

HYOSUNG

Environment, Social and Governance (ESG) Policy



Hyosung Corporation

Nautilus Hyosung America, Inc.

Hyosung TNS

Hyosung HICO, Ltd.

Hyosung Holdings USA, Inc

Hyosung USA, Inc.

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POLICY STATEMENT:

Hyosung Corporation, and all entities including Nautilus Hyosung America Inc., Hyosung TNS, Hyosung USA and HICO (Hyosung) recognizes that its employees, customers, partners and the vendors that it deals with through its operations can have an impact on the environment and community, and therefore comprehends and endorses the need for adherence to environmental, social, and governance policies consistent with the values of Hyosung by all parties associated with it.

It has therefore laid out a strong Environmental, Social and Governance Policy Statement which combined with its Fair Practices Code will provide it with the necessary impetus to achieve its desired growth in a responsible, inclusive and sustainable manner.

ENVIRONMENTAL, SOCIAL & GOVERNANCE (ESG) POLICY STATEMENT OF HYOSUNG

The ESG Policy of Hyosung is driven by its mission that, as the global leader in technology solutions, we inspire innovation in consumer experience around the world.

The Hyosung Framework (HF) is founded on the concept of overall sustainable development and thereby recognizes Environmental and Social (E&S) considerations in its own business operations and in the activities carried out by the people and institutions associated with it.

Hyosung constantly strives to bring a positive transformation to the society through its business operations and sincerely endeavors to conserve natural resources, protect the environment and contribute to welfare of the community at large. This policy applies to all the activities and stakeholders of Hyosung including its employees, stakeholders, customers, partners, vendors and all other parties associated with it.

Hyosung is committed to comply with its ESG policy, applicable laws of the land and to be responsive to existing and emerging E&S concerns on a proactive basis.

OBJECTIVE AND SCOPE

Purpose of the Policy

Hyosung places significant emphasis on the identification, assessment and management of Environment, Social and Governance (ESG) risks. This policy therefore serves as a memorandum for Hyosung's employees, customers, partners, vendors and associated parties, for them to embrace the sustainability culture that Hyosung is trying to build. The policy affirms the commitment of these parties toward healthy ESG practices and serves as a reference point for them to be able to effectively implement the policy within their operational and legal boundaries.

Scope of the Policy

This policy applies to all employees, customers, partners, vendors, stakeholders and parties associated to Hyosung. The policy aims at covering the following aspects to ensure that Hyosung's ESG Mechanism operates efficiently.

- Define ESG Risks
- Identify ESG risks
- Make ESG an integral part of Hyosung Vender Agreements
- Ensure End Use Verification of ESG
- ESG Risk Categorization of Customers and Vendors of Hyosung
- ESG Checks by Customers & Vendors of Hyosung
- ESG Monitoring & Mitigation by Hysoung
- ESG Mechanism Review, Improvement & Training
- Engagement of External ESG Consultants by Hyosung

Exclusion List

The exclusion list (annexed) lists out the types of sectors, businesses or processes that Hyosung does not do business with.

POLICY PRINCIPALS

The principles forming the foundation to the policy are:

Environmental Matters

Hyosung shall conduct its business and operations in compliance with local and national environmental and occupational health and safety regulations. Customers and vendors of Hyosung shall also adhere to these regulations in letter and spirit.

The following major policies relating to environment in Korea and America shall be complied with, as and when applicable:

- The National Forest Policy
- Policy Statement for Abatement of Pollution
- National Conservation Strategy
- Policy Statement on Environment and Development

Furthermore, Hyosung shall refrain from dealing with institutions that are covered by the exclusion list included in the Annexure to this policy statement.

Social Matters

Hyosung recognizes that occupational safety, health and good working environment is a fundamental human right. Hyosung also acknowledges that safety and health of workers has a positive impact on productivity and economic & social development.

Hyosung is committed to conduct its business and operations in compliance with local and national social policies. Hyosung also urges its customers and vendors to adhere to these regulations in good faith to ensure that there are no adverse consequences from the manufacturing or distribution of our

products to groups of people who are vulnerable either due to inadequate social protection or otherwise.

Hyosung shall refrain from dealing with customers, vendors and associates who are known not to comply with all applicable local and national regulations.

Governance Matters

Hyosung is committed to the principle of transparency and good governance with the following aspects:

- have adequate number of independent directors;
- Provide for adequate transparency about the company's operations, and a governance structure that demonstrates appropriate accountabilities,
- take actions to ensure that its officers are not involved in corrupt practices,
- uphold high standards of business integrity and honesty; and
- deal with regulators in an open and co-operative manner.

POLICY IMPLEMENTATION

Hyosung plans to achieve successful implementation of its Environment, Social & Labor Policy within and outside the organization by establishing the following safeguards:

Contract Proposals

The Sales Department, Sales Directors, Executive Leadership and Corporate Counsel are well appraised about Hyosung's ES&L Policy and will diligently scrutinize every proposal / service agreement to identify any environment, social or labor risk that may emerge by dealing with a particular customer or vendor.

All proposals would be subjected to a preliminary screening at the file login stage and in case any applicant is found to be grossly non-compliant with national or local environmental, social or labor laws, then the proposal will be rejected and will not be passed on to the approval stage.

ESG Risk Categorization of Customers and Vendors

Hyosung has in place a robust risk categorization matrix and will assign risk category for each of its customers at the contract approval stage based on the identification and assessment of the ESG risks by its Sales Directors.

Risk Factors

The risk categories are as follows:

- Low Risk: Customer with minimal or no adverse environmental, social or labor impact.
- Medium Risk: Customer with potential limited adverse environmental, social or labor impacts those are few in number, largely reversible and readily addressable through mitigation measures. In such a case Hyosung will notify the specific risks / non-compliances to the customer and call upon them to take the necessary corrective steps within a specified time frame defined by Hyosung based on the seriousness of the issue. Subsequently if the customer fails to address these issues and continues to remain non-compliant, Hyosung would classify the non-compliance as an event of default.
- High Risk: Customer with existing significant adverse environmental, social or labor impacts

those are irreversible or unprecedented. In such a case, if identified at the contract approval stage, Hyosung will reject such contracts and end the sales process. If identified subsequently, Hyosung would classify such a customer a High Risk customer and if the customer fails to address these issues and continues to remain non-compliant, Hyosung would classify the non-compliance as an event of default.

ESG Monitoring and Mitigation Mechanism

Hyosung has in place a comprehensive ES&L monitoring and mitigation mechanism. General Counsel (GC) is the designated senior level officer in-charge of the effective functioning of the ESG Mechanism in Hyosung. GC shall periodically review all the ESG related reports, analyze the information and present any irregularities to the company.

ESG Compliance Checks by Customers and Vendors

Hyosung strives in letter and spirit, to ensure that sustainable development is achieved in effect till the last mile, it constantly creates awareness on the ESG front amongst its customers and vendors and urges them to further carry forward the ESG attitude down the line suppliers, buyers, vendors and other parties that they are in turn associated with. Hyosung also advises all its customers and vendors to perform compliance checks and take necessary action while dealing with parties down the line.

ESG Mechanism Review, Improvement & Training

The management team and the employees charged with the ESG mechanism implementation, constantly keep themselves abreast with the latest developments in the area. Hyosung promotes continuous learning and knowledge sharing by encouraging participation in cross-company programs

Ethical Complaint Reporting and Resolution

In order to address effectively any operational, social, environmental, labor and other general concerns, Hyosung has in place a structured ethical complaint reporting and resolution framework supported by a third-party vendor. This ethical complaint reporting and resolution process can be used not just by its customers, but also by its employees, vendors and the community at large.

To report a concern:

Call: USA and Canada: (844) 990-0002

Email: reports@lighthouse-services.com – must include Company name with report

Fax: (215) 689-3885

PROHIBITED ACTIVITIES LIST

Hyosung will not deal with any customers or vendors who are engaged in the business or trade of any product or activity deemed to be illegal under the laws or regulations in force in Korea or the United States of America. A detailed list of prohibited activities is provided as an annexure to this policy.

Annexure 1: List of Prohibited Activities

Hyosung will not support any of the following activities:

1. Conversion or degradation of critical forest areas or forest-related critical natural habitats.
2. Leasing of logging equipment, unless an environmental and social impact assessment indicates

that;

- a. all timber harvesting operations involved will be conducted in an environmentally sound manner which minimizes forest destruction; and
 - b. the timber harvesting operations will produce positive economic benefits and sustainable forest management systems.
3. Construction of dams that significantly and irreversibly:
 - a. disrupt natural ecosystems upstream or downstream of the dam; or
 - b. alter natural hydrology; or
 - c. inundate large land areas; or (d) impact biodiversity; or
 - d. displace large numbers of inhabitants (5,000 persons or more); or
 - e. impact local inhabitants' ability to earn a livelihood.
 4. Production or trade in any product or activity deemed illegal under the laws or regulations of Korea or the United States of America or international conventions and agreements or subject to international phaseouts or bans such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, polychlorinated biphenyls and other hazardous substances, wildlife or wildlife products regulated under the Convention on International Trade and Endangered Species of Wild Fauna and Flora and trans-boundary trade in waste or waste products.
 5. Resettlement of 5,000 or more persons.
 6. Extraction or infrastructure in or impacting: protected area Categories I, II, III, and IV (Strict Nature Reserve/Wilderness Areas and National Parks, Natural Monuments and Habitat/ Species Management Areas), as defined by the International Union for the Conservation of Nature (IUCN). Projects in IUCN Categories V (Protected Landscape/Seascape) and VI (Managed Resource Protected Area) must be consistent with IUCN management objectives http://www.iucn.org/about/work/programmes/gpap_home/ unless it can be demonstrated through an environmental assessment (i) there is no degradation of the protected area and (ii) there are positive environmental and social benefits.
 7. Production of or trade in nuclear reactors and components thereof.
 8. Production of, trade in or use of un-bonded asbestos fibers.
 9. Marine and coastal fishing practices, such as large-scale pelagic drift net fishing and fine mesh net fishing, harmful to vulnerable and protected species in large numbers and damaging to biodiversity and habitats.
 10. Projects or companies identified by the Government to be in violation of local applicable law related to environment, health, safety, labor, and public disclosure
 11. Projects or companies where the primary business activities are in the following prohibited sectors: gambling; media communications of an adult or political nature; military equipment production; alcoholic beverages (if contrary to local religious or cultural norms).
 12. Companies found by a court or administrative body of competent jurisdiction engaging in unlawful practices.
 13. Projects or companies that provide significant, direct support to a government that engages in a consistent pattern of gross violations of internationally recognized human rights, as determined by the Government of Korea or the Government of the United States of America.