



MOVING TO SUSTAINABILITY
2012 KUMHO TIRES SUSTAINABILITY REPORT



ABOUT THIS REPORT

Purpose of This Report | This report aims to present our sustainability management achievements at Kumho Tires Co., Ltd. ("Kumho Tires" hereafter) in fulfilling our economic, social and environmental responsibilities. It is also intended to enable our stakeholders to appropriately understand the general status of our sustainability management.

Reporting Period | This report spans the period between January 1, 2012 and December 31, 2012. Performance information for the three years previous to 2012 was contained if analyses of past track records were required; while a portion of major initiatives and achievements for 2013 were included. This report constitutes our third sustainability report, following two previous reports issued in 2006 and 2007 respectively. We will publish such reports annually.

Reporting Boundary and Scope | This report primarily focuses on our head office in Seoul and three business sites in Korea in describing their economic, social and environmental performance. Information regarding a portion of our overseas branches/offices and sales corporations is presented in annotations. If the reporting boundary was modified, this was specified in annotations attached to the concerned performance information.

Reporting Framework | This report was prepared against the GRI(Global Reporting Initiative) G3.1 guidelines. The financial data contained in this report is in accordance with Korea's corporate accounting standards.

Assurance | This report was assured by the Korea Management Association Quality Assurance regarding its reporting process and the data contained herein. The findings appear in the third-party assurance statement of this report.

Major Changes from the Previous Reports | This report aims to present our commitment to normalizing our business operations at Kumho Tires and to

demonstrate our competitive edge in advancing sustainability management, in addition to proposing possible improvements to be made from the company-wide perspective, which span such sectors as the economy, environment, labor, human rights, society and quality.

Report Distribution and Feedback | This report was issued in both Korean and English and is available at our corporate website. This report will also appear on the GRI database of sustainability reports. Our stakeholders may offer their feedback on this report through a multitude of channels, including e-mail, posted mail, fax and our corporate website.

GRI G3.1 Guideline Application Level | This report, the 2012 Kumho Tires Sustainability Report, was prepared against the GRI G3.1 guidelines. As this report fully satisfies reporting requirements proposed by GRI G3.1 guidelines both quantitatively and qualitatively, we self-declare this report to be Application Level A+. The Korea Management Association Quality Assurance, as the third-party assurance provider of this report, also confirmed that this report satisfied the GRI G3.1 guideline Application Level A+ requirements.

For Further Information on This Report | If you have any further inquiries or questions regarding this report, please contact us at

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Kumho Tires 2012 HIGHLIGHT

Signing the Friendship Agreement with the Overseas Korean Community in Vietnam in April

We signed a memorandum of understanding(MOU) to support the Overseas Korean Community in Vietnam at the Vietnamese Embassy in Seoul with the Vietnamese Ambassador, the head of the Overseas Korean Community in Vietnam, and the CEO & President of Kumho Tires, Chang-Kyu Kim. Through this MOU, we will committ ourselves to sponsoring the community in undertaking diverse cultural and educational programs as a way to unite overseas Koreans and help them settle stably in the country. We will also open and operate the community office for the next two years.

Gaining OE Tire Fitment for Chrysler's 'Dodge Dart' in May

We were selected as an OE(original equipment) tire supplier for Chrysler's new model 'Dodge Dart'. As a four-door compact sedan developed jointly by Chrysler and Fiat, Dodge Dart has been garnering attention since its first debut at the 2012 Detroit Auto show. The Dodge Dart will be fitted with two sizes of our SOLUS KH25 model and temporary tires.

Unveiling the 2012 New Product Line-up in June

On June 21, we held a presentation event to unveil our new products for 2012 at the Asiana Airline hangar at Incheon International Airport. ecowing S, City Venture Premium, ECSTA 4X and other high-end tires made their debut, while a video was played to highlight our differentiated brand image and performance demonstrations were made to compare our product quality against that of other competitors.



Joining the Pink Ribbon Love Marathon in October

We participated in the '2012 Pink Ribbon Love Marathon' held at Yeouido Park in Seoul, Korea. Hosted by the Korea Breast Cancer Foundation, the event was attended by 130 of our employees, who served as guardians for women's breast health by wearing pink T-shirts during their marathon races. Meanwhile, our corporate PR booth, that was set up at the venue, sold pink tire valve caps and donated their entire profits.

Gaining the Green Product of the Year Status in November

Our eco-friendly tire 'ecowing S' was chosen as the Green Product of the Year' for two consecutive years. In selecting the Green Product of the Year, consumers are engaged as members of the evaluation team, which recommends candidate products with the help of expert advice. This is then followed by the final voting process. As the only tire product that was chosen as the Green Product of the Year, our ecowing S was recognized for its benefits in improving the environment and for its outstanding marketability.

Ranked No. 1 in the KNPS for Five Consecutive Years in December

We scored 32.3 points and thus ranked No. 1 in the passenger car tire category of the Korean Net Promoter Score in 2012 for five consecutive years, which is published by the Korea Management Association. Marking its sixth year, the KNPS demonstrates customer net promoter intention levels concerning products and services in respective Korean industries. In this way, it serves as a practical indicator of customer satisfaction and loyalty.

2012.07 ~ 12



2012.01 ~ 06

Joining Tokyo Auto Salon 2012 in January

We participated in the Tokyo Auto Salon, Japan's largest aftermarket parts show held in the Chiba Prefecture, between January 13th and January 15th. Our V70A model, created through formula technology, as well as other diverse tire models, were exhibited while our booth garnered massive attention thanks to the visit made by Ryu Si-won, a Korean celebrity who leads the car racing team 'Team 106' that is sponsored by Kumho Tires.

Winning a Red Dot Design Award in February

Our ECSTA LE Sport(KU 39), inlaid with the silhouette of a crane along the wide wall, was awarded at the iF Design Awards and the Red Dot Design Awards, which are recognized as members of the global top three design awards, in the product design category this year.

Developing ecowing S in March

Our new model named 'ecowing S' was certified as grade 1 in energy consumption efficiency (based on the degree of rolling resistance) as a response to the mandatory tire labeling system launched by the Korean government in December of 2012. ecowing S, when mounted on the YF Sonata[medium-size sedan manufactured by a Korean car maker] and driven for 20,000 km a year, is capable of reducing 272 kg of CO₂ emissions annually, which translates into KRW 230,000 in annual savings.



Re-signing the Masters of F3 Sponsorship Contract in July

All the cars that raced at the Masters of F3, held in the Netherlands between July 14th and 15th, ran on our 'ECSTA' racing tires. As an official tire sponsor for the Masters of F3 between 2002 and 2014, we have been steadfastly supplying our tires for 11 consecutive years.

Signing the CTCC Sponsorship Contract in August

We signed on to sponsor the 2013 China Touring Car Championship(CTCC) and become the official tire supplier to the event. As China's top motorsports event supported by the nation's Federation of Automobile Sports and the Federation International de l'Automobile, each CTCC match is attended by more than 10,000 spectators and exclusively broadcast by CCTV(China's national TV network).

Ranked No. 1 in the KCSI for Eight Consecutive Years in September

We were ranked No. 1 in the 'passenger car tire' category of the 2012 Korean Customer Satisfaction Index(KCSI) published by the Korea Management Association for eight consecutive years. We scored a total of 70.6 points, based on customer satisfaction and consumer re-purchase intentions. Multi-faceted promotional and marketing initiatives, along with product development, ensure that our commitment is based on customer satisfaction.



CEO Message

Dear Stakeholders,

We have been faced with continued difficult business conditions in Korea and abroad : our management improvement process was initiated in 2010, a self-initiated product recall decision was made in China in 2011 and we suffered declining tire demand due to the intensifying global economic downturn that started in Europe in 2012. Yet, these challenges failed to shake our firm commitment to normalizing our business operations. In fact, we even took a step further to lay the foundation for sustainable business. As a result, we posted an annual average growth of 7.4% from 2010, while our consolidated operating profit turned positive in 2010 and we were able to post a growth of 9.2% in operating margins in 2012. Furthermore, our debt-to-equity ratio (according to the head office), improved significantly from 500% at the end of 2010 to around 200% by the end of 2012. This was due to paid-in capital increases and a growth in retained earnings.

As the price of manufactured goods decrease, due to technological advancement and the emerging global economy, a greater number of people on this globe are able to enjoy a flourishing life in multiple aspects. These benefits, however, should be balanced against the growing concerns over the depletion of natural resources, environmental degradation, the widening wealth gap and other phenomena, where the consequences of such economic growth are passed down to future generations to be contended with. As such, companies today are required to take into account the interest of diverse stakeholders-which range from customers and shareholders-to local communities, employees and suppliers.

As a way to respond to this urgent challenge of our time, we at Kumho Tires, a member of Kumho Asiana Group, are fully committed to achieving the group-wide mission of "Improving the quality of life for all of Kumho Asiana's stakeholders".

We have been intensively investing in the R&D of eco-friendly product line-ups in order to proactively address the eco-labeling programs of multiple countries that aim to restrain carbon emissions. Such endeavors allowed ecowing S, our representative eco-friendly tire model, to be chosen as the Green Product of the Year in 2012 once again, as it had in 2011. Each ecowing S tire helps reduce 272 kg in annual CO₂ emissions and 115 liters in gasoline consumption, (compared to its conventional counterparts). These reductions are equal in benefit to planting 48 trees a year.

Moreover, our social contribution initiatives, such as the scholarship programs launched in China and Vietnam and the Pink Ribbon Campaign in Korea, are intended to care for the less-privileged members of our society and offer educational opportunities to future generations. As a way to facilitate communication and boost morale among our staff working both in Korea and overseas, regular initiatives are being undertaken to build closer ties between top management and working-level employees while TOP, TPM and other management innovation programs are under operation. To promote mutually-beneficial partnerships with our suppliers, we sign mutually-beneficial management agreements and operate support programs that meet the needs of our suppliers. Furthermore, our sales coaching program aims to promote the retail distribution network(including TIRE PRO), while unlimited support is offered to help dealership owners generate stable profits.

Unfortunately, tough internal situations prevented us from publishing sustainability reports since our last such report in 2007. Thus, our 2012 Sustainability Report clearly demonstrates that we are on the right track to regain operational stability. As the year 2013 marks our 53rd anniversary since our establishment, we intend to view this report as an opportunity to extend our previous environmently-focused perspective into a company-wide perspective that spans the areas of governance, economy, environment, labor, human rights, society and quality. Moreover, we take this opportunity to paint an honest picture of our strengths and weaknesses in advancing sustainability management so that the status of our progress may clearly be communicated to our stakeholders.

As we are fully aware-that as a company, we cannot stand on our feet alone, and that our existence is guaranteed only through shared growth with stakeholders, we are committed to undertaking a multitude of socially responsible business initiatives as a way to become a company that is truly loved and admired by society and our customers.

Your unsparing interest and encouragement will be greatly appreciated.

Thank you.

President & CEO
Kumho Tires Co., Ltd.
Chang-Kyu Kim



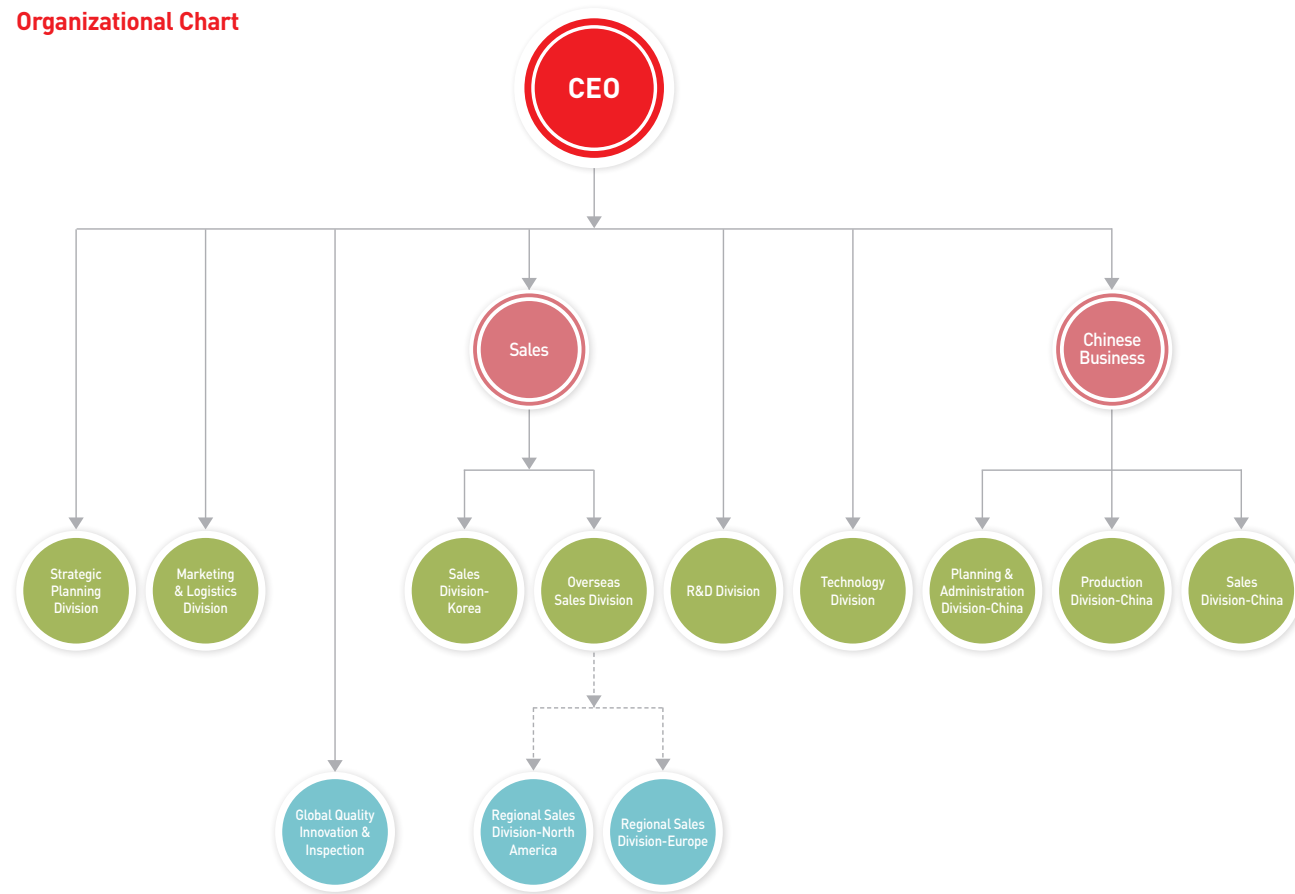

COMPANY PROFILE

Since our inception in 1960, we celebrated our 50th anniversary in 2010. Since our efforts were initiated in full swing to normalize business operations, we have been faced with growing uncertainties and fluctuations surrounding the business environment. Yet, our sales continued to increase and our operating margin returned to its previous levels. This contributed to increasing financial stability. Today, we at Kumho Tires are ready to move towards even greater goals. We will stay focused to become the first pioneer to explore a vast uncharted territory and evolve into a global top-tier company.

Company Overview

Name of Company	Kumho Tires Co., Ltd.	Head Office	555 Sochon-dong, Gwangsan-gu, Gwangju Metropolitan City
Date of Establishment	September 5, 1960	Tel	+82-62-940-2114
Date of Listing	February 17, 2005	Stocks Issued	Stocks Issued : 126,257,598 shares
CEO	Chang-Kyu Kim	Capital	KRW 631,288,000,000

Organizational Chart



BRAND PORTFOLIO

We deliver wide-ranging product brands to meet diverse vehicle and product features. We proudly serve our customers with a wide spectrum of tires-from ultra-high performance tires-to premium sedan tires and even eco-friendly tires.

ECSTA

Manufactured through formula technology, our ECSTA tires deliver stable steering performance during high-speed driving to meet the needs of ultra high-performance sports vehicles.



ecowing

Our ecowing tires enable reduced rolling resistance through advanced eco-friendly technology, as well as remarkable improvements in fuel efficiency, through the application of new compounds and materials. Furthermore, these eco-friendly tires help minimize CO₂ emissions.



SOLUS

Our SOLUS tires provide a silent and comfortable driving experience that is hardly achieved by ordinary tires.



WINTERCRAFT

Our WINTERCRAFT tires are designed to provide a safe winter driving experience in snowy and icy road conditions.



CRUGEN

Our CRUGEN tires, specifically made for SUVs, provide top-notch ride comfort and steering performance in urban driving conditions.



ROAD VENTURE

Our ROAD VENTURE tires are authentic SUV tires that perform exceptionally well-both in on-road and off-road conditions.





GLOBAL NETWORK

Headquartered in Korea, we operate eight overseas sales corporations and 180 branches/offices. We export more than \$1.8 billion worth of tires to 180 countries around the world annually. We manufacture the world's best, top-notch tires at eight different plants located in Korea and overseas through an R&D network that spans China, the U.S. and Germany, with the Kumho Tire R&D Center(KRDC) and the Kumho Tire Performance Center(KPC) in Korea playing a central role and the technological capabilities of our products and skills being developed consistently over the years. We undertake marketing initiatives to enhance our brand awareness and expand our sales network so that we can take a renewed step forward in the global market.

1. KOREA

- Sales (in a consolidated manner) : KRW 1,043 billion
- Employees : 4,810

Seoul Office

KUMHO ASIANA MAIN TOWER, 115 1-GA, SINMUNRO 1-GA, JONGNO-GU, SEOUL

R&D Centers

KRDC_ KUMHO TIRE R&D CENTER
 KPC_ KUMHO TIRE PERFORMANCE CENTER

PLANTS

GWANGJU PLANT / GOKSEONG PLANT / PYEONGTAEK PLANT

2. EUROPE

- Sales : KRW 619 billion
- Employees : 91

R&D Centers

KETC(GERMANY)_ KUMHO TIRE EUROPE TECHNICAL CENTER

Sales Corporations/Brance Offices/Branches/Offices

KUMHO TIRE EUROPE GMBH
 KUMHO TYRE(U.K.) LTD.
 KUMHO TIRE FRANCE S.A.S
 WIEN / MOSCOW / MILANO / MADRID

3. NORTH AMERICA

- Sales : KRW 806 billion
- Employees : 103

R&D Centers

KATC(U.S.A.)_ KUMHO TIRE AMERICA TECHNICAL CENTER

Sales Corporations/Brance Offices/Branches/Offices

KUMHO TIRE U.S.A., INC
 KUMHO TIRE CANADA., INC
 DETROIT / TORONTO

4. ASIA

- Sales : KRW 823 billion
- Employees : 5,980

PLANTS

NANJING KUMHO TIRE CO., LTD
 NANJING KUMHO TIRE CO., LTD.TBR PLANT
 KUMHO TIRE(TIANJIN) CO., INC.
 KUMHO TIRE(CHANGCHUN) CO., INC KUMHO TIRE(VIETNAM) CO., LTD.

R&D Centers

KCTC(CHINA)_ KUMHO TIRE CHINA TECHNICAL CENTER

Sales Corporations/Brance Offices/Branches/Offices

KUMHO TIRE JAPAN, INC.
 KUMHO TIRE CHINA CO., INC.
 SINGAPORE / KUALA LUMPUR / BANGKOK

5. ETC.

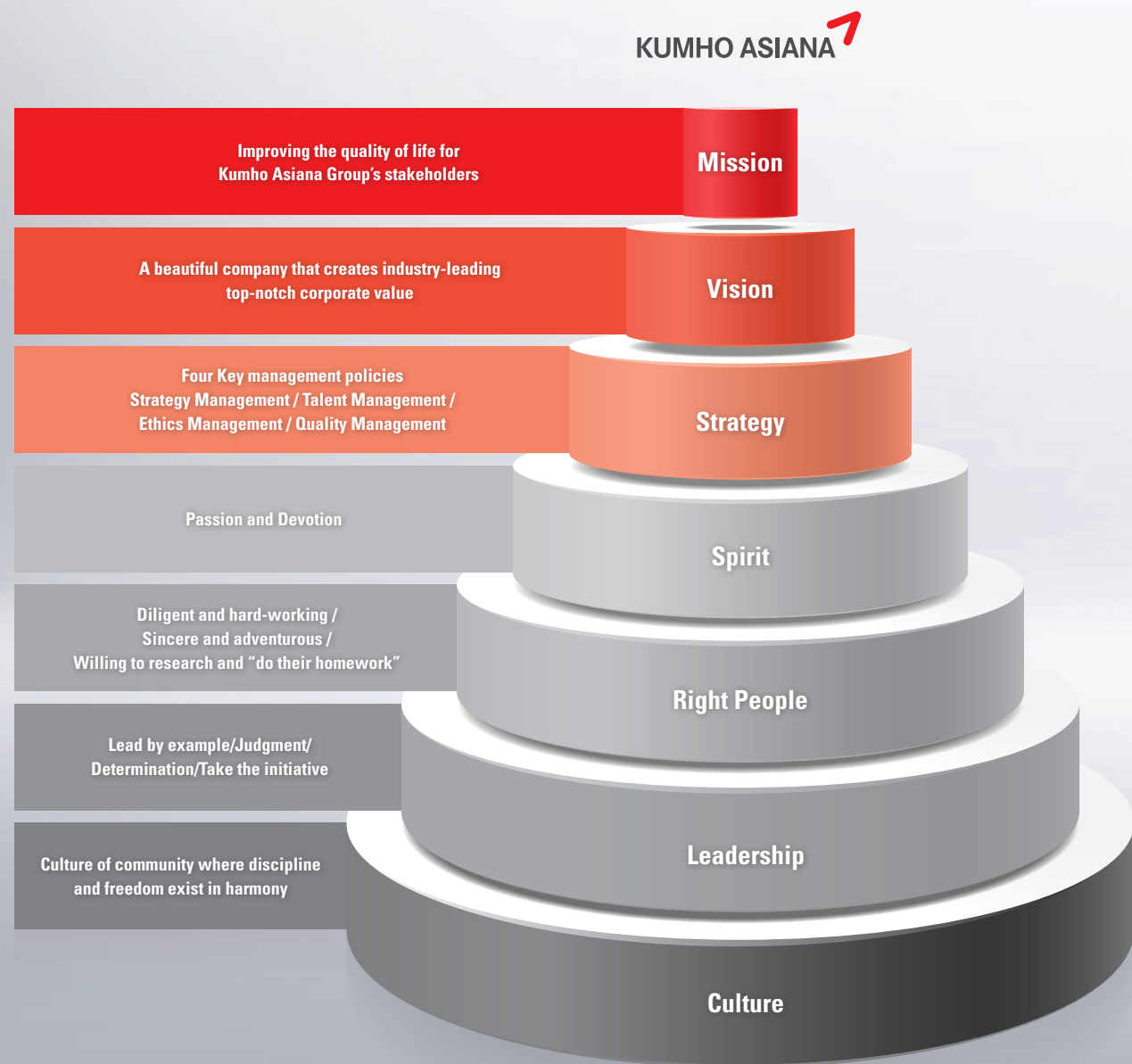
- Sales : KRW 780 billion
- Employees : 23

Sales Corporations/Brance Offices/Branches/Offices

KUMHO TYRE AUSTRALIA PTY., LTD MEXICO CITY / PANAMA / SAO PAULO
 SANTIAGO / DUBAI / ISTANBUL / JEDDAH
 CAIRO / JOHANNESBURG

Kumho Asiana's Value Framework

Kumho Asiana Group's value framework consists of Mission(purpose), Vision(goal), Strategy(strategy), Spirit(spirit of Kumho Asiana), Right People (ideal Kumho Asiana employee), Leadership(manager virtues), and Culture(corporate culture). We are united at Kumho Asiana Group to take a leap forward towards a stronger, more powerful and trendy 'New Kumho Asiana'.



Our Strategic Framework

Our sustainability strategy was integrated into our company-wide strategy framework so as to supplement our social responsibility strategy. Our top priority for the past fifty years has been to deliver customer value and top-notch quality and our business conduct aims to maximize customer value. To this end, we are committed to becoming a 'Global Tire Brand Recognized for its Quality and Respect for Customers'. Through stronger core capabilities and sustained innovation towards zero-defect quality, we will become a company that is continually trusted and loved by customers while delivering a truly impressive customer experience.

Mission	Customer Value Maximizer				
Vision	To be a Global Tire Brand Recognized for Its Quality and Respect for Customers				
Strategic Direction	01 Strategy Management	02 Environment Management	03 Talent Management	04 Ethics Management	05 Quality Management
Company-wide Strategic Tasks	<ul style="list-style-type: none"> Create a stable profit-structure Build capacity for sustainable growth Regain trust in the market* Address short-term challenges in China in 2013* 	<ul style="list-style-type: none"> Establish a global environmental management system Create opportunities in the new green business market Develop eco-friendly products Pursue eco-friendly energy and high energy-efficiency 	<ul style="list-style-type: none"> Customize HR management practices Reinforce employees' capacity and efficiency Establish an organizational competitive edge Promote globalization through the establishment of global HR management systems 	<ul style="list-style-type: none"> Build ethics awareness Reasonable management Mutually-beneficial management Fulfill corporate social/environmental responsibilities 	<ul style="list-style-type: none"> Build product reliability and self-initiated quality assurance Improve external customer satisfaction & brand value Establish proactive quality management and advanced technology
Sustainability Management Strategic Tasks	<ul style="list-style-type: none"> Build healthy governance 	<ul style="list-style-type: none"> Respond to environmental regulations 	<ul style="list-style-type: none"> Build trust-based labor relations Health and safety management Improve employee welfare 	<ul style="list-style-type: none"> Sustainable supply chain management 	<ul style="list-style-type: none"> Fair marketing
Sustainability Management Issues	<ul style="list-style-type: none"> Economic performance (profit, pension, government subsidy) Expand SRI (socially responsible investments) Increasing inter-dependency among countries due to globalization Intensifying competition (against industry peers in Korea and abroad) Increasing demand for corporate transparency Increasing interest in corporate governance 	<ul style="list-style-type: none"> Environmental degradation (air, water and soil pollution) Environmental impact of products and services Increasing consumer base who values health, eco-friendliness and social-friendliness Responsible consumption-related training for consumers Depletion of natural resources (rubber, water, fossil fuel, etc.) Energy consumption Strengthening environmental regulations (energy efficiency grading schemes) 	<ul style="list-style-type: none"> Increasing importance of recruiting talented individuals Employee education and training Labor relations Health and safety at the workplace Increasing needs for employee welfare and rights (work/life balance) 	<ul style="list-style-type: none"> Increasing needs for fair trade Stronger needs for fair competition and shared growth Local community (social contribution) Contribution through the development of expertise, functions and technology and their application to local communities Potential impact on local communities Endeavors to support social investments in local communities Promotion of social responsibility within the company's sphere of influence Increasing green purchasing (eco-friendly products with minimized environmental impact) Growing importance of establishing and managing a stable supply chain 	<ul style="list-style-type: none"> Increasing needs for product/services safety Customer health and safety Diversifying customer needs Product and service labeling (customer satisfaction) Accelerating technological development (braking performance, improved fuel efficiency, etc.) Compliance with marketing regulations (fair marketing, prevention of false advertising) Easier access to corporate information (internet, SNS, etc.)

* 'Environmental Management' as part of the strategic directions was added to the company-wide key management policies as a way to advance sustainability management
 * Excluded in the table of contents due to their low direct relevance to sustainability issues

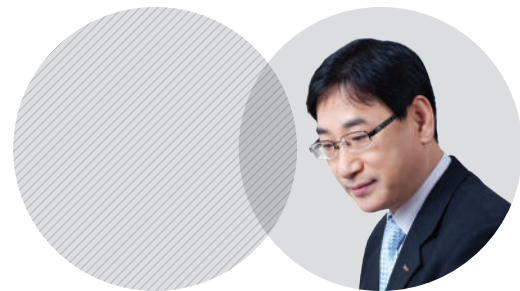
Stakeholder Engagement

We undertake wide-ranging communication initiatives as a way to listen to the suggestions of our stakeholders and integrate them into our operations. To engage various internal/external stakeholders, we evaluated their impact on our organizational performance, responsibility and representativeness to identify key stakeholders, which was followed by in-depth interviews. Major issues discovered through such interviews were addressed throughout this sustainability report.



David SH Kim | Associate Director Research, Auto/Auto parts & Ship-building Standard Chartered Securities Korea Limited

Global tire manufactures are announcing plans to expand their production capacity in order to establish their own competitive edge in scale in the upcoming years. It is urgent that Kumho Tires stabilize the operation of its top management and secure sufficient equity ownership so as to ensure rapid decision-making and strategic execution. This, in turn, will help create a virtuous cycle of growing sales, expand plant capacity, increase employment and eventually enhance our competitive edge.



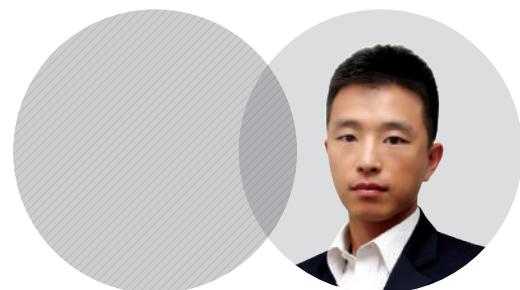
Jin-Won Lee | Deputy Director of the Business Management Department, Kumho Tires

It's been quite some time since the tire market shifted from a seller's market to a buyer's market. Moreover, a variety of new tires appear on the market as quickly as new products do on the fashion market. Thus, it is urgent that we keep a close eye on market (customer) needs and expedite our decision-making abilities.



J. Lann | Head of Sales Unit 2/Executive Vice President, Koiswire

For a company to improve its competitive edge, it is crucial to foster talent and develop technology. We need to accumulate human capital through the recruitment and development of talented individuals, while developing technological capabilities. Furthermore, we need to work together with the suppliers of materials and parts, so as to formulate differentiated technological and business strategies, which will enable us to establish win-win partnerships.



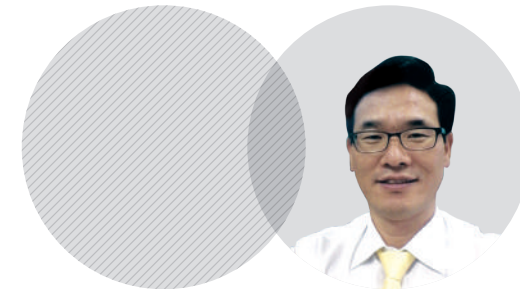
Kyeong-Min Lee | President of Club NF

If a company fails to communicate with its customers, it will face limitations in marketing its products through the word-of-mouth of its consumers, no matter how remarkable its products are. To allow consumers to easily access products and corporate information, Kumho Tires needs to strengthen its internet and SNS-based communication and promotional activities in alignment with its corporate character. In addition, the company may benefit from boosting external communication through expanded social contribution initiatives, such as a scholarship programs that select beneficiaries through essay competitions.



Il-Hwan Im | Branch Manager, TIRE PRO, Gang-seo Branch

As consumers increasingly value eco-friendly and eco-social products, there is a growing interest in eco-friendly tires that take both the environment and affordability into account. Kumho Tires' 'Ecowing' tires are not just eco-friendly; they also deliver economic benefits and satisfaction. I believe that it is through the development and distribution of such products that a company can fulfill its social responsibility. To this end, Kumho Tires needs to secure a stable source of funding to normalize its business operations and to create a system that allows for swift response to customer needs and demands.



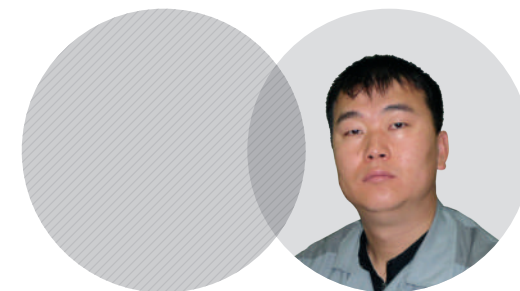
Byeong-Eung Lee | Deputy General Manager Chassis Parts Purchasing Team 1, Hyundai Motor Group

The most important driver behind a sustainable company is to build external trust with its suppliers, customers, and communities-as well as among its employees and between its labor and management forces. This is why it is critical that Kumho Tires earn trust from consumers and car makers so that they can be sure of stable tire supplies in response to changing tire demands. Furthermore, the company needs to identify its comparative advantages and shortcomings to improve further.



Hyung-Bae Min | Mayor of Gwang-san-Gu, Gwang-ju Metropolitan City

For Kumho Tires to evolve from a global company to a sustainable company, it is essential that its employees shift their paradigm and receive cognitive education and training, so as to ensure an agile response to social trends and reflect such temporal trends as CSV(Creating Shared Value) into its internal operations. Kumho Tires' transferring its own top-notch management expertise to cooperatives or social businesses and contributing to the local economy, through purchasing from local SMEs, may assist the company in building business management capabilities that position itself to benefit from the emerging CVS initiative.



Jeong-Hoon Jo | Director of Education and Propaganda Department, Kumho Tires Labor Union

Even exceptional management strategy and novel technology will be of no use if it can't be executed where it is truly needed. Kumho Tires needs to constantly commit itself to transparent and sincere communication between labor and management through the on-going initiative to build closer ties between top management and working-level employees, while externally promoting its endeavors to establish reasonable labor relations as a way to earn trust from its customers.



Hyun-Churl Kim | Executive Vice President, KUMHO TERMINAL

Kumho Asiana Group's mission is to build trust with diverse stakeholders and markets and to fulfill its social responsibility. For Kumho Tires to grow into a competitive company, it should be willing to lend an ear to the requirements of its stakeholders. Specifically, restoring our labor relations through communication is crucial in earning recognition for our technological advantages in Korea and abroad and regaining our reputation as a top-notch tire manufacturer.

Materiality Test

To identify sustainability issues, we conducted a materiality test through determining the relevance and significance of 'core subjects and issues' suggested by ISO 26000 concerning our business operation, while identifying key sustainability issues.

Step.1 Materiality Test Process

We performed internal/external environmental analyses to discover key sustainability issues that should be taken into account in our business conduct.

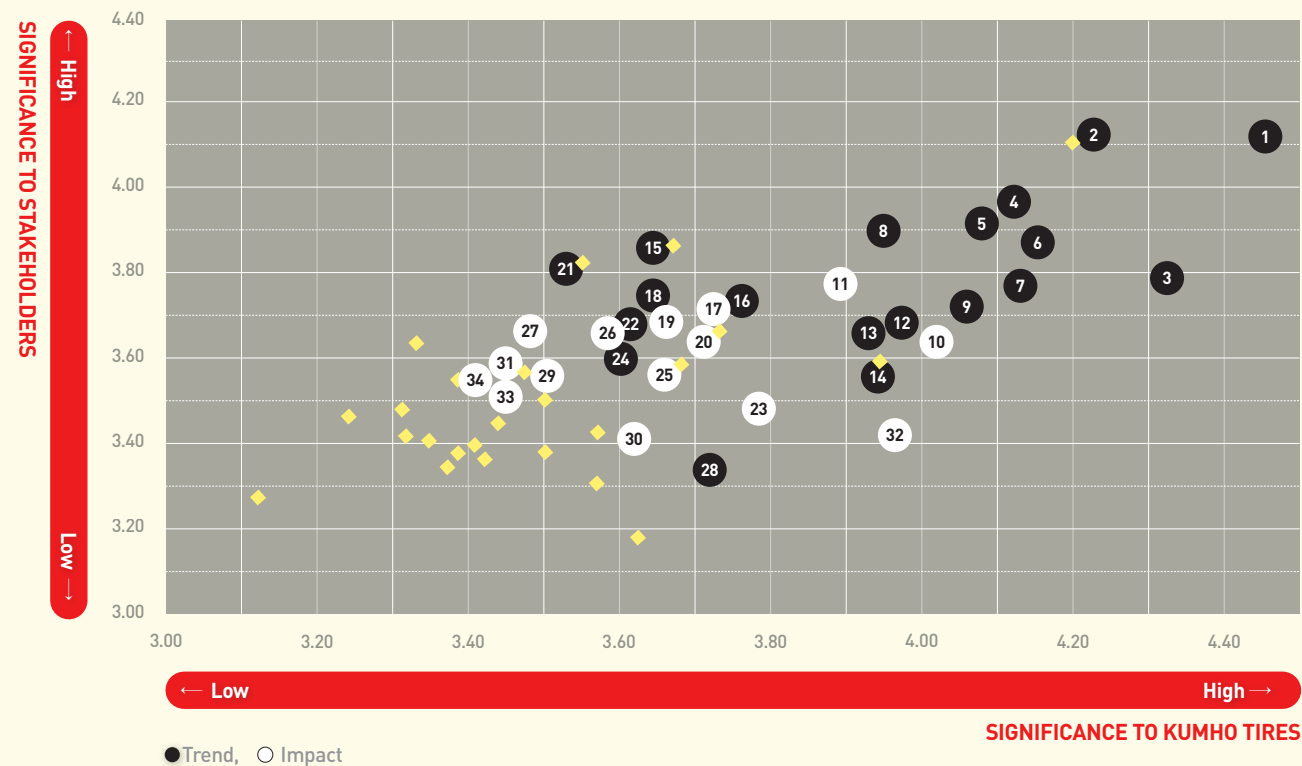
Media Analyses | To identify how we are recognized externally and what major sustainability issues there are, we analyzed a total of 3,915 media reports between 2010 and 2012 and identified relevant issues.

Trend & Impact Analyses | We surveyed our employees about sustainability issues on a Trend/Impact/Internal Capacity level to identify relevant issues.

Industry Peer Analyses | We studied sustainability reports published by five relevant companies in Korea and abroad in eight categories suggested by GRI G3.1 guidelines(strategy, governance, economy, environment, labor, human rights, society and products) to identify major issues.

Diagnoses of Compliance with ISO 26000 | Our compliance with corporate social responsibility was evaluated through the ISO 26000 compliance diagnostic tool developed by the Korean Agency for Technology and Standards and relevant issues were identified with an emphasis on our vulnerabilities.

Stakeholder Engagement | Our key stakeholder groups were defined in accordance with their legal, financial & operational responsibility and impact concerning our business conduct. This was then followed by in-depth interviews conducted of nine stakeholders who represent their respective groups. Furthermore, 703 stakeholders were surveyed for 14 days between May 31, 2013 and June 13, 2013, whose outcomes were used as a basis for performing the materiality test.



Step.2 Materiality Test Results

Media analyses, trend & impact analyses, industry peer analyses, diagnoses of our compliance with ISO 26000, and stakeholder engagement enabled us to discover 65 relevant issues, out of which 34(19 trend issues and 15 impact issues) issues, whose average significance score was above 3.5 points, were identified as our key sustainability issues. These 34 key issues were reflected in the table of contents and in the strategy section of this report.

Major Issues	Page
1 Accelerating technological development(braking performance, increased fuel efficiency, etc.)	32, 64
2 Growing needs for safe products and services	62, 63
3 Intensifying competition(competition among industry peers in Korea and abroad)	58, 64
4 Increasingly stringent environmental regulations(energy consumption efficiency grading scheme)	37
5 Diversifying customer needs	68
6 Increasing demand for corporate transparency	22, 23
7 Growing importance of talent recruitment	40, 41
8 Increasing number of consumers who value health and eco-friendliness/social-friendliness	30-32
9 Increasing requirements for employee welfare and rights(work/life balance)	48, 49
10 Labor relations	44, 45
11 Product and service labeling(customer satisfaction)	63, 64
12 Growing importance of establishing and maintaining a stable supply chain	54, 55, 58, 59
13 Increased access to corporate information(internet, SNS, etc.)	54, 71
14 Growing inter-dependency among countries caused by globalization	21, 68
15 Stronger need for fair competition and shared growth	54, 58
16 Growing needs for fair trade	67, 71
17 Environmental impact of products and services	28, 29

Major Issues	Page
18 Increasing green purchasing(eco-friendly products, products with minimal environmental impact, etc.)	58
19 Customer health and safety	66, 67
20 Compliance with marketing-related regulations(fair marketing, prevention of deceptive advertising)	71
21 Environmental degradation(air, water and soil contamination)	28, 29
22 Depleting natural resources(rubber, water resources, fossil fuel, etc.)	33, 36
23 Economic performance(profits, pension, governmental subsidies)	18, 19, 48
24 Expanding socially responsible investment(SRI)	19
25 Contribution made through the development of expertise, skills and technology and their application to local communities	66, 67
26 Workplace health and safety	46-49
27 Local community(social contribution)	56, 57
28 Growing interest in governance	22, 23
29 Responsible consumption-related training for consumers	66, 67
30 Employee education and training	42, 43
31 Energy consumption	33-35
32 Potential impact on local communities	56, 57
33 Endeavors to support socially responsible investment in local communities	56, 57
34 Facilitation of social responsibility within the sphere of influence	56, 57



MOVING TO VALUE

We believe that strategic management will enable us to overcome any current challenges and use them as opportunities to take a new step forward. As part of our strategic management initiatives, we define the motto of purpose-oriented management, goal-oriented management, strategy management and tactical management. It is with these detailed strategic management themes that we will further stabilize our operation and prevent upcoming risks.

Progress

- KRW 4.0706 trillion in sales and 9.22% in operating margin in 2012
- 218% in debt-to-equity ratio in 2012(Based on the head office)
- Involved in governmental projects in developing next-generation low-carbon, abrasion resistant eco-friendly tires
- Supplied to overseas premium car makers
- Will launch "hit" products customized to local needs
- BOD's active engagement in business operation-BOD met 14 times in 2012/handled 32 agenda items
- Established Kumho Tire R&D Center(KRDC) at Yongin

Issues

- Economic performance(profit generation)
- Growing inter-dependency among countries due to globalization
- Intensifying competition(competition among industry peers in Korea and abroad)
- Increasing demand for corporate transparency
- Increasing interest in corporate governance

Performance

Category	2010	2011	2012
Sales(KRW million)	3,530,007	3,915,876	4,070,644
Debt-to-Equity Ratio*	858%	765%	414%
No. of Agenda Items Handled by the BOD	59	42	32

* In a consolidated manner

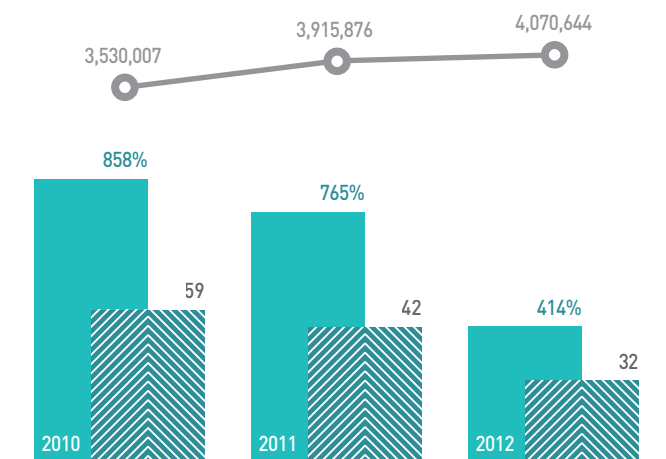
Sales(KRW million) in 2012

4,070,644 one million won

Debt-to-Equity Ratio in 2012(Based on the head office)

218%

- Sales(KRW million)
- Debt-to-Equity Ratio
- No. of Agenda Items Handled by the BOD



Establishment of a Stable Profit Structure



Even while we strive to normalize our operations, we continue to achieve stable growth. We define our stakeholders as customers, suppliers, the society, shareholders and employees. Furthermore, we increase our sales and secure continued profitability in order to distribute the economic value we create to our stakeholders.

Context & Challenge

Creating and distributing value on the basis of a table profit structure is crucial in advancing sustainability management. Thus, we ensure that the value created through our business conduct is distributed to our stakeholders.

Our Progress

Major Operational Outcomes

“Turning Challenges into Opportunities for a New Take-off”

2012 was the year we set a new record and achieved over KRW 4 trillion in sales in a consolidated manner. Our operating margin also rose by 4.27%p to 9.22% from the previous year. While our debt-to-equity ratio was as high as 500% in 2010[according to the head office], it fell dramatically to 218% in 2012. This is indicative of the fast recovery of our financial stability.

Consolidated (KRW million)	2010	2011	2012
Sales	3,530,007	3,915,876	4,070,644
Operating Profit	174,592	193,653	375,346
Operating Margin	4.95%	4.95%	9.22%
Net Income(Loss)	-51,083	-26,854	130,586
Total Assets	4,863,440	4,924,534	4,781,013
Total Liabilities	4,355,814	4,355,034	3,850,889
Total Capital	507,626	569,500	930,124
Debt-to-Equity Ratio	858.10%	764.70%	414.00%

Stakeholders



Separate (KRW million)	2010	2011	2012
Sales	2,701,990	3,247,967	3,342,328
Operating Profit	232,778	258,966	272,126
Operating Margin	8.62%	7.97%	8.14%
Net Income (Loss)	144	106,115	126,810
Total Assets	3,092,126	3,346,528	3,378,161
Total Liabilities	2,573,981	2,652,274	2,315,606
Total Capital	518,145	694,254	1,062,555
Debt-to-Equity Ratio	496.77%	382.03%	217.93%

Distribution of Economic Value

A total of KRW 2.79 trillion was distributed to our stakeholders, out of the sales of KRW 4.0706(3.95% increase from the previous year)

Our 2012 sales rose by 3.95% from the previous year to KRW 4.0706, the economic value that we distributed to our stakeholders amounted to KRW 2.79 trillion : KRW 2.15 trillion to suppliers, KRW 10.5 billion to governments and local communities, KRW 187.6 billion paid in interest expenses, and KRW 441.8 billion to employees.

Stakeholders	Distributed Value	Details	Note
Suppliers	KRW 2.15 trillion	Total purchasing of raw materials and contract services	Fell by 10% from the previous year
Governments and Local Communities	KRW 10.5 billion	Total utility fees paid and social contributions made(Support for the Pink Ribbon Campaign and the Overseas Korean Community in Vietnam)	KRW 31.9 billion in accumulated value since 2010
Creditors	KRW 187.6 billion	Total interest expenses paid to banks	Fell by 6% from the previous year
Employees	KRW 441.8 billion	Total employee wage payment, welfare & benefits and educational expenses	Employee wage includes bonus and retirement payments
Total	KRW 2.79 trillion		

Category (KRW 100 million)	2010	2011	2012
Interest expenses	2,175.97	1,996.30	1,876.14
Purchasing of raw materials and contract services	18,923.08	23,738.96	21,514.43
Income taxes(profit)	50.40	477.63	(442.26)
Taxes + utility fees	84.91	115.45	96.94
Donations+social contributions	10.40	3.30	8.30
Wage + bonus payments	3,822.32	3,829.79	4,269.35
Welfare & benefits	107.91	100.38	101.58
Employee educational expenses	23.68	37.79	46.64

※ On a company-wide level, welfare & benefits expenses are based on Korean business sites

Projects Underway through Governmental Subsidies

We are undertaking four governmental R&D projects, which concern the development of next-generation eco-friendly tires.

Project Name	Project Period	Allocated R&D Expenditures(Unit : KRW 100 million)
Development of next-generation low-carbon, abrasion-resistant eco-friendly tires	'11.08-'16.04	35.0
Development of used tire refabrication technology for commercial vehicles	'12.06-'17.05	3.5
Development of fuel-saving, highly abrasion-resistant super single tires for large-size commercial vehicles that travel long distances	'12.08-'15.04	14.3
Development of a tire tag-enabled MLM(Manufacture, Logistic & Marketing) Tracking System	'12.04-'13.12	21.5

Next Step

Our labor union and the company are jointly committed to reaching the common goal of normalizing our business operations through stable labor relations. We will generate sufficient surplus profits so as to become a lasting company that distributes an even greater value to the society, shareholders, employees, customers, suppliers and other stakeholders.

Capacity Building for Sustainable Growth



We are undertaking wide-ranging appropriate and efficient investment initiatives in order to build a stronger long-term competitive edge in the market. We are also elevating our level of risk management through the supplementation of our risk response system.

Context & Challenge

Recent external/internal business challenges prompt us to ensure internal stability rather than external growth and focus more on integrated risk management than ever before. Thus, various efficient investment initiatives are underway at Kumho Tires for improved operational stability, while our risk response system is constantly complemented.

Our Progress

It is with strategic response that we build our own competitive edge for sustainable growth. We believe that in so doing, we will grow into a lasting company and that we are taking a proactive approach to both the changing markets and customer needs.

Sustainability Growth Initiatives

Established the Kumho Tire R&D Center(KRDC)

Kumho Tires opened the Kumho Tire R&D Center(KRDC) at Yongin in September 2013. We invested approximately KRW 100 billion to equip this new R&D center with such advanced facilities as physico-chemical testing devices and noise/vibration testers. We believe that the Kumho Tire R&D Center will be responsible for managing all our R&D centers in Korea and abroad. Once completed, the R&D center



based in the Seoul metropolitan area, will allow us to recruit excellent human resources and serve as a foundation from which Kumho Tires can prepare for a new take-off. Eventually, there will be 1,000 R&D employees.

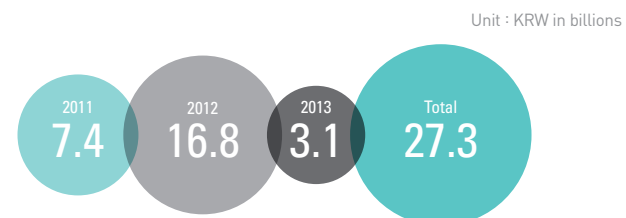
Kumho Tire R&D Center(KRDC)

Location	Jigok-dong, Giheung-gu, Yongin City, Gyeonggi Province
Land	34,842 m ²
Building Size	4 floors and 2 underground floors
R&D Staff	650(To be increased to 1,000 persons by 2016)
Investment	KRW 100 billion
Completion	Sep. 2013

Essential Facility Investments

Our top priority in making investments is to ensure efficiency while responding to the speed of changing market conditions. Hence, KRW 16.8 billion was invested in adjusting production facilities in 2012 as a response to the expected growth in demand for larger tires, which will be followed by an additional KRW 3.1 billion investment in 2013. Furthermore, decisions will be made on the basis of multi-dimensional evidence including economic/industrial landscapes and sales forecasts concerning the expansion of our Vietnamese plant (the expansion will increase the production capacity to 5.6 million units) and the resuming of the plant construction project in Georgia, in the U.S.

Facility Adjustment Investment to Manufacture Larger Tires at Gwangju/Gokseong Plants



Premium OE(Tires for New Vehicles) Supply for Overseas Car-makers

Our technological prowess and reputation continues to be enhanced through our tire supply sponsorship for such professional racing competitions as Auto GP, F3 and CTCC held in China, which is demonstrated through our sustained business partnership with overseas OE partners. Presently, we supply OE tires to representative U.S. carmakers(GM, Ford, Chrysler) and European carmakers(BMW, Mercedes-Benz, Volkswagen). We will further expand such partnerships with world-renowned car manufacturers, so as to raise the ratio of premium tires in our sales portfolio.

Brand

Chrysler Fiat Group	Jeep / Chrysler / Dodge / Fiat
Daimler Group	Mercedes-Benz / Smart
BMW Group	Mini
Volkswagen Group	Golf, Jetta
GM Group	Chevrolet

Sustained Development of Key Technology

We continue to develop key technology to establish sustainable competitive edge. As part of such endeavors, all our tires will be RFID-tagged to differentiate them from competitor products that are identified through conventional bar-code technology. These RFID tags will contain detailed information on tire quality and performance data as well as the entire process of manufacturing to distribution and final sales. Presently, we place RFID tags on truck and bus tires produced in domestic plants and OE tires supplied to top-notch overseas carmakers. Their application will extend to all tires fitted in domestic passenger vehicles in the 2nd half of 2013 and then to all our business sites including overseas plants in 2014. In addition, work is underway to launch leading products that will create new market demand such as XRP(extended runflat performance) tires

that provide extended mobility within certain distance and speed ranges in the face of tire punctuations as well as sealant tires that contain special liquids that line the inner side of tires to seal tire punctuations.

Organization of the Risk Response System

Our risk management system was improved as part of our commitment to normalizing our operations in China after the recall of faulty tires in 2011. Our "Global Risk Management Manual", which focused on communication among responsible organizations in the case of crises, was published at the end of 2011 and was distributed to respective departments. Its first revised edition was made in July 2012 and included a more detailed risk classification and preliminary reporting methods within the initial response stage. Furthermore, our 'Disaster Emergency Measure Manual' was revised with greater concrete content to help six respective plants in Korea and China better address wide-ranging natural/man-made emergencies, including fires and floods.

Next Step

We will define a more detailed picture of our integrated risk management system through the selection of key risks and risk response simulations on the basis of rippling effects, probability and the impact of respective risks.

Establishment of Sound Governance



Our board of directors(BOD) is structured in accordance with relevant BOD regulations as a way to ensure reasonable decision-making and transparency. Our BOD consists of four internal directors and five external directors.

Context & Challenge

We believe that sound corporate governance is one of the most fundamental prerequisites for reasonable and transparent business conduct. It also constitutes a major conceptual pillar in putting our 2013 management policies into action. We are constantly committed to seeking an advanced corporate governance and sustainable growth.

issues commissioned by general shareholder meetings, and important issues related to basic management policies and operational execution. In addressing major business decisions, those decisions are made by our BOD composed of experts and then approved at general shareholder meetings.

BOD Composition(As of the disclosure date of Mar. 29, 2013)

Directors	Name	Gender	Date of Appointment (Tenure)	Organization. Position
Internal (Standing)	Sam-Koo Park	Male	2012.03.30 (3 years)	Representative Director Chairman, Kumho Asiana Group
	Chang-Kyu Kim	Male	2012.03.30 (3 years)	Representative Director / President & CEO / Chairman of the board of directors
	Se-Chang Park	Male	2013.03.29 (3 years)	Head of Sales / Senior Executive Vice President
	Jae-Suk Cho	Male	2013.03.29 (3 years)	Head of Strategic Planning Division / Executive Vice President
External (Non-standing)	Dong-Hyuck Shin	Male	2011.03.25 (3 years)	(Previous) Chairman, Korea Federation of Banks
	Myung-Jae Park	Male	2011.03.25 (3 years)	(Previous) Minister of Government Administration and Home Affairs (Previous) Chancellor, CHA University

Our Progress

Corporate Governance and BOD Operation

“Reasonable Ethics Management Based on Basics and Principles”

The four key management policies of strategic management, talent management, quality management and ethics management at Kumho Asiana Group are ingrained into our operations as key strategic elements. Specifically, it is through reasonable management, based on ethical operation, that we strive to become a company respected by society.

Our board of directors(BOD) is responsible for making decisions concerning issues stipulated by law or the articles of association,

Directors	Name	Gender	Date of Appointment (Tenure)	Organization. Position
External (Non-standing)	Sang-Min Shin	Male	2012.03.30 (3 years)	(Previous) CEO, Korea Economic Daily (Current) Chairman, FnPricing
	Woo-Yang Park	Male	2013.03.29 (3 years)	(Previous) CEO, Bumin Savings Bank
	J. Roberto C. Delgado (Non-compensated)	Male	2012.03.30 (3 years)	CEO, Transnational Diversified Group

※ Audit Committee : Chairman / Sang-Min Shin, Committee members / Myung- Jae Park, Woo-Yang Park

※ External Director Recommendation Committee : Chang-Kyu Kim, Myung-Jae Park, Sang-Min Shin

2012 BOD Operation

Our BOD met 14 times in 2012 to handle 32 major agenda items related to our business operations.

Date of Meeting	Agenda	Approval	Approval Basis
2012.01.12	Borrowing new overseas funds and two others	Approved	6 / 6
2012.01.31	Appointing President	Approved	5 / 5
2012.03.14	Approving the appointment of External Director Recommendation Committee members	Approved	5 / 5
2012.03.15	Convening the 9th General Shareholders' Meeting and six others	Approved	6 / 6
2012.03.30	Appointing CEO and one other	Approved	5 / 5

Date of Meeting	Agenda	Approval	Approval Basis
2012.05.04	Executing paid-in capital increase and five others	Approved	5 / 5
2012.08.21	Signing the Kumho Tire R&D Center construction contract and two others	Approved	5 / 5
2012.12.05	Offering payment guarantee for overseas corporations and one other	Approved	6 / 6

Performance Evaluation and Compensation

In 2012, a total of KRW 919 million was spent on BOD compensation, out of the KRW 1.8 billion that was approved at the general shareholders' meeting. To guarantee the independence and expertise in the decision-making of our external directors, we do not operate any compensation system aligned with performance evaluation.

Next Step

We will continue to enhance the expertise of our internal directors and the independent status of our external directors in appointing our BOD members so that major decisions are made in a reasonable manner. Furthermore, respective committees will actively perform to assist in making management decisions.





MOVING TO GREEN

We are operating an integrated global environmental management system, which is supported through the development of a life-cycle environmental management system under our corporate vision of becoming one of the 'Eco Global Top 3'. As a way to achieve this vision, we are fully committed to undertaking our 4G strategies : Green Management strategy to build a global environmental management system, Green Products strategy to develop eco-friendly products, Green Production strategy to improve our energy efficiency and use more eco-friendly energy sources, and Green Business strategy to explore new business opportunities in the green market.

Progress

- Response framework was established for the global environmental management system
- Eco-friendly tires were developed
- Eco-friendly materials were used and process improvement was made
- Climate change adaptation system was developed
- Energy-saving initiatives were undertaken
- New and renewable energy sources were introduced
- Responses were made to global environmental regulations

Issues

- Environmental degradation(air, water and soil contamination)
- Environmental impact of products and services
- Increasing number of consumers who value health and eco-friendliness/social-friendliness
- Responsible consumption-related training for consumers
- Depleting natural resources(rubber, water resources, fossil fuel, etc.)
- Increasingly stringent environmental regulations(energy consumption efficiency grading scheme)

Performance

Category	2010	2011	2012
Raw Material Consumption(ton)	362,017	376,804	358,399
Water Consumption(m ³)	1,490,491	1,724,257	1,713,732
Wastewater Discharge(m ³)	131,882	155,348	234,917
Water Pollutant Discharge(ton)	3.793	4.015	6.867
Air Pollutant Emissions(ton)	638.5	424.9	338.8
GHG Emissions(tCO ₂ e)	311,568	320,046	319,260
Energy Consumption(TJ)	5,492	5,751	5,996
Waste Generation(ton)	15,998	15,615	16,430
Environmental Investment (KRW million)	1,131	1,475	1,350
Environmental Regulatory Violations(No. of violations)	0	0	1

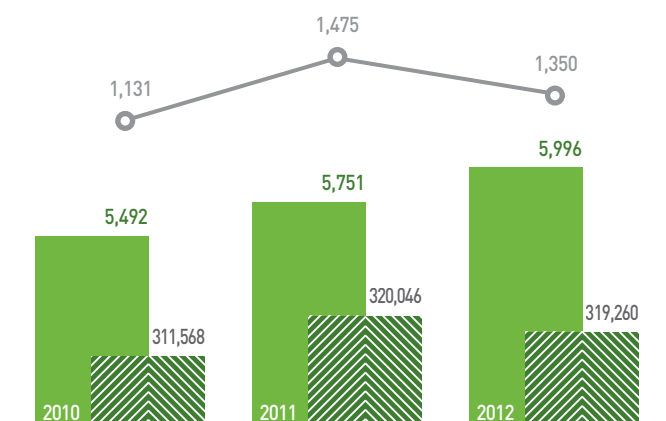
Raw Material Consumption in 2012

358,399^{ton}

GHG Emissions in 2012

319,260^{tCO₂e}

- Environmental Investment(KRW million)
- Energy Consumption(TJ)
- ▨ GHG Emissions(tCO₂e)



Establishment of a Global Environmental Management System



Over the last two decades, climate change has emerged as one of the global mega trends that garners attention from the international community. This constantly urges us to shift our paradigm as a company to proactively respond to the challenge. We at Kumho Tires are fully aware that such environmental risks are crucial factors that affect our business operation and are thus operating a global environmental management system that takes a global perspective in caring for the environment.

Context & Challenge

It is with the firm belief that advancing environmental management is an urgent call of our time, that we take the lead in making our business conduct more eco-friendly. This is evident in the fact that we were the first Korean tire manufacturer whose management system was certified with ISO 14001, the international environmental management system standard. We ensure that we minimize our environmental footprint and use limited resources efficiently in the entire life-cycle of our products and services. We do this through the production of eco-friendly products, the introduction of clean manufacturing processes and the application of optimal pollution control technology.

Our Progress

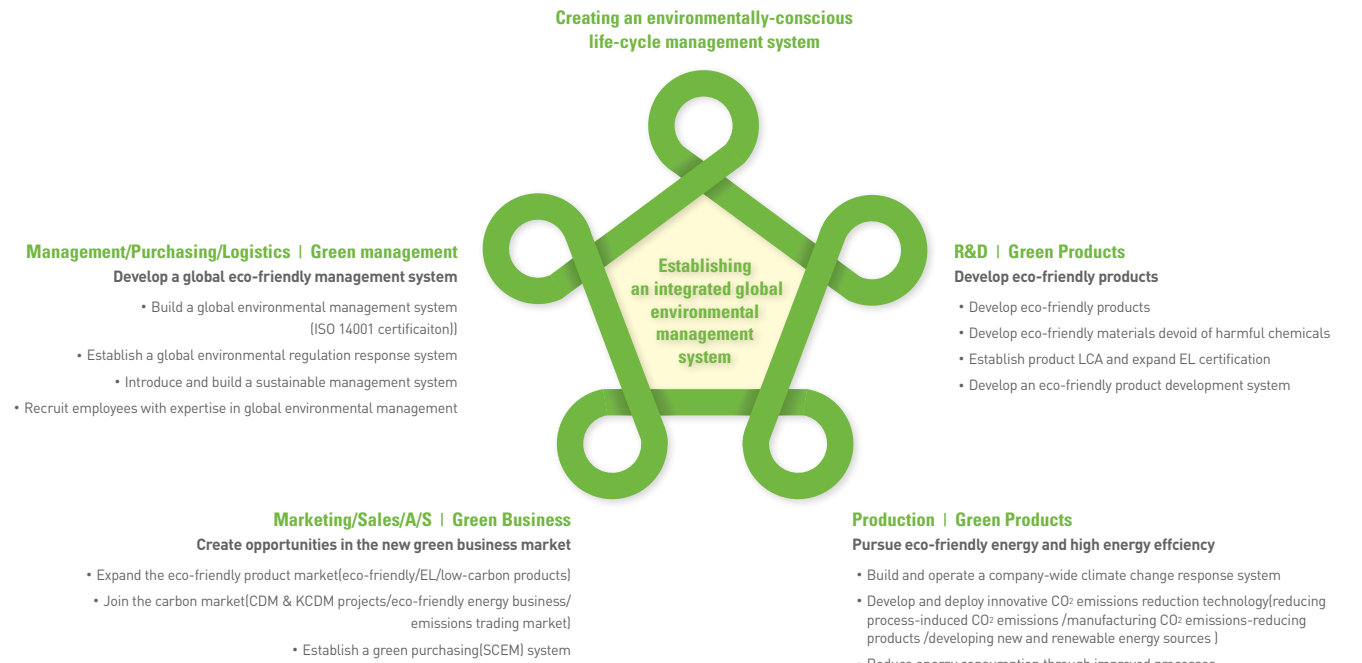
Establishment of a Global Environmental Management Evaluation Response Framework

Our Environmental Policy

Our environmental management system is operated systematically in accordance with our company-wide environmental policy, which is adhered to by all our employees who are committed to fulfilling our corporate social responsibility.

Development of a Global Environmental Management System

We created and employed the company-wide mission of 'developing an integrated global environmental management system through a life-cycle environmental management system'. To reach this goal, we defined 4G strategies(Green Management, Green Product, Green Business, Green Production) as a way to attain detailed strategy-specific goals.



Operation of the Environmental Management System

The systemic operation of our global environmental management system is ensured, based on the annual environmental management plans that enable us to review the environmental management operation of all our global business sites, while constant monitoring and environmental improvement initiatives are undertaken for us to evolve into an eco-friendly tire manufacturer. Furthermore, internal diagnoses are performed to ensure the effective implementation and inspection of the environmental management system : documents are reviewed and on-site inspections are made to verify the reliability of our environmental performance, while immediate corrections are made concerning inspection outcomes. In so doing, we prevent wide-ranging risks before they even occur.

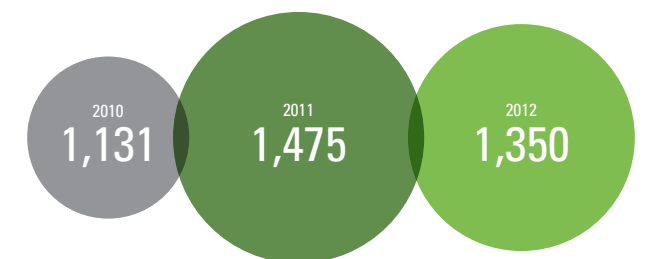
All our sites located in Korea and overseas were certified with ISO 14001, the international environmental management system standard proposed by ISO. We ensure that these sites maintain their environmental management systems in accordance with this international standard through regular follow-up reviews and re-certification examinations.

Environmental Investment and Expenditure

We take a mid/long-term perspective in planning and executing our investments and expenditures that aim to minimize our environmental footprint. In 2012, such investments and expenditures amounted to KRW 1.35 billion, which consisted of water and air quality control costs(repair, expendables, measurements), waste(waste oil, waste tires, waste synthetic resins) management costs and other costs.

Environmental Investments and Expenditures

Unit : KRW million



※ Based on Korean sites

Kumho Tires' Environmental Policy

At Kumho Tires, we value customer satisfaction as our top priority and are fully aware of our responsibility to respect nature and protect the environment. As such, we are committed to seeking sustainable development and fulfilling our social responsibility.

To set overarching and detailed environmental goals and attain them effectively,

- We develop and operate a global environmental management system through an environmentally-conscious, life-cycle management system.
- We comply with requirements under governmental and corporate environmental regulations as well as international environmental agreements.
- We continue to reduce environmental pollution and increase recycling in order to minimize our environmental impact.
- We consider our environmental impact throughout the entire product life-cycle as our top priority so as to develop and expand the distribution of eco-friendly products.
- We increase the use of eco-friendly energy as well as employ energy efficiency methods and reduce GHG emissions so as to seek low carbon green growth.

- We undertake and support social contribution initiatives as a beautiful company.

- We assist our entire staff with environmental training as well as suppliers with environmental management activities.
- We regularly report the outcomes of environmental management initiatives.

All Kumho Tires employees do their utmost in fulfilling their duty in order to efficiently operate the corporate environmental management system and to attain environmental policies and goals.

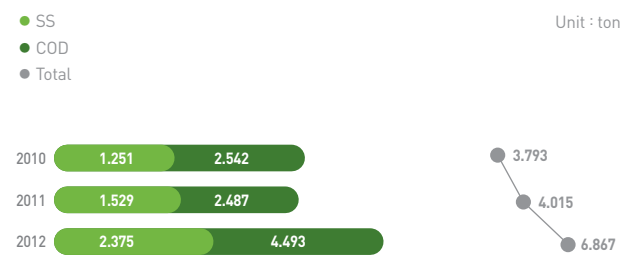
Kumho Tires Co., Ltd.
CEO Chang-Kyu Kim



Water Quality Management

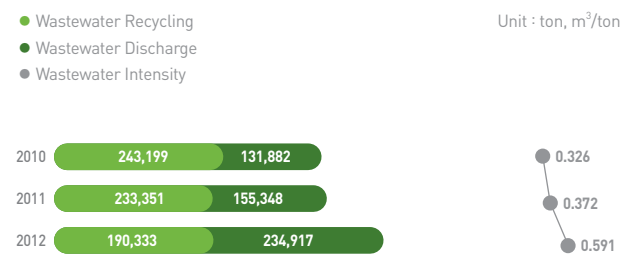
We are fully committed to minimizing the impact that the water pollutants generated from our manufacturing process have on the surrounding ecosystems. At our Gwangju and Pyeongtaek plants, wastewater is subject to primary treatment and then is processed again to 30% of the legally-permissible level or under before moving into the sewage treatment facility so as to minimize the discharge of pollutants. At our Gokseong plant, we ensure that treated wastewater satisfies even more stringent criteria (that are 25% of the legal threshold or under), as it is directly discharged into nearby Seomjin River (grade 1 water system). Furthermore, our sophisticated wastewater treatment process, that consists of primary physicochemical processing and secondary procedures that use activated carbon, microfilters, cartridge filters and reverse osmosis devices, enables us to reuse 210 tons (per day) out of the 300 tons (per day) of wastewater as boiler water while discharging only 90 tons (per day) which boosts our endeavors to minimize our environmental impact on Seomjin River.

Discharge of Water Pollutants



※ Based on Korean sites

Discharge and Recycling of Wastewater

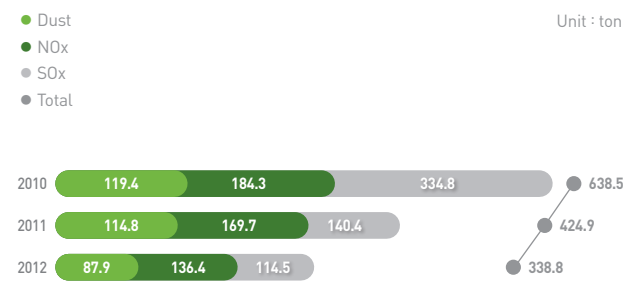


※ Based on Korean sites

Air Quality Management

To prevent odors from affecting the life of local residents, odorous raw materials that we use are subject to vacuum packaging upon being unloaded. We also continuously work to expand odor control facilities and increase their odor elimination rates. Our Gwangju and Pyeongtaek plants use LNG (clean fuel) as boiler fuel to reduce their GHG and air pollutant emissions while our Gokseong plant also installed LNG-fueled low-NOx burners for two of its boilers in 2012, which paved the way for us to shift from bunker C oil to LNG. In 2013 and beyond, plans are underway to increase the use of clean energy sources and replace old boilers with low-NOx burner-powered boilers. In so doing, we will be able to minimize air pollution.

Air Pollutant Emissions

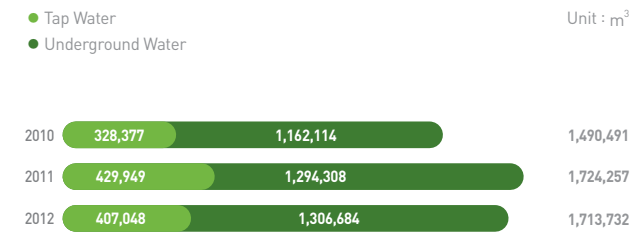


※ Based on Korean sites

Water Consumption Management

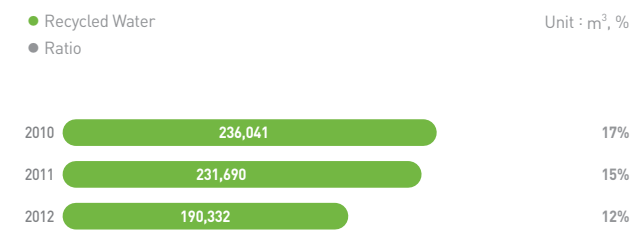
Presently, the water consumed by our plants located in Korea consists of tap water and underground water that comes from four in-house underground water facilities. To prevent excessive water supply consumption, optimal water needs for mixing and extrusion processes are identified and plans are defined to reduce the water consumption of respective production facilities. Recycling wastewater is another way for us to save our water consumption. These endeavors allowed us to recycle an average of 12% of the total water used at our Korean plants in 2012.

Water Consumption



※ Based on Korean sites

Water Recycling

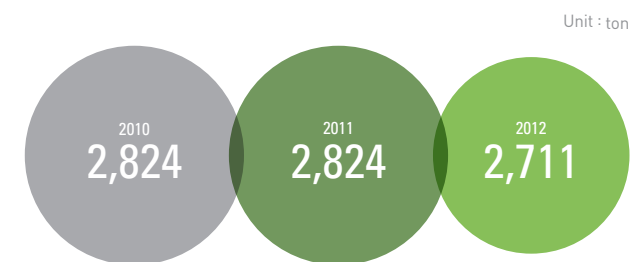


※ Based on our Gwangju and Gokseong plants

Hazardous Chemicals Management

We make sustained efforts to opt for eco-friendly raw materials, so as to minimize our environmental impact in consuming chemicals. Furthermore, harmful chemicals that are used for production processes are stringently managed and inspected, while our employees working in relation to such chemicals receive environmental safety education and regular prevention training to better respond to leakages and other emergencies that may occur.

Consumption of Hazardous Chemicals



※ Based on Korean sites

※ Combination of hydrochloric acid, sodium hydroxide (solid/liquid) and K-13

Waste Management

We save and efficiently use limited resources to fundamentally reduce the generation of waste while working to establish a resource-recycling waste system and boost productivity gains. Our production processes are improved to enhance yield rates and reduce defects, which contributes to lowering the generation of waste in the first place. At our Gokseong and Pyeongtaek plants, oil-based substances that were used for manufacturing processes were replaced with water-based ones in 2012. This enabled their waste, which was previously incinerated, to be commissioned for recycling. In so doing, we contribute to turning waste into resources and creating a resource-recycling economy.

Waste Treatment and Recycling

Category	Unit	2010	2011	2012
Commissioned Landfilling	ton	637	673	718
Commissioned Incineration	ton	1,916	1,939	2,154
Commissioned Recycling	ton	13,446	13,003	13,558
General Waste	ton	14,137	13,703	14,451
Designated Waste	ton	1,861	1,913	1,978
Total Waste	ton	15,998	15,615	16,430
Waste Recycling Rates	%	84.0%	83.3%	82.5%

※ Based on Korean sites

Next Step

We will define phase-specific mid/long-term key tasks in accordance with our strategic tasks so as to work continuously to elevate the level of our ISO 14001-certified environmental management system. We are determined to fulfill our responsibility to respect nature and protect the environment, while building our competitive edge as a market leader through the upgrading of our environmental management system to a global level.

Development of Eco-friendly Products



With worldwide growing concerns over global warming and environmental degradation, we see an increasing demand for eco-friendly, high fuel-efficiency tires that reduce CO₂ emissions through enhanced energy efficiency. Thus, we are building manufacturing systems for eco-friendly products and developing eco-friendly high fuel-efficiency tires(Ecowing model) in a bid to pursue environmental, social and economic benefits simultaneously.

Context & Challenge

As automobile and tire industries grow, so does the continual consumption of rubber. Still, natural and synthetic rubber prices fluctuate due to surging oil prices caused by instability in the Middle East and numerous other external factors. As such, we are undertaking wide-ranging initiatives to accommodate requirements concerning changing consumer perceptions of the environment and safety, as well as economic conditions, including the rapidly increasing cost of raw materials.

Our Progress

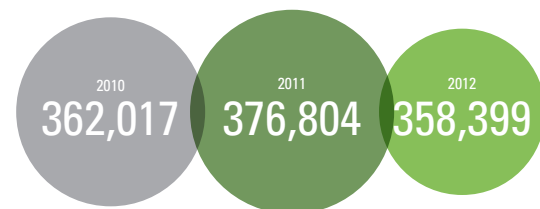
Our Consumption of Raw Materials and Recycled Materials

Consumption of Raw Materials

We use natural rubber, synthetic rubber, carbon black, cord fabric (fabric, steel) and bead wires in manufacturing products, which are supplied from Korean and overseas raw material providers. In 2012, our consumption of major raw materials fell from 18,405 tons to 358,399 tons comparing to 2011.

Consumption of Major Raw Materials

Unit : ton



※ Based on Korean sites
 ※ Combination of natural rubber, synthetic rubber, carbon black, cord fabric(fabric, steel) and bead wires

Consumption of Recycled Rubber

Waste tires are recycled in three different ways : first, they are re-manufactured into rubber powder and reused as materials for parking lot blocks and tires; second, they are directly used for landfill construction and other purposes; third, they are used as a heat source for cement manufacturing and other applications-which is the most widely accepted option. At Kumho Tires, we choose to recycle rubber powder into raw materials as part of our endeavors to recycle waste tires and these recycled tires are reused as valuable tire raw materials that deliver both quality and environmental benefits. We have been reusing more than 5,000 tons of recycled tires annually since 2009 and, as of 2012, our consumption of recycled tires amounted to 5,697 tons.

Mitigation of Harmful Chemicals

To ensure that we use the least amount of PAHs substances contained in the oil that we use as raw tire material, we have been reducing our consumption of PAHs-containing materials since 2006. In 2012, our Chinese plants replaced 99% of their oil with low-PAHs oil and the Korean plants made the same transition to replace 98% of their oil consumption with low-PAHs oil.

※ PAHs(Polycyclic Aromatic Hydrocarbons) : PAHs refer to aromatic compounds that have more than two benzene rings. The majority of these compounds are toxic and a portion of them are known carcinogens.

Silica Use and Process Development to Deliver Eco-friendly Products

Carbon black, used for tire reinforcements, is produced through the incomplete combustion of petroleum. This process causes environmental pollution in the combustion phase, as well as inevitably exerting environmental impact due to the pollutants generated

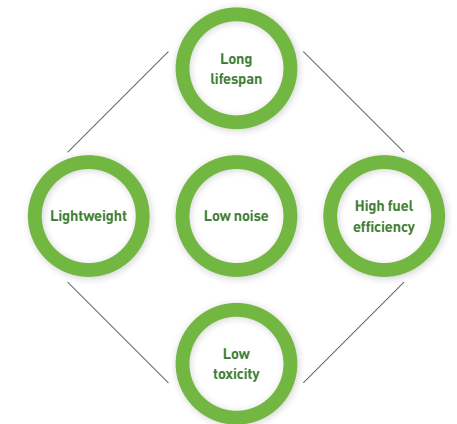
through tire abrasion in the tire use phase. Meanwhile, silica is more eco-friendly as it comes from the natural environment(sand) and also contributes to lower rolling resistance and higher fuel efficiency, thus reducing CO₂ emissions. This is why we are gradually increasing our silica consumption at Kumho Tires. As part of such endeavors, we are developing long-term plans to develop a silica-based tire manufacturing process and operate a dedicated department to this end. In so doing, we are continually installing and expanding production facilities(mixing, extrusion and molding devices specialized for silica) and testing devices to ensure accurate quality inspection/management.

Development of Eco-friendly High Fuel-Efficiency Tires

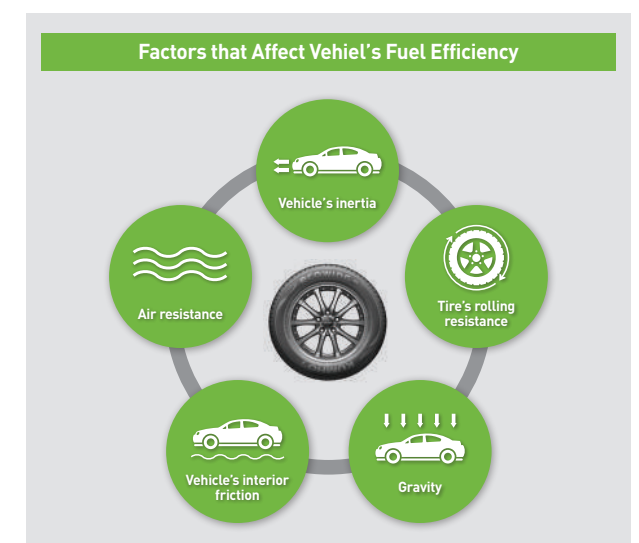
Eco-friendly Tires that Help Enhance Fuel Efficiency

As a response to growing needs for eco-friendly tires, our R&D initiatives are geared towards the development of tire materials and structure design technology that contribute to reduced rolling resistance, sustained wet grip and improved fuel efficiency through lightweightedness. To reduce the environmental impact of our manufacturing process, we are developing and expanding technology to replace petroleum-based process oil with natural soybean oil, expand the use of silica to cut our carbon black consumption and to opt for natural ingredients rather than petroleum-based chemicals in the manufacturing process. Specifically, our ecowing S tires that debuted in 2012 are capable of lowering rolling resistance and minimizing tire weight through the use of highly dispersible silica, which demonstrated a 6.7% improvement in fuel efficiency against our all season tire SOLUS Xpert. Meanwhile, reduced rolling resistance may hamper braking & handling performance and anti-abrasion performance. Such advanced technology is expanding its scope into our existing products and our new products currently under development. The share of eco-friendly products in our total production (based on the Gwangju and Gokseong plants) over the past three years is increasing continuously. In 2013, their ratio will grow further through the development of new products and the improvement of existing ones that meet eco-friendly quality criteria.

Environmental Requirements of Eco-friendly Tires

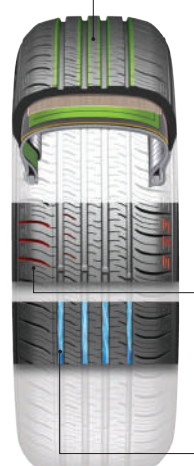


ecowing S's Contribution to Enhanced Fuel Efficiency



Fuel Cost Savings	Reductions of 272kg in CO ₂ Emissions
Up to KRW 230,000 in Annual Savings If driven 20,000 km per year • Test vehicle : Hyundai YF Sonata (gasoline-powered) • Fuel cost : KRW 2,000/liter • Specification : 215/60R16	Equal to Planting 48 Trees a Year CO ₂ emissions absorbed by a tree per year • 5.6kg

New Technology Adopted in Consideration of Improved Fuel Efficiency and Driving Safety



Improved Fuel Efficiency

- The adoption of highly-dispersible rubber materials and a high-strength structure contributes to reducing rolling resistance and optimizing tire weight respectively, and hence achieving fuel efficiency gains.
- The use of new materials that help minimize tire circumferential deformation reduces energy loss and maintains optimal stability in vehicle steering.
- Improvement in tire interior materials leads to reduced changes in tire air pressure, which in turn leads to reduced energy loss.

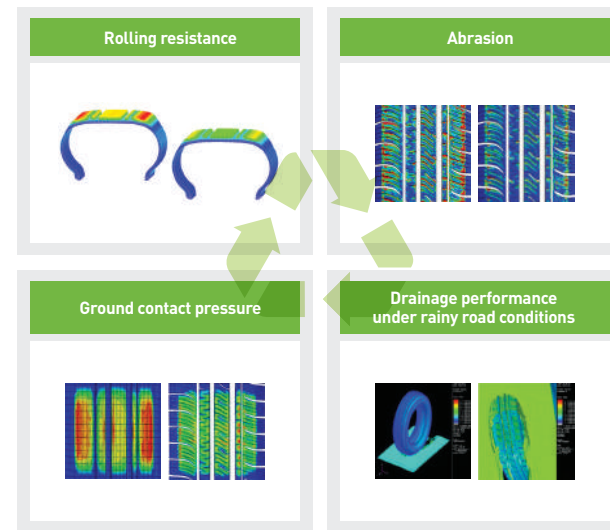
Enhanced Durability

Three circumferential straight grooves help to efficiently disseminate heat generated during driving, while horizontal curved grooves in the center help minimize tire deformation.

Reinforced Wet Grip

- Four wide drainage grooves contribute to improved drainage performance under rainy road conditions
- The adoption of highly-dispersible silica and the optimized distribution of ground contact pressure lead to improved wet grip

ETOPS(Environmental Technology Oriented Performance Simulation)



Next Step

Our commitment to using silica and other eco-friendly materials and developing eco-friendly technology will continue in the upcoming years. Furthermore, we will increase the ratio of eco-friendly products such as ecowing S in our product portfolio to minimize our environmental footprint on the eco-system.

Simulation Technology to Develop Eco-friendly Tires

To enhance both fuel efficiency and anti-abrasion performance through optimal tire condition, we are adopting the mechanism of biological genetics and evolution in designing our tire models. This ETOPS(Environmental Technology Oriented Performance Simulation) design analysis technique serves as a simulation technology that enables us to calculate and predict stress and strain rates during the driving phase and thus deliver optimal tire performance. Our independently developed KUPAS software also allows us to predict pattern noises from the initial tire design stage and to develop low-noise tires. In addition, we use ABAQUS(structural analysis FEM software) and SYSNOISE(audio analysis software) to predict tire radiated noise and cavity noise. It is through such analytic technologies that we design low-noise tires and measure & analyze indoor/outdoor noise as well as pass-by noise in the dead-sound chamber and on the proving ground, whose outcomes are then reflected in the product design phase.

Promotion of Eco-friendly Energy and High Energy Efficiency



As a way to operate a GHG and energy management system, we are improving our organizational and monitoring systems. We invest in energy saving facilities and undertake wide-ranging initiatives in order to create an eco-friendly workplace, shift towards new and renewable energy and improve energy efficiency. Since 2012, our company-wide commitment has been initiated to reducing GHG emissions.

Context & Challenge

Since 2000, we have recognized the grave impact of our business conduct and resulting GHG emissions and energy consumption on climate change and the surrounding environment. Not only do we proactively respond to environmental regulations and enhance our corporate brand image as a green company ; we are also developing and continually upgrading a comprehensive management system that takes carbon business opportunities into account.

supplement such devices that were installed back in 2007. The deployment of such energy monitoring systems enables us to efficiently use our energy sources through the real-time monitoring of our energy consumption, the identification of heavy energy-consuming facilities and the development of energy saving measures.

GHG Emissions and Energy Consumption

We used our climate change adaptation system to calculate our GHG emissions and energy consumption, which were then verified by a third-party organization to present objective quantifiable data.

Our Progress

Development and Operation of a Climate Change Adaptation System

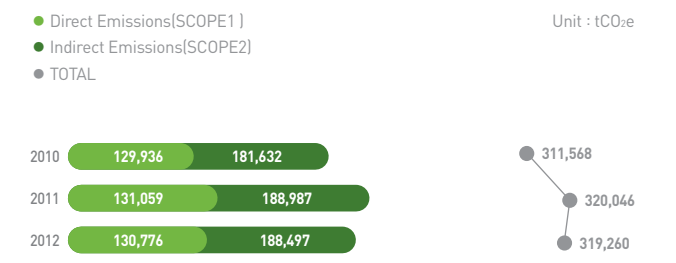
Development of Organizations and Systems for Climate Change Adaptation

To systematically manage our GHG emissions, we organized a company-wide supervising department, a site-specific general department and respective emission source management departments that are in charge of addressing climate change issues while developing monitoring plans. In addition, GHG emissions reduction plans are defined and executed & examined to ensure efficiency in managing our GHG emissions.

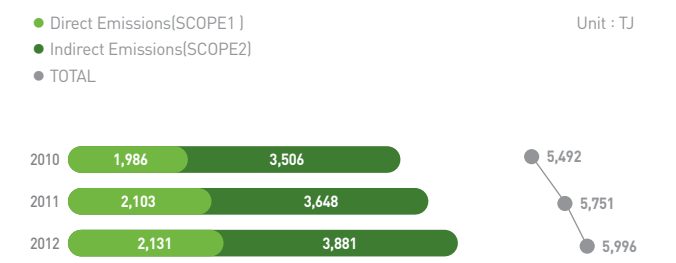
Monitoring System Development

Rising energy expenses caused by high oil prices prompt us to enhance efficiency in managing energy consumption, as well as to reduce energy consumption itself. Starting with our Gokseong plant in 2009, our Pyeongtaek plant was equipped with energy monitoring devices in 2011, while our Gwangju plant is planning to expand and

GHG Emissions of Our Entire Korean Sites



Energy Consumption of Our Entire Korean Sites



※ GHG emissions and energy consumption data is based on the statements submitted to the Korean government

※ The modified calorific value criteria used in calculating GHG emissions and energy consumption have been in application since 2012



GHG Emissions Reduction and Energy Saving Initiatives Achievement in Reducing GHG Emissions and Energy Consumption

As severe hot and cold weather increases due to climate change, so does our heating and cooling energy expenses. This, in turn, drives our GHG emissions and energy consumption to increase continuously. As a proactive response to such climate change risks, we developed and adopted a total of 19 energy saving technologies. These range from the installation of high-efficiency facilities, to the improvement of energy facility control systems. This allowed us to exceed our initial GHG emission and energy consumption reduction targets by 5.9% and 2.4% respectively.

GHG Emissions and Energy Consumption in Korean Plants : Attainment

Category	Unit	2010	2011	2012	
GHG Emissions	Target	tCO ₂ e	-	-	337,328
	Result	tCO ₂ e	309,322	316,517	317,336
	Attainment	tCO ₂ e	-	-	105.9%
Energy Consumption	Target	TJ	-	-	5,877
	Result	TJ	5,451	5,692	5,735
	Attainment	TJ	-	-	102.4%

Fuel and Electricity Consumption Savings Made by Korean Plants in 2012

Category	Unit	Gwangju Plant	Gokseong Plant	Pyeongtaek Plant	Total
Fuel (bunker-C oil)	kl	46	210	49	304
Electricity	MWh	474	181	134	789
GHG Emissions Reduction	tCO ₂ e	326	721	172	1,219
Energy Consumption Reduction	TJ	6	10	3	20

Transition of Boiler Fuel

Known as clean fuel, LNG contains less harmful substances that cause air pollution compared to bunker C oil. Our Gwangju plant changed its boiler fuel from bunker C oil to LNG in four out of the five boilers that were installed there, while planning to make the transi-

tion for the remaining one bunker C-fueled boiler in 2014. Between 2010 and 2012, the rate of changing boiler fuel to LNG dramatically rose from 59% to 93%, which translated into 47,510tCO₂e in GHG emission reductions during these three years. Our Gokseong plant also shifted from bunker C oil to LNG to fuel two of its five boilers by 2012 and will make the transition toward LNG for additional two boilers in 2013. These sustained endeavors to move towards cleaner fuel are part of our commitment to reducing our GHG emissions in the upcoming years.

Annual Transition to LNG at Gwangju Plant

Category	Unit	2010	2011	2012	Total
Fuel (bunker-C oil)	kl	9,122	2,679	1,805	13,606
LNG	km ³	13,277	21,292	22,572	57,141
Transition to LNG	%	59%	89%	93%	81%
GHG Emissions Reduction	tCO ₂ e	11,039	17,703	18,768	47,510

Introduction of Eco-friendly Air Compressors

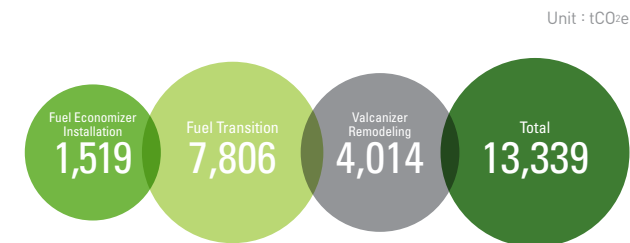
We use large quantities of compressed air due to the inherent characteristics of our production facilities. Approximately 20% of our total electricity consumption goes to produce such compressed air. As such, our air compressors are under regular maintenance to save electricity.

Participation in Domestic GHG Emissions Reduction Projects

Our three GHG emissions reduction initiatives undertaken voluntarily at Kumho Tires concerning the installation of fuel economizers, the transition of boiler fuel to LNG and the remodeling of vulcanizers were registered and certified as GHG emissions reduction projects during the five years between 2008 and 2012. In so doing, we made officially-recognized progress in curbing our GHG emissions.

* **GHG emissions reduction project** : This program aims to evaluate self-initiated GHG emissions reduction projects undertaken in Korea in accordance with objective criteria. Reduction targets are registered and the progress is verified and certified during the project period, during which the final reduction outcomes are certified.

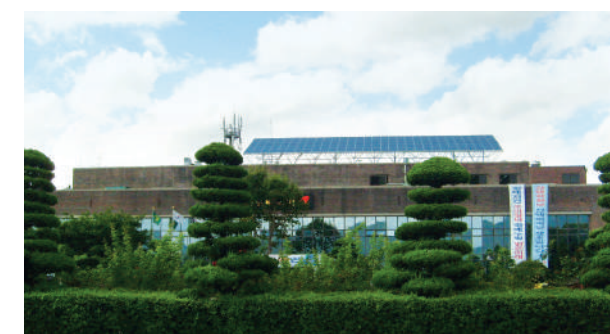
GHG Emissions Reduction Made by the Five Year GHG Emissions Reduction Project in Korea



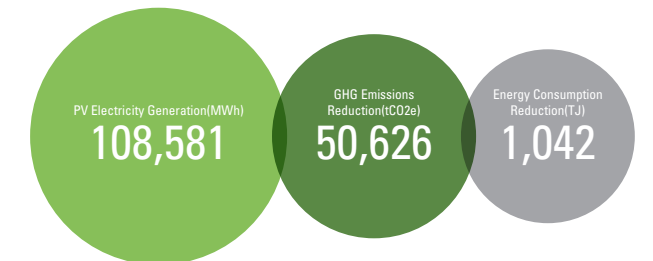
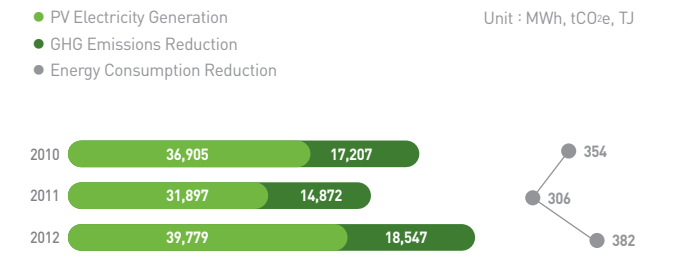
Introduction of New and Renewable Energy Introduction of PV Generation Facilities

Our Gokseong plant is launching photovoltaic and other new and renewable energy facilities to minimize its environmental impact and actively reduce its GHG emissions. In 2008, the plant invested KRW 100 million in installing an in-house photovoltaic power generator that is capable of producing an average of 36,100kwh of electricity per year. In so doing, the facility contributed to reducing 50,626 tCO₂e in GHG emissions and 1,042 TJ in energy consumption over the past three years.

Photovoltaic power generation facility at Gokseong plant

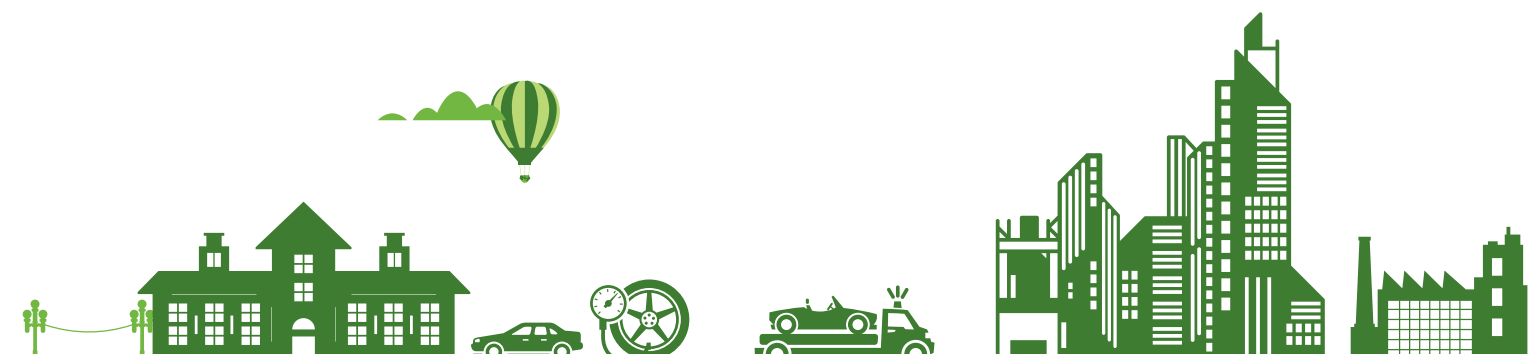


PV Electricity Generation



Next Step

We will develop a comprehensive GHG emission information system to reinforce our climate change adaptation framework while introducing LNG and other cleaner fuel to power our production facilities. Such GHG emissions and energy consumption reduction technologies will be developed and deployed continually.



Creation of Business Opportunities in the New Green Market

To ensure sustainable growth, not only do we expand our conventional market but we also create and expand business opportunities in the green market with our eco-friendly products. Furthermore, we aim to reduce GHG risks and turn them into new opportunities.

Context & Challenge

It was with the prediction that the number of 'LOHAS(Lifestyle Of Health And Sustainability) consumers', who are more environmentally-conscious in their consumption behavior, would grow since they first appeared in the 2000's that we committed ourselves to developing and expanding the sales of eco-friendly products. In addition, we joined domestic GHG emissions reduction projects to mitigate GHG risks and secure emission allowances while participating in a pilot emissions trading scheme project led by the Korean government, taking a proactive approach to GHG emission regulations.

As EV tires should meet such requirements as low rolling resistance, low noise, abrasion resistance and high driving power, we adopted low-noise and comfort technologies while using materials that improve tire strength and reduce weight in manufacturing WATTRUN. Our investment and R&D initiatives will continue to increase our sales of eco-friendly tires and expand our presence in the green market as a response to the fast-growing eco-friendly automobile market.

Eco-friendly Tire Certifications and Awards

Presently, there are a total of 11 standards under which our eco-friendly products were certified, including the eco mark and carbon labeling that we gained for the first time as a Korean tire manufacturer. Furthermore, our strategic eco-friendly tire Ecowing was chosen as the Green Product of the Year for the entire size spectrum.

Participation in the Carbon Market

Participation in a Pilot Emissions Trading Scheme Project

Our voluntary GHG emissions reduction initiative earned us 13,339tCO₂e in certified emission allowances during the five years from 2008 and 2012. To build preparedness for the emissions trading scheme to be launched by the Korean government from 2015, we participated in a pilot emissions trading scheme project undertaken by the Ministry of Knowledge and Economy in 2012.

Next Step

With the proactive development of eco-friendly products, we will evolve into an industry-leading company that expands the green market. In addition, we aim to develop a system that allows for preemptive response in reducing GHG emissions and addressing relevant regulations so as to secure emission allowances and profit-making opportunities.

Our Progress

Expansion of Business in the New Green Market

Leading the EV Tire Market

We recognized the potential of the electric vehicle(EV) market as a new engine of growth and one that has been leading the EV tire market : we are the first Korean tire manufacturer to have launched a tire model dedicated to EVs under the name of WATTRUN, which made us a sole tire supplier for Renault Samsung's pure EV model SM3 Z.E..

Kumho Tires' EV Tire



Response to Environmental Regulations



We are constantly monitoring domestic and overseas trends concerning environmental regulations and relevant policies and ensure that we comply with such regulations and address related governmental policies so as to advance eco-friendly management.

Context & Challenge

We analyze and systematically manage any hazards that may be caused during the manufacturing, use and sales of our products as a way to proactively respond to domestic and overseas environmental regulations.

Violations of Environmental Regulations | We were subject to penalties due to our failure to submit confirmation statements for imported chemicals in September 2012. This prompted us to establish a process to handle imported chemicals among relevant departments and to make corrections and improvements to prevent any reoccurrence of such violations. In so doing, we did our utmost so as not to infringe upon any environmental regulations.

Our Progress

Response to Domestic and Global Environmental Regulations

At each one of our business sites, we comply with the Basic Environmental Policy Act, the Atmospheric Preservation Act etc. Our in-house standards concerning the discharge of pollutants are more stringent than legally-permissible levels to minimize the generation of pollutants while annual compliance reviews ensure that we fully adhere to environmental regulations. Furthermore, our products are registered and manufactured in accordance with the EU's REACH program through the systematized management of Material Safety Data Sheets, which are managed under criteria that are even more rigorous than international standards.

Cooperative Initiatives to Respond to Environmental Regulations in the Tire Industry

As part of our endeavors to preemptively address tire-related environmental regulations and join forces with others in solving environmental issues, we established the Tire Industry Project(TIP) in conjunction with 11 global tire manufacturers in 2006 and have invested more than \$10 million in joint R&D initiatives. Active research is under progress on such environmental issues as that require joint response from the tire industry. These research endeavors are made under the supervision of the WBCSD(World Business Council for Sustainable Development) and with the advice from ChemRisk, a professional consulting firm based in the U.S. Our full engagement with such joint initiatives will allow us to proactively respond to environmental regulations and fulfill our social responsibility as a tire manufacturer.

Response to Energy Saving Regulations | The nation-wide emergency caused by an electricity demand that far exceeded the supply in the winter season between 2011 and 2013 urged the Korean government to enforce the Energy Use Rationalization Act, which is intended to restrain the electricity consumption of heavy electricity users. Our plants in Gwangju, Gokseong and Pyeongtaek have been independently identifying and implementing measures to save electricity consumption and thus were able to fully engage themselves in the governmental energy-saving initiative during the periods of restrained energy use.

Next Step

We move beyond a mere quantifiable compliance with environmental regulations to developing a comprehensive management system that covers the entire process of production, distribution, use and disposal so that material properties, hazardousness and other relevant issues are systematically managed on a company-wide level.



MOVING TO PEOPLE

We foster and manage talented individuals who are diligent and hard-working, sincere and adventurous, and willing to research and “do their homework”(Kumho Asiana Group’s ideal employee) while moving towards sustainable development based on mutual trust between labor and management.

Progress

- Promotion of quality experts
- Specialized quality training for the entire staff
- Social adjustment training for future retirees
- Wide-ranging programs to build closer ties between labor and management : Healing Camp, Let’s Compliment Campaign, Lunch box meeting with executive members
- Occupational Health & Safety Committee : meetings and operation
- Management of health & safety indicators including injury rates
- Disease-related training and other preventive initiatives
- Maternity leave(both prenatal and postnatal), childcare leave, commissioned operation of childcare facilities

Issues

- Growing importance of talent recruitment
- Employee education and training
- Labor Relations
- Workplace health and safety
- Increasing requirements for employee welfare and rights(work/life balance)

Performance

Category	2010	2011	2012
Ratio of Female Employees	4.4%	4.5%	4.6%
Training Hours per Employee	7	14	15
Average Years of Service	15.6	16.4	16.2
No. of Employees Who Took Childcare Leave	3	15	9

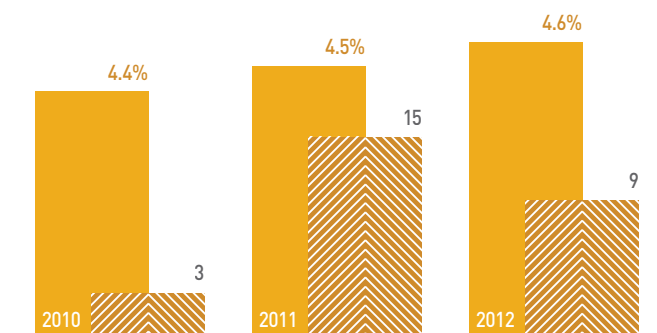
Training Hours per Employee in 2012

15^{Hours}

Average Years of Service in 2012

16.2^{Years}

● Ratio of Female Employees
 ● No. of Employees Who Took Childcare Leave



Reinforcement of Employee Capacity and Work Efficiency



It is with the belief that a company's competitive edge is determined by talented individuals that we recruit, manage and foster outstanding talent in accordance with the notion of the ideal Kumho Asiana Group employee.

Context & Challenge

As a company that has been solidifying its basis as a sustainable company over the last half century, we believe that human resources are the major pillar of our existence, the most cherished corporate resource and the fundamental foundation that enables us to be a growing and lasting company. This philosophy is integrated across the wide spectrum of our HR systems that are under operation.

Ideal Kumho Tire Employee



Diligent and Hard-working

Employees who are honest and diligent, consistently committed to the development of the company and themselves, and swift in taking action



Sincere and Adventurous

Employees who lead by example in everything they do for the development of the company and their own competencies-with a sense of responsibility and sincerity-while passionately reaching their goals under any circumstances



Willing to Research and "Do Their Homework"

Employees who invest great responsibility in everything they do for their own development and that of the company, while continually researching and "doing their homework" for the sake of improvement and change

Our Progress

Employee Data

1. Total Employees | Our employees are managed under the two categories of domestic and overseas employees. The ratio of our overseas staff exceeds that of our domestic staff.

Category	2010		2011		2012	
	Number	Ratio	Number	Ratio	Number	Ratio
Domestic	4,983	43.7%	4,990	43.2%	4,975	44.4%
Overseas	6,411	56.3%	6,556	56.8%	6,239	55.6%
Total	11,394	100.0%	11,546	100.0%	11,214	100.0%

※ Based on No. of persons at year end, Including contract workers

Unit : No. of persons, %

2. Employees by Employment Type(Based on Korea) | Our employees are categorized into office workers and production workers. The ratio of production workers is relatively high due to the inherent characteristics of the labor-intensive tire industry.

Employment Type	2010		2011		2012	
	Number	Ratio	Number	Ratio	Number	Ratio
Office Workers	1,080	21.7%	1,176	23.6%	1,222	24.6%
Production Workers	3,786	76.0%	3,698	74.1%	3,606	72.4%
Others	117	2.3%	116	2.3%	147	3.0%
Total	4,983	100.0%	4,990	100.0%	4,975	100.0%

※ Based on No. of persons at year end, Others : Including employees who offer special services, contract workers

Unit : No. of persons, %

3. Employees by Gender(Based on data in Korea) | The ratio of female employees, while relatively small compared to that of their male counterparts due to manufacturing industry characteristics, is growing constantly every year.

Gender	2010		2011		2012	
	Number	Ratio	Number	Ratio	Number	Ratio
Male	4,762	95.6%	4,767	95.5%	4,747	95.4%
Female	221	4.4%	223	4.5%	228	4.6%
Total	4,983	100.0%	4,990	100.0%	4,975	100.0%

※ Based on No. of persons at year end

Unit : No. of persons, %

4. Details on Female Employees in 2012(Based on data in Korea)

Category	Total	Female	Ratio
Office Workers	1,222	113	10.9%
Production Workers	3,606	81	2.2%
Others	147	14	9.5%
Total	4,975	228	4.6%

※ Based on No. of persons at year end

Unit : No. of persons, %

5. Retirees(Based on data in Korea)

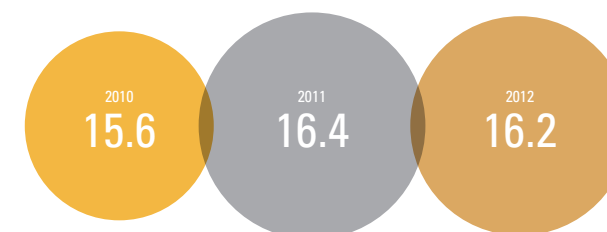
Category	2010	2011	2012
Office Workers	155	83	78
Production Workers	314	95	104
Others	11	15	15
Total	480	193	197

Unit : No. of persons

6. Average Years of Service(Based on Korea) | As of 2012, the average number of years an employee served at our company amounted to 16.2 years, which is relatively longer than the tire industry's average.

Average Years of Service

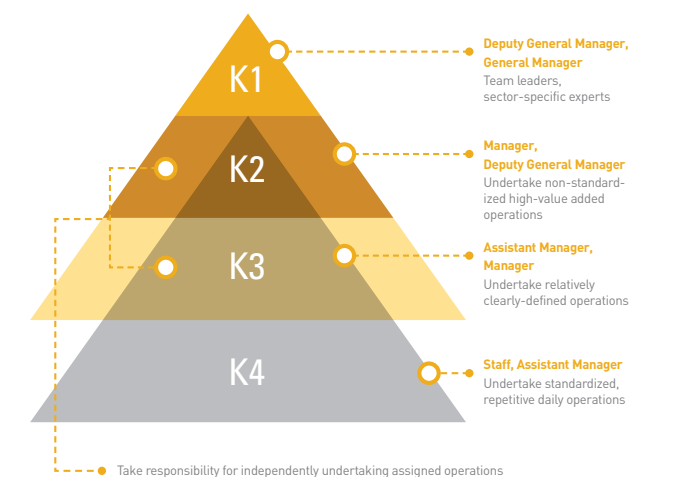
Unit : No. of years



HR Systems

1. Role and Capacity-Based Job Title Structure | As a way to encourage our employees to become more immersed in their 'work' and 'performance', our employee ranking structure(which defines job roles) and our title system(which defines social status) are separately operated.

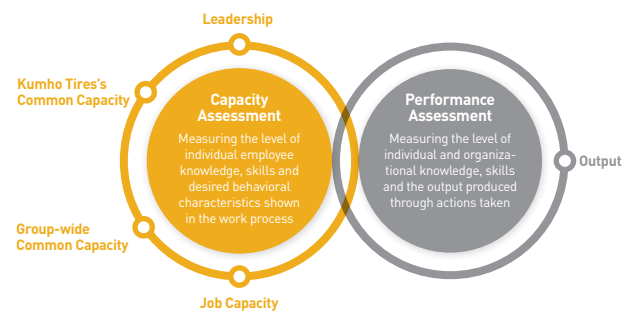
Corporate Ranking Structure



2. Performance Management System | Our performance management system consists of : capacity assessment which measures and evaluates an employees' knowledge and skills required for doing their job, an individual employees' behavioral characteristics shown in the work process and performance assessments, which measure and evaluate performance outcomes and procedural efficiency/effectiveness.

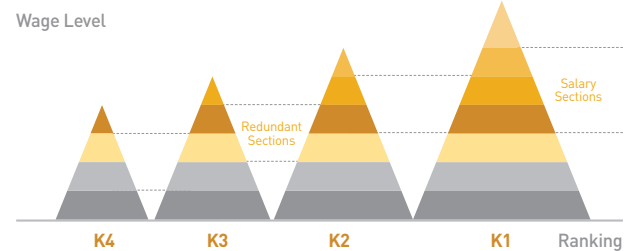


Performance Management System



3. Compensation System | Our compensation system aims to present clear goals on a company, team or individual level within the boundary of the employees' discretion and to differentiate the level of their annual salary in accordance with the outcomes achieved by organizations or individuals. Our annual salary scheme is designed in such a way as to compensate even low-ranking employees at a level that is tantamount to that of higher-ranking counterparts, in accordance with their performance outcomes.

Compensation System



Talent Fostering and Educational Programs

To maximize our business outcomes, we strategically foster talented individuals with top-notch performance capabilities, nurture experts in respective areas, help accelerate change and innovation, establish a corporate identity through the sharing of values and develop an organizational culture of field-oriented and self-initiated learning.

1. Kumho Asiana MBA Program | This program offers our employees an opportunity to learn professional management

knowledge to enable them to proactively adapt to rapidly-changing business environments, while it assists us in fostering talent with specialized and outstanding qualifications, so as to promote quantitative and qualitative growth on a group-wide level. These MBA courses were established as masters' courses in business administration at prestigious universities in Korea.

2. Overseas MBA Program | Employees who were admitted to world-renowned graduate schools in the U.S., China and Europe are eligible for our overseas MBA program. These employees are provided with financial support to help them settle in the concerned overseas country, books and housing arrangements, in addition to a monthly wage.

3. Domestic MBA Program(Evening School Program) | This program aims to select outstanding talent for evening MBA courses, in order to systematically nurture key leaders.

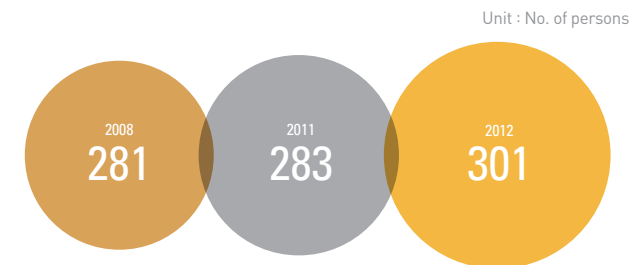
4. Development of Global Talent | We assist our employees in developing basic-level skills to enhance their global capabilities through the Chinese language expert program and the in-house foreign language courses.

5. Job Level-Specific Courses | General education courses are provided to help those who have been or who are to be promoted to new positions, so that they can improve upon their qualifications and capacities so as to fulfill their role within the organization.

6. External Job-related Specialized Courses | To ensure individual employees develop better job capabilities, we assist them in taking job-related, external specialized courses in a bid to foster professional capabilities.

7. Quality Improvement Course | Our "Quality Improvement Course" is intended to develop and operate educational programs to satisfy our customers' quality requirements. Over the past three years, this program successfully nurtured numerous quality experts : 281 experts in 2008, 283 experts in 2011 and 301 experts in 2012.

Fostering of Quality Experts



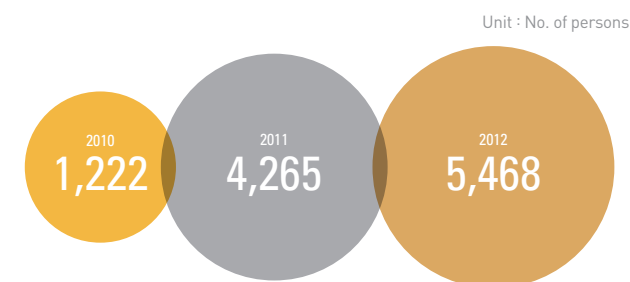
8. Company-wide Specialized Quality Training | "Company-wide Specialized Quality Training" aims to help all our employees understand the latest quality issues and build an advanced quality mindset. This training program was completed by 2,365 employees and 5,210 employees in 2011 and 2012 respectively.

Specialized Quality Training for Every Employee



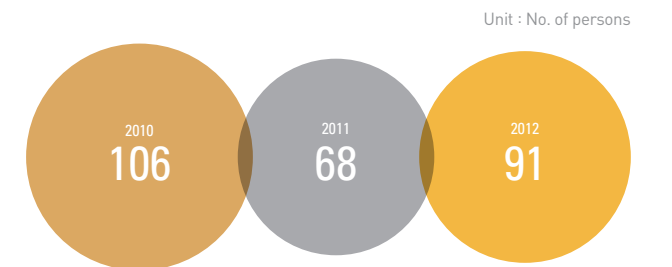
9. Process Quality Training | We provide year-round "process quality training" to enable employees to discuss process-related quality issues, to look for alternative solutions and to lay the foundation for the production of the high-quality products that are required by clients. This training program was completed by 1,222 employees in 2010, 4,265 employees in 2011 and 5,468 employees in 2012.

Completion of Process Quality Training



10. Social Adjustment Education for Future Retirees | Our social adjustment education for future retirees intends to help retirees address anxiety regarding retirement and to become confident about a new retirement life with new opportunities to challenge themselves. This education program is offered once a year for five days (40 hours) and addresses such topics as : outplacement, financial planning, health care, the four different major insurance programs, social adjustment and family harmony.

Training for Future Retirees



Training Hours per Employee

Category	2010	2011	2012
Trainees	13,129	26,698	30,293
Total Training Hours	95,899	386,230	444,252
Training Hours per Employee	7	14	15

Next Step

We will assist individual employees in enhancing their operational capabilities and in going further to nurture and manage talented individuals who are diligent and hard-working, sincere and adventurous, and willing to research and "do their homework" as defined by Kumho Asiana's ideal employee.

Trust-based Labor Relations



As we are committed to building mutual trust between labor and management, we are undertaking various initiatives to build genuine consensus between the two and these endeavors are supported by our corporate systems.

Context & Challenge

We are fully aware that building trust between labor and management is highly crucial in overcoming challenging internal/external conditions. Thus, we strive to forge trust-based labor relations through concessions and compromises.

Our Progress

Building Closer Ties between Labor and Management

We are developing and undertaking wide-ranging programs to build closer ties between labor and management for the labor union and unionized workers. These programs include 'Healing Camp, , Let's Compliment Campaign, celebrating employee birthdays, and lunch box meetings with executive members', which allow us to facilitate communication between top management and employees and to deliver a great workplace by encouraging employees to become fully devoted to our company. In so doing, we are building trust-based labor relations and both labor and management are committed to building a cooperative relationship based on mutual understanding.

Kumho Tire Healing Camp & Building Closer Ties between Labor and Management Programs



Status of the Labor Union Operations

We comply with labor regulations and all our employees are free to engage themselves in labor union activities in congruence with the legally-permissible boundary. In accordance with the paid time-off scheme that took effect in July 2010, seven union members were chosen to fully commit themselves to labor union operations, while the number of unionized members and their operational scope were defined. We guarantee that our labor unions are appropriately operated in conformity with regulations and relevant principles.

Furthermore, we have two labor unions presently under the relevant government act that went into effect on July 1, 2011 to allow for multiple labor unions. Each of our labor unions adheres to labor regulations and engages itself in healthy competition to deliver better work conditions and promote labor rights.

Status of Our Labor Union Operations - Multiple Unions

Category	Labor Union 1	Labor Union 2
Name	Kumho Tire Office of the Gwangju South Jeolla Branch of the Korea Metal Workers' Union	Kumho Tires Labor Union
Date of Establishment	1973. 6.12 June 12, 1973	2011.7.15
Umbrella Organization	Korean Metal Workers' Union under the Korean Confederation of Trade Unions - Joined the Chemical and Textile Workers' Federation under the Korean Confederation of Trade Unions in 1995 - Restructured into the Korean Metal Workers' Union on June 16, 2007	

Labor Union Organizational Chart

Category	Labor Union 1	Labor Union 2
Gwangju Office (Head Office Unit)	Officer Director Chief Deputy Director Gwangju Secretary General	Chairman
Gokseong Office	Gokseong Office Director Gokseong Office Deputy Director Gokseong Secretary General	
Pyeongtaek Branch	Pyeongtaek Branch Director	

Employees Subject to Collective Bargaining

The number of our unionized workers amounted to 3,221 in total as of the end of 2012. All of our regular employees(including non-unionized workers), are subject to collective bargaining.

Site	No. of Unionized Workers	No. of Non-unionized orkers	Ratio of Unionized Workers
Gwangju Plant	1,586	360	81.5%
Gokseong Plant	1,529	249	86.0%
Pyeongtaek Plant	35	101	25.7%
R&D Centers	71	365	16.3%
Total	3,221	710	81.9%

Note 1) Ratio of plants and R&D Center employees(excluding employees at the Seoul Office)

Our 'Joint Employment Security Committee' was established to promote employment security and a competitive edge at our domestic plants. When major changes occur in our business operation, we are obliged to give prior notice to our labor unions as stipulated in our collective bargaining regulation.

Regarding corporate splits, merges or transfers of business operations, our collective bargaining regulation mandates us to give 60-day prior notice to our labor unions and to reach agreements with them. In addition, employment, length of service, collective agreements and labor unions should be handed over intactly.

Meanwhile the regulation stipulates that we should give 60-day prior notice to labor unions concerning corporate liquidation, relocation or conversion of business and reach prior agreement with them before executing on details. The regulation also says that in establishing any new legal entities in Korea, we are obligated to give 90-day prior notice to labor unions and reach agreement with them regarding any unionized employee-related changes in production volume and employment.

Next Step

We were able to conclude dispute-free agreements between the labor and the union in early 2013. This interim agreement, free of any conflicts, came within four years. We believe that such endeavors will contribute greatly to overcoming the temporary challenges that we are currently suffering and help us to thus be committed to sustainable development on the basis of mutual trust between labor and management.



Health & Safety Management



Our labor and management departments are working side-by-side to make our workplace safer and more pleasant and to prevent any injuries that may harm our employees.

Context & Challenge

We believe that health and safety management is essential in ensuring our sustainable development as a company. Therefore, our vision is to establish a top-notch workplace through health/safety/fire prevention management and our mission is to eliminate those factors that could harm factory operations through the development of prevention systems. In so doing, we are undertaking strategic health and safety initiatives.

rent status of our health and safety operations and discussing relevant agenda items, in a bid to pursue shared growth with our employees. In addition to official committee meetings, health and safety issues are addressed jointly between labor and management, while constant management improvements are made for a more pleasant and safer working environment. We make sure that decisions made by the committee are executed as a top priority.

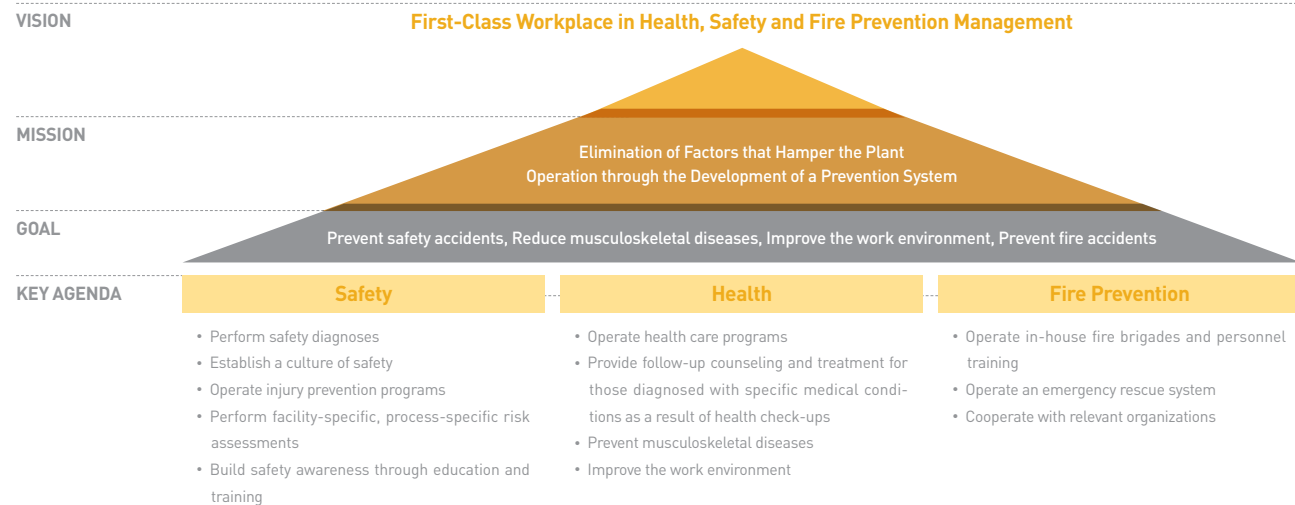
Our Progress

Occupational Health and Safety Committee : Meetings and Operation

Our Occupational Health and Safety Committee is made up of 14 members(seven from labor and seven from management) and meets quarterly. The committee is responsible for sharing the cur-

Work Environment	Possible improvements in work conditions are discussed on the basis of the work environment measurement outcomes generated semi-annually(noise, dust, heat, ventilation, removal of asbestos, work space, etc.) Ex) Installation of sound-proofed booths in the rolling process, as well as storage for the transportation gear of half-finished goods
Health and Safety	Carcinogenicity tests are performed concerning carcinogens on the shop floor Risk factors that may occur during the work process are eliminated Ex) Transport vehicle chairs were replaced, automated lifts were installed for the shipment process

Health and Safety Management Vision



Work Environment Management : Injury Rates and Other Health and Safety Indicators

Our labor and management undertake joint on-site inspections regularly such as joint safety examinations and safety diagnoses of new facilities in a bid to eliminate risk factors and thus prevent safety accidents. Unfortunately, however, we have suffered frequent occupational injuries since 2010. This prompted us to launch campaigns to prevent safety accidents in addition to on-site safety inspections as a way to enhance employees' safety awareness. While our injury rate was 6.10% in 2012, we are determined to develop initiatives and measures to prevent safety accidents before they do occur through shared consensus between labor and management.

※ Injury Rate = No. of accidents / Total employees X 100

Safety Diagnoses and Injury Prevention : Disease Education and Counseling

In addition to regulate training, supervisor training and other legally-mandated training, we provide health and safety training to all employees for two hours per quarter. This is complimented by annual training offered to those employees who work in relation to health and safety or are in need of such training. These training programs are delivered by expert lecturers on such topics as the prevention of safety accidents, the prevention of musculoskeletal diseases and stress management. In addition, we publish bi-weekly safety newsletters and health magazines : safety newsletters are intended to enable the entire staff to become aware of recent accidents and prevent the reoccurrence of such accidents while health magazines offer useful information to allow employees to immediately respond to diseases that are emerging recently if they do occur. Education centers located at respective process facilities also offer stretching training to prevent musculoskeletal diseases.

Safety Accident Prevention Campaign



Prevention of Musculoskeletal Diseases : Prevention of Musculoskeletal Diseases

We conducted musculoskeletal risk examinations in 2004 and used the outcomes to make facility improvements and handle heavy materials. Since then, consistent follow-up risk examinations have been made regularly and consistently, while we've used the results, based our efforts, to improve on the facilities and provide training as a way to prevent musculoskeletal diseases that affect our workplace and employees. Furthermore, operational regulations and guidelines were defined to provide musculoskeletal disease prevention programs through labor-management consultations back in 2004. Since then, they have been under consistent operation and are revised by the Occupational Health and Safety Committee whenever deemed necessary. In 2004, our in-house rehabilitation center was launched to allow employees who have symptoms of and suffer musculoskeletal diseases to receive counseling from medical professionals, so that they can be accurately diagnosed and treated. In so doing, we ensure that all our employees are protected from job-related musculoskeletal diseases and benefit from appropriate follow-up treatment through these internal systems.

Next Step

To deliver a safer and healthier workplace, we will ensure OHSAS 18001* certification concerning our health and safety management system in 2013. This will enable us to establish a company-wide integrated health and safety management system and make improvements to create a safer workplace for all our employees.

※ OHSAS 18001(Occupational Health & Safety Assessment Series 18001)

OHSAS 18001 is an internationally-recognized occupational health and safety management system assessment standard which aims to ensure that businesses establish management systems to maintain and promote employee health and safety as a way to prevent occupational injuries and create a pleasant workplace.

Improvement of Employee Welfare



We provide a wide spectrum of diverse welfare and benefits programs to contribute to a higher quality of life for our employees and to lay the foundation for a maximized competitive edge among individual employees.

Context & Challenge

As we believe that employee welfare is fundamental to our growth as a company, we are committed to delivering a pleasant and contented workplace.

Our Progress

Welfare and Benefits : Wage, Incentives and Retirement Pension

We recruit and foster talented individuals who are diligent and hard-working, sincere and adventurous, and willing to research and “do their homework” as professionals who have a strong work ethic and a sense of responsibility for the task at hand. New hires are adequately compensated to ensure stability in their livelihood and thus adjust to their new life as responsible members of society, while our employees enjoy an average wage level that is higher than that of other companies. This ensures that we are highly recognized externally as a great workplace.

As part of our commitment to employee welfare, we provide a DB (Defined Benefit) retirement plan to our employees, whose scope was extended to employees more than managers in 2011 and then to those with more than one year of work experience at Kumho Tires as of the end of 2012. Contributions worth KRW 105,372,000,000(sum of pension and retirement plan) have been made as of the end of June 2013.

New Recruits and Entry-Level Wage

Category		2010	2011	2012
Number of Employees	Male	41	115	85
	Female	6	16	19
	Total	47	131	104
Average Wage per Employee	Male	32.0	31.9	31.9
	Female	31.5	31.3	31.5
	Total	32.0	31.8	31.9

Unit : No. of persons, KRW million

※ Note 1) Based on university graduates who were newly recruited(2011 data includes those who previously worked as interns at the Production Division)

※ Note 2) Based on net annual salary(excluding miscellaneous/business development-related allowances)

We provide a wide spectrum of diverse welfare and benefits programs to contribute to a higher quality of life for our employees and to lay the foundation for a maximized competitive edge for our individual employees.

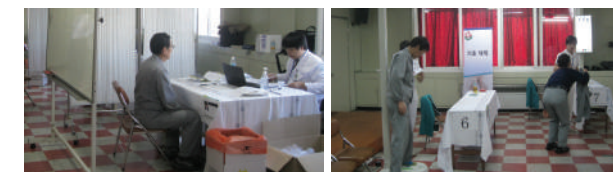
Life & House	Living expense support(when employees suffer diseases or need medical treatment due to occupational injuries), housing financing support for employees who do not have any house of their own(house purchasing, annual housing deposit, marriage funds, funds for stable livelihood), support for housing rental deposit (sales & after-sales employees), corporate dormitories and employee apartments(plant workers)
Health & Family	Tuition support for employee children, health check-ups for employees, gifts for employee family events (national holidays, Labor Day, employee birthdays), rewards for long-tenured employees
Culture & Leisure	Employee association, tire discount coupons, support for in-house hobby clubs, summer guest houses(plant employees), summer vacation and summer vacation expenses, condos for employees nationwide, discounts for Kumho Asiana Group products(Asiana Airlines, KT Kumho Rent a Car, Kumho Bus Lines, Kumho Resort, etc.)

Health Care, Safety Management : Health Care for the Entire Staff

Our in-house medical and dental clinics have been in operation since their opening in 1982 to serve all our employees and their families. This helps our employees save their medical expenses and maintain a healthy worklife. All our employees receive medical check-ups. In addition, a brain and cardiovascular disease prevention and management program, undertaken by a professional medical organization, was newly added in 2010 to evaluate and classify all employees by level of brain and cardiovascular diseases risks.

Our collective bargaining agreement stipulates that our employees and their spouses who are over 39 years old are entitled to comprehensive check-ups every three years, while our employees under the age of 30 are entitled to a gastro-intestinal series or gastroscopy every two years until they reach the age of 39. This allows us to offer our full support to employees in checking and managing their current health conditions. Meanwhile, our in-house psychological counseling center is in operation to help employees who are in need of counseling services, due to such issues as their job or personal stress.

Health Check-up



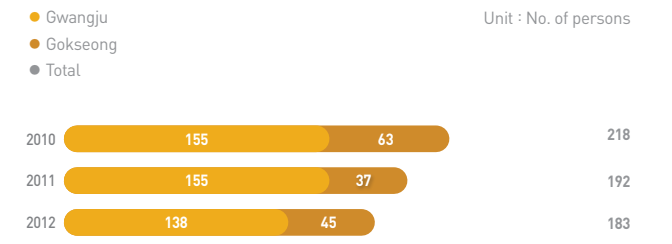
Work/Life Balance : Maternity Leave, Childcare Leave, Childcare Facilities

As we believe that maintaining employee work/life balance should be our top priority, we encourage our employees to make full use their maternity leave and our male employees are specifically and actively encouraged to take childcare leave. We also provide child-birth support subsidies and childcare subsidies while operating childcare facilities that are managed by external organizations. All these endeavors are part of our commitment to helping our employees maintain a proper work/life balance.

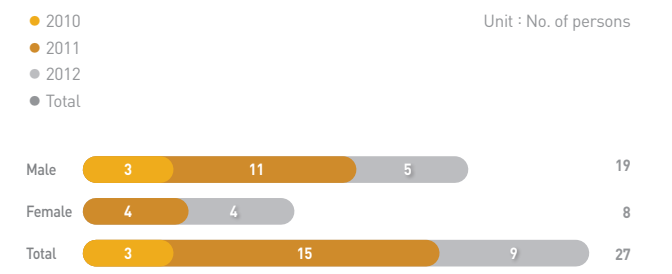
Childcare Center



Use of Our Childcare Facilities



No. of Employees Who Take Maternity Leave



Next Step

As a member of the Kumho Asiana Group, we at Kumho Tires create a workplace where our employees work with contentment and satisfaction, while fully committing ourselves to becoming a ‘beautiful company’ that goes hand-in-hand with all our employees in our never-ending journey to reach our mission and vision.



MOVING TO SHARING

We are committed to becoming a company that keeps its promises without causing criticism ; a company that is hard-working, trusted and fulfills its social responsibilities by giving back to society. In addition, we undertake WIN-WIN strategies that pursue shared growth with our suppliers through such mutually beneficial partnership initiatives as talent promotion and education support, joint technology development. Furthermore we take the lead in operating global social contribution programs, in addition to domestic social-giving initiatives that engage our employees.

Progress

- Ethics management action framework programs were operated
- Ethics management initiatives were undertaken for suppliers
- An on-line whistleblower system was operated on the corporate website
- Talent promotion and education programs were provided for suppliers
- Joint technology development, year-round communication channels and regular surveys
- Volunteer activities that engage employees were undertaken
- wide-ranging social contribution initiatives
- Development and operation of KPOS
- Green purchasing was expanded

Issues

- Growing needs for fair trade / Stronger needs for fair competition and shared growth
- Local community / Potential impact on local communities
- Contribution made through the development of expertise, skills and technology and their application to local communities
- Endeavors to support socially responsible investments in local communities
- Facilitation of social responsibility within the sphere of influence
- Increasing green purchasing
- Growing importance of establishing and maintaining a stable supply chain
- Increased access to corporate information

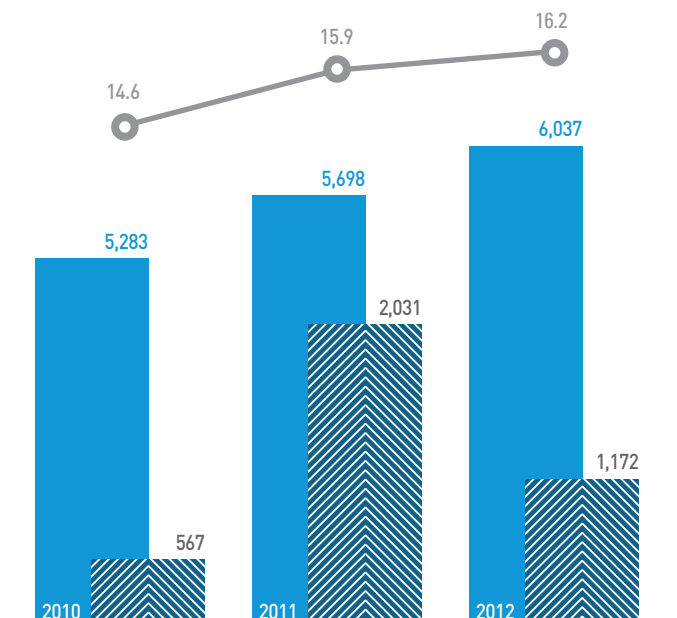
Performance

Category	2010	2011	2012
Employees who took sexual harassment prevention training(No. of persons)	567	2,031	1,172
Satisfaction identified through supplier surveys(%)	-	74.4	74.9
Beneficiaries of Hansarang volunteering (Accumulated No. of persons)	5,283	5,698	6,037
Ratio of green purchasing(%)	14.6	15.9	16.2

Satisfaction identified through supplier surveys in 2012

74.9%

- Ratio of green purchasing(%)
- Beneficiaries of Hansarang volunteering(Accumulated No. of persons)
- Employees who took sexual harassment prevention training (No. of persons)



Building Ethics Awareness



Our ethics management slogan is to become a 'Beautiful Company'. In other words, we aim to become a company that keeps its promises without causing criticism. We are a company that is hard-working, trusted and fulfills its social responsibility by giving back to society. As a member of the Kumho Asiana Group, we are committed to creating a beautiful world and joining forces with our customers, employees, suppliers and all other stakeholders.

Context & Challenge

As a major affiliate of the Kumho Asiana Group, we at Kumho Tires are confident that ethics management is not only an essential prerequisite for our survival a company, but a key factor that determines our competitive edge. Our ethics management aims to reach the following three goals : 1. Stick to the basics and principles 2. Stay reasonable and 3. Keep away from criticism. We never take action if it is senseless and we ensure that we are free from criticism from the society and the people around us in everything we do. We also do not expect others to do what we cannot. We stick to the fundamental principles to ensure reasonable action rather than making compromises for immediate and trivial gains.

Our Progress

Ethics Management System

We believe that our ethics management will enable us to become a company that is trusted and respected by stakeholders. In advancing ethics management, we included even those ethical responsibilities that are expected as part of the social norm, as well as compliance with basic market disciplines, as part of our basic ethics management mandate. In addition, adherence with corporate ethics constitutes our behavioral principles.

Current State of Action

We set long-term plans and undertake programs accordingly to advance ethics management.



Organization

- Establish the Ethics Management Committee/Ethics Compliance Unit
- Hold regular Ethics Compliance Unit meetings



Education

- Provide training to all employees to recognize the necessity of ethics management and learn from case studies
- Foster ethics management experts



System

- Establish ethics management regulations/procedures and detailed rules
- Create the Code of Conduct and the Code of Ethics, as well as relevant principles for purchasing managers
- Improve relevant in-house regulations[Prohibition of notifying stakeholders of employees' family events]



Action programs

- Hold in-house ethics management presentations
- No Holiday Gift Campaign on New Year's Day and Korean Thanksgiving Day[Sending campaign mail to suppliers]
- Establish a corporate culture of ethics management through social contribution programs[Helping the less privileged, environmental clean-up campaigns in local communities, donations for cultural projects, etc.]

Ethics Management Initiatives

With our efforts to advance ethics management as below, we lay the foundation for ethics management.

Improving on the Practice of Receiving Cash Gifts or Condolence

Money from Suppliers | Our employees are prohibited from notifying suppliers of their family events, including congratulations and condolences. If they do receive cash gifts or condolence money from suppliers, it should not exceed the soically-acceptable level that is commonly recognized as part of our traditional culture of helping each other when the need arises.

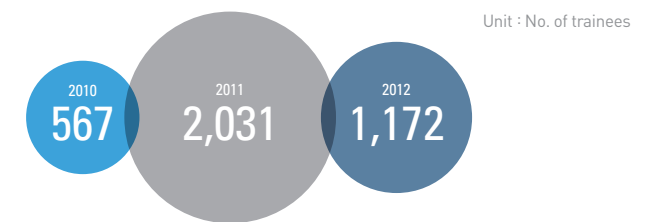
Inspecting the Supplies Taken by Retiring Executives | To prevent any leakage of our trade secrets and minimize losses, designated employees take the responsibility of inspecting the supplies taken by our retiring executive members.

Clean Holiday Campaign | To enhance our image as a Beautiful Company that champions the cause of ethics management awareness, we

launched an annual campaign to prevent our employees from receiving any holiday gifts or cash gifts from our suppliers. During the campaign period, the gift return center is in operation and letters are sent to our suppliers urging them to join ths campaign, and thus encouraging them to join forces with us to establish ethics management.

As part of our programs and training to expand a culture of ethics management, an ethics management course and a sexual harassment prevention course are taken by numerous employees. In 2013, the ethics management course will extend its scope to cover all our employees. In 2014, a corporate ethics course will be offered to executives and department heads.

Sexual Harassment Prevention Training



Online Whistleblower Program

Our online whistleblower program(ethics.kumhoasiana.com) aims to eliminate any unfair business operation among our employees or unethical practices undertaken on an organizational level. This program offers wide-ranging confidentiality and whistleblower protection schemes to encourage whistleblowers to raise any issues they may have. Specifically, the confidentiality principle is strictly upheld to ensure that whistleblowers do not suffer any consequences for their whistleblowing.

Next Step

We will further stabilize our operation for a new take-off and fulfill our social responsibility as a 'Beautiful Company'. To this end, we will strengthen ethics management training, expand the scope of sexual harassment prevention training to contract workers and temporary workers, and provide company-wide training on personal data privacy.

Code of Ethics

To grow into a company that creates world-class value, a company that goes hand-in-hand with its employees, and a company loved by its neighbors as stipulated in the Kumho Asiana Group's business philosophy. Each and every Kumho Tires employee declares the following Code of Conduct as a way to set the right criteria for their own desired behaviors and value judgments.

- We build shareholder and investor relationships based on mutual trust, while maximizing shareholder interest.
- We and our employees do our utmost to deliver satisfaction to our customers and gain their trust through high-quality products and services.
- We and our employees conduct business based on trust and diligence, comply with legal regulations and respect any customs and disciplines concerning business transactions.
- We contribute to the development of society through our corporate philanthropic initiatives and through protecting the environment.
- We and our employees commit ourselves to creating a "dream workplace" that is jointly developed on the basis of respect for human dignity.

- We offer equal opportunities to all our employees as well as fair and equitable treatment in accordance with their capabilities and performance.
- Our employees maintain the honor of the Kumho Asiana Group and their individual dignity while behaving in a way to earn the respect and trust from our customers and business partners.
- Our employees do not require or receive any type of financial or non-financial gains from stakeholders in relation to their business operations.
- Our employees do not take advantage of corporate assets for their own personal interest; rather they put the interest of the company before their own if any conflict occurs between the two, while conducting business.
- Our employees consistently pursue self-development, so as to meet the requirements to become an ideal Kumho Asiana Group employee.

Mutually-Beneficial Management



We firmly believe that a healthy partnership with our suppliers enables us to build our own competitive edge. It is with this belief that we support training and joint technology development for our suppliers. It is in this way that we are able to reinforce our operational fitness in the global arena, while proactively gathering the opinions and suggestions from our suppliers and integrating them into our business conduct.

Context & Challenge

To ensure sustainable growth in the rapidly-changing global business environment, it is absolutely crucial that we manage supplier relationships and promote mutual cooperation. At Kumho Tires, we pursue shared growth through strategic partnerships on the basis of transparent, fair and trust-based relationships with our suppliers. To this end, we are building an open network with our suppliers through diverse engagement channels, while operating programs to help build a stronger competitive edge on the basis of mutual trust.

Our Progress

Facilitation of Shared Growth

1. Fostering Talent and Offering Education for Suppliers

We believe that a stronger edge among supplier employees is the fundamental source of our competitive edge. This is why we are providing training assistance and talent promotion programs to help our suppliers build an enhanced competitive edge and capabilities. In 2012, a total of 111 supplier employees took the general and specialized training courses that we provided. We will continue to gather feedback from our suppliers so that we may assist them in building their own capacity, and thus make progress on their own.

Educational Assistance for Suppliers in 2012

Education	Implementation	No. of Occasions	No. of Trainees	Note
General Course	Quarterly	Nine	107	Consortium training
Specialized Course	Quarterly	One	4	Support for certification exam fees
Total		Ten	111	

2. Joint Technology Development

We maintain close partnerships with our suppliers in jointly developing technology from the initial development stage, so as to help them enhance their overall technological level. In doing so, our supplies can establish sales channels for their products and guarantee their operational stability. Meanwhile, we can improve the quality of our products and pursue productivity gains through the development of domestic technology, as well as new raw materials, facilities and machines. This ultimately contributes to shared growth.

Stronger Partnership

1. Year-round Communication Channels for Suppliers

As part of our endeavors to facilitate mutually-beneficial management systems, a section of our online system is dedicated to sharing supplier news and a bulletin board is in operation. In doing so, we swiftly identify the opinions and suggestions from our suppliers for further improvements. These are subsequently thoroughly reviewed and reflected in our business operations.

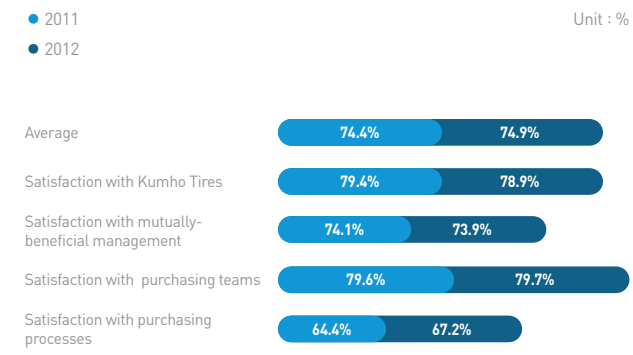
Gathering feedback from suppliers & Suggestion program



2. Regular Supplier Surveys

We conduct annual supplier surveys to identify satisfaction levels with our relationship policies and initiatives, and to make supplier voices heard. Once issues are identified, improvement measures are defined and fully integrated in our mutually-beneficial management policies. In 2012, a total of 277 suppliers were surveyed, out of which 201 suppliers responded to offer their feedback on a total of 33 questions (concerning our policies, purchasing practices, mutually-beneficial management and purchasing processes).

Results of the 2011/2012 Supplier Surveys



3. Business Collaboration Day

We award our suppliers on a yearly basis to express our gratitude for their endeavors and cooperation in contributing to the development of Kumho Tires and to share our vision, management principles and mid/long-term plans. In 2012, a total of 16 outstanding suppliers were presented with plaques of appreciation and awards.

2012 Award Ceremony for outstanding suppliers



Next Step

We will undertake proactive initiatives to promote mutually-beneficial management for our suppliers, including support for fostering talent and offering education, joint technology development, awards for outstanding suppliers and the facilitation of communication. We believe that these endeavors will allow us to put our 'win-win' strategy for shared growth into action.

Corporate Social Responsibility



To become a 'Beautiful Company' as stipulated in the Kumho Asiana Group's value system, we are fully committed to undertaking strategic social contribution initiatives under the recognition that such initiatives are an essential part of our corporate operation.

Context & Challenge

Social contribution is one of the many primary ways that companies use to build trust with diverse stakeholders. It is with the company-wide consensus that social-giving initiatives are our mandate, rather than a mere option, that we undertake strategic social contribution programs. To proactively respond to issues that concern the local communities where we are based, we choose social contribution themes that are highly relevant to our business and are beneficiary-centered. In doing so, we aim to deliver a community-friendly business environment and improve our reputation as a socially-responsible company.

Our Progress

Major Social Contribution Programs

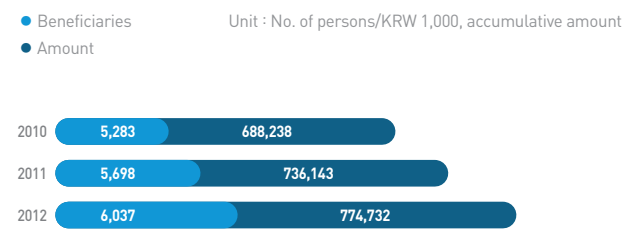
Social Welfare	<p>Support for the less-privileged</p> <ul style="list-style-type: none"> Employee volunteerism (Warm-hearted Holiday Campaign) for seniors who live alone Financial and supply donations for social welfare organizations (Social Experience Program) for youth with severe disabilities
Academic Education	<p>Educational donation</p> <ul style="list-style-type: none"> Support for online educational courses for children from low-income families (Motor Sports Experience Program) as an educational donation initiative Participation in the (Educational Donation Exhibition) organized by the Ministry of Education
Exchange Projects	<p>Pink Ribbon Campaign</p> <ul style="list-style-type: none"> Participation in the Pink Ribbon Love Marathon Promotion for dealers who join the Pink Ribbon Campaign and donations (Pink Tour) health care courses <p>Support for the Korean community in Vietnam</p> <ul style="list-style-type: none"> Sponsorship for cultural festivals in Vietnam Support for office operational expenses for the Korean community in Vietnam Support for multicultural families with Vietnamese immigrant women in visiting Vietnam

Social Welfare

We have Hansang volunteers and Sharing Hope Volunteering Unit that take the lead in undertaking employee volunteer activities : they offer regular assistance to seniors who live alone, children who apart from their parents and other less-privileged populations in our society. Furthermore, they engage themselves in the (Sharing Hope through House Building) project. In 2012, our employees donated KRW 38,589,000 to help 339 people.



Outcomes of Hansarang's Volunteer Activities to Help the Less-Privileged



※ In 2012, a total of KRW 472 million was donated including KRW 148 million in global donations and KRW 324 million in other types of sponsorship donations

Academic Education

We have operated the (Motor Sports Experience) program four times per year since 2012 for students from low-income families as an educational donation initiative that can be exclusively undertaken by motor sports-related companies in accordance with the MOU we signed with the Ministry of Education. We also participate in the Educational Donation Exhibition hosted by the ministry to promote our educational donation programs and provide students with an opportunity to experience motor sports.



Exchange Projects

Pink Ribbon Campaign, Support for the Korean Community in Vietnam | Our Pink Ribbon Campaign was initiated in 2012 to raise female drivers' awareness about breast cancer risks. Under the sponsorship agreement signed with the Korea Breast Cancer Foundation, we raise funds through the campaign, which are then donated to the foundation. Our 'TIRE PRO' stores (tire retailers specialized in Kumho Tires' products) across the nation are engaged in encouraging customers to make voluntary donations while customers who purchase our premium UHP or high fuel-efficiency and eco-friendly eowing S tires receive pink ribbon valve caps as a gift to prompt them to recognize the meaning and importance of women's health.

※ **What do pink ribbons mean?** Pink ribbons originally appeared to replace the corsets that excessively tightened across a woman's breast. Instead, two sheets of silk handkerchief and pink ribbons were used to wrap women's breasts and they came to represent the beauty and health of women, as well as the freedom of comfortable movement.



Support for the Korean Community in Vietnam | We recognized the emergence of multicultural families in Korea, who have recently received growing social attention and thus are offering a home-visit program for these families formed by international marriages between Korean men and Vietnamese women. To ensure social cohesion among diverse racial and cultural populations and create a society where everyone lives in harmony, we have been supporting the Korean community in Vietnam since 2011 through the contract we signed with the Vietnamese Embassy in Korea. In commemoration of the 20th anniversary of establishing diplomatic ties between Vietnam and Korea in 2012, we have been providing financial support in operating the office of the Korean community in Vietnam, supporting Korean language schools and sponsoring the Vietnamese Culture Festival.



Overseas Social Contribution Initiatives

Our Nanjing plant and Nanjing TBR plant choose beneficiaries from less-fortunate populations who live in their vicinity and offer them various daily supplies. These plants also join the 'Year-end Nanjin City Charity Business Contest' to make donations and engage themselves in wide-ranging fund-raising events. Furthermore, employees at our Changchun plant regularly visit an orphan school in the Jilin Province to donate books, play games and talk with students in order to build closer ties with them.

Next Step

To reinforce our global social contribution initiatives, we will cooperate with international organizations and launch projects that benefit local communities where our overseas corporations are located.

Sustainable Supply Chain Management



As a green business leader, we continue to opt for green products as a way to increase eco-friendly raw and subsidiary materials in our manufacturing process, while assisting and managing the sustainability management of our suppliers, so as to pursue shared growth.

Context & Challenge

As environmental degradation severely deepens due to rapid industrialization and reckless consumption, countries around the world are tightening their environmental regulations. Hence, the facilitation of the manufacturing and consumption of green products is emerging as a major issue of sustainability management. Since 2007, we clearly stipulated guidelines and produces to opt for green products and have purchased green products accordingly. In addition, as the corporate competition paradigm is shifting from a company-to-company competition to a competition among supply chains that consist of numerous suppliers, we are investing even more in managing our supplier relations in order to improve the competitive edge of our supply chain.

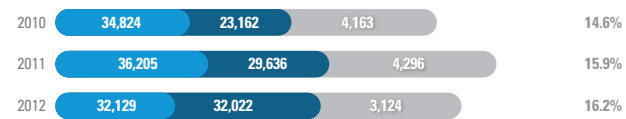
Our Progress

Green Purchasing

Our definition of green products concerns those products that save resources(against their competitors), and that serve the same purpose and show exceptional eco-friendly performance throughout the entire product cycle. Such products include raw materials that are very low in or devoid of PAHs(polycyclic aromatic hydrocarbons) that are harmful to the human body, Low PAHs synthetic rubber that contributes to improving the fuel efficiency of our products, Low PAHs oil, silica, tire cords produced through eco-friendly manufacturing process, and lightweight steel cords. To make our products more eco-friendly, we continue to purchase green products and increase their ratio in our purchasing practice. As a result, our green purchasing and consumption of green products rose from 14.6% in 2010 to 16.2% in 2012.

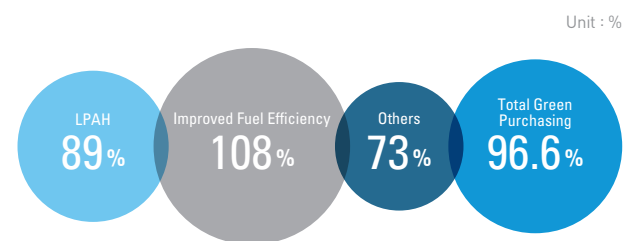
Green Purchasing Trajectory

- Low PAHs*(oil and synthetic rubber) Unit : Ton
- Improved Fuel Efficiency(steel cords, silica, synthetic rubber)
- Others(recycled synthetic rubber, eco-friendly tire cords)



※ Based on the combed consumption of Gwangju, Gokseong, and Pyeongtaek Plants
PAHs : Polycyclic Aromatic Hydrocarbons

Ratio(against the previous year)

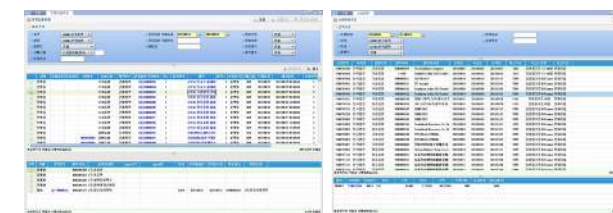


Supplier Relations Management

1. Development and Operation of KPOS

Our conventional purchasing system SRM(Supplier Relationship Management) was upgraded to the KPOS(Kumho tires Portal Of Supplier Management). This improved system enables us to select bidders through a sourcing group(SG) and prohibit imprudent bidding proceedings in a systemic way to establish a transparent and fair bidding process. The system also allows us to process contracts, payment requests and upload supplies before the payment goes through the computerized system, in a non paper-based manner, which helped manage works in progress and operate swiftly. Furthermore, the reminder e-mail function and diverse inquiry functions made it more convenient for our suppliers to operate.

e-bidding process & Supplier invoice confirmation process

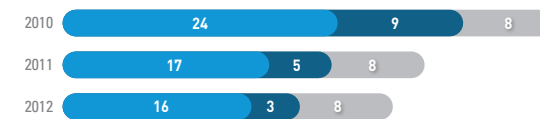


2. Regular Supplier Evaluation and Management Guidance

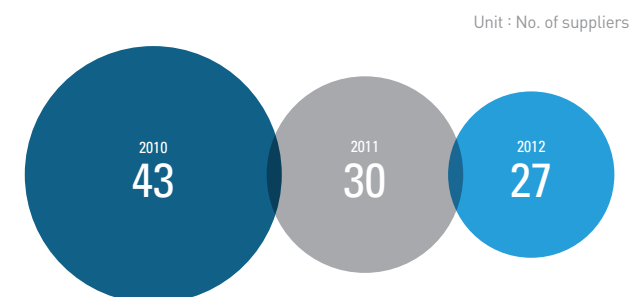
To ensure a stable supply of high-quality products and services from our suppliers, we perform regular supplier evaluations and offer management guidance. We also identify and support top-performing suppliers to encourage them to consistently develop new products and build a stronger competitive edge while undertaking improvement initiatives for those suppliers who were evaluated as relatively low-performing. In so doing, we ensure a mutually-beneficial partnership with our suppliers and are able to reinforce our competitive edge in quality.

Regular Quality System Dignosis

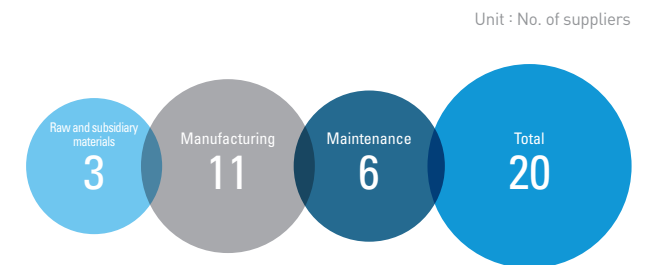
- Raw and subsidiary materials Unit : No. of suppliers
- Equipment materials
- Major Outsourcing



Total of Regular Quality System Diagnoses



Management Guidance



Next Step

We will make our products even greener and further increase green purchasing as a way to obtain fuel efficiency gains and respond to the EU's eco-labeling regulations. Furthermore, we will efficiently operate our KPOS in order to reinforce regular evaluations of and management guidance for suppliers and thus improve the sustainability of our supply chain.



MOVING TO CUSTOMER

It is with our vision to develop world-class products, as well as on the basis of our quality competitive edge, that we enhance customer satisfaction and undertake company-wide quality management initiatives. This includes everything from design and manufacturing to inspections and logistics. Our newly-opened R&D Center will enable us to further strengthen our R&D operations to deliver top-notch products and we will fully commit ourselves to maximizing customer value through proactive brand management and providing accurate information to our customers.



Progress

- Quality management roadmap was defined
- Robust design technique was developed
- Eco-friendly manufacturing technology was introduced to all our products as a response to tire labeling systems
- Advanced technology was developed
- Company-wide quality management system was developed through the integrated management of the ISO/TS 16949 quality system
- Selected as No. 1 in the passenger vehicle tire segment of KCSI for eight consecutive years in 2012
- Selected as No. 1 in the passenger vehicle tire segment of KNPS for five consecutive years in 2012
- Improvement was made in the JD Power index in North America
- Positive outcomes were produced through performance tests conducted by European magazines
- Design awards were given by prestigious domestic and overseas awards
- CS initiatives to improve customer satisfaction, free exchange warranty
- Proactive advertising/promotion/sponsorship and other marketing communication activities
- Global C/M quality system was developed

Issues

- Growing need for safe products and services
- Customer health and safety
- Diversifying customer needs
- Product and service labeling
- Accelerating technological development
- Compliance with marketing-related regulations

Performance

Category	2010	2011	2012
KCSI Ranking	67.7 points (No. 1)	69.9 points (No. 1)	70.6 points (No. 1)
JD Power's CSI Score in North America	577 points	609 points	618 points

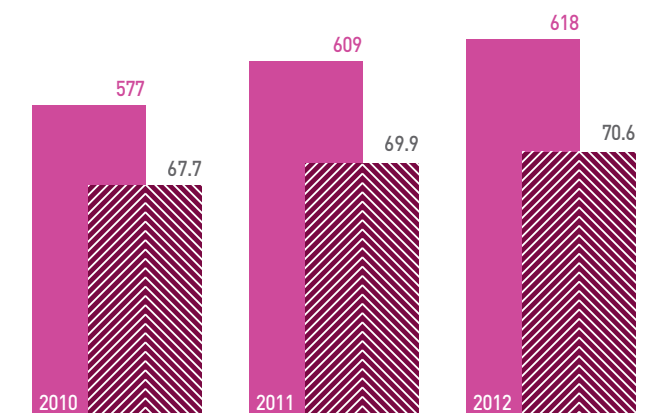
KCSI Ranking in 2012

70.6 (NO.1) Points

JD Power's CSI Score in North America in 2012

618 Points

- JD Power's CSI Score in North America
- KCSI Ranking-points(No. 1)



Product Reliability and Quality Assurance



We are fully aware that quality management is essential in ensuring sustainable growth. This is why we systematically manage our product quality on a company-wide level through the quality management roadmap and robust design. We are also taking a preemptive approach to the introduction of tire labeling systems.

Context & Challenge

It is on the basis of newer and more advanced technology, that we develop world-class products. In doing so, we can earn the trust of our customers through exceptional product quality. We accept how our customers evaluate us with a humble attitude and take responsibility for our actions, so as to ultimately deliver the greatest-possible customer value.

2012, the top priority of the plants in 2013 will be to 'enhance competitive edge in quality'. Furthermore, we are operating our quality roadmap to reach our goal of 'establishing 2nd-tier quality' by 2015. To this end, we are building a competitive edge with our products, reinforcing prior quality assurance, building a competitive edge to respond to labeling programs and advancing our quality system as a way to improve quality competitive edge. In addition, we deliver top-notch product quality to customers through the establishment of a life cycle quality assurance system.

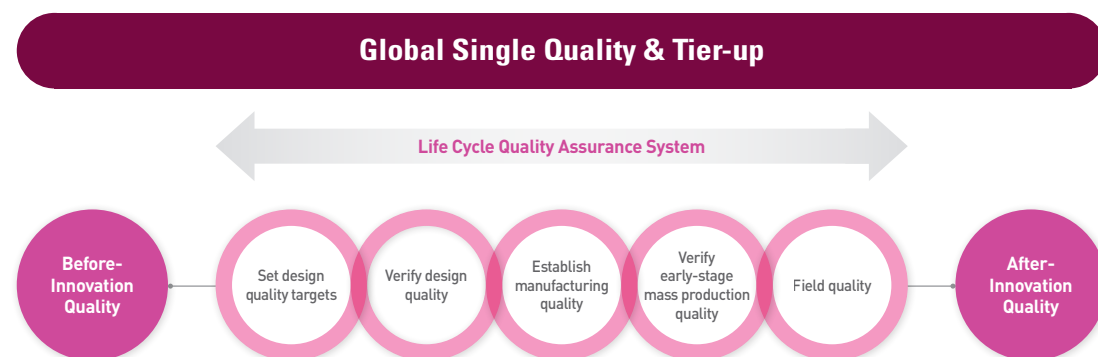
Our Progress

Development of a Perfect Quality System : Quality Management Roadmap

To become a Global Tire Brand Recognized for its quality and its respect for its customers', we set the goal of 'Global Single Quality & Tier-up' and are working in accordance with our mid/long-term roadmap to establish an exceptional competitive edge in quality. While our eight plants located in Korea and overseas aimed to 'establish basic quality' in 2011 and 'lay the foundation for upgrading' in

Such company-wide quality assurance initiatives enable us to generate outstanding outcomes from performance tests conducted in Europe and the U.S., while our exceptional quality was recognized through the tire supply contract signed with Hyundai Motors, Kia Motors, BMW, Mercedes Benz, Volkswagen, Chrysler, GM and other major car makers in Korea and abroad. We are also establishing our status as the No.1 brand through our tire sponsorship for the F3 Euro Series and Masters F3 competitions. Our outstanding quality is demonstrated through the role we play in assisting winning teams at the Le Mans 24, the world's largest-scale test of durability, and the Japanese Super GT Series.

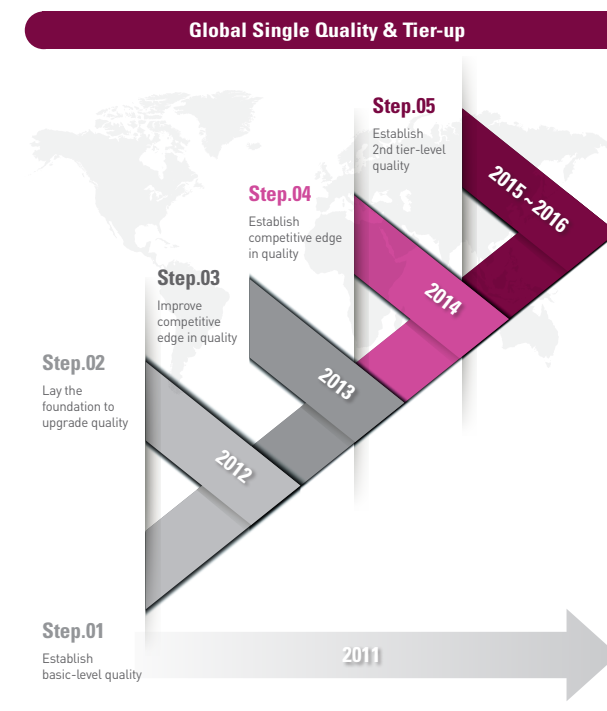
Company-wide Quality Innovation Framework



Quality Strategy Framework



Quality Roadmap



spectrum of driving conditions. We also constantly conduct tests and analyze the outcomes to reflect them in the product design stage in order to identify factors that make tires less sensitive to seasonal characteristics, load, road conditions or distinctive driving habits, as well as optimal design variables. Our robust design principle helps secure stability under high-speed driving conditions, prevent tire aging caused by high temperatures/pressure, ensure durability during long-distance travel and account for wide-ranging extreme conditions that drivers may face. In so doing, we make sure that our tires become safer and deliver consistent performance.

Tire Labeling Programs

Eco tires contribute to reducing tire energy losses caused during driving, and thus improving fuel efficiency. This in turn leads to reduced carbon emissions. Such features are also closely related to a tire's rolling resistance performance. Generally, a 10% drop in tire rolling resistance improves vehicle fuel efficiency by 1.74% and reduces carbon emissions accordingly, which is tantamount to planting 34 trees a year. This is why countries all across the globe are launching their own tire labeling programs(energy efficiency grading systems) as part of their efforts to regulate vehicle-induced carbon emissions. Such programs are mandatory in Europe and Korea, while in Japan and the U.S., experts are either operating a voluntary program or considering its initiation. We at Kumho Tires are introducing eco manufacturing processes to all our products, so as to improve our level under labeling programs and to develop eco-friendly tires. These endeavors earned us a No. 1 ranking in the comprehensive eco tire evaluations performed under the supervision of the Korea Product Safety Institution in conjunction with Consumers Korea in May 2013. The evaluations were made of tires manufactured by major companies in Korea and abroad to test their labeling performance(rolling resistance) and durability.

※ **Labeling Programs** : Labeling programs measure such tire performance elements as rolling resistance, wet grip and noise. Such elements determine a tire's fuel efficiency level and label tire grades in accordance with evaluation outcomes as a way to enable consumers to make informed purchasing decisions that favor highly-efficient tires. Performance elements subject to labeling and their labeling modes differ from country to country. Such programs were made mandatory in Europe in November 2012 and in Korea in December 2012.

Improved Product Reliability : Establishment of Robust Design Technique

Our robust design technique is introduced to all our tire products so that they can maintain consistent performance under a wide

Proactive Quality Management and Advanced Technology



Our growth into becoming a global leading tire manufacturer has been driven by ceaseless R&D endeavors to develop advanced technology. We believe that the new Kumho Tire R&D Center that opened in 2013 will enable us to establish a global R&D network and make a big leap forward to become a global technological leader.

Korean Labeling Program_ ecowing S



European Labeling Program_ ecowing ES01



Next Step

We have established a company-wide quality management system through the integrated management of the ISO/TS 16949 quality system as a way to boost our endeavors to develop first-class products. Our plan is to improve qualitative uniformity and develop prevention and management systems to become a 'Global Tire Brand'. Thus, we will continue to deliver top-notch product quality and build trust for greater customer satisfaction.



ISO/TS 16949 Certificate

Context & Challenge

The tire market today is mired in numerous difficulties due to the global economic slow down and uncertainties in raw material prices. In the face of these challenging conditions, we continue to independently develop new technology and undertake R&D activities to lay the foundation for sustainable growth.

Our Progress

Advanced Development Technology

It is with our own technological philosophy K-Move(Knowledge-based Mobility Optimization of Vehicle Environment) that we constantly push our technological limits into uncharted territory, so that we can create an environment where human mobility becomes even freer, safer and more efficient. To this end, we pursue the convergence of our four key tire capacity technologies of performance technology, intelligent smart system, eco-friendly technology and emotional technology while developing optimal products for the global environment and forward-looking leading technology.

Advanced Processing Technology

1)RFID Tag-enabled MLM(Manufacture, Logistics, Marketing) Tracking System

We believe that our RFID tag-enabled individual tire management system will generate manufacturing, logistics and quality information in real time and contribute to improving customer trust in our products. We are developing this MLM(Manufacture, Logistics, Marketing) tracking system in conjunction with the National IT Industry Promotion Agency under the Ministry of Science, ICT and Future

Planning. The total project budget amounts to KRW 6.3 billion including KRW 2.2 billion in government subsidies.

Progress in 2012

- The deployment of the MSM tracking system was completed for domestic TBR plants & logistics operation and sales dealers
- Technological predominance over competitors was established and patent applications were made, thanks to the new technology developed in relation to MLM tracking system deployment

Plan for 2013

- To deploy the MLM tracking system for domestic PCR plans & logistics operation and sales operation(~ Dec. 31, 2013)

2)Electrical Conductivity Improvement System for Finished Tire Products

While conventional tires have high electrical conductivity, and thus a better release of electrical signals that are generated by vehicles and harmful to the human body, low rolling resistance(LRR) tires inevitably require the consumption of highly-disposable silica which is low in electrical conductivity. This prompted us to supplement the electrostatic discharging system and we developed such system for finished tires.

Next Step

We will develop premium OE tires on the basis of our own technological capabilities and complete the development of the ECSTA PS91 S-UHP(Super Ultra High Performance) tire for ultra high performance vehicles) in 2013 as a way to reach global-level in performance and quality.

Improvement of Customer Satisfaction and Brand Value



Our endeavors to enhance our brand value consist of customer satisfaction campaigns, quality system development and marketing communication. Their outcomes are evaluated by external organizations known for their credibility such as domestic and overseas brand research firms, JD Power and world-renowned overseas auto magazines, which are then integrated into our business operations.

Context & Challenge

Consumers today value brands as much as they do products or services and an increasing number of consumers want to purchase a specific brand, not merely its products or services. Thus, we undertake diverse initiatives to enhance our brand value through increased customer satisfaction.

Our Progress

Customer Support and Service Programs

Sharing Our Love Campaign | We regularly visit less-privileged and physically challenged populations, who are in need of our warm-hearted care every year. We inspect tires fitted in vehicles used by social welfare organizations and families of physically challenged people so that we can assist them in driving safely and learning tire management skills. We also forged sisterhood ties with local social welfare organizations and are launching the Sharing Our Love campaigns on the basis of deeply established solidarity.

Visits to Social Welfare Organizations and Facilities for Handicapped Populations



Free-of-Charge Safety Check Campaigns | We visit local organizations, government agencies and military units to instruct about the correct methods for using tires and thus help improve the safety of local communities and their residents. We also offer free-of-charge tire inspection services to check the status of the safety management of the tires in use.

Visit to Government Agencies & Visit to Military Units



Highway Safety Check Campaigns | Our highway safety check campaign targets customers traveling on highways. Our free-of-charge tire services include inspections of tire air pressure and tire balance adjustments, in an aim to prevent highway safety accidents. Furthermore, we provide regular product information training and technology seminars to our tire retailers and maintenance businesses. In so doing, we help them exchange technology information and offer swift and appropriate services to the customers.

Highway free of charge tire services



Service Centers & Counseling Offices | To deliver professional and systematized services, we operate service centers and counseling offices in six major locations across the nation including Seoul, Incheon, Daejeon, Gwangju, Daegu and Busan.

Customer Reception Room and Shop Floor of Our Service Center



Customer Call Center | Our customer call center(+82-2-1588-9582) aims to handle customer inquiries and meet diverse customer needs. Our customers may submit their inquiries concerning product purchasing, product information or any complaints related to product use. These inquiries are then swiftly handled through our customer-driven services.

After-Sales Service Centers | We provide prompt and high-quality services at the 347 Kumho Tire dealers that were designated as after-sales service centers across the nation. In so doing, we ensure that tire-related customer inquiries and complaints are addressed quickly. In addition, the staff at these after-sales service centers is trained regularly to improve service capabilities. We will continue to add to the number of these service centers currently available to deliver truly impressive customer services.

Online Order and Suggestion Handling through KUMHONET

Our intranet "KUMHONET" enables respective dealers to input order placements, which are followed by an inventory confirmation and shipment. In processing tire transportation, logistical centers ship ordered tires the very next morning, while shipments are made twice daily in the afternoon in urban areas. Meanwhile, our dealers may submit their suggestions through "KUMHONET", which assigns the suggestions to the appropriate person in charge, who in turn handles them and feeds the results back to the dealers.

Quality Assurance Program and Warranty

Our special warranty program and anti-abrasion warranty program are operated as part of our customer satisfaction management. The special warranty program offers free-of-charge tire exchanges for ten different models, in the case of tire cord breakage or customer carelessness(external shocks) while driving. The anti-abrasion warranty program, Korea's first-ever of its kind, was initiated in April 2013 to compensate our customers for the difference between their actual mileage and the warranty mileage(up to 60,000km) when warranty tires are completely worn down to the abrasion limit of 1.6mm. This program was designed to offer sufficient warranty benefits in consideration of declining tire lifespans caused by repetitive braking and sudden stops that are attributed to the unique traffic conditions in Korea.

Trends of Car Makers(C/M) and OE Technology

The key words that are often emphasized recently by domestic and overseas car makers are : higher fuel efficiency, new concept cars and domestic/overseas labeling programs. Car makers' top priority in improving fuel efficiency is to reduce vehicle weight, increase engine power and use low rolling resistance tires for their vehicles. As such, we are also developing market-leading eco-friendly tires as a way to proactively meet their demand. As Korean automakers are ready to mass-produce hybrid vehicles, they are accelerating the launch of electric vehicles in the domestic market, as well as the development of technology, to mass-produce fuel cell vehicles. Hence, our OE tire business successfully developed tires dedicated to electric vehicles, making Kumho Tires the first-ever Korean tire manufacturer to do so, and is now focusing on the development and application of eco-friendly tires. As a way to respond to domestic and overseas tire labeling programs, efforts are underway to develop OE tires that can be rated grade 1 in rolling resistance and wet grip under the Korean tire labeling scheme. In addition, we have continuously supplied our products to global car makers in the U.S. and Japan since 2005 and are developing OE tires in conjunction with BMW, Volkswagen, Renault-Nissan and Chrysler to expand our overseas OE business.

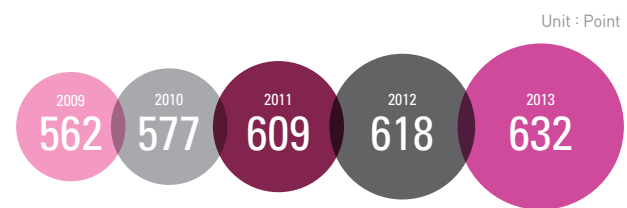


Customer Satisfaction Index

Brand Satisfaction Index | We continue to track our ranking in brand indices in the four major markets of the U.S., China, Germany and Korea, while undertaking various initiatives to improve our brand value and customer satisfaction so that their outcomes serve as ground data to define and execute company-wide strategies. As a result, we have been ranked No. 1 in the Korea Customer Satisfaction Index(KCSI) for eight consecutive years and have also been listed in the Korean Net Promoter Score(KNPS) for five consecutive years, both published by the Korea Management Association Consulting.

North American Customer Satisfaction Index of JD Power | The analyses of customer satisfaction outcomes in North America, Europe and other advanced automobile markets allow us to identify any possible future improvements and enhance customer satisfaction. Our endeavors to analyze customer satisfaction index data published by JD Power and our quality vulnerabilities based our initiative to elevate our competitive edge in quality. This drove our customer satisfaction index score to increase by 55 points to 632 points in 2013 from 2010 and our customer satisfaction level continues to improve and gain on the industrial average.

Kumho Tires's JD Power Score



Test-European Auto Magazines' Performance Test | We are building our own infrastructure for quality testing, as well as a process to develop key technology, as an essential part of product development. Such endeavors are recognized by the sustained exceptional performance that our products demonstrated through tests conducted by prestigious auto magazines in Germany, Finland and other parts of Europe. Specifically, our tires were rated outstanding by ADAC, the most influential auto magazine in Europe, and by other major publishers.

Receiving Design Awards | We have been repeatedly honored with awards presented by the most prestigious Korean and global product design authorities under the corporate goal of design management innovation. We were awarded by the iF Design Awards in 2010 and received awards at the iF Product Design Awards and the Red Dot Product Design Awards for two straight years between 2012 and 2013. In Korea, our products were also recognized for their outstanding industrial design at the Good Design Exhibition in 2012. Specifically, we made a significant feat of winning the same world-renowned award for two consecutive years at the Red Dot Product Design Awards, where we plan to make a useful promotional pitch for new product launches as a way to enhance our brand value.

Winning the 2010 iF Concept Design Award & Winning the 2012 iF Product Design Award(KU50, KU39, KW27)



Winning the 2012 Red Dot Product Design Award(KU39) & Winning the 2012 Korean Good Design Award(KU39, KL33)



Marketing Communication : Advertising, Promotion/ Sponsorship

1. Advertising

We independently created corporate characters in order to reach out to more customers in a friendly way and appear on our TV and cinema advertising. Our advertising strategy is to launch two versions of corporate brand advertising and retailer brand advertising to communicate with TV viewers and consumers. The former is based on the concept of 'tires that are customized for Korean conditions' and the latter emphasizes the customized premium services delivered by 'Tire Pro' stores that exclusively market our tires.

Kumho Tires Advertising



2. Sports Marketing

Our brand awareness and value is improving thanks to our sponsorship for and engagement in racing teams and first-class motor sports in Europe and North America, the two world's largest

premium tire markets. In Europe, we sponsor the Hamburger SV and Rapid Wien to build closer ties with consumers in Germany and Austria respectively. In North America, we are an official sponsor for teams affiliated with the National Football League(NFL, New York Jets), the National Hockey League(NHL, Vancouver Canucks) and the National Basketball Association(NBA, LA Lakers/Miami Heat) that constitute the most popular sports events in the region. In so doing, we continue to expand the scope of our sports marketing initiatives. Meanwhile, we are an official tire supplier for Auto GP and Masters F3 and a participant at various global motor sports competitions. Such involvement demonstrates our technological prowess.

Sponsorship for the LA Lakers & Official tire supplier for Auto GP



Sponsorship for the New York Jets & Sponsorship for Kia Tigers



3. Consumer Promotion

Our annual consumer promotional programs aim to help our dealers increase their sales and offer substantial benefits to consumers. This promotional programs, ranging from seasonal promotions to holiday specials, enable us to improve customer satisfaction. In addition, we encourage consumers to become more interested in our products through our sponsorship for the Kia Tigers, a baseball team in the Korean professional league.

Consumer Experience Group

Our customer experience group was initiated in 2012 to serve as 'prosumers'(consumers as producers). Group members participate in new product presentations, watch motor sports and are engaged in various activities to serve as messengers between consumers and the company while facilitating communication to allow our staff to gather diverse feedback on our products and accurately reflect such feedback in the product and service planning stage. The 2nd class of our customer experience group will undertake such wide-ranging activities as tire test driving and regular gatherings for a whole year-from June 2013 to June 2014. Its operation will continue in the upcoming years as part of our endeavors to build stronger customer trust.

Launching ceremony for the 2nd class customer experience group



New Product Presentations

A special presentation event was held at the Asiana Airline hangar at the Incheon International Airport in June 2012 to celebrate the successful market launch of our ecowing S model, the newly launched eco-friendly tires, and to boost its sales even further. The event was attended by approximately 390 dealers, customer experience group members and other related guests to present our new products, ecowing S, ECSTA 4X, and City Venture Premium. In June 2013, our ultra high performance tire model ECSTA PS91, made its debut in alignment with Round 2 of the China Touring Car Championship(CTCC), which we officially sponsor and which was held at the Shanghai Tianma F1 Circuit. This garnered exceptionally welcome response from the media and related experts.

Presentation of Newly-Launched ecowing S



Next Step

The wide-ranging customer satisfaction initiatives that we undertake, as well as quality improvements, are geared toward building higher corporate brand value and strengthening our brand power. We will become more proactive in managing our brands and measuring our performance in a multi-faceted manner, so as to conduct our business more efficiently.

Fair Marketing



We launch fair marketing activities to provide accurate information to our consumers and ensure fair product supply between the head office and our dealers.

Context & Challenge

Increasingly diversifying consumer needs are driving the tire market from a supplier-centered one, to a consumer-centered one. To assist consumers in making informed decisions, we are committed to providing fact-based information, handling reckless information that flows through the internet and adopting stringent criteria in managing the customer data in our possession.

Our Progress

Online Customer Data Management

We ensure that we provide objective information when we present our company or products on our website, or to consumers through social network services. We also do our utmost to prevent any disclosure of individual consumers' private information while responding to customer inquiries in a swift and accurate manner.

Online Corporate Promotion and Related Risk Management

Negative news that concerns a company spreads even faster when it is disclosed over the internet. Hence, efforts are underway to develop an efficient media response system to allow for prompt and accurate information sharing through the creation of task force teams or through the collaboration with consulting firms specialized in risk management with an aim to ensure online risk management.

Prevention of Exaggerated Advertising

We are committed to providing fact-based, undistorted and objective information to stakeholders and consumers on a company-wide level. Thus, we refrain from any exaggerated advertising externally, and instead ensure that the philosophy and goals that we pursue are symbolized into our corporate image advertising, while product or retail distribution features are emphasized in our brand image advertising.

Fair Product Supply

We use computerized systems to ensure fairness in our product ordering/transportation process. To maintain fair business transactions, contracts are modified and supplemented with the help of professional legal advisors, while the recommended consumer price labeling was abolished as a way to promote fair transactions and business partners are supported in accordance with the concerned agreement. In addition, we supply our products to our business partners in the order that the orders were placed and implement separate regulations on refunds and compensation to guarantee the status of distribution companies and consumers.

Dealer Conference

In December 2011, we invited dealers under the jurisdiction of our North American/Central and Latin American corporations and branches to Liberia, Costa Rica to present the status of our business operations, introduce our vision and products and award plaques of appreciation. This dealer conference aimed to ensure fair product supply and build stronger customer trust and loyalty.

Dealer Conference



Next Step

We will eliminate any imbalance of information between suppliers and consumers so that consumers can make informed decisions on the basis of fair information.

APPENDIX

GRI G3.1_ISO 26000 index

Third Party's Assurance Report

Awards and membership

Stakeholder Survey

GRI G3.1_ISO 26000 Index

※ Reporting level ● Fully Reported ◐ Partially Reported ○ Not Reported

GRI Index	ISO26000 Index	ISO 26000 Core subjects and issues	Reported	Page	Remarks
The principle of stakeholder engagement	6.8.2	Community involvement	●	12	
Boundary protocol		Promoting social responsibility in the value chain	●	Front Cover	
Strategy and Analysis					
1.1	Statement from the most senior decision-maker of the organization.	6.2	Organizational governance	●	4
1.2	Description of key impacts, risks, and opportunities.	6.2		●	4
Organizational Profile					
			●	6	
2.1	Name of the organization.		●	6	
2.2	Primary brands, products, and/or services.		●	6	
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	6.2	Organizational governance	●	6
2.4	Location of organization's headquarters.		●	6	
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.		●	8, 9	
2.6	Nature of ownership and legal form.		●	6	
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).		●	8, 9	
2.8	Scale of the reporting organization.		●	6, 8, 9	
2.9	Significant changes during the reporting period regarding size, structure, or ownership.		●	23	
2.10	Awards received in the reporting period.		●	79	
Report Parameter					
			●	Front Cover	
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.		●	Front Cover	
3.2	Date of most recent previous report (if any).		●	Front Cover	
3.3	Reporting cycle (annual, biennial, etc.)		●	Front Cover	
3.4	Contact point for questions regarding the report or its contents.		●	Front Cover	
3.5	Process for defining report content.		●	14	
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.		●	Front Cover	
3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).		●	Front Cover	
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.		●	Front Cover	
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.		●	33	
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).		●	73	No re-statements
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.		●	Front Cover	
3.12	Table identifying the location of the Standard Disclosures in the report.		●	73-78	
3.13	Policy and current practice with regard to seeking external assurance for the report.	7.5.3	Assurance	●	80, 81

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※ Reporting level ● Fully Reported ◐ Partially Reported ○ Not Reported

Governance, Commitments & Engagement		●	17	Remarks
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	●	22	
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	●	22	
4.3	For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members.	●	22	
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	●	22	
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives(including departure arrangements), and the organization's performance (including social and environmental performance).	●	23	
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	●	22	
4.7	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity.	●	22	
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	●	26, 52	
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	●	22	Organizational governance
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	●	23	
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	●	21	
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	●	37	
4.13	Memberships in associations(such as industry associations) and/or national/international advocacy organizations in which the organization : * Has positions in governance bodies; * Participates in projects or committees; * Provides substantive funding beyond routine membership dues; or * Views membership as strategic.	●	79	
4.14	List of stakeholder groups engaged by the organization.	●	12, 13	
4.15	Basis for identification and selection of stakeholders with whom to engage.	●	12	
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	●	14	
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	●	14, 15	

※ Reporting level ● Fully Reported ◐ Partially Reported ○ Not Reported

Economic Disclosure on Management Approach		●	17	Remarks
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	●	18, 19	
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	●	33	
EC3	Coverage of the organization's defined benefit plan obligations.	●	48	
EC4	Significant financial assistance received from government.	●	19	
EC5	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	●	48	
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	○	75	will be reported in upcoming year
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	○	75	will be reported in upcoming year
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	●	56, 57	
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	●	56, 57	

Environmental Disclosure on Management Approach		●	25	Remarks
EN1	Materials used by weight or volume.	●	30	
EN2	Percentage of materials used that are recycled input materials.	●	30	
EN3	Direct energy consumption by primary energy source.	●	33, 34	
EN4	Indirect energy consumption by primary source.	●	33-35	
EN5	Energy saved due to conservation and efficiency improvements.	●	34	
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	●	33-35	The environment/Sustainable resource use
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	●	34	
EN8	Total water withdrawal by source.	●	29	
EN9	Water sources significantly affected by withdrawal of water.	●	75	There are some sites using ground water and no contamination is reported due to withdrawal
EN10	Percentage and total volume of water recycled and reused.	●	29	
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	●	75	Not Applicable
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	●	75	Not directly related

APPENDIX

※ Reporting level ● Fully Reported ◐ Partially Reported ○ Not Reported

Environmental Disclosure on Management Approach				●	25	Remarks
EN13	Habitats protected or restored.			●	75	Not Applicable
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	6.5/6.5.6	The environment/Protection of environment, biodiversity and restoration of natural habits	●	75	Not Applicable
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.			●	75	Not Applicable
EN16	Total direct and indirect greenhouse gas emissions by weight.			●	33	
EN17	Other relevant indirect greenhouse gas emissions by weight.	6.5/6.5.5	The environment/Climate change and mitigation	●	76	Other relevant indirect greenhouse gas emissions are very rare
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.			●	32, 33	
EN19	Emissions of ozone-depleting substances by weight.			●	76	ozone-depleting substances are very small
EN20	NOx, SOx, and other significant air emissions by type and weight.			●	28	
EN21	Total water discharge by quality and destination.			●	28	
EN22	Total weight of waste by type and disposal method.	6.5/6.5.3	The environment/Prevention of pollution	●	29	
EN23	Total number and volume of significant spills.			●	29	
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.			●	28, 29	
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	6.5/6.5.4/6.5.6	The environment/Sustainable resource use/Protection of environment, biodiversity and restoration of natural habits	○	76	Affection to water bodies are very rare due to strict regulation on discharges
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	6.5/6.5.4/6.6.6/6.7.5	The environment/Sustainable resource use/Promoting social responsibility in the value chain/Sustainable consumption	●	34-35	
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	6.5/6.5.4/6.7.5	The environment/Sustainable resource use/Sustainable consumption	●	76	Used packaging material is very small
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	6.5	The environment	●	37	
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	6.5/6.5.4/6.6.6	The environment/Sustainable resource use/Promoting social responsibility in the value chain	○	-	
EN30	Total environmental protection expenditures and investments by type.	6.5	The environment	●	27	

Labor Practices and Decent Work Disclosure on Management Approach				●	39	Remarks
LA1	Total workforce by employment type, employment contract, and region, broken down by gender.	6.4/6.4.3	Labour practices/Employment and employment relationships	●	40, 41	
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region.			●	48, 41	
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	6.4/6.4.3/6.4.4	Labour practices/Employment and employment relationships/Conditions of work and social protection	●	48	
LA4	Percentage of employees covered by collective bargaining agreements.	6.4/6.4.3/6.4.4/6.4.5/6.3.10	Labour practices/Employment and employment relationships/Conditions of work and social protection/Social dialogue/Fundamental principles and rights at work	●	45	
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	6.4/6.4.3/6.4.4/6.4.5	Labour practices/Employment and employment relationships/Conditions of work and social protection/Social dialogue	●	45	
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	6.4/6.4.6	Labour practices/Health and safety at work	●	46	

※ Reporting level ● Fully Reported ◐ Partially Reported ○ Not Reported

Labor Practices and Decent Work Disclosure on Management Approach				●	40	Remarks
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and by gender.	6.4/6.4.6	Labour practices/Health and safety at work	●	47	
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	6.4/6.4.6/6.8/6.8.3/6.8.4/6.8.8	Labour practices/Health and safety at work/Community involvement and development/Community involvement/Education and culture/Health	●	47	
LA9	Health and safety topics covered in formal agreements with trade unions.	6.4/6.4.6	Labour practices/Health and safety at work	●	46, 47	
LA10	Average hours of training per year per employee by employee category	6.4/6.4.7	Labour practices/Human development and training in the workplace	●	43	
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	6.4/6.4.7/6.8.5	Labour practices/Human development and training in the workplace/ Employment creation and skills	●	43	
LA12	Percentage of employees receiving regular performance and career development reviews, by gender.	6.4/6.4.7	Labour practices/Human development and training in the workplace	●	41, 42	
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	6.3.7/6.3.10/6.4/6.4.3	Discrimination and vulnerable groups/ Fundamental principles and rights at work/Labour practices/Employment and employment relationships	●	22, 41	
LA14	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	6.3.7/6.3.10/6.4/6.4.3/6.4.4	Discrimination and vulnerable groups/ Fundamental principles and rights at work/Labour practices/Employment and employment relationships/ Conditions of work and social protection	●	48	
LA15	Return to work and retention rates after parental leave, by gender	6.3.7	Discrimination and vulnerable groups	●	48	

Human right Disclosure on Management Approach				●	51	Remarks
HR1	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening.	6.3/6.3.3/6.3.5/6.6.6	Human rights/Due diligence/ Avoidance of complicity/Promoting social responsibility in the value chain	●	53	
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	6.3/6.3.3/6.3.5/6.4.3/6.6.6	Human rights/Due diligence/ Avoidance of complicity/Employment and employment relationships/ Promoting social responsibility in the value chain	●	54	
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	6.3/6.3.5	Human rights/Avoidance of complicity	●	53	
HR4	Total number of incidents of discrimination and actions taken.	6.3/6.3.6/6.3.7/6.3.10/6.4.3	Human rights/Resolving grievances/ Discrimination and vulnerable groups/ Fundamental principles and rights at work/Employment and employment relationships	●	77	No Violation
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	6.3/6.3.3/6.3.4/6.3.5/6.3.8/6.3.10/6.4.3/6.4.5	Human rights/Due diligence/Human rights risk situation/Avoidance of complicity/Civil and political rights/ Fundamental principles and rights at work/Employment and employment relationships/Social dialogue	●	44, 45	
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	6.3/6.3.3/6.3.4/6.3.5/6.3.7/6.3.10	Human rights/Due diligence/Human rights risk situation/Avoidance of complicity/Discrimination and vulnerable groups/Fundamental principles and rights at work	●	77	no occurrence case in compliance to related law
HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.		Human rights/Avoidance of complicity/ Employment and employment relationships/Promoting social responsibility in the value chain	●	77	no occurrence case in compliance to related law

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※ Reporting level ● Fully Reported ◐ Partially Reported ○ Not Reported

Human right Disclosure on Management Approach				●	51	Remarks
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	6.3/6.3.5/6.4.3/6.6.6	Human rights/Resolving grievances/Discrimination and vulnerable groups/Fundamental principles and rights at work/Employment and employment relationships	●	77	outsourcing the security personnel
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	6.3/6.3.6/6.3.7/6.3.8/6.6.7	Human rights/Resolving grievances/Discrimination and vulnerable groups/Civil and political rights/Respect for property rights	●	77	No operation site with significant potential or actual negative impacts on local communities
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.	6.3.3/6.3.4	Due diligence/Human rights risk situation	●	58, 59	
HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.	6.3.6	"Resolving grievances"	●	53, 66	

Society Disclosure on Management Approach				●	51	Remarks
S01	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	6.3.9/6.8/6.8.5/6.8.7*/6.6.7	Economic, social and cultural rights/Community involvement and development/Employment creation and skills/Social investment/Respect for property rights	●	56, 57	
S02	Percentage and total number of business units analyzed for risks related to corruption.			●	78	Not counted
S03	Percentage of employees trained in organization's anti-corruption policies and procedures.	6.6/6.6.3	Fair operating practices/Anti-corruption	●	53	
S04	Actions taken in response to incidents of corruption.			●	53	
S05	Public policy positions and participation in public policy development and lobbying.		Fair operating practices/Responsible political involvement/Community involvement	●	37	
S06	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	6.6/6.6.4/6.8.3	Fair operating practices/Responsible political involvement/Community involvement	●	78	No contribution to political parties
S07	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	6.6/6.6.5/6.6.7	Fair operating practices/Fair competition/Respect for property rights	●	78	No legal actions
S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	6.6/6.6.7/6.8.7*	Fair operating practices/Respect for property rights/Social investment	●	78	No fines and sanctions
S09	Operations with significant potential or actual negative impacts on local communities.	6.8	Community involvement and development	●	78	no negative impacting operation
S010	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	6.8	Community involvement and development	●	28, 29	

※ Reporting level ● Fully Reported ◐ Partially Reported ○ Not Reported

Product Responsibility Disclosure on Management Approach				●	51	Remarks
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	6.3.9/6.6.6/6.7/6.7.4/6.7.5	Economic, social and cultural rights/Promoting social responsibility in the value chain/Consumer issue/Protecting consumers' health and safety/Sustainable consumption	●	30, 31 63	
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.			●	78	No occurrence
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	6.7/6.7.3/6.7.4/6.7.5/6.7.6/6.7.9	Consumer issue/Fair marketing, factual and unbiased information and fair contractual practices/Protecting consumer's health and safety/Sustainable consumption/Consumer service, support, and complaint and dispute resolution/Education and awareness	●	66 - 67	
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.			●	78	No occurrence
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	6.7/6.7.4/6.7.5/6.7.6/6.7.8/6.7.9	Consumer issue/Protecting consumer's health and safety/Sustainable consumption/Consumer service, support, and complaint and dispute resolution/Access to essential services/Education and awareness	●	68	
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.			●	69, 70	
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	6.7/6.7.3/6.7.6/6.7.9	Consumer issue/Fair marketing, factual and unbiased information and fair contractual practices/Consumer service, support, and complaint and dispute resolution	●	78	No Violation
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	6.7/6.7.7	Consumer issue/Consumer data protection and privacy	●	78	No Complaints
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	6.7/6.7.6	Consumer issue/Consumer service, support, and complaint and dispute resolution	●	78	No fines and sanctions resolution

Declaration of GRI 3.1 Application Level

GRI application levels are classified into A,B, and C
 KEPCO KPS has drawn up this report in accordance with the GRI G3.1 international guidelines for drawing up sustainability reports, and we rate this report's application level as A+



Third Party's Assurance Report

To the Readers of Kumho Tires Sustainability Report 2012 :

Foreword

The Korea Management Association Registration and Assessments (KMAR) has been requested by Kumho Tires to verify the contents of its Sustainability Report 2012(the Report). Kumho Tires is responsible for the collection and presentation of information included in the Report. Our responsibility is to carry out assurance engagement on specific information in the assurance scope stipulated below.

Our independence

With the exception of providing third party assurance services, KMAR is not involved in any other Kumho Tires business operations that are aimed at making profit in order to avoid any conflicts of interest and to maintain independence.

Assurance scope and standard

Kumho Tires describes its efforts and achievements of the sustainability activities in the Report. KMAR performed a type 2, moderate level of assurance using AA1000AS(2008) as an assurance standard. That is, the assurance team assessed whether inclusivity, materiality, and responsiveness were observed, and verified the followings to assess the reliability of the assertions and performances specified in the report.

• Assurance of the economic section :

Reviews whether the financial performance data has been extracted appropriately from Kumho Tires' 2012 financial statements and public notification data

• Assurance of the environmental and social section :

Reviews whether the environmental and social information included in the Report is presented appropriately

"Appropriately presented" means that the actual data and original information are appropriately reflected in the Report with consistency and reliability. For the economic section, we based our evidence-gathering procedures on reasonable assurance. It is a higher level of assurance than that of the limited assurance in terms of characteristics and the extent of performed tasks.

The team included the confirmation of the application level of GRI G3.1 utilized as the report criteria in the scope of assurance.

Assurance process

In order to verify the contents of the Report within an agreed scope of assurance in accordance with the assurance standard, KMAR's assurance team visited the Kumho Tires' headquarter and Gwangju plant, and carried out an assurance engagement as follows :

- Reviewed systems and processes used in producing data
- Assessed internal documents and materials
- Interviewed people in charge of disclosed activities and performances
- Reviewed the GRI G3.1 application level which was used as a reporting framework

Conclusion

Based on the results we have obtained from material reviews, relevant department visits, and interviews, we had several discussions with Kumho Tires on the revision of the Report. We reviewed the Report's final version in order to confirm that our recommendations for improvement and our revisions have been reflected. When reviewing the results of the assurance, the assurance team did not find any inappropriate contents related to the compliance with the principle in the Report.

• Inclusivity

Inclusivity is the participation of stakeholders in developing and achieving an accountable and strategic response to sustainability. Kumho Tires is developing and maintaining stakeholder communication channels in various forms and levels in order to make a commitment to be responsible for the stakeholders. The assurance team did not find any critical stakeholder group left out during this procedure.

• Materiality

Materiality is determining the relevance and significance of an issue to an organization and its stakeholders. A material issue is an issue that will influence the decisions, actions, and performance of an organization or its stakeholders.

Kumho Tires is determining the materiality of issues found out through stakeholder communication channels through its own materiality evaluation process, and the assurance team did not find any critical issues left out in this process.

• Responsiveness

Responsiveness is an organization's response to stakeholder issues that affect its sustainability performance and is realized through decisions, actions, and performance, as well as communication with stakeholders.

The assurance team did not find any evidence that Kumho Tires' counter measures to critical stakeholder issues were inappropriately recorded in the Report.

In addition, the assurance team checked that the Kumho Tires complied with the GRI G3.1 in preparing the Report, and that the Report fulfills the requirements of GRI application level 'A+'.

Recommendation for improvement

We hope Kumho Tires' publication of the Report is actively used as a communication tool with stakeholders and recommend the following for improvements.

- The assurance team confirmed that Kumho Tires established a sustainable management strategy and prepared detailed action plans according to the strategy. Even better performance is expected when the principles of stakeholder inclusiveness are fully considered at the stages of development, execution, monitoring and improvement of the sustainability management strategy. We hope these results could be fully reported in the Report to be published in the future.

- We recommend Kumho Tires specify the reporting standard and responsibility in order to make more systematic report publishing process. Documentation of report publishing process is also included in this effort. This can reduce potential risk of error and improve the quality of the sustainability Report.

- Materiality test process defines the content to report and is very important to help understand the economic, environmental, and social impacts process to help understanding of economic, environmental, and social impact of an organization through the information contained in the Report. Kumho Tires is required to improve the currently applied materiality test process into an original process according to the situation and characteristics of the corporation. In addition, we recommend make efforts to decide a report method to help easier understanding of information by stakeholders.

We recommend Kumho Tires enhance completeness and balance of the Report by expanding the report boundary as a global corporation and by reporting also the information regarding dilemma and limit faced during the driving process of the current sustainable management.

2013. 8. 16

CEO Ki Ho Park

K. H. Park



Awards and Membership

2012 Awards

	Organizer	Name of Awards/Rating/Certification	Details	Year
1	Brand Stock	Brand Star	No. 1 in the tire segment	2008-2012
2	The Korea Economic Daily	Customer Satisfaction Brand Awards	Eco-friendly tire-ecowing S	2012
3	Brand International Global Competitiveness Research Institute(Korea JoongAng Daily Economist)	National Brand Awards	No. 1 in the brand, industrial brand and tire segments	2012
4	Korea Management Association Consulting	Korea Consumer Satisfaction Index	No. 1 in the passenger car tire segment, durable goods manufacturing	2005-2012
5	Korea Green Purchasing Network	Green Product of the Year	Eco-friendly tire-ecowing S	2011-2012
6	Auto bild	AUTOSPOT Award	Bronze Award in the Automotive Category	2012
7	Korea Management Association consulting	Korea Net Promoter Score	No. 1 in the passenger car tire segment, durable goods manufacturing	2008-2012
8	Digital Chosun Ilbo	Korea's Hit Product of the Year	No. 1 in the tire service segment - Majesty SOLUS	2012
9	Sports Donga Ilbo	Hit Product of the 2nd Half of the Year	Chosen in the tire segment - ecowing S	2011-2012
10	Sports Seoul Ilbo	Hit Product	Chosen in the tire segment - ecowing S	2011-2012
11	Secretariat of the Best Brand Chosen by Consumers Awards (Forbes Korea)	Best Brand Chosen by Consumers Awards	Chosen in the durable goods, tire segment	2012
12	International Forum Design	iF Design Award	Product Design Category(KU50, KW27, KU39)	2012
13	Design Zentrum Nordheim Westfalen	Red-Dot Design Award	Product Design Category-ECSTA LE Sport(KU39)	2012
14	The Chicago Athenaeum	Good Design Award	U.S. GD Mark(KU22)	2012

2013 Awards

	Organizer	Name of Awards/Rating/	Details	Year
1	Brand Stock	Brand Star	No. 1 in the tire segment	2008-2013
2	Brand International Global Competitiveness Research Institute(Korea JoongAng Daily Economist)	National Brand Awards	No. 1 in the brand, industrial brand and tire segments	2012-2013
3	Secretariat of the Best Brand Chosen by Consumers Awards (Forbes Korea)	Best Brand Chosen by Consumers Awards	Chosen in the durable goods, tire segment	2012-2013
4	Design Zentrum Nordheim Westfalen	Red-Dot Design Award	Product Design Category - ecowing ES01(KH27)	2012-2013
5	Chosun Biz	Korea's Most Admired Brand Awards 2013	No. 1 in the tire segment	2013
6	Korea Brand Management Association	No. 1 in the Customer Impression Brand Index	No. 1 in the tire segment	2013
7	Channel A/Donga Daily	Korea Management Awards	Korea Technology Innovation Management Awards - ECSTA PS91	2013

Association and Organization Membership

Korea Tire Manufacturers Association	Korea Employers Federation	Korea Advertisers Association
Polymer Society of Korea	Korea Exchange	Defense Security Council in Seoul
Korea Industrial Technology Association	Korea Invention Promotion Association	Korea Management Association
Korea-Japan Economic Association	Seoul Chamber of Commerce and Industry	Korea Listed Companies Association
Korea IR Service	Rubber Society of Korea	Korea-U.S. Economic Council
Korea Defence Industry Association	Fair Competition Federation	Korea International Trade Association
London Stock Exchange	WBCSD-TIPG**	

** WBCSD-TIPG : World Business Council for Sustainable Development-Tire Industry Project Group

Stakeholder Survey

KUMHO TIRES 

We welcome your candid feedback on our 2012 Sustainability Report.

Your valuable opinions and suggestions will be carefully reviewed and fully reflected in our upcoming reports.

You may let us know your opinions on this sustainability report through our corporate phone or fax.

Recipient | Tel. +82-62-940-2737 | Fax. +82-62-940-2719 Kumho Tires EQS Team

Sender | Name _____ Gender _____ Job _____

1. To which of the following groups do you belong?

- Customers Investors/Shareholders Suppliers Local communities Civic organizations Employees of tire companies
 Research institutes Government Media Employees of Kumho Tires Others()

2. How did you learn about our sustainability report?

- Kumho Tires' website Seminars/Lectures/Exhibitions Newspapers/Magazines Other websites
 Employees of Kumho Tires Others()

3. Which section of this report interests you the most?

- Sustainability Overview Strategy Management Environment Management Talent Management
 Ethics Management Quality Management

4. Which section of this report could be further complimented?

- Sustainability Overview Strategy Management Environment Management Talent Management
 Ethics Management Quality Management

5. Please evaluate this report based on the following categories :

- Easy to understand Very satisfactory Satisfactory Average Unsatisfactory Extremely unsatisfactory
 Amount of data contained in the report Very satisfactory Satisfactory Average Unsatisfactory Extremely unsatisfactory
 Overall satisfaction with the report Very satisfactory Satisfactory Average Unsatisfactory Extremely unsatisfactory

6. Please feel free to present any further opinions you may have regarding this sustainability report.