HS Hyosung Advanced Materials Corporation

Environmental Management Guideline

Sustainability Management Team

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01. PURPOSE

HS Hyosung Advanced Materials Corp. (hereinafter "the Company") hereby establishes this Environmental Management Guideline to continuously improve environmental performance through environmental management and minimize negative environmental impacts across all business activities and the value chain.

This Guideline reflects domestic and international environmental laws, regulations, and guidelines to define the Company's environmental management direction and management standards and applies across all major environmental areas including energy and greenhouse gases, water resources, pollutants, chemicals and hazardous substances, raw and subsidiary materials, waste, product environmental impacts, and biodiversity.

02. SCOPE OF APPLICATION

This Guideline applies to the Company and all its affiliated companies, business units, supply chains, distribution networks, local communities, NGOs, and business partners operating worldwide. The Company encourages not only its suppliers, customers, and other supply chain partners, but also diverse stakeholders to comply with this Environmental Management Guideline for effective environmental management and provides the necessary support for compliance.

03. GOVERNANCE STRUCTURE

01) Responsibilities of the Board of Directors and Management

The Board of Directors independently and objectively reviews key environmental management issues and reflects them in business strategy and comprehensively considers risks and opportunities across environmental areas in major decision-making. In addition, the Board makes final deliberation and resolution on priority tasks across the eight key areas of environmental management proposed by the Sustainability Steering Committee and management meetings and systematically oversees the implementation of management strategy and execution of duties by management.

02) Committee Operations

Reports are made twice a year on a regular basis to the Sustainability Steering Committee, which is composed of top management including the CEO as chairperson, for decision-making on environmental management matters such as mid-to-long-term environmental management strategy, major capital investment plans, and environmental issues. In accordance with the delegation of authority policy, agenda items that have a significant impact on the Company's environmental management are reported by the Sustainability Steering Committee to the Board of Directors, and specific action plans are implemented upon Board approval.

The Company operates an 'Environmental Management Committee' chaired by the CSO (Chief Sustainability Officer) and composed of environmental management officers from all global sites. The Environmental Management Committee integrates and manages risks across all environmental areas, ranging from climate change response (energy and GHGs) to resource circulation, hazardous substance management, and biodiversity conservation, and oversees all company-wide environmental performance improvement activities.

03) Dedicated Organization and Cross-functional Engagement

The Company operates a dedicated organization for the practical implementation of environmental management. The dedicated organization carries out the following responsibilities: ① establishment and operation of the environmental management system; ② protection of natural capital; ③ establishment and compliance monitoring of pollutant emission management guidelines; ④ ongoing monitoring and improvement of environmental risks; and ⑤ handling of stakeholder environmental grievances and promotion of external cooperation.

In addition, dedicated environmental management specialists continuously monitor domestic and international environmental regulatory and legislative trends, and establish and implement environmental management strategies. The dedicated organization works in close engagement with relevant departments such as R&D, procurement, production, and sales to expand the portfolio of products and services that reduce environmental impacts across the life cycle of products.

04. BASIC GUIDELINES

The Company defines the basic guidelines for each environmental area as follows to promote environmental management.

01) Energy Use and GHG Emissions

(1) Promotion of Energy Conservation

The Company undertakes activities to reduce energy usage by replacing aging facilities with lower energy efficiency, introducing energy-efficient equipment, developing and applying eco-friendly processes to minimize energy consumption, and implementing energy campaigns.

(2) Adoption of Renewable Energy

The Company pursues expanded adoption of renewable energy solutions based on site conditions, including the installation and investment in renewable energy generation facilities, purchase of renewable energy certificates, and power supply contracts with energy providers.

(3) Energy Management and System Operation

The Company establishes an integrated monitoring system for energy and greenhouse gas emissions to realize data-driven energy efficiency improvements.

(4) Reduction of GHG Emissions at Business Sites

The Company reduces greenhouse gas emissions by transitioning to renewable energy, improving energy efficiency, and utilizing clean hydrogen energy.

(5) Reduction of GHG Emissions in the Supply Chain

The Company develops carbon neutrality guidelines for the supply chain, promotes practices for achieving carbon neutrality, and conducts reduction activities tailored to the supply chain's characteristics.

02) Water Resources

(1) Integrated Water Resource Management

The Company establishes a positive water cycle system and practices integrated management to realize a balance of value among stakeholders.

(2) Water Reuse

To enhance the sustainability of water resources, the Company continuously improves water utilization practices and pursues an increased share of recycled water use.

(3) Water Storage

The Company facilitates water storage through facilities such as reservoirs at its sites and operates a water storage and reuse system to manage and store rainwater and other water sources.

(4) Monitoring of Water Supply Areas

The Company regularly monitors water risks to identify if any of its sites are located in areas facing water shortages or depletion and promotes protective activities for regions at significant risk of water scarcity that could substantially impact its operations.

(5) Utilization of Diverse Water Resources

The Company responds to the climate crisis and contributes to the water cycle by utilizing various water resources, including previously discarded groundwater. Through creative and flexible water resource policies, the Company efficiently uses limited water resources.

03) Pollutants

(1) Air Pollutants

The Company monitors the emissions of air pollutants such as nitrogen oxides (NO_x), sulfur oxides (SO_x), and particulate matter (PM). To manage air pollutant emissions below 80% of legal limits, the Company pursues investments in air pollution reduction equipment and the adoption of new technologies.

(2) Water Pollutants

The Company monitors the emissions of water pollutants including biochemical oxygen demand (BOD), total organic carbon (TOC), and suspended solids (SS). To manage water pollutant emissions below 80% of legal limits, the Company pursues the necessary facility investments.

(3) Soil Pollutants

The Company continuously monitors soil pollutants such as cadmium, fluoride, and total petroleum hydrocarbons (TPH) to proactively prevent contamination, and minimizes soil environmental impacts through preemptive improvement of facilities and processes.

04) Chemicals and Hazardous Substances

(1) Reduction of Usage and Emissions

The Company pursues investments in equipment and the adoption of new technologies to reduce the usage and emissions of chemicals and hazardous substances.

(2) Establishment of Chemical and Hazardous Substance Management System

To ensure systematic management, the Company establishes and monitors a management system for chemicals and hazardous substances. Based on system-driven data analysis, the Company reviews transitioning to substances with lower environmental impact.

(3) Efforts to Substitute Hazardous Chemicals

The Company establishes and implements a plan to reduce and phase out the use of hazardous chemicals. The Company continuously reviews and pursues the development of alternative materials and processes to minimize the use and emissions of hazardous substances. The Company proposes policies related to hazardous substances through industry associations and actively participates in government initiatives for hazardous substance substitution. The Company also promotes mutual growth through collaborative research and development of hazardous substance substitution technologies with downstream partners.

(4) Safe Use

The Company manages the safe handling, transportation, storage, use, and disposal of chemicals and hazardous substances that may pose health and environmental risks. This includes identifying substances and implementing safety measures in compliance with legal requirements, such as adhering to handling facility standards.

(5) Transparent Information Disclosure

The Company transparently discloses information related to hazardous substances to protect the health and safety of all stakeholders, including employees, customers, and local communities.

05) Raw and Auxiliary Materials

(1) Efficiency Enhancement of Raw and Auxiliary Material Use

The Company continuously improves the production process to optimize the input of raw and auxiliary materials, and manages raw and auxiliary materials in a planned manner by comprehensively considering business strategies, production schedules, and inventory management.

(2) Reuse of Raw and Auxiliary Materials

The Company reintegrate by-products and waste generated after the input of raw and auxiliary materials into the production process or transfer/sell them to other industries or external facilities for recycling.

(3) Inspection of Raw and Auxiliary Material Supply Chain

The Company encourages the use of resources with eco-friendly certifications at the raw and auxiliary material procurement stage, and strictly monitors the supply chain for any natural capital loss, implementing substantive improvement measures for identified risk factors.

(4) Sustainable Use of Raw and Auxiliary Materials

The Company systematically reviews environmental impacts when selecting raw and auxiliary materials, and pursues the use of materials and development of products with confirmed environmental improvements.

06) Waste

(1) Waste Tracking Management

Waste generated at sites is operated in accordance with procedures set by relevant laws and regulations to ensure lawful processing and tracking.

(2) Improvement of Waste Recycling

The optimal waste treatment method is determined based on the type and volume of waste generated during business operations. Through this, the proportion of waste sent to landfills or incineration is minimized, thereby improving recycling rates.

(3) Resource Recovery from Waste

Waste with a high landfill or incineration rate from the production process is identified and repurposed into new products and services, fostering an upcycling ecosystem that creates added value.

07) Product Environmental Impacts

(1) Advancement of Product Environmental Impact Assessment System

The Company establishes quantitative measurement standards in accordance with international standards, builds an integrated product environmental impact measurement system based on data management, and regularly evaluates and analyzes results. Through regular environmental impact assessments and analysis, the Company systematically manages sustainability indicators for its products.

(2) Reduction of Environmental Impact at the Development Stage

From the development stage, the Company secures environmental impact reduction technologies to minimize negative impacts of products on the environment and users, and accelerates the development of products with verified environmental performance.

(3) Reduction of Product Environmental Impact

The Company strengthens its eco-friendly portfolio through the development of sustainable product technologies and expansion of production infrastructure, and measures and improves product environmental performance.

08) Biodiversity

(1) Embedding Biodiversity into Business

The Company considers biodiversity impacts in business operations and decision-making, and ensures that biodiversity management is reflected across all business activities through awareness raising and expanded engagement.

(2) Biodiversity Risk & Opportunity Management

The Company identifies and assesses biodiversity-related risks and opportunities that may arise in business activities and the value chain, and pursues reduction of negative impacts and strengthened management.

(3) Biodiversity Conservation and Enhancement

The Company considers impacts on ecosystems and biodiversity across all business activities and the life cycle of its products, and pursues measures that contribute to their conservation and enhancement.

(4) Sustainable Use of Resources

The Company considers the impacts of natural resource use and business activities on ecosystems, and pursues sustainable resource use and efforts to reduce environmental impacts.

(5) Strengthening Stakeholder Engagement

The Company participates in initiatives and collaborative activities related to biodiversity conservation and enhancement, and expands cooperation with diverse stakeholders.

(6) Information Disclosure and Communication

The Company transparently discloses key biodiversity-related information and management status based on facts, and enhances trust with stakeholders.

05. EXECUTION PLAN

01) Awareness Enhancement

The Company regularly conducts customized environmental training for all stakeholders, including employees and suppliers, to embed the importance of environmental management. Through this training, the Company supports the strengthening of professional capabilities to enable performance of work centered on creating tangible environmental outcomes.

02) Engagement

(1) Executives and Employees

The Company regularly shares the Environmental Management Guideline with executives and employees, and improves their awareness of environmental management through awareness-raising training. The Company manages inherent environmental risks by regularly evaluating various environmental performance metrics, such as greenhouse gas emissions, achievement of targets against water quality and air emission standards, and the number of environmental law violations.

(2) Supply Chain

The Company shares its know-how and experience related to environmental management with the supply chain, and operates communication channels for continuous collaboration with the supply chain to generate environmental value throughout the value chain.

(3) Customers

The Company operates an optimized system based on international standards to provide high-quality products that meet customer requirements and expectations. Through customer-centered environmental communication channels, the Company monitors changes in domestic and international environmental regulations and customer requirements in real time. The Company continuously strives to develop products and technologies that contribute to a low-carbon, circular economy and reduced environmental impacts in line with the direction of new material development and eco-friendly R&D, thereby offering solutions that meet customer needs.

(4) Community

To minimize any adverse environmental impacts that may arise during our business operations, the Company actively seeks the input of local residents and relevant organizations and strives to respond proactively.

(5) Shareholders and Investors

By delivering environmental management results that meet the needs and expectations of shareholders and investors, the Company aims to foster perpetual trust that facilitates increased investment to enhance corporate value.

(6) Government

The Company strives to accurately understand and complies with environmental laws and regulations in each country where the Company operates, transparently and accurately disclosing environmental management performance.

※ Related Document 01. Environment, Safety, and Health Communication Management Regulation

06. PERFORMANCE MANAGEMENT

01) Performance and Target Setting

All employees set specific performance improvement targets as key performance indicators (KPIs) across eight areas of environmental management. In conjunction with business operations, mid to long-term performance targets are set for factors impacting environmental effects. These targets consider the current level, internal implementation plans, and strategies while incorporating quantitative goals and qualitative improvement tasks, taking into account external economic conditions, government policy directions, and key stakeholders.

02) Implementation Status Monitoring

The Company reviews quantitative performance improvement targets and implementation status at least twice a year. This includes assessing not only the implementation rate compared to the targets but also the effectiveness of activities undertaken to achieve the goals and any challenges faced during the implementation process. If necessary, performance improvement goals may be adjusted based on the monitoring results.

03) Performance Evaluation

Employees are evaluated once a year according to the HR regulations, while executives are assessed once a year based on executive compensation regulations. The performance improvement goals for environmental management and their implementation results are evaluated objectively, and any shortcomings in achieving the targets are identified for rigorous execution.

※ Related Document 02. Employee Personnel Regulations

※ Related Document 03. Executive Compensation Regulations