

HS Hyosung Advanced Materials Corp.

Anti-deforestation Guideline



Sustainability Management Team

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01. PURPOSE

The purpose of this document is to establish and implement this Guideline as well as other necessary matters so that HS Hyosung Advanced Materials Co., Ltd. (hereinafter referred to as "the Company"), as a company that improves the quality of life and value of human life, can contribute to protecting forests and preventing deforestation that may occur across all business operations, and advance as a sustainable company.

This Guideline respects the directives and activities of global standards, including the UN Strategic Plan for Forests and Global Forest Goals (GFGs), and was developed with reference to the UN REDD+ (Reducing Emissions from Deforestation and Forest Degradation Plus Conservation) and the IUCN Guidelines for Applying Protected Area Management Categories.

02. SCOPE OF APPLICATION

This Guideline applies to all corporations within the Company's financial consolidation scope, including the Company's headquarters, domestic and overseas production and sales corporations and branches, and subsidiaries. In addition, the Company encourages its suppliers, customers, and other stakeholders to comply with this Guideline and actively promotes the importance of forest conservation. Based on this Guideline, the Company shall manage deforestation risks that arise across all business operations; however, in the event of a conflict with local laws regarding anti-deforestation, protection of forest areas, logging, and utilization of wood products, the local laws shall take precedence.

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. ANTI-DEFORESTATION GUIDELINE

01) Implementation of No Deforestation Policy

The Company shall strictly comply with global environmental norms to minimize deforestation at all sites worldwide and implement No Net Deforestation by 2050 through forest restoration and reforestation projects.

02) Actively meeting stakeholder requirements

While actively meeting stakeholder requirements, the Company shall maintain and protect its sites and the surrounding green spaces so as to contribute to preventing forest conversion and devastation, preserving forests, and increasing carbon storage in forests.

(1) Future Reforestation

The Company shall promote afforestation and reforestation so that the natural ecosystem can flourish.

(2) End All Deforestation

From the mid- to long-term perspective, the Company shall seek a value chain structure that allows us to conduct business without deforestation.

(3) Carbon Offset

Through carbon offset activities such as forest creation and forest biomass energy use, the Company shall seek to eliminate residual emissions.

05. ACTION PLAN

In cases where a business site is in or near the area, the supply chain including suppliers and origins is located in the area, or the negative impact of business operations on the area is clearly identified, the Company shall plan and implement forest conservation, restoration, and expansion activities.

01) The Company shall have an organization responsible for implementing the Anti-Deforestation Guideline and performing related duties.

02) The primary functions of the anti-deforestation organization shall include: the operation of deforestation risk inspection procedures; the implementation of forest conservation, restoration, and expansion activities; the receipt and processing of forest-related grievances; the implementation and dissemination of anti-deforestation education; and cooperation with external stakeholders and partner organizations.

03) The Company shall define protected areas by comprehensively taking into account domestic and international laws and regulations, and the IUCN Protected Area Categories (Category I through IV).

(1) Strict Nature Reserve (IUCN Category Ia, etc.)

Areas where a natural ecosystem recognized by the international community has been established and where diverse species flourish, which have not been affected by human activity and can be destroyed by even the slightest human intervention.

(2) Wilderness Area (IUCN Category Ib, etc.)

Areas that maintain the appearance of a primitive wild natural ecosystem and are inhabited by indigenous communities with a primitive wild lifestyle, where only minimal impact for educational or scientific purposes is permitted.

(3) National Park (IUCN Category II, etc.)

Areas designated at the national level to permanently conserve the formation process of natural ecosystems, which are of high significance in terms of spiritual, scientific, educational, and recreational/tourism value, along with the protection of native flora and fauna.

(4) Natural Monument or Feature (IUCN Category III, etc.)

Areas of high historical value from the perspectives of archaeology, anthropology, history, and geography, comprising natural ecosystems formed naturally or through spiritual and cultural influences.

(5) Habitat/Species Management Area (IUCN Category IV, etc.)

Areas designated for the management of internationally, nationally, and regionally significant animal and plant habitats, requiring management for ecosystem conservation along with the protection of target species.

06. PERFORMANCE MANAGEMENT

01) Setting Performance Targets

All employees shall set and manage mid-to-long-term performance improvement targets related to afforestation and reforestation, completion of a deforestation-free business operations structure, and offsetting residual greenhouse gas emissions through forest carbon offset activities in developing countries (such as REDD+). Performance improvement targets shall be set by comprehensively considering domestic and international laws and regulations, industry trends in forest conservation, restoration, expansion, and deforestation risks identified in the value chain.

02) Monitoring Implementation Status

The Company shall monitor the implementation status of forest conservation, restoration, and expansion targets. The Company shall comprehensively review not only the implementation rate against targets, but also the effectiveness of activities undertaken to achieve the targets and challenges encountered in the implementation process. Where necessary, mid-to-long-term performance improvement targets shall be adjusted based on the results of such reviews.

03) Performance Evaluation

The environmental management performance of employees shall be strictly evaluated twice a year in accordance with HR and compensation regulations. Environmental performance indicators (KPIs) and implementation results shall be objectively measured, and for items falling short of targets, improvement tasks shall be executed through root cause analysis and corrective actions.

07. POLICY MANAGEMENT

01) The Company shall manage and supervise deforestation risks through top management and the Sustainability Steering Committee. Its primary responsibility is to examine deforestation risks, deliberate countermeasures against deforestation risks, and any other issues deemed essential for forest protection, restoration, and expansion activities. In addition, it shall examine and deliberate responses to deforestation-related laws and regulations that have a substantial impact on business operations.

02) Operation of reporting channels

(1) Grievance filing

The Company shall maintain channels through which employees and other groups (individuals) can report deforestation-related grievances that may arise during business operations.

(2) Grievance handling

In response to deforestation-related reports, the Company shall prepare countermeasures by analyzing judicial precedents, regulations of competent authorities, and past internal handling practices.

03) Training and information disclosure

(1) Training

The Company shall improve employees' understanding of forest protection, restoration, and expansion through environmental management training. The Company shall educate the public on the significance and necessity of forests and incorporate forest protection into its business practices. Additionally, the Company shall encourage an organization (individual) to file a report whenever a deforestation-related issue is discovered.

(2) Information disclosure

The Company shall disclose forest protection, restoration, and expansion activities and performance data on its website, in its sustainability reports, or through a separate channel; relevant information shall be disclosed through channels that are easily accessible and clearly understandable by stakeholders, including employees.