1	32,422.8	34,360.6	35,410.8
	Tire sector	34,195.1	41,424.9	43,960	44,315.0
	Non-tire sector (transportation and storage)	458.2	446.1	447.6	424.3
	Non-tire sector (molds)	47.6	42.1	41.0	54.0
	Non-tire sector (bakery, etc.)	-	3.6	4.3	4.3
	Internal transaction removal	-6,760.8	-9,493.9	-10,092.3	-9,386.8
Liabilities by business sector	Total liabilities	14,550.8	18,140.9	18,781.5	19,941.2
	Tire sector	17,283.4	21,958.9	23,071.0	23,640.4
	Non-tire sector (transportation and storage)	258.5	247.3	236.0	200.1
	Non-tire sector (molds)	9.9	6.3	5.0	14.6
	Non-tire sector (bakery, etc.)	-	0.9	1.0	0.9
	Internal transaction removal	-3,001.0	-4,072.5	-4,531.5	-3,914.8

Classification	Unit	2017	2018	2019	2020
Customer Satisfaction	Ratio of R&D expenditure to annual sales	%	3.2	3.5	4.6
	Free inspection service	Implementations	483	478	468
		Number of vehicles	13,537	12,205	13,706
	Warranty for product lifecycle	Number of cases	1,876	1,439	1,267
		Number of tires	2,562	2,060	1,775

Sustainability Performance Data

Environmental Performance

Classification	Unit	2017	2018	2019	2020
Greenhouse Gas					
GHG emissions (Scope 1)	Yangsan Plant	tCO ₂ eq	7,322	8,226	7,573
	Changnyeong Plant		24,579	24,721	24,598
	Small-scale worksites		139	126	191
	Europe Plant		-	-	7,211
	Total		32,040	33,073	39,573
GHG emissions (Scope 2)	Yangsan Plant	tCO ₂ eq	117,971	119,841	120,897
	Changnyeong Plant		55,858	57,515	58,568
	Small-scale worksites		512	441	2,174
	Europe Plant		-	-	31,241
	Total		174,341	177,797	212,880
GHG emissions (Scope 1+2)	total	tCO ₂ eq	206,381	210,870	252,453
GHG emissions intensity (Scope 1+2)	Yangsan Plant	tCO ₂ eq/ton	0.652	0.645	0.661
	Changnyeong Plant		0.738	0.748	0.761
	Europe Plant		-	-	3.982
	All		0.686	0.683	0.806
Exhaust Gas					
Dust Emissions	Yangsan Plant	ton	10.9	10.4	10.4
	Changnyeong Plant		12.0	15.5	12.4
	Europe Plant		-	-	0.4
	Qingdao Plant		1.0	0.6	0.5
	All		23.9	26.5	23.8
NOx emissions	Yangsan Plant	ton	48.2	48.2	48.2
	Changnyeong Plant		87.7	87.7	87.7
	Europe Plant		-	-	7.2
	Qingdao Plant		23.9	69.6	42.4
	All		159.9	205.6	185.6
SOx emissions	Yangsan Plant	ton	0.1	0.1	0.1
	Changnyeong Plant		0.2	0.2	0.2
	Europe Plant		-	-	-
	Qingdao Plant		0.3	0.6	0.8
	All		0.6	1.0	1.2
Energy					
Energy consumption (Yangsan Plant)	Fuel	TJ	137	155	143
	Purchased electricity		1,568	1,578	1,608
	Renewable energy		-	-	-
	Purchased steam		741	765	758
	Total		2,446	2,498	2,509
Energy consumption (Changnyeong Plant)	Fuel	TJ	482	485	483
	Purchased electricity		1,150	1,184	1,206
	Renewable energy		-	-	-
	Purchased steam		-	-	-
	Total		1,633	1,669	1,689
Energy consumption (Qingdao Plant)	LNG	TJ	463	464	399
	Purchased electricity		310	316	311
	Renewable energy		-	-	-
	Purchased steam		-	-	-
	Total		773	780	710

Classification	Unit	2017	2018	2019	2020
Energy consumption (Europe Plant)	Fuel	TJ	-	-	145
	Purchased electricity		-	-	131
	Renewable energy		-	-	-
	Purchased steam		-	-	-
	Total		-	-	276
	Total energy consumption	TJ	4,851	4,947	5,184
Energy intensity	Yangsan Plant	TJ/ton	0.013	0.013	0.013
	Changnyeong Plant		0.015	0.015	0.017
	Qingdao Plant		0.008	0.008	0.008
	Europe Plant		-	-	0.029
	Total (excluding Qingdao)		0.014	0.014	0.015
Raw Materials					
Consumption of major raw materials (Yangsan Plant)	Natural rubber	ton	40,842	41,684	48,214
	Synthetic rubber		41,588	39,737	44,766
	Carbon black		40,893	40,794	44,150
	Silica		9,424	9,279	10,181
	Textiles		8,826	9,213	9,205
	Steel cord		14,657	15,631	15,757
	Bead wire		7,938	7,889	7,710
	Natural rubber	ton	23,295	25,116	26,269
	Synthetic rubber		24,194	26,836	27,842
	Carbon black		19,964	22,321	23,246
Consumption of major raw materials (Changnyeong Plant)	Silica		9,817	10,260	10,412
	Textiles		5,202	5,232	5,249
	Steel cord		7,868	8,065	7,933
	Bead wire		4,598	4,766	4,720
	Natural rubber	ton	23,295	25,116	19,671
	Synthetic rubber		24,194	26,836	22,254
	Carbon black		19,964	22,321	16,667
	Silica		9,817	10,260	7,459
	Textiles		5,202	5,232	4,053
	Steel cord		7,868	8,065	6,437
Waste	Bead wire		4,598	4,766	3,711
Waste generated (Yangsan Plant)	Recycling	Non-hazardous waste	ton	2,891.1	3100.8
		Hazardous waste		236.9	206.3
	Incineration	Non-hazardous waste		-	-
		Hazardous waste		124.3	98.0
	Landfill	Non-hazardous waste		29.7	58.3
Waste generated (Changnyeong Plant)	Recycling	Hazardous waste		21.7	36.2
		Non-hazardous waste	ton	2,234.0	2292.3
	Incineration	Hazardous waste		226.6	199.4
		Non-hazardous waste		-	-
	Landfill	Hazardous waste		37.8	53.4
Waste generated (Qingdao Plant)	Recycling	Non-hazardous waste	ton	642.6	684.3
		Hazardous waste		215.5	93.3
	Incineration	Non-hazardous waste		-	-
		Hazardous waste		134.9	145.0
	Landfill	Non-hazardous waste		-	-
Waste generated (Europe Plant)	Recycling	Non-hazardous waste	ton	-	-
		Hazardous waste		-	-
	Incineration	Non-hazardous waste		-	-
		Hazardous waste		-	-
	Landfill	Non-hazardous waste		-	-

Sustainability Performance Data

Environmental Performance

Classification	Unit	2017	2018	2019	2020
Total waste generation	Non-hazardous waste	ton	5797.4	6077.3	8,086.3
	Hazardous waste		997.7	805.5	1,712.5
	Total waste		6,795.0	6,882.8	9,798.8
Water					
Water intake	Yangsan Plant	m³	949,279	1,011,434	1,090,344
	Changnyeong Plant		357,856	359,859	358,595
	Qingdao Plant		273,679	307,947	369,634
	Europe Plant		-	-	62,979
	Total		1,580,814	1,679,240	1,881,552
Water pollutant emissions (SS)	Yangsan Plant	mg/L	89.3	76.0	64.3
	Changnyeong Plant		52.4	43.7	46.5
	Qingdao Plant		-	-	25.8
	Europe Plant		9.0	21.0	14.0
					23.0
Environmental Management					
EMS Implementation rate	%	100	100	85	100
Percentage of ISO 14001 certified		100	100	85	100
Implementation rate of environmental risk assessment		100	100	100	100
Percentage of employees receiving environmental training		100	100	100	100

Social Performance

Classification	Unit	2017	2018	2019	2020
Industrial Safety					
Lost-Time Injuries Frequency Rate (LTIFR)	Employees	Yangsan Plant		0.328	1.000
		Changnyeong Plant	case/million	0.302	1.208
		Korea (Yangsan, Changnyeong)	million working hours	0.319	1.074
Accident rate	Contractors	Yangsan Plant		8.356	0
		Changnyeong Plant		3.064	0
		Korea (Yangsan, Changnyeong)		5.836	0
		Yangsan Plant	%	0.125	0.085
		Changnyeong Plant		0.260	0.085
		Korea	%	0.169	0.085
Number of work-related fatalities		person		0.309	0.123
No. of cases surpassing the standard for noise control (90dB(A))		time		-	-
No. of employees covered by a health and safety management system	Korean employees	person	4,041	3,824	3,806
		%	96	92	92
No. of employees covered by a health and safety management system that has been internally audited	Korean employees	person	4,041	3,824	3,806
		%	96	92	92
Percentage of KOSHA-MS certified	Korean employees	person	2,478	2,372	2,112
		%	59	57	51
Implementation rate of health and safety risk assessment		%	100	100	100

Employees

Total number of employees by gender	Male	person	5,584	6,163	6,381	6,161
	Female		446	494	509	557
	Total		6,030	6,657	6,890	6,718
Total number of employees by region	Korea		4,147	4,163	4,157	4,108
	Abroad		1,883	2,494	2,733	2,610
Total number of employees by employment contract & gender	Permanent	Male	5,704	6,255	6,419	6,195
	Temporary	Male	31	46	85	89
	Female		23	26	10	19

Classification	Unit	2017	2018	2019	2020
Total number of employees by employment contract & region	Permanent	Korea	person	4,093	4,091
		China		1,562	1,533
		Czech Republic		119	743
		Others		202	218
Total number of employees by employment type & gender	Temporary	Korea		54	72
		China		-	-
		Czech Republic		-	-
		Others		-	-
Female employees	Full-time	Male		2,739	3,301
		Female		287	349
		Male		2,996	3,000
		Female		8	7
Maternity leave	Part-time	Number of female employees	person	0	0
		Percentage of female executives (manager and above)		-	0.1
		Male		183	206
		Female		7	4
Parental leave	Male	%	98.5	100	100
		person	8	13	12
		Female		10	6
		%	100	73.6	83.3
Employees with disabilities	NEXEN TIRE	Employees eligible to join the labor union*	%	97.4	99.2
		Korean employees	person	2,927	2,955
		Angel With Us		-	55
		NEXEN TIRE		-	11
No. of employees who have joined the labor union	Korean employees	Employees eligible to join the labor union*	%	97.4	99.2
		Korean employees	person	2,927	2,958
		Employees eligible to join the labor union*	%	99.5	99.6
		NEXEN TIRE		-	99.6
No. of agenda handled at the labor-management council	case	Employees eligible to join the labor union*	%	97.4	99.2
		Korean employees	person	2,927	2,958
		Employees eligible to join the labor union*	%	99.5	99.6
		NEXEN TIRE		-	99.6
Other employee benefits	thousand KRW	Employees eligible to join the labor union*	%	97.4	99.2
		Korean employees	person	30,236,834	30,237,588
		Employees eligible to join the labor union*	%	99.5	99.6
		NEXEN TIRE		-	99.6
Human Rights	Korean employees	Employees eligible to join the labor union*	%	97.4	99.2
		Korean employees	person	2,927	2,958
		Employees eligible to join the labor union*	%	99.5	99.6
		NEXEN TIRE		-	99.6
Information Security	Korean employees	Employees eligible to join the labor union*	%	97.4	99.2
		Korean employees	person	2,927	2,958
		Employees eligible to join the labor union*	%	99.5	99.6
		NEXEN TIRE		-	99.6
Foundation Operations	million KRW	Employees eligible to join the labor union*	%	97.4	99.2
		Korean employees	person	2,927	2,958
		Employees eligible to join the labor union*	%	99.5	99.6
		NEXEN TIRE		-	99.6
Scholarship Beneficiaries	person	Employees eligible to join the labor union*	%	97.4	99.2
		Korean employees	person	2,927	2,958
		Employees eligible to join the labor union*	%	99.5	99.6
		NEXEN TIRE		-	99.6

*Employees eligible to join the labor union refer to technical employees and working-level office workers

Governance Performance

Classification	Unit	2017	2018	2019	2020
Corporate Governance					
No. of BOD sessions	Times	18	16	13	14
Attendance rate of non-executive directors	%	100	100	100	100
No. of audit committee meetings held	Times	5	5	4	9
Ethical Management					
Percentage of employees receiving ethical management training	Korean employees	%	100	100	100

GRI Standards Index*

Key topics

* This report has been prepared in accordance with GRI Standards: Core option

Item	Index	Details	Page	Remarks
GRI 100 Universal Standards				
102: General Disclosures				
102-1		Name of the organization	p. 8	
102-2		Activities, brands, products, and services	p. 13	
102-3		Location of headquarters	p. 10-11	
102-4		Location of operations	p. 10-11	
102-5		Ownership and legal form	p. 96	
102-6		Markets served	p. 10-11	
102-7		Scale of the organization	p. 111, 114	
102-8		Information on employees and other workers	p. 114	
102-9		Supply chain	p. 14-15	
102-10		Significant changes to the organization and its supply chain	-	
102-11		Precautionary Principle or approach	p. 103	
102-12		External initiatives	p. 20	
102-13		Membership of associations	p. 20	
102-14		Statement from senior decision-maker	p. 6-7	
102-16		Values, principles, standards, and norms of behavior	p. 12-13	
102-18		Governance structure	p. 19, 96-99	
102-40		List of stakeholder groups	p. 27	
102-41		Collective bargaining agreements	p. 115	
102-42		Identifying and selecting stakeholders	-	
102-43		Approach to stakeholder engagement	p. 27	
102-44		Key topics and concerns raised	p. 27	
102-45		Entities included in the consolidated financial statements	Annual Report p. 3-6	
102-46		Defining report content and topic boundaries	p. 24-25	
102-47		List of material topics	p. 24-25	
102-48		Restatements of information	N/A	
102-49		Changes in reporting	p. 24	
102-50		Reporting period	p. 0	
102-51		Date of most recent report	p. 0	
102-52		Reporting cycle	p. 0	
102-53		Contact point for questions regarding the report	p. 0	
102-54		Claims of reporting in accordance with the GRI standards	p. 0	
102-55		GRI content index	p. 116-121	
102-56		External assurance	p. 0	
103: Management Approach				
103-1		Explanation of the material topic and its boundary	p. 26	
103-2		The management approach and its components	p. 26	
103-3		Evaluation of the management approach	p. 26	

* This report has been prepared in accordance with GRI Standards: Core option

Item	Index	Details	Page	Remarks
GRI 200 Economic				
201: Economic Performance				
201-1	Direct economic value generated and distributed		p. 111	
201-2	Financial implications and other risks and opportunities due to climate change		-	Refer to a
	a. Risks and opportunities posed by climate change that have the potential to generate substantive changes in operations, revenue, or expenditure, including:	i. a description of the risk or opportunity and its classification as either physical, regulatory, or other ii. a description of the impact associated with the risk or opportunity iii. the financial implications of the risk or opportunity before action is taken iv. the methods used to manage the risk or opportunity v. the costs of actions taken to manage the risk or opportunity	p. 55 p. 55 - p. 55 -	Refer to CDP Climate Change Refer to CDP Climate Change
201-3	Defined benefit plan obligations and other retirement plans		-	
201-4	Financial assistance received from government		-	
202: Market Presence				
202-1	Ratios of standard entry level wage by gender compared to local minimum wage		p. 65	
202-2	Proportion of senior management hired from the local community		-	
203: Indirect Economic Impacts				
203-1	Infrastructure investments and services supported		p. 75-81	
203-2	Significant indirect economic impacts		p. 76-77	
204: Procurement Practices				
204-1	Proportion of spending on local suppliers		-	
205: Anti-corruption				
205-1	Operations assessed for risks related to corruption		p. 102	
205-2	Communication and training about anti-corruption policies and procedures		p. 101	
205-3	Confirmed incidents of corruption and actions taken		-	Refer to a, b, c and d
	a. Total number and nature of confirmed incidents of corruption		-	Not confirmed
	b. Total number of confirmed incidents in which employees were dismissed or disciplined for corruption		-	Not confirmed
	c. Total number of confirmed incidents when contracts with business partners were terminated or not renewed due to violations related to corruption		-	Not confirmed
	d. Public legal cases regarding corruption brought against the organization or its employees during the reporting period and the outcomes of such cases		N/A	
206: Anti-competitive Behavior				
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices		p. 105	
207: Tax				
207-1	Approach to tax		p. 105	
207-2	Tax governance, control, and risk management		p. 105	
207-3	Stakeholder engagement and management of concerns related to tax		p. 105	
207-4	Country-by-country reporting		-	

GRI Standards Index*

 Key topics

* This report has been prepared in accordance with GRI Standards: Core option

Item	Index	Details	Page	Remarks
GRI 300 Environmental				
301: Materials				
301-1	Materials used by weight or volume	p. 113		
301-2	Recycled input materials used	-	Reclaimed butyl rubber percentage: 0.64%	
301-3	Reclaimed products and their packaging materials	-		
302: Energy				
302-1	Energy consumption within the organization	p. 112-113		
302-2	Energy consumption outside of the organization	-		
302-3	Energy intensity	p. 113		
302-4	Reduction of energy consumption	p. 57-58		
302-5	Reductions in energy requirements of products and services	p. 47		
303: Water and Effluents				
303-1	Interactions with water as a shared resource	p. 114	Refer to CDP Water Security	
303-2	Management of water discharge-related impacts	p. 49	Refer to CDP Water Security	
303-3	Water withdrawal	p. 49	Refer to CDP Water Security	
303-4	Water discharge	-	Refer to CDP Water Security	
303-5	Water consumption	p. 114	Refer to CDP Water Security	
304: Biodiversity				
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	-		
304-2	Significant impacts of activities, products, and services on biodiversity	-		
304-3	Habitats protected or restored	-		
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	-		
305: Emissions				
305-1	Direct(Scope 1) GHG emissions	p. 112		
305-2	Energy indirect(Scope 2) GHG emissions	p. 112		
305-3	Other indirect(Scope 3) GHG emissions	-		
305-4	GHG emissions intensity	-	Refer to a, b, c and d	
	a. GHG emissions intensity ratio for the organization	p. 112		
	b. Organization-specific metric (the denominator) chosen to calculate the ratio	p. 112	Total tire production	
	c. Types of GHG emissions included in the intensity ratio; whether direct (Scope 1), energy indirect (Scope 2), and/or other indirect (Scope 3)	p. 112	Scope 1+2	
	d. Gases included in the calculation; whether CO ₂ , CH ₄ , N ₂ O, HFCs, PFCs, SF ₆ , NF ₃ , or all	-	CO ₂ , CH ₄ , N ₂ O	
305-5	Reduction of GHG emissions	p. 57-58		
305-6	Emissions of ozone-depleting substances(ODS)	-		

Item	Index	Details	Page	Remarks
305-7 Nitrogen oxides(NOX), sulfur oxides(SO _x), and other significant air emissions				
a. Significant air emissions, in kilograms or multiples, for each of the following:				
	i. NO _x	p. 112		
	ii. SO _x	p. 112		
	iii. Persistent organic pollutants (POP)	-		
	iv. Volatile organic compounds (VOC)	-	Emission of VOC from the European plant: 31.6 ton	
	v. Hazardous air pollutants (HAP)	-		
	vi. Particulate matter (PM)	p. 112		
	vii. Other standard categories of air emissions identified in relevant regulations	-		
b. Source of the emission factors used				
c. Standards, methodologies, assumptions, and/or calculation tools used				
306: Waste				
306-1	Waste generation and significant waste-related impacts	p. 49, 52-53		
306-2	Management of significant waste-related impacts	p. 49, 52-53		
306-3	Waste generated	p. 113-114		
306-4	Waste diverted from disposal	p. 113		
306-5	Waste directed to disposal	p. 113		
307: Environmental Compliance				
307-1	Non-compliance with environmental laws and regulations	N/A		
308: Supplier Environmental Assessment				
308-1	New suppliers that were screened using environmental criteria	-		0% (We are currently conducting ESG evaluation of existing suppliers and will expand the scope of the evaluation to new suppliers in the future.)
308-2	Negative environmental impacts in the supply chain and actions taken	p. 82-83		
GRI 400 Social				
401: Employment				
401-1	New employee hires and employee turnover	-		4 major social insurances, health management, compensation for disability and injury, parental leave, severance package, long-term service rewards
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	-		
401-3	Parental leave	p. 115		
402: Labor/Management Relations				
402-1	Minimum notice periods regarding operational changes	-		
403: Occupational Health and Safety				
403-1	Occupational health and safety management system	p. 72		
403-2	Hazard identification, risk assessment, and incident investigation	p. 72, 74		
403-3	Occupational health services	p. 73		
403-4	Worker participation, consultation, and communication on occupational health and safety	p. 70		
403-5	Worker training on occupational health and safety	p. 72		
403-6	Promotion of worker health	p. 73		

GRI Standards Index*

 Key topics

* This report has been prepared in accordance with GRI Standards: Core option

Item	Index	Details	Page	Remarks
403-7		Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	p. 72, 74	
403-8		Workers covered by an occupational health and safety management system	-	Refer to a, b and c
	a. If the organization has implemented an occupational health and safety management system based on legal requirements and/or recognized standards/guidelines:	i. the number and percentage of all employees and workers who are not employees but whose work and/or workplace is controlled by the organization, who are covered by such a system ii. the number and percentage of all employees and workers who are not employees but whose work and/or workplace is controlled by the organization, who are covered by such a system that has been internally audited iii. the number and percentage of all employees and workers who are not employees but whose work and/or workplace is controlled by the organization, who are covered by such a system that has been audited or certified by an external party	p. 114	
	b. Whether and, if so, why any workers have been excluded from this disclosure, including the types of worker excluded	N/A		
	c. Any contextual information necessary to understand how the data have been compiled, such as any standards, methodologies, and assumptions used	-		
403-9		Work-related injuries	p. 114	
403-10		Work-related ill health	p. 73	
404: Training and Education				
404-1		Average hours of training per year per employee	-	
404-2		Programs for upgrading employee skills and transition assistance programs	p. 68-69	
404-3		Percentage of employees receiving regular performance and career development reviews	-	98.4% (all permanent employees)
405: Diversity and Equal Opportunity				
405-1		Diversity of governance bodies and employees	p. 97, 114-115	
405-2		Ratio of basic salary and remuneration of women to men	p. 65	
406: Non-discrimination				
406-1		Incidents of discrimination and corrective actions taken	N/A	
407: Freedom of Association and Collective Bargaining				
407-1		Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	p. 62-63, 84	
408: Child Labor				
408-1		Operations and suppliers at significant risk for incidents of child labor	p. 62-63, 84	
409: Forced or Compulsory Labor				
409-1		Operations and suppliers at significant risk for incidents of forced or compulsory labor	p. 62-63, 84	
410: Security Practices				
410-1		Security personnel trained in human rights policies or procedures	-	
411: Rights of Indigenous Peoples				
411-1		Incidents of violations involving rights of indigenous peoples	-	

 Key topics

* This report has been prepared in accordance with GRI Standards: Core option

Item	Index	Details	Page	Remarks
412	Human Rights Assessment			
412-1		Operations that have been subject to human rights reviews or impact assessments	-	
412-2		Employee training on human rights policies or procedures	p. 62	
412-3		Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	p. 84	
413	Local Communities			
413-1		Operations with local community engagement, impact assessments, and development programs	p. 75-81	
413-2		Operations with significant actual and potential negative impacts on local communities	-	
414	Supplier Social Assessment			
414-1		New suppliers that were screened using social criteria	-	0% (We are currently conducting ESG evaluation of existing suppliers and will expand the scope of the evaluation to new suppliers in the future.)
414-2		Negative social impacts in the supply chain and actions taken	p. 82-83	
415	Public Policy			
415-1		Political contributions	p. 102	
416	Customer Health and Safety			
416-1		Assessment of the health and safety impacts of product and service categories	-	
416-2		Incidents of non-compliance concerning the health and safety impacts of products and services	N/A	
417	Marketing and Labeling			
417-1		Requirements for product and service information and labeling	-	
417-2		Incidents of non-compliance concerning product and service information and labeling	-	
417-3		Incidents of non-compliance concerning marketing communications	-	
418	Customer Privacy			
418-1		Substantiated complaints concerning breaches of customer privacy and losses of customer data	p. 92	
419	Socioeconomic Compliance			
419-1		Non-compliance with laws and regulations in the social and economic area	-	Refer to a, b and c
	a. Significant fines and non-monetary sanctions for non-compliance with laws and/or regulations in the social and economic area in terms of:	i. total monetary value of significant fines ii. total number of non-monetary sanctions iii. cases brought through dispute resolution mechanisms	N/A	
	b. If the organization has not identified any non-compliance with laws and/or regulations, a brief statement of this fact is sufficient		N/A	There was no case of non-monetary sanctions
	c. The context against which significant fines and non-monetary sanctions were incurred		p. 105	

SASB Standards Index (Domestic and overseas manufacturing plants)

Sustainability Disclosure Topics & Accounting Metrics

Classification	Index	Unit	Page and Details
Energy Management	TR-AP-130a.1	(1) Total energy consumed	GJ 4,444,301
		(2) Percentage grid electricity	% 63.37 Percentage of grid electricity has been calculated based on the proportion of purchased electricity among the total energy usage.
		(3) Percentage renewable	% 0 There was no use of renewable energy in Korean and overseas plants; 1,492GJ of renewable energy was used in the Central Research Institute (Magok) in 2020.
Waste Management	TR-AP-150a.1	(1) Total amount of waste from manufacturing	Metric Tons(t) 8,608.81
		(2) Percentage hazardous	% 10.09
		(3) Percentage recycled	% 84.78
Product Safety	TR-AP-250a.1	Number of recalls issued, total units recalled	Case 0 There was no voluntary/involuntary recall.
Design for Fuel Efficiency	TR-AP-410a.1	Revenue from products designed to increase fuel efficiency and/or reduce emissions	KRW 591,807,106,962 Global sales of the products that acquired the EU labeling requirements were exchanged to Korean won (KRW).
Materials Sourcing	TR-AP-440a.1	Description of the management of risks associated with the use of critical materials	- Conflict Minerals Policy: As part of the sustainable management policy of the company in 2020, it has been distributed to all the suppliers of the raw materials. Relevant details are available on the Responsible Supply Chain (pp. 82-87) of the Sustainability Report. Note: Tin is one of the conflict minerals that tire manufacturers need to manage. As tin is used for manufacturing bead wires, the suppliers are requested to provide relevant data.
Materials Efficiency	TR-AP-440b.1	Percentage of products sold that are recyclable	% 100 It has been calculated based on the tire sector.
	TR-AP-440b.2	Percentage of input materials from recycled or remanufactured content	% 0.64 It is a percentage of reclaimed butyl rubber among the input materials.
Competitive Behavior	TR-AP-520a.1	Total amount of monetary losses as a result of legal proceedings associated with anti-competitive behavior regulations"	KRW 0

Activity Metrics

Classification	Index	Unit	Page and Details
Activity Metrics	TR-AP-000.A	Number of parts produced	Number 32,979 It is based on the production of tire. The production of tire has decreased compared to the previous three years due to COVID-19. (2019: 40,625, 2018: 40,027, 2017: 39,323)
		Weight of parts produced	Metric Tons(t) 337,055 It is based on the production of tire. The weight of produced tire has decreased compared to the previous three years due to COVID-19. (2019: 415,835, 2018: 409,820, 2017: 400,222)
		Area of manufacturing plants	Square meters(m ²) 1,858,134 It is based on the site area (Yangsan: 183,609; Changnyeong: 494,150; Qingdao: 526,270, and Europe (Czech): 654,105)

TCFD Standards Index

TCFD Recommendations	CDP Index	Our Response
Governance: Disclose the organization's governance around climate-related risks and opportunities.		
A. Describe the board's oversight of climate-related risks and opportunities.	C1.1	2020/21 ESG Report p. 54
B. Describe management's role in assessing and managing climate-related risks and opportunities.	C1.2	2020/21 ESG Report p. 54
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 the organization has identified over the short, medium, and long term.	C2.1	2020/21 ESG Report p. 55
B. Describe the impact of climaterelated risks and opportunities on the organization's businesses, strategy, and financial planning.	C2.3 C2.4 C3.1 C3.2	2020/21 ESG Report p. 55
C. Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.		2020/21 ESG Report p. 56
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.	C1.2	2020/21 ESG Report p. 54
B. Describe the organization's processes for managing climate-related risks.	C2.2	2020/21 ESG Report p. 54
C. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.		2020/21 ESG Report p. 54
Metrics and Targets: Disclose the metrics and targets used to assess and manage 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.	C4	In order to evaluate risks and opportunities, we monitor greenhouse gas emissions, environmental investment costs, the number of ISO 14001 certified worksites, etc.
B. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	C6 C8 C11	2020/21 ESG Report p.112
C. Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.		By building a company-wide greenhouse gas inventory from 2021, we plan to manage emissions and allocate target reductions.

Third-Party Assurance

To readers of 2020-21 NEXEN TIRE Sustainability Report

Introduction

Korea Management Registrar (KMR) was commissioned by NEXEN TIRE to conduct an independent assurance of its Sustainability Report 2020-2021 (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. We also confirmed that the report was prepared in accordance with the TCFD recommendations and SASB.

- GRI Sustainability Reporting Standards
- Universal standards
- Topic specific standards
 - Management approach of Topic Specific Standards
 - GRI 205: Anti-Corruption
 - GRI 302: Energy
 - GRI 303: Water and Effluents
 - GRI 305: Emissions
 - GRI 306: Effluents and Waste

- GRI 403: Occupational Health and Safety
- GRI 414: Supplier Social Assessment
- GRI 419: Socioeconomic Compliance
- SASB Sustainability Disclosure Topics & Accounting Metrics
- TCFD recommendations

As for the reporting boundary, the engagement excludes the data and information of NEXEN TIRE's 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.

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's 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.

July 2021 Seoul, Korea

CEO

E. J. Hwang

KMR Korea Management Registrar

SRV1000
Sustainability Committee Assurance

AA1000
Licensed Assurance Provider
000-129

Production Cooperation Department

Overall report preparation: Strategy Planning Team

Customer Satisfaction Team	Europe OE Technology Team
Procurement Team	Ethics Management Team
Global OE Quality Team	Human Resources Team
Labor Relations Team	Human Resources Development Team
Motorsport PJT	Finance Team
Culture Innovation Team	Material Research Team
Legal Affairs Team	Quality Management Team
Brand Communication Team	Quality Assurance Team
Product Planning Team	Accounting Team
Production Planing Team	CP Production Management Team
Design Analysis Research Team	CP Human Resources Management Team
Facility Support Team	Global Production Technology Team
New Growth Business TFT	Infra Operation Team
R&D Planning Team	NEXT LEVEL Team
Domestic Sales Support Team	OE Sale Planning Team
Cost Innovation PJT	YP Company Culture Team
Raw Material Development Team	YP Environment & Safety Team

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NEXEN **NEXEN TIRE**
we got you