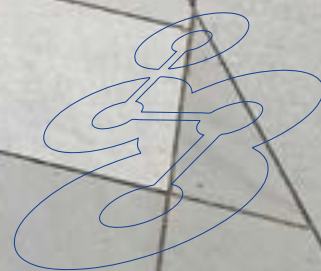


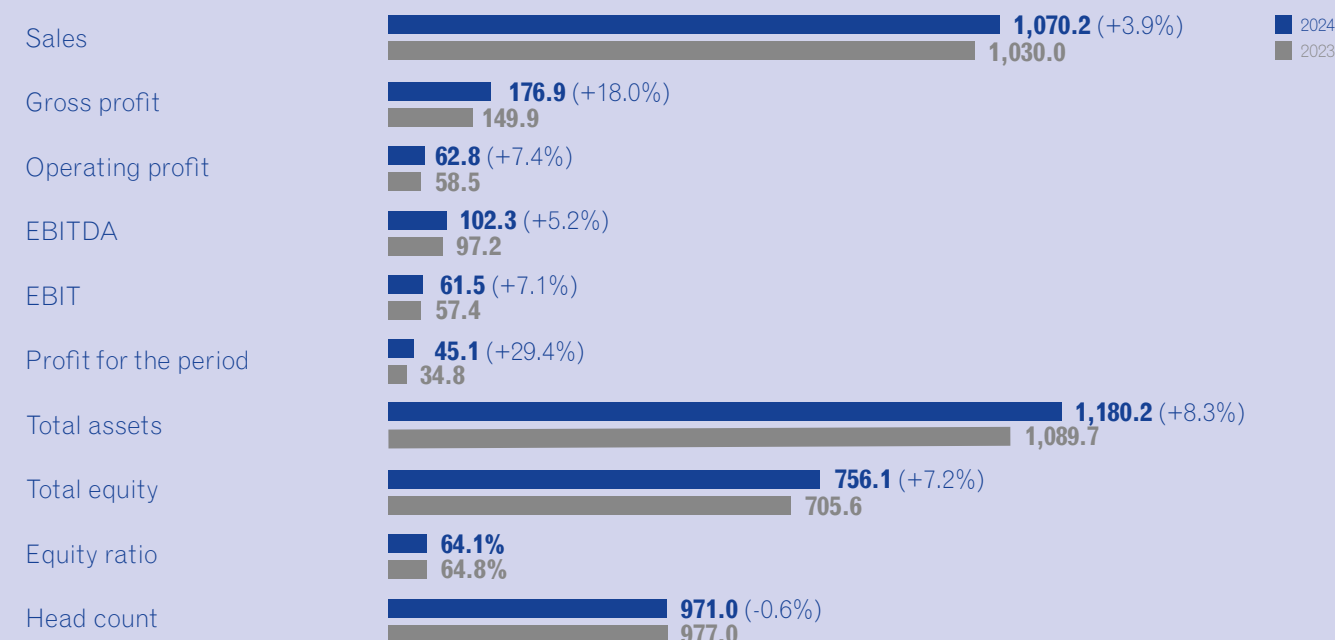


WE CARE
about the future

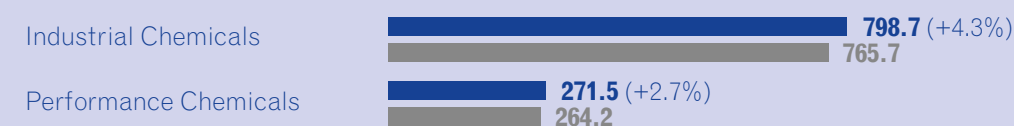


2024 over- view

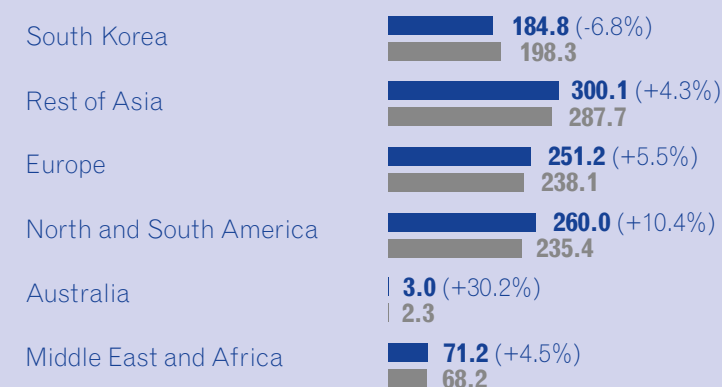
KEY FINANCIAL DATA 2024 (in Billion KRW)



SALES BY REPORTING SEGMENT (in Billion KRW)



SALES BY REGION (in Billion KRW)



SONGWON INDUSTRIAL GROUP OVERVIEW

35

Nationalities

115

Total female employees
worldwide

64.1

Equity ratio (%)

57

New talents added
to the global team

62.8

Billion KRW
Operating profit

45.1

Billion KRW
Profit for the year

179

Employees working
20+ years

1,879

KRW Basis earnings
per share

764.1

Direct energy
consumption
(TJ)

1,180.2

Billion KRW
Total assets

971

Total head count

176.9

Billion KRW
Gross profit

0.22

No./hour
Total case accident rate
(TCAR)

756.1

Billion KRW
Total equity

8

Manufacturing
plants



Letter to shareholders

In 2024, SONGWON achieved sales of 1,070,200 Million KRW (FY2023: 1,029,975 Million KRW) and we are also proud that after 5 consecutive gold medals, SONGWON was awarded the EcoVadis Platinum rating for the 1st time.

SOLID PROGRESS

Dear Shareholders,

In the past 12 months, the challenging global landscape has highlighted SONGWON's strength as a key industry player and our ability to navigate an ongoing complex environment, support customers and progress with our sustainability goals. As 2024 presented its challenges, demanding adaptability and responsiveness, SONGWON remained resilient and focused.

In 2024, SONGWON achieved sales of 1,070,200 Million KRW (FY2023: 1,029,975 Million KRW) and reported a gross profit margin of 16.5%, +1.9%-points higher than the gross profit margin in the full year 2023 (FY2023: 14.6%). The Group's net profit for FY2024 increased to 45,088 Million KRW after the Korean Supreme Court's ruling in favor of SONGWON in February 2025. For more information see Financial Statements, pg. 249

In 2024, SONGWON achieved 1,070,200 Million KRW in sales.

Throughout the year, significant shifts in macroeconomic and geopolitical dynamics, compounded by competitive pressures and fluctuating market conditions, have again tested our operational efficiency. The complex landscape and subdued demand that characterized 2023 persisted into 2024, with market conditions remaining weak and China's recovery progressing more slowly than anticipated. Furthermore, ongoing geopolitical tensions and supply chain issues impacted logistics, increasing costs and creating additional challenges.

Amid this unpredictable market environment, SONGWON's businesses performed in line with expectations throughout 2024, supported by the valuable synergies across the organization and our committed global team, making quick decisions and driving efficient and timely actions.

SONGWON achieved EcoVadis Platinum for the 1st time.

Weak industry demand impacted some of SONGWON's businesses more than others, particularly in regions with intense competition, where persistent overcapacity, compounded by decreased demand in certain sectors, led to aggressive pricing strategies. However, we observed a gradual, albeit uneven, recovery in demand across segments and by maintaining a disciplined approach, making key investments and implementing appropriate strategic actions across SONGWON's business units, we protected our market share and delivered a solid overall result for the year.

In the business for almost 6 decades, the fundamental pillars of our business remain steadfast and strong. At SONGWON, we are well-accustomed to navigating challenges and over time, we have mastered the skills needed to mitigate risks, stay competitive and respond promptly to fluctuations in demand.

SONGWON registered 7 new products in 2024 and 21 products are currently in the scale-up phase. Additionally, we advanced our multi-source strategy, optimized raw material sourcing and improved end-to-end transparency to strengthen our ability to reliably supply and deliver value to our stakeholders while efficiently managing the global supply chain.

Since SONGWON's foundation, we have always prioritized close collaboration with our customers, especially in times of uncertainty and this has been key to our success. By fostering close relationships, we gain valuable insights into evolving customer needs, enabling us to address them swiftly and effectively.

3 new distributors were added to SONGWON's global network.

Recognizing the advantage of collaboration, we also continued to strengthen our partnerships with distributors and logistics service providers. In line with our 'global reach, local execution' principle, we added 3 new partners to SONGWON's global distributor network. The insights they provide on business trends, new regulations and regional demand forecasts have become invaluable to us.

Additionally, we cooperated with industry peers. For example, SONGWON signed The Antwerp Declaration for a European Industrial Deal and joined 1,300

organizations across 25 sectors to promote European industrial production through increased competitiveness, innovation and environmental responsibility. SONGWON's active participation in industry associations, key trade shows and conferences (NPE, ACS, etc.) further reinforced our strategic efforts and industry positioning in 2024. It also enabled us to stay up to date on developments in the market, making it possible for us to make quick decisions, implement improvements and quickly respond to customers' needs. In doing so, we further strengthened SONGWON's reputation as a reliable partner and reinforced our position as the preferred supplier in the industries we serve.

SONGWON signed The Antwerp Declaration for a European Industrial Deal.

At SONGWON, we are proud of the reputation we have built for consistently delivering high-quality products, service and support. In today's markets, changes are happening at an accelerated pace. Customers demand increased flexibility, advanced solutions and more comprehensive services. Therefore, ensuring ongoing improvement, streamlining our processes and maintaining the quality of products and services at the levels our customers have come to expect from SONGWON is crucial to our success.

In 2024, we successfully introduced our new ERP system in Korea, including a newly designed Quality Assurance (QA) application. This system was subsequently rolled out across all SONGWON entities, further aligning and securing global quality processes. By enhancing data transparency and accessibility for more stakeholders, it enables faster responses and immediate access to critical QA information, strengthening company-wide quality management.

SONGWON maintains its competitive edge through operational excellence, with a framework centered on customer-centricity, efficiency and growth, supported by good governance and transparency. SONGWON is committed to compliance and in response to the evolving regulatory landscape, we diligently monitor developments and implement proactive measures to ensure we meet our obligations. For us, building a strong and accountable organization goes hand in hand with meeting stakeholder needs.

We can report another successful year of progressing SONGWON's sustainability goals. We are also proud that after 5 consecutive gold medals, SONGWON was awarded the EcoVadis Platinum rating for the 1st time.

Sustainability is not just an aspect of our business strategy but a strategic driver. It shapes our approach to conducting business, recognizing that our responsibilities extend to a wide range of stakeholders. To honor these commitments, we strive to achieve an optimal balance between environmental stewardship, social progress, ethical practices and economic success. This ensures that while we pursue our business objectives, we also contribute positively to society and the planet, reflecting our core belief that sustainable practices are essential for long-term success.

Aligned with the 17 UN Sustainable Development Goals, SONGWON's sustainability strategy reflects our commitment to addressing industry challenges and focusing on areas where we can make a significant difference. This year, we introduced 36 new KPIs, bringing the total to 89 and these have been externally assured by the British Standards Institution (BSI) in accordance with ISAE 3000.

SONGWON introduced 36 new KPIs, bringing the total to 89 in 2024.

We also advanced our carbon reduction roadmap, to align with the Korean government's Nationally Determined Contribution, targeting an 11.4% reduction in chemical industry emissions by 2030. Additionally, SONGWON's roadmap for the next 2 years, which includes further sustainability disclosures, supports us to effectively track and enhance SONGWON's sustainability performance, align our ESG reporting with stakeholder expectations and meet the required timelines set by relevant authorities.

Furthering our commitment to sustainability and Environmental, Social and Governance (ESG) principles, we strengthened SONGWON's ESG framework by introducing an ESG Roadmap to guide our reporting. We also conducted Life Cycle Assessments (LCAs) on the top 80% of our products by sales volume. Additionally, we developed policies on Environmental, Health & Safety, Labor & Human Rights and Sustainable Procurement, incorporating both qualitative and quantitative ESG targets. These efforts enhance our existing ESG

framework and reinforce our proactive integration of sustainability across our operations.

Despite challenges, SONGWON made solid progress in 2024. Building on our extensive industry experience, diverse portfolio and commitment to customers, we have remained competitive and well-positioned to meet rising market demands. Achieving EcoVadis Platinum also marks a significant milestone in our sustainability journey.

Moving forward, we will closely monitor global developments, improve efficiencies and advance our sustainability efforts while exercising financial prudence, expanding our competitive advantage and maximizing opportunities for resilient growth. As we have done for nearly 60 years, SONGWON will continue driving its strategy, leveraging its leading position and technology to create sustainable value for all stakeholders.

On behalf of the Board of Directors, the Executive Committee and SONGWON's global team, we thank you, our shareholders for your trust, sustained confidence and continued support. ■



Jongho Park
Group CEO

BOARD OF DIRECTORS

SONGWON Industrial Group



Dongbek Park
1944 - Korean
Chairman of the Board



Jongho Park
1973 - Korean
Executive Board Member



Hans-Peter Wüest
1961 - Swiss
Executive Board Member



Choung-Sik Kim
1957 - Korean
Executive Board Member

EXECUTIVE COMMITTEE

SONGWON Industrial Group



Jongho Park
Chief Executive Officer



Hans-Peter Wüest
Chief Financial Officer



Hans Werhonig
Leader Group Commercial



Byungsoo Boo
Leader Operations

SHARE PRICE DEVELOPMENT

Another challenging year

SONGWON closed the year on December 31st, 2024, with a market cap of 269 Billion KRW and a stock price of 11,190 KRW. This marked a 31.6% decline compared to the market cap at the end of 2023 when the stock price was 16,360 KRW. In contrast, during FY2024, the Korea Composite Stock Price Index (KOSPI) level decreased year-end to 2,399, down 9.6% from its level on the first trading day in 2024 of 2,655.

Experiencing a significant decline during the first 7 months of 2024, SONGWON's share price dropped from 16,360 KRW to 11,270 KRW. During this period, the share price was heavily impacted by a combination of negative sentiment towards the chemical industry as a whole and specific challenges faced by the organization.

As in 2023, the global petrochemical market continued to face shrinking margins, driven by the ongoing oversupply resulting from the increased production levels from petrochemical companies. In addition, high energy costs and regulatory pressures further strained the industry, leading many major companies to consolidate and downsize operations. Collectively, these factors exerted downward pressure on share prices across the entire chemical sector throughout the year.

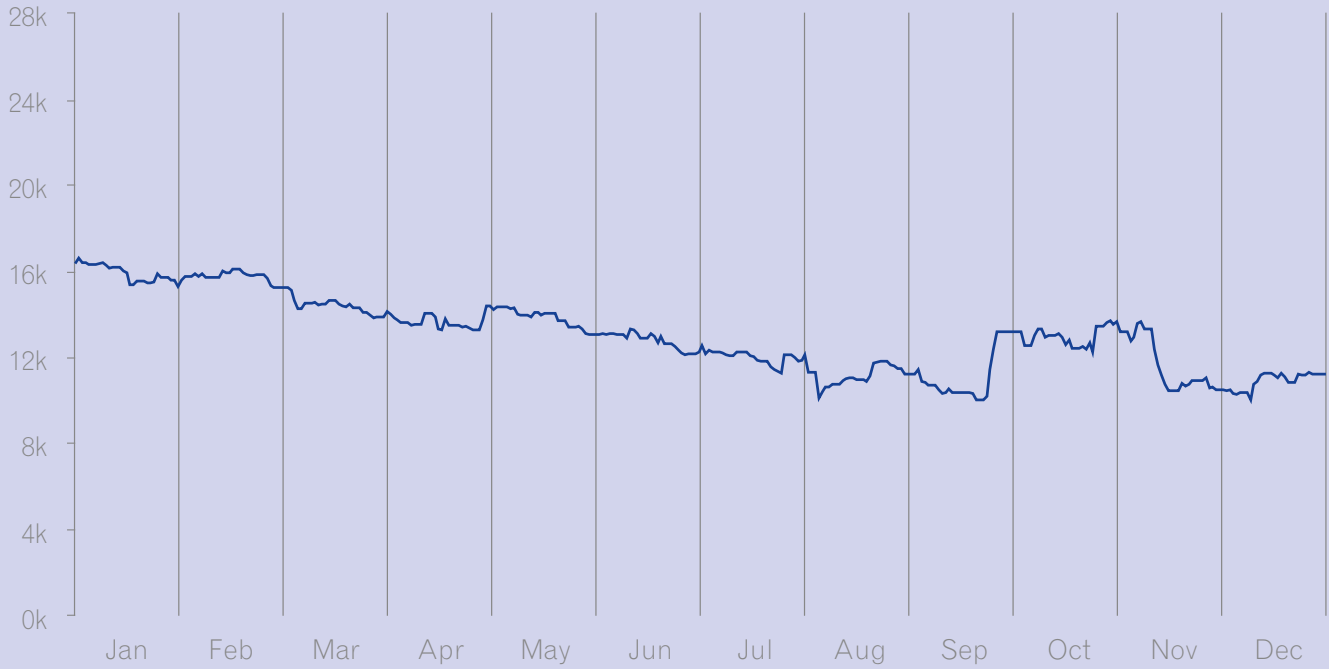
The KOSPI chemical sector recorded a 16.7% loss in the first 7 months of the year, while the overall KOSPI index gained 4.3% during the same period. For SONGWON specifically, the organization's poor earnings in the last quarter of 2023, released in the 1st quarter of 2024, disappointed many investors and led them to believe that the organization would see margins squeezed severely going forward. This resulted in weak stock price performance during the first seven months of the year.

From August to the end of 2024, SONGWON's share price traded between 10,000 KRW and 13,680 KRW. The share price stabilized after the release of two consecutive quarterly earnings (1st and 2nd quarters) that showed improvement. After China announced a strong economic stimulus¹, the sentiment in the chemical industry slightly improved overall. However, it was not strong enough to improve the fundamentals of the industry and had limited impact on the upside movement of SONGWON's share price, despite the organization consistently releasing solid earnings.

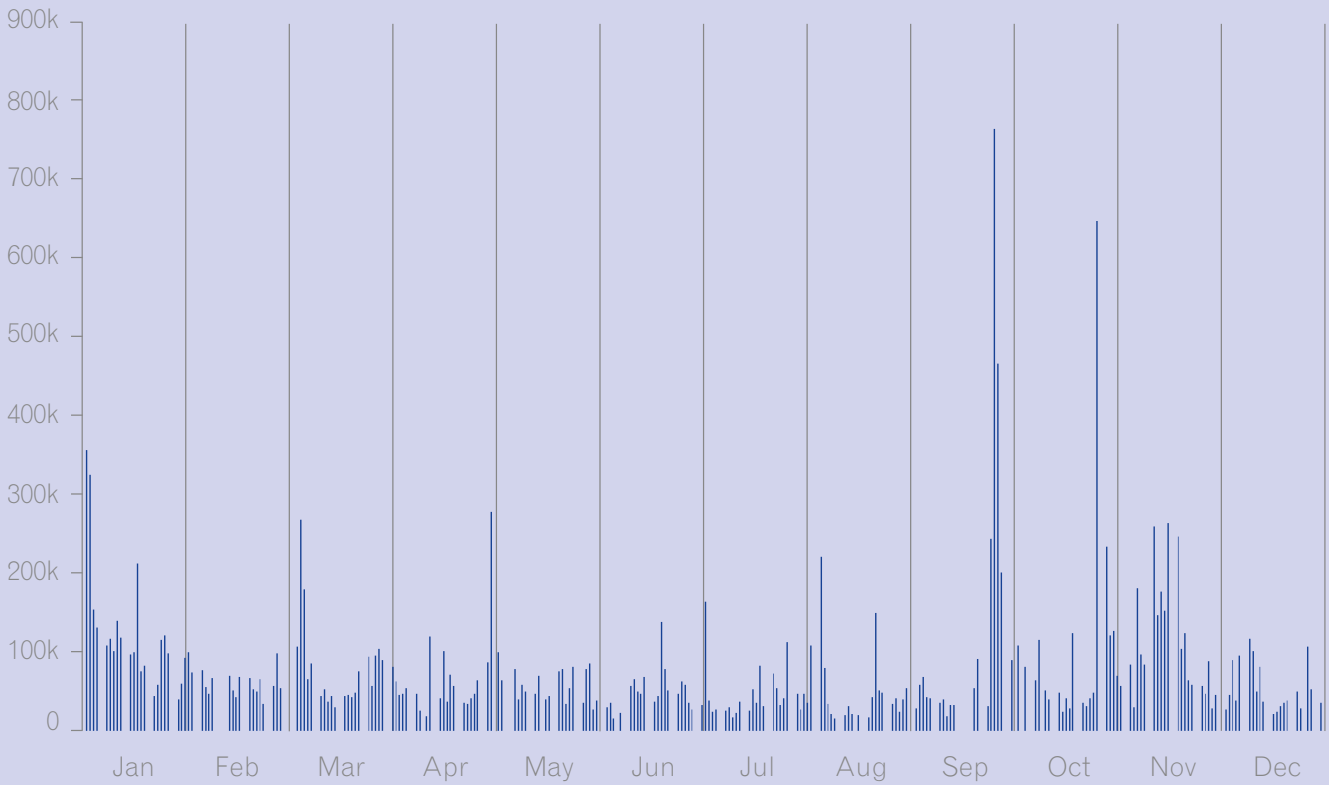
Sources:
1 <https://global.krx.co.kr/main/main.jsp>

Throughout the year, despite the challenging, highly uncertain environment and the headwinds facing the industry, SONGWON remained focused on prudent cost management, disciplined capital allocation and the implementation of appropriate measures to ensure both its operations and businesses could effectively adapt to the dynamic market conditions. Confident in the resilience of its business model and committed to delivering on its financial priorities, SONGWON is well-placed to materialize opportunities and continue delivering solid performance for customers and investors. ■

SONGWON share price 2024



SONGWON share volume 2024



Ticker:	KOSE: A004430	Share price (31.12.2024):	11,190 KRW
Stock exchange:	Korea	52-week high:	16,670 KRW
Listed since:	1977	52-week low:	9,930 KRW
Shares outstanding:	24 million	Free float:	64.36%
Market capitalization: (Million KRW)	268,560	Dividend per share (2024): (50% of nominal share value)	250 KRW

2024 High- lights

R&D

7 new products were registered
71 new products have been developed
21 products are in scale-up
86.4 % scale-up success ratio achieved
51 patents are currently held by SONGWON

COLLABORATION

Expanded SONGWON's global network with 3 new distributors
Extended partnership with 1 distributor
Signed The Antwerp Declaration for a European Industrial Deal

CORPORATE

Established Environmental, Health & Safety, Labor and Human Rights and Sustainable Procurement policies
ERP system Dynamics 365 fully implemented at all SONGWON's global locations

PRODUCTION

Increased efficiency with more plant automation
Added new equipment to support recycling
Installed new technology to reduce CO₂ emissions

SUSTAINABILITY

Achieved EcoVadis Platinum rating
89 KPIs assured by the British Standards Institution (BSI) based on ISAE 3000
Successfully renewed its ISO 14001 certification
Completed LCAs on the top 80% of our products, based on their sales volume

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01

ABOUT SONGWON

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COMPANY PROFILE

Founded in 1965 and headquartered in Ulsan, South Korea, SONGWON is a global leader in the development, manufacture and supply of specialty chemicals and one of the world's largest producers of polymer stabilizers. With its group companies operating all over the world, SONGWON offers customers a global advantage and easily accessible local operations that provide valuable local insight. SONGWON's diverse team of dedicated and experienced professionals works with customers and other industry experts to develop and deliver customized, application-specific chemical products for a wide variety of sectors and industries.

SONGWON continues to successfully strengthen its global presence, particularly in emerging markets through its proprietary technologies and sound economics. With its wholly-owned subsidiaries and 1 joint venture, the organization is well-positioned to continue its strategic priorities to ensure long-term sustainable and profitable growth.

Information on SONGWON's 59-year history can be found on the company website:
www.songwon.com/company/history

We
stand
for

ENTREPRENEURSHIP

Each of us truly lives SONGWON's entrepreneurial spirit, focusing on facts and figures. We stick to what we promise and transform innovative ideas to create additional benefit for our stakeholders.

COLLABORATION

We see ourselves as an extended team that is always within reach for our stakeholders to support, providing expertise and creating value added solutions.

EXCELLENCE

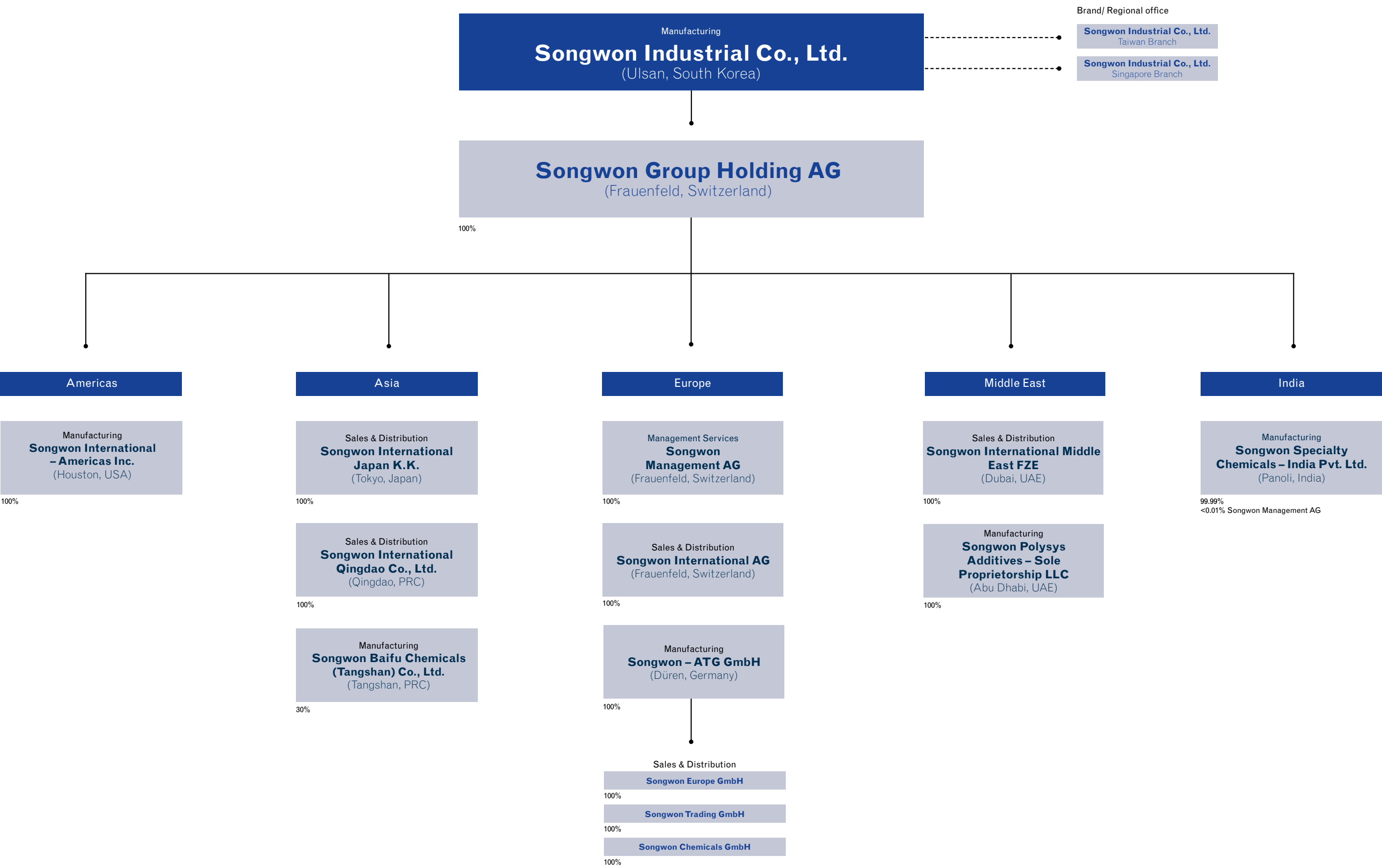
We understand the needs of the markets, seeking areas of improvement and applying our experience to generate sustainable value to our stakeholders.

VALUE IN PEOPLE

We are a committed team driven and dedicated to advancing our customers' interests. Our people, products and processes bear the hallmark of SONGWON's reliability, trust and confidence in the future.

GROUP STRUCTURE

as of December 31st, 2024



GLOBAL LOCATIONS



Headquarters in Ulsan, Korea.

14 Group companies, 1 joint venture and 2 representative offices, located in 10 different countries on 3 continents.

8 manufacturing facilities (incl. joint venture), 3 of which are located in Korea and the others in Germany, USA, India, UAE and China

A worldwide network of sales offices, distributors, customer service and logistic hubs and warehouses.

	Headquarters & Affiliates	Manufacturing	Application Development	Technical Service	R&D
Germany, Düren	■				
Germany, Greiz		■	■	■	
India, Panoli	■	■		■	
Japan, Tokyo	■			■	
PR China, Qingdao	■			■	
PR China, Tangshan	■	■			
Republic of Singapore, Singapore	■				
South Korea, Maeam		■	■	■	■
South Korea, Suwon		■		■	
South Korea, Ulsan	■	■		■	
Switzerland, Frauenfeld	■			■	
Taiwan, Kaohsiung City	■				
UAE, Abu Dhabi	■	■			
UAE, Dubai	■			■	
USA, Houston	■	■		■	

PRODUCT GROUPS

Customized, high-performance solutions

As a specialty chemicals leader, SONGWON offers a broad portfolio of high-performance, market-oriented products to the industry. SONGWON's products are the result of 59 years of industry experience, the latest technologies and customer collaboration combined with SONGWON's long tradition of innovation. Each is designed to add value and fulfill even the most demanding application criteria while providing our diverse customer base with a competitive advantage.

Knowing that the requirements and conditions of each of our markets are ever-changing, we regularly engage with our customers throughout the world in order to develop solutions that not only match their needs but exceed their expectations. One of the key elements in the management's global strategy is making sure that SONGWON is technologically up-to-date and well-equipped to provide customers with the most suitable solutions for their unique application areas.

SONGWON's products have been organized into 6 main groups:

- Polymer Stabilizers
- Fuel and Lubricant Additives
- Coatings
- TPU/SPU
- Tin Intermediates/PVC
- Specialty Chemicals

POLYMER STABILIZERS – protect during manufacture & use

SONGWON offers a comprehensive range of processing, heat and light stabilizers, in a variety of blends and physical forms, facilitate handling and application use and protect polymers from heat and light degradation. These include antioxidants, hindered amine light stabilizers, UV absorbers and One Pack Systems. During processing, they ensure that plastic

end products retain their mechanical and physical properties while in use and also prolong their lifespan.

FUEL AND LUBRICANT ADDITIVES – prolong product life cycles & improve performance

SONGWON has an extensive portfolio of aminic, phenolic, phosphite and thioester antioxidants especially for lubricants used in automotive and industrial applications as well as for fuels (incl. biofuels). Antioxidants retard oil oxidation by reacting with and stabilizing free radicals or decomposing hydroperoxides which extends the oil's life and enhances both its efficiency and performance.

COATINGS – ensure long protection & durability

From liquid forms to powder to synergistic mixtures for the most demanding uses and applications, SONGWON's Performance Additives protect against thermal and light degradation. SONGWON also offers antioxidants (primary, secondary and thioesters), hindered amine light stabilizers, UV absorbers and synergistic blends of our products to ensure maximized performance across various sectors such as automotive, industrial etc.

TPU/SPU– offer customization & good physical properties

SONGWON provides customized polyurethane products to various industries such as coating resins for cable and synthetic leather for clothing/shoes, adhesives and ink binders for flexible packaging, protection films for mobile phones. TPU in particular offers good physical abrasion resistance and can be used to blend other resins (e.g., PVC etc.) to improve their properties.

TIN INTERMEDIATES/PVC – provide flexibility & quality

SONGWON's high-quality Tin Intermediates and Catalysts are especially developed for use in esterification processes and glass coatings. Our PVC stabilizer range now includes the new Calcium Organic stabilizer family and each one can be adapted to specific customer requirements. In addition to several products for PVC applications (e.g., pipes, cables, films, flooring, automotive interior parts etc.), SONGWON also has a broad range of plasticizers.

SPECIALTY CHEMICALS – deliver innovation & improve performance

By identifying opportunities for creating new electronics, functional monomers and flame retardants in cooperation with customers, SONGWON can meet the constant innovation that these markets demand.

SONGWON's electronic chemical products are designed mainly for KrF, ArF and EUV* photoresists used in the production of semiconductors.

Functional Monomers add extra benefits to polymers which significantly improve physico-chemical properties and performance.

*krypton fluoride, argon fluoride and extreme ultraviolet

SONGWON OFFERS ONE OF THE INDUSTRY'S BROADEST PORTFOLIOS FOR A WIDE RANGE OF APPLICATIONS.

	Adhesives & Sealants		Electrical & Electronics
	Agriculture		Fuel & Lubricants
	Automotive		Packaging
	Building & Construction		Textiles & Fibers
	Coatings		Wire & Cables
	Durable & Consumer Goods		...

OUR BRANDS

SONGCAT™

Organo-Tin Intermediates

SONGSORB®

Light Stabilizers

SONGXTEND®

Stabilizer Solutions

SONGNOX®

Stabilizers & OPS Blends

SONGSTAR™

Polyester Diols

SONGSTOMER™

TPU Grades

SONGCURE®

Photoinitiators

SONGSTAB™

PVC Stabilizers





© Registered trademarks of Songwon Industrial Co., Ltd. ™Trademarks of Songwon Industrial Co., Ltd.

All of SONGWON's trademarks and product line brand names used in conjunction with SONGWON's business operations are registered (®) with the U.S. Patent and Trademark Office and registered or subject to pending trademark applications (™) with the registries of many foreign countries and/or are protected by common law.

Accordingly, SONGWON intends to keep its filings current and seek protection for new trademarks or product names on a country-by-country basis consistent with its business needs. All other trademarks, service marks, logos and trade names referenced in any of SONGWON's material are the property of their respective owners.

VALUE CREATION

Our inputs

<p>People</p>  <p>971 employees 35 nationalities 100% commitment</p>	<p>Manufacturing</p>  <p>8 world-class facilities Fully back integrated Leading-edge technologies</p>	<p>Innovation</p>  <p>Technology Innovation Center Dedicated application labs 71 products under development 59 years of industry experience</p>	<p>Financial</p>  <p>Total assets 1,180.2 Billion KRW</p>
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Our business

360° high-performance solutions	Fully compliant & regulatory support
2 main reporting segments	Reliable on-time supply
Comprehensive customer support	Strong global distributor network
10 Technical Service Centers	Culture of innovation & responsibility
Sustainable supply chain	Customers in 60+ countries

Our 2024 outputs

<p>People</p>  <p>57 new talents joined the global team Company-wide synergy strengthened Corporate Values and Leadership Principles maintained worldwide</p>	<p>Manufacturing</p>  <p>LCAs (Life Cycle Assessments) Regular safety trainings & health inspections</p>	<p>Innovation</p>  <p>7 new products registered 71 new products developed</p>	<p>Financial</p>  <p>Total revenues 1,070 Billion KRW Profit for the period 45,088 Million KRW</p>
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SONGWON FOCUSES ON:



Meeting our customers' current & future needs

By listening closely to customers and developing innovative sustainable solutions for high-end applications, we deliver products that improve processing efficiencies, deliver solid ROI and support industry growth.



Expanding & developing our diverse portfolio

We provide one of the broadest, most comprehensive ranges of top-quality products in the industry and by continuing to develop high-performance, cost-effective and sustainable solutions, we unlock opportunities for new applications and markets.



Providing best-in-class & personalized customer support

We care about our customers' needs and provide extensive support – from customer service and logistics to technical and regulatory expertise – while reliably delivering innovative solutions that meet their application requirements and sustainability goals.



Creating value & remaining competitive

We maintain a competitive edge by creating sustainable value and achieving economic advantages through proprietary technology, economies of scale and backward integration, while also helping our customers overcome challenges and stay competitive in their markets.



Offering global coverage with local expertise

As an industry leader, staying close to our customers is key to our success. With state-of-the-art manufacturing facilities worldwide and strong local operations, we minimize risks to our business and are well-positioned to seize emerging opportunities.



Building a strong, diverse team of professionals

SONGWON's success is driven by a strong talented global team. We continually strive to ensure that our people feel valued and have a safe, supportive working environment. Adding new talent each year strengthens our organization and enables us to further enhance our excellent EH&S performance.





02

BUSINESS
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MARKET, RISKS & OPPORTUNITIES

The global landscape

As a global leader, SONGWON remains committed to achieving sustainable, solid growth and to delivering value to shareholders. However, the nature of our business and the dynamic global landscape in which we operate exposes us to various risks and uncertainties. Challenges like fluctuating demand, strong market competition and the ongoing turbulence in key industries such as automotive and construction that are difficult to predict. In addition, diverse political and socio-economic conditions across different regions add further complexity. Effectively managing these risks and identifying opportunities is therefore essential to ensuring SONGWON's continued success.

The chemical industry has been significantly impacted by global market dynamics, characterized by rising energy and raw material costs, tighter profit margins and intensifying competition across regions. Additionally, increasingly stringent regulations, especially in the specialty chemicals sector, have brought numerous new requirements for manufacturing, testing and marketing products.

Consequently, navigating such a highly complex and evolving business environment requires the proactive and early identification of potential risks to mitigate negative impacts and protect our business. Risks resulting from economic instability, particularly geopolitical uncertainties, can limit growth and negatively influence demand. While these factors are beyond our immediate control, we work to ensure that SONGWON remains resilient and well-positioned to sustain its industry leadership while minimizing any disruption to our operations. This involves strengthening SONGWON's risk management framework, increasing organizational adaptability and ensuring we stay responsive to changing market dynamics.

As 2024 comes to a close, global economic growth has aligned with earlier projections. Inflation rates decreased more rapidly than anticipated in many regions; however, inflation in raw materials, energy prices, and ongoing supply chain disruptions continued to exert pressure on industries. The IMF reported that global headline inflation declined to 5.9% in 2024 and is projected to further decrease to 4.5% in 2025. Despite these positive developments, the IMF cautioned that elevated central bank policy rates aimed at combating inflation, along with the withdrawal of fiscal support amid high debt levels, could weigh on economic activity. Additionally, the Organization for Economic Cooperation and Development (OECD) raised its global growth

forecast to 3.3% for 2025 but cautioned that rising protectionism, particularly among major economies, along with geopolitical tensions and high public debt, pose significant risks to global trade recovery and economic stability.

A substantial portion of global growth in 2024 continued to come from Asia, despite a slowdown in China's economic recovery. Emerging Asian economies, including India and the ASEAN countries, demonstrated resilience, supported by strong domestic demand. Looking ahead, while inflation is expected to decline further, challenges persist. Elevated central bank policy rates and the withdrawal of fiscal support are expected to weigh on economic activity.

In summary, with the global economy facing additional challenges—including technological disruption from generative AI, increasing protectionism, the effects of climate change, and political uncertainty in major economies such as the U.S.—the outlook for the coming year remains uncertain, with various risks to manage.

Chemical industry 2024 challenges

In 2024, the chemical industry continued to face ongoing challenges from the previous year, shaped by macroeconomic uncertainty, geopolitical tensions and shifting market dynamics. High energy costs, inflationary pressures and supply chain disruptions added complexity to global operations. Meanwhile, China's slower-than-expected recovery, subdued demand in key markets and persistent oversupply in certain sectors intensified competition and squeezed profit margins. At the same time, tightening regulatory frameworks and rising sustainability expectations placed additional demands on the industry.

Throughout the year, logistical bottlenecks in key trade routes created significant supply chain disruption and remained a critical issue for the industry. The situation in the Red Sea and ongoing congestion in the Panama Canal resulted in shipping delays, increased transportation costs and supply inconsistencies. In response, chemical companies had to reassess and adjust their logistics strategies and adopt more flexible solutions to maintain operational stability and mitigate risks related to these global trade disruptions.

At the same time, regulatory demands became increasingly stringent. The implementation of evolving frameworks such as EU-REACH and K-REACH posed added compliance challenges, requiring chemical companies to continually adapt to new classification,

labeling, packaging and testing requirements. Additionally, South Korea's newly introduced Toxic Chemicals Control Act added further complexity for businesses operating in the region.

Chemistry industry players also faced increasing pressure in 2024 to meet sustainability goals, with increasing expectations from governments, investors and consumers. Companies were expected to demonstrate progression toward net-zero emissions and advance circular economy practices. Initiatives like improving waste-to-value processes and enhancing product recyclability have become essential, not only for compliance but as part of broader sustainability commitments. However, these shifts also posed significant challenges in terms of cost, technology and operational adjustments. Furthermore, evolving ESG requirements for greater transparency, ethical supply chain practices and environmental responsibility have further increased the complexity of meeting rising expectations.

As 2024 unfolded, chemical companies were forced to adapt their strategies to maintain market position and those that focused on supply chain resilience, sustainability and innovation were better positioned to navigate challenges and seize opportunities. Looking ahead to 2025, the industry will continue to navigate geopolitical uncertainty, heightened competition, economic volatility and shifting regulations. Going forward, to remain resilient and secure long-term success, it will be essential to balance cost management, operational efficiency and sustainability goals with a strong focus on innovative advancements and adaptability.

Chemical industry 2024 challenges:

- This year, the chemical industry was subjected to:
- geopolitical risks and economic instability.
 - supply chain and logistics disruption.
 - weak demand, overstocking in the value chain.
 - intense competition and price adjustments.
 - increasing ESG and sustainability requirements.
 - stringent, evolving regulatory requirements.
 - recycling pressures and net zero by 2050 targets.

Industry trends in 2024

Macroeconomic:

Recovering demand, persistent oversupply and increasing trade barriers presented significant challenges for the chemical industry. While certain sectors saw demand rebound, oversupply continued to pressure prices and margins. Protectionist policies and geopolitical instability added complexities to global trade, requiring companies to remain agile and respond quickly to shifting market conditions.

Environmental:

Environmental pressures on the chemical industry continued to intensify in 2024, with net-zero goals for 2050 driving greater urgency around sustainability targets and ESG commitments. Companies increasingly monitored green sales and adapted to evolving regulatory decisions, to align with stricter environmental standards. The push for transparency, traceability and sustainable practices remained central, with a growing emphasis on circular economy principles as a key competitive differentiator for chemical companies as well as transparent stakeholder communication.

Technology:

In 2024, the chemical industry continued to recognize the critical role of technology in meeting evolving sustainability and ESG requirements. Companies focused on aligning their technology strategies with sustainability goals, market demand and company targets while integrating digital tools to enhance efficiency and drive innovation. Key technologies, such as real-time data analytics, automation and advanced manufacturing processes, played a central role in improving operational performance and product quality. The intersection of sustainability and technology remained a priority, with advancements in areas like mechanical recycling and eco-friendly solutions further driving the sector's transformation.

How SONGWON is responding to these trends.

Macroeconomic:

SONGWON continues to strengthen its approach to balancing risk and opportunity by diversifying its offerings across geographies and applications. The company remains committed to its multi-source strategy, sourcing materials responsibly from reliable, ethically compliant suppliers to ensure business

SALES & DIVISION UPDATES

continuity and reduce supply chain vulnerabilities. Regular communication with external stakeholders helps anticipate market shifts, demand fluctuations and regulatory changes. In addition to reinforcing risk management practices, SONGWON prioritizes sustainability by maintaining focus on key ESG initiatives, as demonstrated by its Platinum EcoVadis rating. Organizational agility remains essential to navigate macroeconomic challenges, such as fluctuating energy prices while driving efficient decision-making and proactive responses to market dynamics.

Environmental:

Sustainability is central to SONGWON's strategy, with a clear, pragmatic roadmap guiding its long-term commitments. The company takes a measured approach to aligning sustainability goals with business realities, ensuring practical and achievable progress. Continuous monitoring of regulatory developments allows SONGWON to proactively adapt and develop compliant product alternatives where needed. The company also reinforces its commitment to the circular economy, particularly in advancing mechanical recycling solutions. Close collaboration with stakeholders is a key priority, fostering a transparent exchange of information. Additionally, SONGWON continues to optimize manufacturing processes, with structured targets for waste management and environmental impact monitoring to drive meaningful progress.

Technology:

SONGWON integrates technology and innovation to align its portfolio with evolving market applications and regulatory landscapes. The company proactively assesses regulatory risks, ensuring that its products and production processes remain compliant ahead of changing requirements. At the same time, SONGWON is advancing the development of new and sustainable solutions that build on its existing product offerings, reinforcing its commitment to long-term innovation, compliance and sustainability.

SONGWON responded to the ongoing global economic and geopolitical uncertainty in 2024 with a clear, pragmatic strategy focused on operational efficiency, market diversification and sustainable growth. The foundations established in previous years have been essential in strengthening the company's ability to navigate market challenges and regulatory complexities. The cumulative impact of these efforts reflects SONGWON's commitment to continuous improvement, proactive risk management and adapting to evolving industry dynamics.

SONGWON's flat and responsive organizational structure allows it to swiftly adapt to market shifts, ensuring decision-making is efficient and communication clear. The organization prioritizes maintaining open and transparent dialogue with stakeholders, not only to share key developments but also to actively gather valuable feedback. By fostering collaboration and incorporating feedback, SONGWON continues to strengthen its ability to navigate challenges and drive long-term growth.

SONGWON applies a streamlined approach with efficient processes for market feedback and trend analysis. Close collaboration with 3rd parties fosters a deep understanding of the industry landscape, enabling the identification of emerging opportunities aligned with the company's strategic objectives. Supply chain disruptions, which began in 2023 due to geopolitical tensions and climate-related events, have continued into 2024. In response, the organization has furthered its multi-source strategy and enhanced end-to-end transparency to maintain reliable supply and fulfill customer orders efficiently. The company-wide ERP system supports this by enabling better decision-making and helping to secure material availability and mitigate disruptions effectively.

Looking ahead, SONGWON will continue strengthening its approach to market analysis and decision-making to navigate ongoing global challenges. The organization will also focus on efficiently managing costs while ensuring that pricing aligns with its service and quality. Furthermore, to identify risks and capitalize on emerging opportunities, SONGWON will continue to foster close relationships with customers and diligently monitor industry trends. By leveraging its strategic focus, industry expertise, clear prioritization and transparent communication with stakeholders, SONGWON remains committed to delivering solid results that meet expectations. ■

Sources:
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www.weforum.org; www.theeconomist.com

Sales strategy

Customer-focused & effective

Over almost 6 decades, SONGWON has built its leadership by combining a diverse portfolio with our strong customer-centric approach. Cultivating lasting relationships founded on transparency, trust and respect provides the foundation for SONGWON's success. Our customers depend on us to reliably supply high-quality products and we reinforce that trust by providing lasting value. Our commitment goes beyond simply meeting expectations—we care about our customers' evolving needs and the future we shape together. Most importantly, we always keep in mind that our customers have choices and that drives us to focus on where they find the most value.

Transparency is one of SONGWON's key values and it is promoted at every level of our organization. Through open and upfront communication with our partners—whether customers, distributors, or other stakeholders—we build confidence in SONGWON and foster long-term cooperation.

For the Sales teams at SONGWON, success goes beyond selling products or promoting our services. By deeply understanding our customers' needs, we create tailored solutions that drive real value. In a challenging market, where potential customers are also pursued by our competitors, we ensure we stay ahead by continually optimizing our sales channels. In 2024, for example, we adopted a proactive, solution-driven approach, focusing on people, adaptability and resilience. Furthermore, we continued making additional improvements to our service and sales network as well as entering new partnerships with strategically placed distributors.

With a global sales network and strong regionally located teams that speak the language of our diverse customers, we provide excellent local and international sales support. Our sales experts use their local market knowledge to quickly identify emerging trends and share key information with other departments in the organization. To further enhance efficiency and capitalize on opportunities, SONGWON reviewed distributor performance to identify gaps and strengthened the sales team. In the current challenging market, with increased complexity and evolving demand patterns, these efforts enabled us to meet market expectations while proactively addressing customer priorities.

In 2024, Sales continued to:

- further extend and leverage existing customer relationships.
- improve internal communication, with stronger alignment of activities and initiatives.
- follow a proactive sales strategy and a margin-orientated mindset.
- improve forecast planning, ensuring responsiveness to market fluctuations.
- provide valuable information from successful leads to develop new businesses.
- focus on building trust, loyalty and long-term partnerships, both internally and externally.

In 2024, SONGWON expanded its partnership with 1 distributor and added 3 new distributors to the global sales network.

Our sales team relies on close cooperation with internal and external stakeholders to stay responsive and adaptable in our rapidly evolving markets. This close collaboration across the organization allows us to continually build on our extensive industry experience and personalized approach to gain valuable insight into our customers' challenges. It also enables us to align SONGWON's products and services with current demands, ensuring we remain agile, competitive and ready to respond swiftly to market trends.

Guided by the best practices both globally and locally, our sales team consistently benchmarks SONGWON's approach against key industry competitors. In our efforts to help customers stay competitive with optimal cost performance, we leverage our strengths and push boundaries by proactively addressing customer concerns, with a focus on exceeding, rather than just meeting, their expectations.

At SONGWON, we continuously monitor best practices at a local and global level to guide our sales strategy and activities. By benchmarking our approach against key industry players, we help our customers remain competitive, with excellent cost performance. SONGWON aims to build on our strengths and not just meet, but exceed our customers' requirements.

Divisions update

Continuing the trend of recent years, SONGWON faced a complex and dynamic market environment in 2024. In contrast to 2023, which was shaped by a singular destocking event, 2024 was marked by a series of geopolitical and economic disruptions, with shifting market dynamics, requiring multifaceted strategies. Key geopolitical factors—such as the ongoing Ukraine-Russia conflict, escalating tensions in the Middle East and uncertainties in China-Taiwan relations—added to market uncertainty.

In addition, supply chain disruptions, driven by freight and global logistics issues (e.g. the situation in the Red Sea) continued to affect operations, highlighting the need for strategic supply chain management. Limited visibility into market conditions due to fluctuating economic indicators made forecasting and planning more difficult. While there were signs of demand recovery in certain segments, the overall pace was uneven across regions and industries. In response, SONGWON remained flexible and adopted a proactive, solution-based approach. Amid constantly changing dynamics, we strengthened our cross-functional collaboration to enable quick decision-making and collective problem-solving and found innovative ways to tackle obstacles and seize opportunities.

In 2024, SONGWON’s Divisions faced:

- increased complexity and market disruptions.
- unpredictable customer order patterns and extended lead times.
- geopolitical and economic instability.
- higher raw material and freight shipping costs.
- supply chain challenges caused by global logistics issues.
- increasing regulatory compliance complexity and costs.

SONGWON's Divisions successfully navigated the substantial challenges throughout the year, delivering a solid performance, driven by several key factors. Enhanced communication across teams improved the alignment of activities and initiatives, fostering a

more cohesive approach to achieving objectives. In an opaque market, the Divisions also responded quickly and effectively to market fluctuations, as a result of robust demand forecasting. Our proactive, margin-focused sales strategy allowed us to capitalize on opportunities and maintain profitability even in such difficult conditions. Most importantly, focusing on SONGWON's core values drove our strong collaboration, operational excellence and a customer-first mindset throughout the year and enabled us to strengthen our position as a trusted and valued supplier in the industry.

In 2024, our Divisions:

- improved customer service to strengthen relationships and deliver lasting value.
- focused on market segments to deliver more personalized and effective solutions.
- improved SONGWON's responsiveness to unexpected market developments.
- proactively identified emerging customer needs to stay ahead of market trends.
- enhanced our ability to adapt and capitalize on new opportunities.
- prioritized sustainable and profitable expansion in both key and emerging markets.
- strengthened SONGWON's position as a trusted and reliable supplier.
- reviewed and streamlined processes to improve efficiency.

Polymer Stabilizers (PS)

Polymer Stabilizers faced a challenging start to the year, marked by logistical disruptions, intensified by price competition from China and an oversupply of low-cost products. Despite global markets still lagging pre-COVID levels, overall sales showed signs of recovery as the year progressed, enabling PS to expand its market share and regain pre-pandemic sales volumes on the back of new business.

To navigate intensified price competition from new market players and weaker customer demand, our PS team focused on leveraging SONGWON's key strengths —our comprehensive product portfolio, security of supply, quality assurance, local safety stocks, sales flexibility and dedicated customer service.

In order to reinforce our position in the Americas, we strengthened our U.S. sales force and proactively identified opportunities, such as new niche antioxidants (NAO) debottlenecking capacities to meet rising demand. By continuing to foster strong relationships and demonstrate our long-term commitment to caring for customers' needs, PS strengthened SONGWON's reputation as a reliable partner, providing service excellence, contributing to mutual growth and driving sustainable solutions that support both our customers and the environment.

The BU PS organization is structured to enhance agility in responding to market demands. Regional Sales and Product Management work closely within a matrix organization, improving alignment and decision-making and ensuring adaptability to evolving customer needs. Moving forward, the PS team will continue to leverage this structure to drive its strategy, deliver value to customers and further advance SONGWON's global market position.

Fuel and Lubricant Additives (FLA)

During the year, SONGWON's FLA team navigated multiple headwinds, including global macroeconomic challenges and industry-specific dynamics. Customers experienced fluctuating demand, as their own forecasts were frequently adjusted late to align with shifting market conditions. In response, the FLA team continuously monitored these changes and adapted tactics to stay aligned with SONGWON's strategic goals. As part of our efforts to further strengthen SONGWON's market presence, FLA added 2 strong distribution partners in Japan and India. The markets remained challenging in 2024, with intensified competition in the market, driven by longer supply cycles—a trend expected to persist into 2025. To maintain supply and secure the necessary volumes, FLA will continue evaluating alternative strategies, actively participating in market developments and adapting its approach as needed. Additionally, FLA is committed to developing innovative products—both new to FLA and the industry—to meet evolving customer needs. By deepening customer relationships and securing approvals across an expanded base, FLA will continue to drive growth and strengthen its position in the market.

Coatings

In 2024, the Coatings business was positively impacted by customers building safety stocks in response to the Suez Canal crisis and potential supply bottlenecks. Despite facing oversupply and intense price pressure

due to Chinese competitors flooding the market with overcapacities since 2023, BU Coatings profited from the increase in demand on the back of the longer lead times and its positive shift in product mix. The 3rd quarter proved to be the strongest quarter on record for BU Coatings, defying typical seasonal trends and demonstrating the resilience of the business. As a result, BU Coatings secured significant market share gains, outperforming market growth in both Europe and Asia and concluded the year with strong performance in volume, net sales and profitability.

By participating in key trade shows, the Coatings team strengthened SONGWON's position in the market, engaging closely with customers and gaining insights into emerging trends. This, along with e.g., the successful launch of SONGSORB® CS 477 in high-performance applications, has strengthened SONGWON's position in the market. Going forward, BU Coatings will focus on expanding SONGWON's market share through performance-driven strategies and geographic growth, while broadening its product portfolio and enhancing competitiveness through cost optimization and efficiency gains.

Tin Intermediates/PVC

In 2024, BU Tin Intermediates and PVC navigated an overall challenging market environment characterized by weak demand, ongoing destocking and fierce price competition. The construction sector slowdown and aggressive pricing strategies from competitors, particularly in China, added further pressure. Despite sluggish demand later in the year, Tin Intermediates recorded a rise in sales, which, along with improved operational efficiency, led to better margins. Although there was a slowdown in demand and price competition remained intense in the final months of the year, PVC regained business in Korea, defended its position in existing markets and successfully pursued emerging opportunities.

During the year, the teams collaborated with co-producers to explore new opportunities, new technology was implemented to optimize manufacturing processes, and raw material sourcing was diversified to enhance competitiveness. In addition, by adopting an effective pricing strategy and prioritizing the reliable delivery of high-quality products, BU Tin Intermediates/PVC was able to maintain SONGWON's market position. These efforts, along with cultivating close customer relationships, were instrumental in successfully navigating the competitive challenges of the year.

TPU/SPU

BUTPU/SPU continued to navigate a highly competitive landscape, facing intense pricing pressure from both Chinese and Korean competitors. To address these challenges, the business focused on implementing a competitive pricing strategy and diversifying raw material sourcing. Despite market pressures, a slight increase in domestic demand created opportunities for growth. By maintaining its emphasis on niche and customized products, fostering strong customer relationships and ensuring agile delivery times, BUTPU/SPU remained well-positioned to protect SONGWON's market share.

In 2024, the TPU/SPU sales organization was strengthened to support both the Korean domestic and export markets. The business sought to capture additional opportunities in overseas markets by developing customized products to meet customer's unique requirements and capitalizing on SONGWON's manufacturing expertise and long-standing industry experience. This approach highlights BUTPU/SPU's commitment to expanding SONGWON's market presence while successfully maintaining a strong foothold in a highly challenging environment.

Specialty Chemicals (SC)

In 2024, BU Specialty Chemicals strengthened SONGWON's position as the leading local supplier of PR monomers, earning strong market recognition for its high-quality standards, comprehensive product portfolio and commitment to innovation. This has laid a solid foundation for future growth and SONGWON is now well-positioned to build on this success while steadily expanding our market share. Despite ongoing challenges in the semiconductor sector, newly developed products gained traction in advanced applications, supporting continued expansion and long-term success.

**SONGWON's Divisions
successfully navigated
the substantial
challenges throughout
the year, delivering a
solid performance.**

The SC team also focused on developing tailored solutions, ensuring product quality and establishing stable production processes to overcome the challenge of customers' reluctance to switch from existing products. We recognize that sales growth driven by innovation requires close collaboration between our technical experts and the sales team. By engaging directly with customers, exchanging technical insights and incorporating their needs early in the product development phase, BU SC is strengthening SONGWON's position as a trusted global leader and building lasting partnerships by ensuring consistent delivery of value to our customers. This approach is beginning to yield results, with newly developed products expected to become core offerings in the coming years. ■



CUSTOMER SERVICE

Caring for our customers

At SONGWON, we are fully aware that our customers always have a choice and that their satisfaction depends on much more than simply offering a diverse range of high-quality products. This is why providing reliable customer service and doing the best we can to fulfill their requirements has become a key part of SONGWON's business strategy and supports our goal to be the partner of choice in the industry.

We see every interaction with our customers as an opportunity to demonstrate SONGWON's commitment to their ongoing success as well as to exceed their expectations. Each member of our global CS team is fully dedicated to providing readily accessible and responsive support and to delivering a highly professional service that reflects SONGWON's core values. Our CS professionals strive to support customers not only during the purchasing process but also by addressing any issues throughout the entire course of their relationship with SONGWON.

Although 2023 was challenging due to demand unpredictability, the supply chain conditions in 2024 led to a noticeable shift, prompting even more proactive purchasing behavior from customers, particularly during the first half of the year. From a CS perspective, the 1st and 2nd half of 2024 were distinctly different. The months, January to June were defined by significant logistics challenges, including increased material replenishment lead times which were compounded by limited vessel availability. This led customers to request expedited deliveries to secure materials in response to the instability. In contrast, in the 2nd half of the year, the CS team noted the situation stabilize, with replenishment times and customer demand becoming more predictable. Despite these shifts, SONGWON's CS team remained agile, quickly adapting to the fluctuating circumstances and ensuring consistent support for customers throughout the year.

Central to SONGWON's CS strategy is to continuously enhance our service offerings, focusing on process optimization, streamlining workflows and identifying key areas that offer the greatest value. For example, this year to improve response times for order confirmations and any sales order changes, the CS team led a pilot project for automating intercompany processes between Korea and Europe, in preparation for its global rollout in 2025.

In 2024, the CS team continued to drive internal initiatives to enhance efficiency and customer satisfaction. These included:

- expanding the digitization and automation efforts started in 2023 by automating additional processes, such as sending invoices and order confirmations directly to customers via email from SONGWON's ERP system (Microsoft Dynamics 365).
- standardizing the sales order handling processes further and introducing new KPIs to proactively monitor SONGWON's customer service performance.
- implementing a new, more sustainable electronic archiving system, which will go live in early 2025, that reduces paperwork and printouts while improving archiving efficiency.
- leading a pilot project to automate intercompany processes between Korea and Europe, with the aim of reducing response times for order confirmations and sales order updates.

Whether faced with difficult logistics challenges or as market demands normalized, the CS team consistently demonstrated SONGWON's unwavering commitment to delivering a high level of service throughout the year. By working closely with customers, our experts played an essential role in navigating uncertainty, minimizing the impact of unexpected delays and ensuring business continuity. Leveraging SONGWON's collaborative culture, the CS team not only maintained lead times aligned with expectations but also strived to exceed them by providing proactive support, comprehensive guidance and reliable service.

In 2024, CS continued to direct its efforts toward process improvements and enhancing efficiency in order to shorten reaction times to customer requests and sales orders. In addition, internal trainings related to the CS process, IT security, etc. took place, enabling our CS professionals to advance their skills as well as analyze established processes and assess their effectiveness in managing customers' requirements.

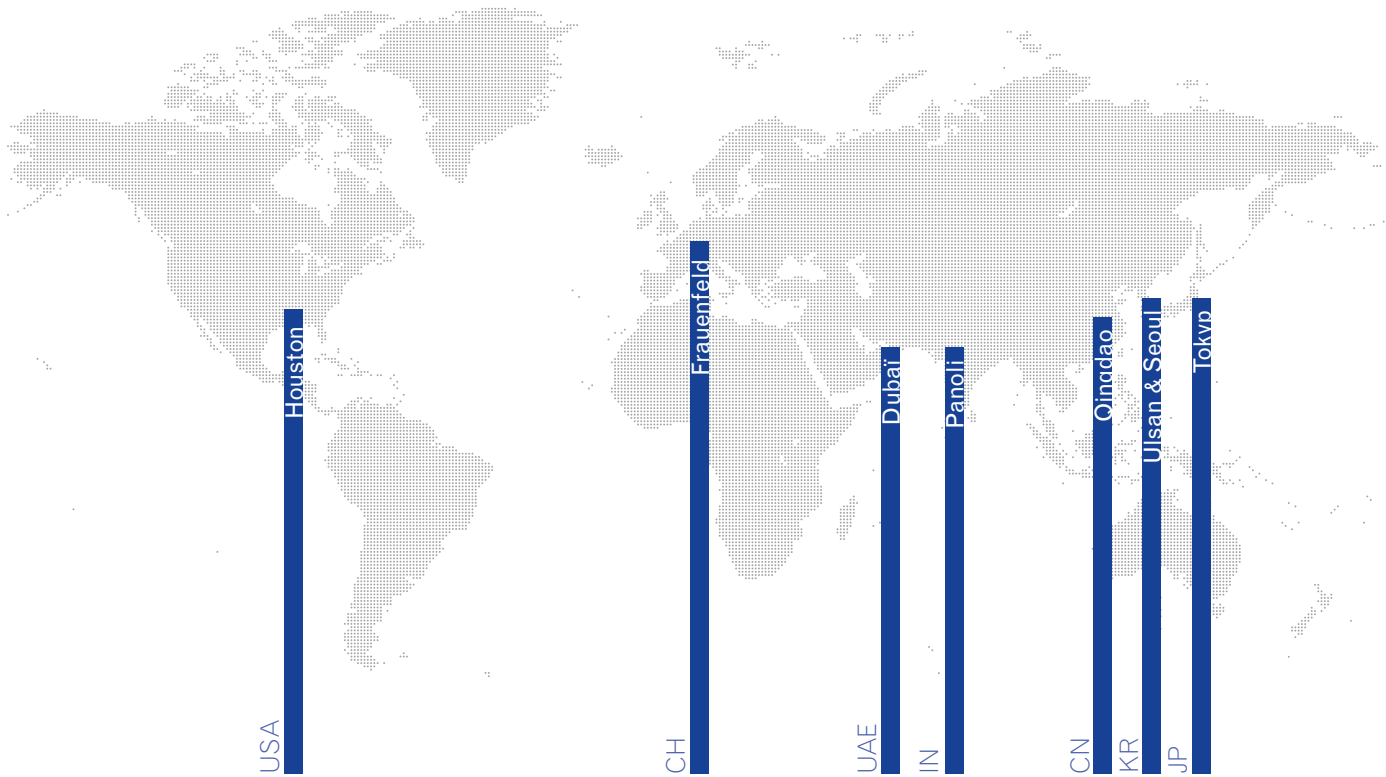
Anticipating customers' challenges and resolving them quickly and effectively is fundamental to delivering high-quality customer service and making sure SONGWON remains ahead of developments in the industries we serve. At SONGWON, customers' needs and expectations are at the center of everything we do. Understanding the value of customer feedback, the CS team listens carefully to what our customers tell us and uses the information to refine processes and enhance SONGWON's performance.

Strong internal communication channels also make it possible for the CS team to share these valuable insights and collaborate seamlessly with other departments so that they can respond swiftly to unforeseen issues and provide customers with enough time to explore alternative solutions if necessary. With this proactive, customer-focused approach, CS delivers long-term value and strengthens our relationships with our customer base.

SONGWON delivers high-quality service to customers in more than 60 countries from 8 CS centers located across the globe. Providing our services from multiple global centers enables us to meet local needs swiftly and effectively but also makes it possible to flexibly shift our CS support and services to alternative locations if required. Additionally, it allows the CS team to swiftly navigate any disruptions that might occur.

Going forward, CS intends to focus on refining and standardizing its processes to maximize efficiency and ensure the continued best level of service for our customers. Above all, by pursuing its approach based on close collaboration, trust and mutual respect, CS will greatly contribute to positioning SONGWON as the partner of choice. ■

To effectively meet local needs, SONGWON applies global and regional best practices from its Customer Service Centers in:



PROCUREMENT

Responsibly sourcing & adding value

The Procurement team plays a vital role in the business and is an essential contributor to SONGWON's success. In addition to supporting the organization achieve its goals and responsibly sourcing the necessary raw materials for our 8 manufacturing plants, Procurement ensures that our supply chain remains strong and reliable. Mitigating risks and aligning internal and external stakeholders' needs with the best supplier solutions are also key priorities for the team.

Throughout 2024, Procurement continued to navigate a complex landscape marked by ongoing geopolitical challenges, evolving market dynamics and shifting global priorities. With years of experience and a deep understanding of the value chain and supply markets, our Global Procurement team is well-accustomed to managing uncertainty and navigating challenges. For

example, Procurement's diligent preparations for the Korean Customs Audit conducted regularly by the KCS* every 5 years ensured a successful 2024 audit, with processes meeting regulatory requirements and no significant weaknesses identified.

Always remaining fully aligned with SONGWON's global strategy, the team focused on mitigating delays caused by logistical challenges in 2024, optimizing inventory management and enhancing supplier engagement. One key focal point for the team this year was reducing detention and demurrage charges by optimizing inventory levels in Korea and finding more cost-efficient warehousing. In addition, Procurement also directed its efforts to make sure that all purchasing criteria needed for the business were met and most importantly that SONGWON also fulfilled its corporate responsibilities.

Having effective measures and solid contingency planning in place, SONGWON is well-prepared for unexpected challenges. This year again, Procurement held regular meetings with business leaders and product managers to share key information on raw material markets and inbound supply issues, such as material shortages and logistics disruptions. By closely collaborating with both our businesses and SONGWON's partners, the team gains valuable insights and can balance supply quality, pricing and effective risk management to achieve the best value for SONGWON. In addition, with updates on e.g. raw material markets and supply chain issues, product managers were able to adjust their approach to match the current situation.

In 2024, the focus on enhancing Procurement's capabilities was fully supported by management and the team was strengthened with the addition of highly skilled talent. Our Global Procurement organization fosters a continuous learning and skill development approach. Not only to expand the team's knowledge as well as provide both valuable foresight and practical insights in all their contributions to the organization but also to ensure alignment with organizational standards and regulatory requirements.

During the year, members of the Procurement team participated in external training courses to enhance their management skills, problem-solving abilities and interpersonal interactions. Additionally, they completed internal trainings on health, environment and safety, as

* Korea Customs Service

well as important topics such as K-REACH compliance, SONGWON's Code of Conduct, Security and ICS.

Procurement continued with its efforts in 2024 towards making our supply chain stronger and more efficient while fostering sustainability at every stage. Furthermore, during the year, the Procurement team worked closely with SONGWON's Global Regulatory team to review the European Union Deforestation Regulation (EUDR) and define measures to ensure that our supply chain complies with the strict due diligence requirements.

The team also focused on further diversifying SONGWON's supplier base and advanced its strategy of securing alternative and multiple sources in different regions as close to our manufacturing facilities as possible to e.g. reduce emissions. With its robust supplier network, SONGWON is able to capitalize on new business opportunities arising from unexpected market events and effectively mitigate potential disruptions.

During the year, the Procurement team carried out site audits of SONGWON's key and strategic suppliers and issued RFIs (Requests for Information) to numerous non-key and non-strategic suppliers. In addition, to enhance cooperation and exchange valuable market information, team members traveled to meet with key and strategic suppliers in specific regions. Suppliers were also invited to SONGWON's plants, where the team outlined key milestones and collaborated with them to align their efforts with SONGWON's goals. When assessing or selecting new suppliers, Procurement considers performance factors such as flexibility, reliability, quality and key sustainability metrics like carbon footprint to ensure integrity is maintained in all business transactions.

As part of its commitment to sustainability, Procurement also made significant progress in 2024 to address Scope 3 GHG emissions by collecting CO2 data from over 110 suppliers. Doing so, not only supports SONGWON's environmental aims but also provides critical insights into reducing the carbon footprint across the entire supply chain. The team also continued to concentrate its efforts on cost reduction, the negotiation of more beneficial terms with suppliers, purchase and contract consolidation and changing to more economical or sustainable alternatives to benefit SONGWON.

In 2024, Procurement added 20 new suppliers to SONGWON's global network of sustainably responsible suppliers.

With these initiatives and by aligning all its procurement practices with SONGWON's sustainability strategy, ethical standards and international compliance frameworks, Procurement drives long-term value and ensures that SONGWON is strategically well-positioned to achieve sustainable, profitable growth. ■

In 2024, Procurement faced challenges such as:

- geopolitical instability & uncertainty e.g., conflicts in the Middle East, U.S.-China trade tensions.
- global logistics disruption e.g. Suez Canal blockage caused shipping delays between Asia & Europe and Panama Canal congestion led to transit delays from the U.S. to Asia.
- excess supply in markets and intensified price competition.
- raw material shortages, creating significant challenges in securing critical supplies.
- climate change e.g., sinking water levels on major shipping routes.
- increased sustainability emphasis & compliance with regulations, e.g. EU Deforestation Regulation (EUDR).
- new laws & policies implemented in various regions.
- digital transformation e.g., streamlining processes, increasing automation & improving data analytics.
- increasing requirements for more product documentation.

SUPPLY CHAIN

Committed to supply continuity

To operate successfully in a global market driven by increasing complexity, having a robust and reliable supply chain is a must. As one of the world's leading suppliers of specialty chemicals, SONGWON is committed to supplying sustainable, high-performance products, delivered on time, regardless of fluctuations in demand or external challenges. Our customers' manufacturing operations depend on consistent quality and punctual delivery and they rely on us not only to meet their evolving needs and maintain the highest standards but also to be flexible in accommodating special requests.

After the stabilization of the global supply chain in 2023, this year presented greater challenges than expected, with several unforeseen issues arising. Early in 2024, the global logistics chain faced disruptions, particularly due to the blockage of the Suez Canal. Vessels had to be rerouted around the Cape of Good Hope which resulted in longer transport times for shipments from Asia to Europe. In addition to this, delays occurred with the shipments from Asia to the U.S. East Coast ports, particularly the Port of Houston, due to the congestion in the Panama Canal.

Vessel availability from Asia to Europe was particularly limited in the 2nd quarter of 2024, which caused further delays in the replenishment of materials and negatively impacted sea freight transport, resulting in a significant rise in costs during the 1st half of the year. However, throughout the 2nd half of 2024, as transport times normalized and vessel availability improved, costs started to show a slight decline during the 3rd quarter.

In 2024, the Supply Chain team further aligned its internal processes and increased transparency across the supply chain with the implementation of the Microsoft Dynamics D365 ERP system in Korea. The system has greatly enhanced internal visibility and streamlined operations which has contributed to more efficient decision-making across the entire organization.

Throughout the year, our Supply Chain experts also focused on improving SONGWON's logistics efficiency in Europe by consolidating our warehousing, outbound transportation and repacking activities with a single logistics service provider. Strategically well located, our new European warehouse has enabled us to optimize SONGWON's material transfers by bypassing

the heavy congestion around Antwerp, which has positively impacted and stabilized inbound material replenishment times. In addition, the changes the Supply Chain team initiated in 2023 to improve sales forecast accuracy started to have a positive effect in 2024, ensuring that material availability was in line with customer demand and inventory levels within target ranges.

Supply Chain continued to work closely with the businesses during the year, exchanging information, not only with Procurement but with all Supply Chain stakeholders including P&D, Sales, Quality Assurance, etc. This allowed the team to stay a step ahead of demand patterns and shift inventories across SONGWON's regions as required. By collaborating closely with Sales, our Supply Chain experts were able to prioritize customers' needs and support them as best as possible.

Since the start of its automation and digitization initiative in 2022, the Supply Chain team has significantly increased efficiency. As of January 1st, 2024, all SONGWON entities have been using the same ERP system (Microsoft Dynamics D365). Achieving total harmonization, this has stabilized SONGWON's supply chain by providing real-time visibility, advanced analytics and seamless integration across all aspects

To operate successfully in a global market driven by increasing complexity, having a robust and reliable supply chain is a must.

of our operations. It also makes it possible for teams to make informed decisions that ensure material availability and the efficient fulfillment of customer orders. Additionally, after the implementation of automated vessel tracking in the final quarter of 2024, SONGWON is now in a position to proactively monitor shipments and identify potential delays for both warehouse and direct customer deliveries.

While the Supply Chain team successfully provides strong support to our operations, SONGWON depends on suppliers for raw materials and logistics companies for their delivery. Therefore, throughout the year, the team maintained close communication with both suppliers and customers to establish a clear view of the extended supply chain. This proactive approach helped SONGWON to navigate unexpected situations more effectively and maintain operational stability.

Furthermore, Supply Chain also continued to provide Sales with weekly logistic reports (shipping and tracking reports) to ensure that they had the latest information on inventory levels and forecasts, overstock management, materials in transit and expected delivery dates. This greatly supported Sales with decision-making and order scheduling by providing them with a balanced outlook and ensuring material availability per customer request while minimizing inventory fluctuation and material replenishment. It also made it possible for Sales to keep customers updated.

Clear and timely communication between various functions, as well as with customers, has always been essential for the Supply Chain team to manage the risks and uphold SONGWON's commitment to reliable supply. Once again this year, the ongoing alignment of processes between the Global Supply Chain and the P&D teams further enhanced synergy and streamlined the exchange of information.

The Supply Chain team continued to prioritize continuous learning and knowledge-sharing initiatives throughout the year to enhance their expertise and add more value to the organization. To facilitate the seamless exchange of information between local Supply Chain teams, a new 'Supply Chain Knowledge Base' was established as an internal platform. Now critical know-how is easily accessible to all stakeholders, fostering collaboration and enabling the team to make even more informed decisions in their daily operations. ■

In 2024:

- The fully implemented ERP system aligned the organization and stabilized SONGWON's supply chain by providing real-time visibility, advanced analytics and seamless integration across operations.
- Logistics efficiency in Europe was improved by consolidating warehousing, outbound transportation and repacking activities with a single logistics service provider.
- The improvements in sales forecast accuracy, initiated in 2023, positively impacted material availability and aligned inventory levels with customer demand.
- By implementing automated vessel tracking SONGWON can now proactively monitor shipments and identify potential delays for both warehouse and direct customer deliveries.
- A newly established 'Supply Chain Knowledge Base' facilitated the exchange of information between local teams, ensured easy access to critical know-how and enabled more informed decision-making.
- Regional supply chains continued working closely with logistics partners and provided weekly shipping and tracking reports to the sales teams to keep customers updated.

RESEARCH & DEVELOPMENT (R&D)

Value-focused development

Throughout 2024, SONGWON's R&D team remained steadfast in its mission to support the organization's growth through innovation and expertise. Since the beginning, our strong R&D capabilities have been instrumental in advancing SONGWON's position as a trusted partner across a wide range of industries. Operating in such a rapidly changing industry and competitive environment, we know that to remain at the forefront requires continuous innovation and a strong commitment to exceeding customer expectations that go beyond producing high-quality products.

In order to meet the specific, increasingly complex requirements from our customers and market, it is essential for us to not only understand their needs but to respond to them by continuously adapting SONGWON's offering accordingly. For this reason, we focus on value creation to ensure that our portfolio can meet current market demands while anticipating tomorrow's trends and opportunities.

R&D contributes to securing SONGWON's competitive edge and lays the foundation for future growth by:

- investing in cutting-edge, advanced technologies.
- improving processes and maximizing synergies.
- developing high-performance products that add value.
- delivering the quality our customers depend on.
- ensuring fast and effective responses to customer requests.
- ensuring we respond swiftly to customer requests.

R&D is central to SONGWON's ability to stay ahead of current trends and identify new ones on the horizon. Aligned with this, SONGWON's management prioritizes R&D investment and equips the team with

the resources and conditions required for it to continue delivering key innovations and offering its valuable strategic support across the business.

In 2024, several processes were optimized and new ones introduced to enhance R&D's ability to tackle the increasing challenges and deliver stronger market competitiveness. Additionally, R&D's structure was further refined to improve research efficiency, streamline workflows and ensure greater agility in responding to evolving demands. The Task Force Team also continued to play a key role in strengthening collaboration and strategic alignment across the organization, leading to greater stability and enhanced operational efficiency.

Fully aligned with the business units, our R&D experts applied their deep understanding of SONGWON's strategic focus areas and worked flexibly across the business according to project priorities throughout 2024. Such close collaboration enables R&D to gain valuable insights into market trends and the complex, specific technical requirements of our diverse customer base across the industries we serve.

The unwavering commitment, expertise and solution-oriented approach of our R&D experts are the foundation of SONGWON's strength. Leveraging the most advanced technologies, the team develops new products in response to business-wide requests and provides full analysis development and critical regulatory affairs support. With this competence and dedication to supporting SONGWON's strategic objectives, R&D continues to drive innovation across the organization. Furthermore, by expanding its capabilities and adapting to customers' evolving needs, R&D remains integral to SONGWON's global success.

R&D highlights:

- 7 new products were registered.
- 71 new products have been developed.
- 21 products are in scale-up.
- 86.4 % scale-up success ratio achieved.
- 51 patents are currently held by SONGWON.

In 2024, the R&D team successfully brought 7 products from lab process development to production. Additionally, 5 products were also registered as OEM through technology guidance and 21 products entered the scale-up phase. Although rapid shifts in customer needs posed significant challenges for R&D during the scaling-up phase (success ratio 86.4 %), the process is now gradually stabilizing.

In 2024, R&D contributed to strengthening the businesses' competitiveness by:

- supporting SONGWON manage customer requests with agility.
- contributing to SONGWON's future growth by improving processes.
- developing and commercializing new SONGWON products and solutions.

Throughout the year, R&D directed its efforts toward stabilizing the production of chemicals for E&E (electrical and electronic) applications and PR (Photoresist) monomers. In addition to this, the team made significant progress in the development of high-value special monomers and actively worked on acrylate and hydroxystyrene copolymers. In 2024, despite the global market uncertainties, several products developed by R&D are undergoing customer evaluations and are well-positioned for market entry opportunities. SONGWON is confident that the technology and expertise R&D has gained over the years in the electronic materials field will deliver positive results in the coming years.

At SONGWON, we have always understood the benefits of continuous learning and the value of sharing knowledge and leveraging expertise, especially in the field of R&D. For us, promoting synergy within the organization and continuous learning coupled with a positive learning attitude is key to improving our R&D resources and developing our researchers' competency. In addition to this, R&D's processes are designed to increase our technology know-how and encourage constant questioning so that our researchers do not only rely on already available external information but are driven to go beyond it.

To further support this, SONGWON also seeks to engage in mutually beneficial, cooperation opportunities within the industry. Accessing the most up-to-date knowledge and resources all over the world helps us to improve our R&D expertise and realize the organization's strategic ambitions. This year, the R&D team further increased its collaboration with local and global technology partners, exchanging the latest information and best practices to facilitate more impactful research and accelerate the development of innovative, value-adding products.

For SONGWON, sustainability is a top priority, particularly the environmental aspects of specialty chemicals. In line with this, R&D focuses on reducing any adverse impact on the environment by seeking ways to reduce emissions, improve process yields, minimize the use of raw materials and support recycling as well as prolong the life of end products. Committed to responsible growth, SONGWON makes sure that R&D's technology methods and processes are tailored specifically to produce more efficient and sustainable products that deliver value to both customers and society.

Looking ahead, as demand for higher-quality, advanced and sustainable materials continues to rise, the R&D team will focus on remaining well-prepared to respond swiftly to the evolving needs of our customer base. At the same time, it will strive to ensure that SONGWON is optimally positioned to tackle the challenges and seize the opportunities arising from the 4th industrial revolution. ■

TAD & TECHNICAL SERVICE

Comprehensive support & application expertise

Customers today require solutions that not only meet their specific performance needs but also adhere to the industry's increasingly stringent safety standards and regulations as well as sustainability demands. Today, they are looking beyond innovative products and expecting comprehensive application expertise and advanced technical service support from their suppliers.

At SONGWON, our deep technical expertise, innovative strength and decades of experience make it possible for us to transform customers' product development ideas into tangible business outcomes. This, combined with our customer-focused, personal approach, enables us to deeply understand the unique needs and challenges of our customer base. Our commitment to providing a comprehensive, premium service, along with our reputation for solid technical expertise and high-quality product development, remains central to SONGWON's ongoing success and competitive advantage.

To strengthen relationships and reinforce SONGWON's position as a trusted partner, the Technical Service (TS) experts conducted their regular face-to-face visits and collaborated closely with customers throughout the year. Supported by the Global Testing & Application Development (TAD) team, TS also contributed to SONGWON's successful participation in key industry events – the Polyolefin Conference and SPE TPO Conference in the U.S. and the AMI Polyolefin Additives Conference in Spain. In addition to showcasing SONGWON's latest advances in mechanical recycling, such as SONGNOX® B-blends and SONGNOX® 1330 antioxidant, these events provided valuable opportunities to emphasize SONGWON's strength as an industry leader committed to offering comprehensive sustainability and regulatory support.

During both the onsite visits and industry events, the TS and TAD teams noted a marked increase in customer inquiries related to sustainability and a greater number of requests for Life Cycle Assessments (LCA) data for SONGWON products. To effectively meet the increasing demand for LCA data and provide customers with the insights needed to navigate the growing sustainability challenges, the TS and TAD teams focused on expanding their expertise through extensive ongoing training throughout the year.

In 2024, SONGWON continued to actively participate in the Polyolefins Circular Economy Platform (PCEP), contributing to the industry's collaborative efforts to improve the recyclability of polyolefin packaging and promote greater use of recycled post-consumer polyolefin content in products.

Global Testing & Application Development (TAD)

The TAD team plays a key role in securing approvals for SONGWON's products and specific applications by matching its extensive application development expertise to customers' technical needs. Based in SONGWON's Technology Innovation Center, the TAD team benefits from close, direct collaboration with both TS and R&D, enhancing its ability to deliver tailored solutions.

In 2024, TAD:

- improved response times and quality of customer support requests.
- optimized its regular support of internal/external stakeholders.
- developed and implemented projects aligned with market trends.
- addressed Technical Service customer requests, more than 2023.
- created application development projects, more than in 2023.
- upgraded the machine park with the newest technology.
- developed an external lab for engineering plastics.
- enhanced its expertise, application development, skills and experience.
- increased lab capacity and achieved greater efficiency.
- generated key technical data to swiftly solve customer issues.

At SONGWON, our deep technical expertise, innovative strength and decades of experience make it possible for us to transform customers' product development ideas into tangible business outcomes.

The collaboration between the TAD and TS teams within the Technical Innovation Center ensures that customer needs directly shape the product development and approval processes at SONGWON. This valuable synergy between the teams also enables the organization to respond quickly to shifting market demands, such as the recent increased focus on developing more sustainable products to meet regulatory changes.

During 2024, with its now firmly established new structure, TAD focused on further advancing its technical capabilities and strengthening its support for customers. Furthermore, to ensure a strong foundation for the future, TAD focused on preparing its junior managers for key project leadership roles within SONGWON's BUs by providing an intensive hands-on training and mentoring process to expand their technical knowledge and expertise.

TAD continued partnering with TS on sustainability projects to generate technical data and enhance recycled polymers. The team also collaborated closely with various BUs on market-driven projects, such as developing stabilizers for mechanical recycling, stabilization systems for sealants and water-borne UV stabilizers, etc. To better SONGWON's service for customers, processes were optimized, external lab capabilities in engineering plastics expanded and advanced testing protocols integrated.

During 2024, TAD initiated numerous General Support & Administrative projects, collaborating with Quality Assurance, Process & Engineering and Product Management to resolve customer challenges. The team also supported SONGWON's success at key industry events by preparing technical presentations and a webinar on polyolefin recycling.

Technical Service (TS)

Technical Service (TS) contributes significantly to generating new business for SONGWON. Beyond simply answering technical questions, they work closely with customers to drive product and process improvements to optimize application performance. Leveraging their extensive technical expertise and years of experience, TS assesses customers' needs and helps them select the most suitable SONGWON solution for their specific application or challenge. Doing so ensures that customers gain the most value from our products long after purchase.

Apart from offering comprehensive technical customer support, our TS experts identify potential market segments, pinpoint the areas where SONGWON's existing products can be improved and share this information with the other functions. Highly valuable to the organization, they act as business enablers and key facilitators between SONGWON's customers, our sales teams and our internal organization – Product Management, Manufacturing, R&D and TAD. TS also ensures that key SONGWON stakeholders (TAD, Regulatory Affairs, Product Management and Operations) are always kept in the loop through streamlined, direct communication. This approach fosters fast, efficient decision-making and enhances overall internal coordination, which is essential to delivering customer value and driving business success.

In 2024, TS continued to prioritize the key market focus issues of recycling, sustainability and regulatory. To stay ahead of the market trends, TS organized a workshop to review and improve its internal strategies and processes. This year again, in order to reach out to customers the team also conducted 2 global customer webinars which attracted a strong number

CLOSE-TO-THE-CUSTOMER EXPERTISE

We strive to be close to customers and offer the best level of technical support whenever they need it and wherever they are in the world. SONGWON has 10 strategically placed support centers across the globe.

- China | Qingdao
- Germany | Greiz
- India | Panoli
- Japan | Tokyo
- Korea | Maeam
- Korea | Ulsan
- Korea | Suwon
- Switzerland | Frauenfeld
- UAE | Dubai
- USA | Houston

of participants and generated valuable interactions. Due to their success and popularity, these will be extended in the coming year, as well as SONGWON's industry support on sustainability and recycling topics. The TS team also remained in close contact with distributors throughout 2024 and conducted its regular reviews to keep them focused on projects and approval implementation.

Given that sustainability is a complex, multi-faceted issue, the TS team is committed to continuous self-training to stay current with the latest developments. Furthermore, by closely monitoring updates to Life Cycle Assessment (LCA) methodologies, TS ensures SONGWON's approach aligns with industry best practices and customer needs. As the number of inquiries related to GHG emissions and regulatory concerns grow, TS diligently assesses the potential impact on SONGWON's products and works closely with customers to identify viable alternatives. ■



MANUFACTURING

Committed to high-quality & reliable supply

Since the beginning, maintaining state-of-the-art manufacturing, supplying the industry with high-quality products and ensuring that global operating standards are met have always been central to SONGWON's operations. For almost 60 years, our production expertise, proprietary technology and backward integration have powered our growth and been a solid foundation for the organization's success.

presented challenges, they were effectively addressed through coordinated efforts by the sites, ensuring ongoing production stability throughout the year.

During the year, supply chain issues also continued to affect the sites, with long lead times and shortages of some materials caused by e.g. global conflicts. This volatility also impacted energy, logistics and labor costs, with inflation driving price increases. In response, we introduced new raw material suppliers, implemented advanced replenishment planning with buffer stock and optimized production processes to

SONGWON's Maeam plant in Korea is the world's largest fully back-integrated site dedicated to antioxidants.

To maintain our position as an industry leader, we continually upgrade plant technology, invest in automation and implement more sustainable production processes. With agile working methods, we enhance safety and, most critically, reduce the reliance on natural resources, driving greater sustainability within our plants and products and, ultimately, lowering our carbon footprint.

SONGWON operates 8 manufacturing facilities strategically located around the world. Using the latest, innovative technology, we provide reliable, high-quality products to support our customers maintain consistent, precise and stable manufacturing processes.

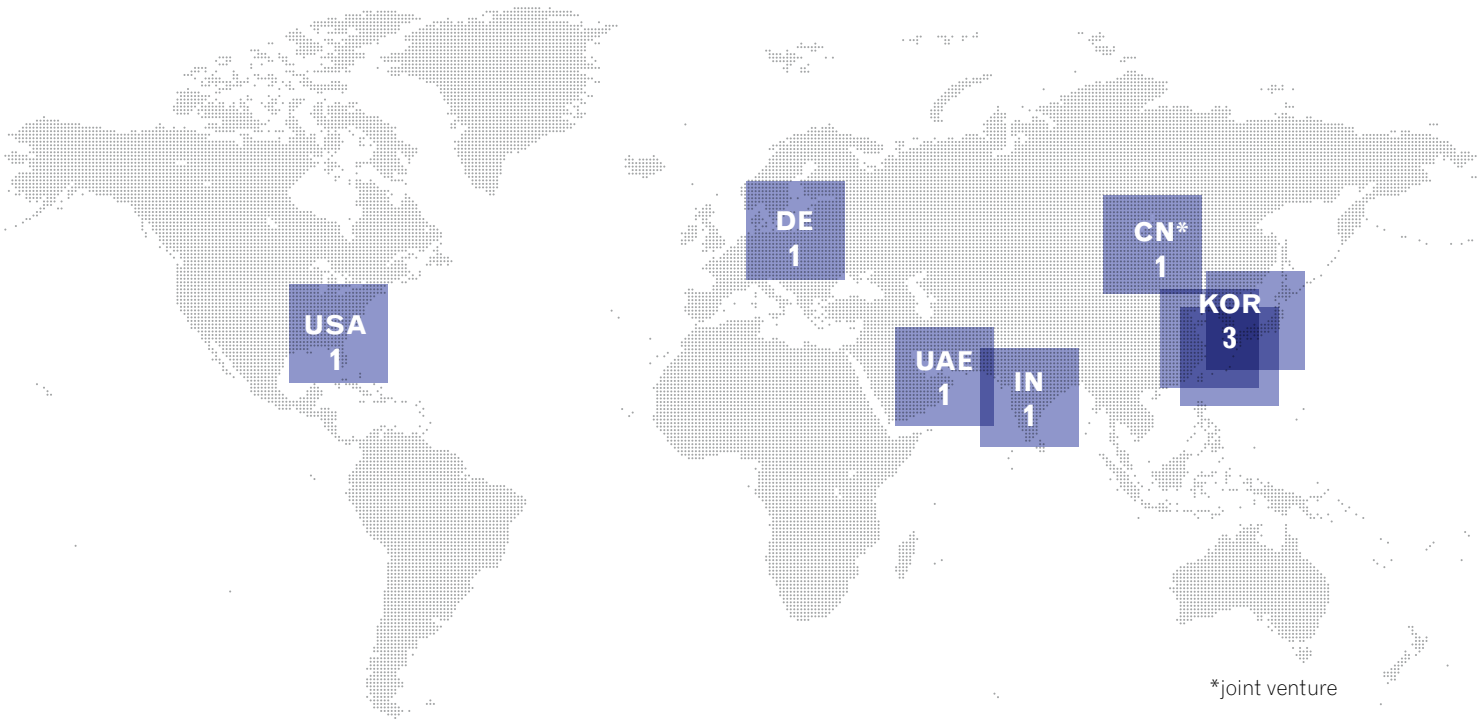
In 2024, the chemical industry's manufacturing sector continued to face challenges stemming from oversupply, declining profitability and significant cost pressures—a trend that is expected to continue in the foreseeable future. Additionally, the industry was confronted with increasing environmental regulations, including strict laws on both energy efficiency and management.

Despite economic and geopolitical instability, SONGWON's production volumes outperformed projections in 2024. Although demand fluctuations

SONGWON's manufacturing strategy focuses on:

- reliably serving our partners and customers.
- delivering high-quality products to our customers.
- remaining flexible to adapt rapidly to shifting demand.
- leveraging our manufacturing expertise to benefit of our customers.
- maximizing asset usage to profit from economies of scale.
- increasing the sustainability of production processes and products.
- prioritizing safe and healthy working environments at our plants.
- adopting automation to drive more efficiency.

Global locations



reduce energy consumption and waste. These efforts ensured smooth operations across SONGWON sites throughout the year.

Ongoing innovation and technology investment are central to our goal of maintaining competitiveness in our markets and aligning our manufacturing capabilities with customer requirements. For example, with our new ERP system (Microsoft Dynamics 365), we have an efficient production management system that enables real-time process and inventory management. Improvements in manufacturing processes and process optimization through automation have led to cost reductions, with further automation planned for 2025. We are also exploring the AI technology potential for manufacturing processes.

Manufacturing faces increased waste emissions standards and governmental focus on renewable energy, energy efficiency and efficiency audits. As sustainability remains a central focus of SONGWON's business strategy, we have implemented a range of improvements across our sites. These efforts include investments in renewable energy, effluent

management, water recycling and steam condensate recovery (see SONGWON's Sustainability Report).

SONGWON is strongly committed to health and safety at all our production facilities. In 2024, we used advanced technologies to enhance safety, such as real-time monitoring of work permits and set up an EHS management policy in our EHS system. Additionally, we are introducing AI-based software to enhance safety training, monitoring and the management of safety-related data and education.

The expertise and commitment of SONGWON's manufacturing team, many of whom have been with the company for years, play a crucial role in ensuring the reliable delivery of high-quality products. Their dedication and adherence to rigorous environmental, health and safety standards have enabled SONGWON to maintain reliable production standards and meet customer expectations. Excellent production planning and communication with customers via the sales team, for example, made it possible for us to overcome challenges e.g. raw material shortages. Another key focus area for SONGWON's Manufacturing in 2024

QUALITY ASSURANCE

was the proactive reduction of quality issues to boost customer satisfaction and ensure the consistent delivery of top-quality products.

As we look toward 2025 and beyond, Manufacturing will prioritize automation, capacity expansion, sustainability and cost/process optimization to meet

increasing market demands. In the US, the coming year will see the plant move, with the implementation of new, more efficient processes to improve customer satisfaction and the installation and launch of an extrusion line to meet customers's needs for specific products. ■

MANUFACTURING ACTIVITIES IN 2024

Installed

- The quality control module in Microsoft Dynamics 365
- Automated systems for hydrolysis and color improvement
- Technology to reduce GHG emissions
- Project initiated for underground storage tanks
- EHS System for improved health and safety
- Cloud-based data management system for stack monitoring system
- New scanners with camera function and linking to sales orders
- Nitrogen generator unit
- Solar panel installation to produce green energy

Improved

- A second production line in Greiz to meet customer demand
- Conversion of temporary landfill storage shed to a permanent shed
- Processes and verification methods established for improvements
- Production planning and communication with customers
- Raw material planning and buffer inventory

Reduced

- Nitrogen usage compared to 2023
- The average production cost in Panoli
- Customer complaints due to increased quality control
- Raw material BOM, responding to the increase of N2 and power unit price

Increased

- Maximum use of renewable fuel (biomass) for steam generation
- High utilization of plants due to increased demand
- Added a second supplier from China

Conducted

- Various safety training programs and activities
- Robust checks and controls of the force filtration system in Panoli to avoid quality complaints

Committed to the highest standards

Quality Assurance (QA) is not limited to controlling the quality of products before shipping or ensuring that SONGWON obtains all the required certifications. Our approach is systematic and involves having effective systems in place, meticulous attention to detail, continuous alignment of process improvements and the application of sustainable best practices. Above all, it ensures that SONGWON remains fully compliant while actively supporting our customers' QA efforts.

We take pride in the reputation we have established over the years for delivering consistently high quality. An absolute priority, QA is embedded into every corner of SONGWON's structure and operations and is supervised at the highest level of the organization. At SONGWON, quality is not just a QA responsibility but a shared commitment across the entire global team.

By fostering the optimal environment and synergy across the organization, the management drives continuous improvements in SONGWON's products, services and processes while ensuring that quality is always a priority. Accordingly, SONGWON's Quality Policy aligns with the business strategy and underpins our commitment to stakeholders' needs for quality service and safe products.

With expertise in the latest methodologies and best practices, our QA professionals work closely with SONGWON's operations, business units and customers to meet QA requirements and deliver optimal results. Integrated into every stage of SONGWON's supply chain, QA makes sure that our products consistently meet the rigorous specifications which enables quick turnarounds and shorter time-to-market. Working closely with product management and production, QA ensures that quality data is aligned and the necessary documentation available when required.

Additionally, by offering valuable guidance and information to the business units, QA actively contributes to the success of SONGWON's business strategy. QA keeps all internal stakeholders, including SONGWON's major sites, up-to-date and well-informed through regular meetings. In line with our proactive commitment to continuous improvement, QA Management Review meetings are also held across SONGWON's entities. Collaborating closely with relevant departments, any critical items are promptly addressed and QA identifies appropriate corrective actions using accurate root cause analysis and in accordance with best practices.

All SONGWON's manufacturing sites in Korea are certified with ISO 45001:2018 (Occupational Health and Safety Management) ensuring a unified, consistent approach to health and safety management.

SONGWON's global Quality Management System (QMS) strategically aligns core processes, streamlines workflows and optimizes resources to enhance the effectiveness of SONGWON's global operations. Keeping it agile and reducing complexity wherever possible drives efficiency. The QMS is constantly adapted to address new requirements created by the business or operations and also to ensure compliance with industry standards like ISO.

SONGWON obtained ISO certification in 1995 and since then has established rigorous operating procedures and well-documented quality control measures. ISO certification underscores SONGWON's unwavering commitment to quality but also confirms to stakeholders the priority we place on improving SONGWON's operations to meet our customers' evolving quality and sustainability requirements.

QA regularly organizes ISO training and refresher courses at our manufacturing sites to ensure employees comply with established quality

management standards, maintain consistent product quality and improve operational efficiency. Additionally, QA schedules regular training for internal ISO auditors and assigns auditors to the sites. These assignments and training are key to a successful internal audit. Each internal ISO audit is supported by an efficient system that ensures the process is correct and makes findings and actions transparent to all stakeholders.

This year, ISO Standard 45001:2018 (Occupational Health and Safety Management) was implemented at the Suwon site. Now all SONGWON's Korean manufacturing sites are ISO 45001:2018 certified, ensuring a unified, consistent approach to health and safety and to managing risks as well as preventing accidents and near-miss events in our production environments.

In 2024, SONGWON introduced a new ERP system in Korea, which included the successful implementation of a newly designed QA application. The application was rolled out across all SONGWON entities to further align and secure global quality processes. Most importantly, the transparency in our data has improved and is accessible to more stakeholders, allowing faster responses with immediate access to critical QA information. This enables us to take appropriate action or start investigations as needed to maintain the highest quality standards across the organization.

Our commitment to quality assurance (QA) extends beyond SONGWON's operations to our business partners. In 2024, the QA team continued proactively working together with the business units to improve supplier quality levels and enhance operational efficiency. Through supplier audits, we ensure that SONGWON's quality standards are clearly understood and delivered at the levels set. Moreover, we require suppliers to adhere to legal compliance and foster social responsibility in areas such as environmental stewardship, human rights and occupational safety. Building strong, collaborative relationships with suppliers and actively supporting them ensures that SONGWON's rigorous QA requirements are met.

The core of Quality Assurance is customer satisfaction, which relies on an in-depth understanding of customer needs and expectations. One of several ways we gather customer feedback is through supplier performance scorecards issued by our customers. These offer direct and valuable insights into how customers perceive SONGWON's performance. After carefully reviewing and analyzing the scorecard

SONGWON has the following ISO certifications:

- Quality Management System: ISO 9001:2015
- Environmental Management System: ISO 14001:2015
- Occupational Health & Safety Management System: ISO 45001

feedback, the QA team can implement appropriate actions to enhance our service, improve quality and achieve the highest levels of customer satisfaction. For example, at our Suwon site, the QA organization was restructured this year, improving both the quality and efficiency of responses to customer requests.

In 2024, QA engaged an external party to conduct customer interviews, focusing on a selected business, region and customer group. The results highlighted customer perceptions on key topics and provided direct insight into our performance that will support our ongoing efforts to refine, adapt and better align SONGWON's services and products with customer expectations.

QA strives to achieve SONGWON's quality targets and reduce customer complaints overall. SONGWON recorded a 6.4% increase in customer complaints in 2024 compared to 2023, related to product quality, services and the supply chain. However, compared to volumes sold, customer complaints decreased in line with the long-term trend of improvement in product quality in the past few years. As global supply chain challenges are expected to persist, QA will focus on minimizing the impact on customers, conducting thorough root cause analysis, swiftly implementing corrective actions and exploring further initiatives to reduce complaints and enhance customer satisfaction.

At SONGWON, QA is an evolving process, not a static one. In today's fast-paced environment where change is accelerating, customers expect higher levels of flexibility, quality and service. Consequently, QA's support is crucial to SONGWON's success and its efforts to maintain the expected product and service quality will continue to play a key role going forward. ■

Our commitment to compliance

As a globally operating organization, SONGWON must navigate a complex landscape of international and local laws, regulations and policies. Regulatory Affairs (RA) is vital not only for SONGWON's business but also for that of our partners, customers and stakeholders. As a key function, RA manages the complexity of our regulatory environment, ensuring all SONGWON's activities and products remain fully compliant. RA also underscores the organization's commitment to ethical responsibility, sustainability and adherence to the highest standards.

At SONGWON, compliance is deeply embedded into the core processes of our product stewardship efforts. Collaborating closely with other departments, our RA experts are actively involved in all business processes and product lifecycle stages, ensuring the necessary regulatory requirements are met.

In 2024, the RA team continued to actively address the growing global emphasis on product safety and registration. The team was further expanded, enabling it to provide more comprehensive support to the business units and their customers as well as facilitating the completion of registrations within the applicable deadlines and in full compliance with regulatory requirements. Additionally, RA implemented significant improvements in internal communication and data centralization to maximize efficiency and accelerate response times. The enhancements to the digitization and coordination of customer requests ensured timely replies and the delivery of consistent data.

Responding to the ever-increasing global compliance challenges, RA continued to focus on strengthening its expertise and expanding its knowledge. This year the team participated in key conferences on global chemical regulations and multiple webinars on upcoming and developing regulations. In addition, RA junior team members took part in specialized external training sessions on topics such as classification and labeling laws to bring them up to the level of our senior experts. The rising regulatory demands impacting our

In 2024, the RA team:

- created over 100 new SDS and updated over 400.
- issued 14 RDS for new products and updated almost 100.

customers are reflected in the growing number and complexity of the data requests and wide diversity of topics RA received this year. In close collaboration with SONGWON's regional representatives and internal technical experts, the RA team provided the appropriate guidance to enable customers to maintain their compliance with the specific regulations relevant to their areas of application.

We know that our customers rely on receiving comprehensive and accurate product safety and regulatory information from SONGWON to ensure that they comply with national and global regulations and can achieve their business and sustainability (environmental, health and safety) goals. Therefore, SONGWON takes its responsibility as a supplier very seriously and our RA team provides customers with the comprehensive information they need. In 2024, RA created over 100 new Safety Data Sheets (SDS) and updated over 400. For many of its products, SONGWON also provides customers with a voluntary Regulatory

Current and future Regulatory Affairs challenges:

- Regional regulatory bodies (such as those in Europe and South Korea) continue in their efforts to identify and restrict hazardous substances.
- The number of countries adopting substance inventories or registration programs continues to increase, with also further focus on potential impurities.
- Shipped volumes in various countries and regions must be precisely tracked and reported to ensure compliance with registered tonnage bands is maintained.
- Regulatory authorities consider substance registration dossiers as living documents, where updates and modernization can be requested, particularly to address new topics of concern, changes to the regulations and technical advancements in testing techniques.
- The diversity of global registration programs means that most years now have a high-priority deadline, often with parallel demands for attention in the same time period.
- The growing extent of regulation now applicable to our industry and downstream users results in an ever-increasing number and complexity of compliance questionnaires from customers.

Data Sheet (RDS) for use as a summary of the regulatory status. This year, 14 RDS were issued for new products and almost 100 updated.

Throughout the year, regional regulatory bodies, such as those in Europe and South Korea, continued their efforts to identify and restrict hazardous substances while several other countries progressed with their chemical regulation initiatives, adopting substance inventories and registration programs. At SONGWON, we actively provide substance data to satisfy regulatory demands and ensure that our products are accurately classified and labeled to facilitate safe transportation and use.

At SONGWON, we actively provide substance data to satisfy regulatory demands and ensure that our products are accurately classified and labeled to facilitate safe transportation and use.

Furthermore, to stay ahead of emerging registration requirements and new regulations, the RA team regularly meets with consultants and is very involved in CEFIC sector groups, registration consortia and trade associations. In 2024, RA enhanced its active participation in these groups. By combining efforts, the industry is more able to satisfy the data demands of regional authorities in an efficient, ethical and cost-effective way. Additionally, RA's extensive international monitoring of emerging regulations (on product groups or applications), combined with our experts' detailed composition knowledge, enables us to take timely, necessary actions to maintain SONGWON's compliance with various national regulations and agendas.

As regulatory requirements often span multiple segments of the supply chain, the RA team is committed to continuously improving collaboration with both upstream suppliers and downstream users to address demands, such as sustainable sourcing and also to restrict the transit of unintentional substances of potential hazard or regulatory control.

In 2024, the RA team successfully completed the mandatory K-REACH registration for all substances manufactured or imported within the 100-1000t per year category. This is a significant achievement, particularly considering the size and scope of SONGWON's portfolio

within our primary manufacturing base in this region. Furthermore, it also ensures the uninterrupted supply of our materials into 2025.

2024 was another mandatory reporting year in the USA, for the submission of detailed volumes and usage information for substances imported above the applicable tonnage threshold. The RA team was able to successfully meet all reporting requirements and delivered the necessary information well before the deadline. Additionally, RA also completed new application listings to further expand and enhance SONGWON's product offering in the region.

During 2024, the RA team progressed significantly with improvements to our European volume tracking process, which is an essential regulatory requirement for importers of SONGWON's products into Europe. To meet the growing European demand for our products, the team also successfully submitted new registrations and volume band increases. In addition, RA finished a comprehensive screening program on SONGWON's product range and measures were implemented to ensure the necessary compliance with the new European deforestation regulation.

In 2024, the RA team successfully completed the mandatory K-REACH registration for all substances manufactured or imported within the 100-1000t per year category.

The successful completion of the 2024 K-REACH portfolio marks an important milestone for SONGWON, but future deadlines are already set for lower tonnage categories and upcoming regulatory deadlines in regions such as Turkey and the UK are rapidly approaching. In addition, key European legislations are currently under review or development and will demand RA's constant attention.

As we navigate upcoming regulatory challenges, the ongoing careful stewardship of SONGWON's portfolio will be vital. Leveraging the advanced tools developed by the RA team combined with its proactive monitoring strategy, RA will identify and execute the necessary regulatory actions going forward. At the same time, the RA team will provide continuous guidance to the business units, ensure that SONGWON maintains compliance across all regions and continues to meet stakeholder expectations. ■

2024 Regulatory Affairs highlights:

EU-REACH:

- 18 EU Poison Centre Notifications submitted for new formulations

K-REACH:

- Almost 50 new substance notifications sent to the Korean authorities
- Over 100 new product SDS submitted to the Korean authorities

OUR PEOPLE

A strong global team

SONGWON's position as an industry leader is driven by a united team of 971 talented and highly skilled individuals. Their dedication is at the heart of our success and key to gaining the long-term loyalty of our customers. By always setting the highest standards for themselves, they work diligently and consistently, giving their best to the organization, our customers and the industry as a whole.

Reflecting SONGWON's international customer base, our global team is made up of members from 35 different nationalities. Leveraging their varied backgrounds and perspectives, they work seamlessly across the business and borders for SONGWON's success and offer consistent value and support to our customers.

Reflecting SONGWON's international customer base, our global team is made up of members from 35 different nationalities.

SONGWON's collaborative working environment is shaped by the balanced mix of ambitious new talent and a solid foundation of experienced professionals. Whether new hires or long-standing team members, each employee strengthens our global team and has a vital role to play in reinforcing SONGWON's position and future in the industry. In a culture focused on self-realization, our people continually strive to improve, encouraging themselves and their colleagues to go that "extra mile" to exceed customer expectations. Their entrepreneurial team spirit and pride, combined with SONGWON's global reach and local expertise, have shaped the organization into what it is today and help us to sustain our competitive edge in the markets we serve.

To ensure that both individuals and teams have the resources they need to achieve lasting success and deliver positive business outcomes, SONGWON's management fosters a dynamic and engaging culture

shaped by open communication and flat hierarchies. In addition to providing a secure working environment and prioritizing employees' physical and mental well-being, the management actively engages in regular dialogue with them, valuing their views and listening to their ideas. Furthermore, to stay connected and gain insight into employee concerns, department leaders hold regular meetings with their teams and when needed, Town Hall Meetings and surveys are organized to collect additional feedback.

By engaging with employees in such a way, SONGWON's leadership gains constructive feedback while promoting continuous improvement and sustaining motivation within the organization. Especially during times of uncertainty, we understand the importance of effective internal and external communication. The management, HR and our team leaders regularly update employees on SONGWON's priorities, financial results, EH&S issues, etc. Furthermore, encouraging and supporting information exchange across the organization and harnessing internal synergies has always been strongly encouraged and actively supported at SONGWON.

Cultivating long-term customer relationships has also always been important to us. Each year, to gain insight into our customers' challenges and needs, SONGWON's teams collaborate closely with them, offering expertise and support where required. The knowledge gained from these interactions is shared internally across the organization between the relevant functions, providing us with an additional competitive edge. This collective sense of responsibility toward our colleagues and stakeholders highlights our commitment to living SONGWON's Corporate Values every day.

Since change is a constant in SONGWON's business environment, we endeavor to stay agile and adaptable. Central to this approach and the core of SONGWON's DNA is the 'One Company, One Culture' principle, which outlines our business goals and reflects our organizational identity. In 2024, HR continued with initiatives such as conducting a Corporate Values workshop for our young talent in Korea, to further anchor SONGWON's values throughout the organization and strengthen our corporate culture. In 2024, the Global HR team participated in key meetings (e.g., Global Sales) to lead open discussions on how our values are interpreted and lived at SONGWON. In addition, these sessions also covered how we can use our values to support each other to achieve our business objectives, as well as what actions should be taken if our values are not being followed.

Being a successful organization involves more than just performance and achievements. For us at SONGWON, it means acting responsibly and ethically and abiding by the law. From initial onboarding sessions to annual refresher courses, we ensure our people have a solid understanding of SONGWON's expectations. Each global team member is fully aware that they must abide by the laws, rules and regulations of the country in which they work but also comply with SONGWON's company values and the ethical principles in our Code of Conduct, as well as essential guidelines and procedures in our daily operations*.

Our Corporate Values, Code of Conduct and Whistleblower Policy emphasize SONGWON's commitment to equality, diversity, human rights and sustainability. We value an inclusive working environment where individuals work together as one team, regardless of their background and beliefs. At

HR Highlights in 2024:

- Promoted SONGWON's Corporate Values & Leadership Principles across the organization
- Continued the alignment of corporate culture anchored to SONGWON's DNA
- Strengthened leadership development initiatives
- Streamlined the organizational structure in collaboration with key leaders
- Harmonized HR standards and further optimized global procedures
- Organized team-strengthening events to reinforce our Corporate Values
- Arranged overseas exchange opportunities between the U.S. and Korea
- Conducted training sessions on key topics e.g., ethics, health & safety, cybersecurity
- Expanded the e-Learning Management System (LMS) with new content
- Provided external learning opportunities, e.g., English training courses
- Partnered with the Korean Ministry of Trade and Energy on R&D projects
- Cooperated with various key universities and learning institutions in Korea

* In 2024, there were no incidents to report, such as corruption that breached SONGWON's Code of Conduct and no significant fines (of either monetary or non-monetary value) for non-compliance with laws and regulations.

SONGWON, we want our employees to feel proud of belonging to a global organization with high integrity standards, that protects its people, assets and reputation. We believe that an inclusive culture—one that celebrates diversity, human rights and equal opportunities—builds stronger bonds between managers and employees and trust within the company.

We are proud of our strong SONGWON team and recognize their importance for our continued positive development. To empower employees to reach their full potential, HR offers a range of training and development opportunities each year that focus on e.g., skill-building, work-life integration, etc.

In line with this, HR supports employees to continuously learn, collaborate and use their experience to make valuable contributions to the company. In addition to the Corporate Values workshop, HR provided internal trainings for employees on ethical standards, cybersecurity, health and safety, goal setting and English language courses. Furthermore, when managers and employees identified a knowledge gap during yearly performance reviews, HR helped them find suitable education and skill-building opportunities.

In addition to this, SONGWON's e-learning platform ensures our people have access to educational content regardless of their location. Employees can download the information to read it offline and take online assessments to earn certifications. To keep our employees, especially newjoiners, fully up to date with our latest products and current market information, the business sectors offered knowledge-building training sessions and webinars throughout the year.

Through comprehensive on-the-job training, our people gain hands-on experience, enhance their skills and acquire the knowledge needed to perform at their best. SONGWON's employee exchange program was designed to give employees the opportunity to collaborate with other SONGWON teams in different countries and cultures. Beyond offering insight into new work environments, these exchanges promote cultural understanding while strengthening language and international business skills. This allows employees to familiarize themselves with different approaches, build stronger connections with global colleagues and return to their local teams with valuable extra knowledge and experience. Over the years, this strategy for enhancing communication between locations and sharing best practices has proven highly beneficial to SONGWON. Most importantly, it helps us cultivate a global mindset and build on our diverse culture.

Our HR philosophy is built on acknowledging the essential role each employee plays within the organization and the value they bring to every aspect of SONGWON's operations. Working with management, HR fosters entrepreneurial thinking and promotes a culture of collaboration, creating an environment in which employees can take pride in their work. We always aim to ensure that our employees feel engaged and motivated by measurable results while being valued as vital contributors to our shared success. By aligning their tasks with the organization's strategic goals, we inspire and develop the talented individuals in our global team and assess each employee's performance based on a clear set of leadership expectations, targets and measures.

SONGWON's performance management system (PMS) provides a structured and transparent process to assess, recognize and reward employees fairly. The system gives each employee a clear understanding of how their work contributes to the organization, as well as highlighting areas where they can grow and improve. The PMS includes an individual employee development plan, designed to promote personal and professional growth. The primary objective of our PMS is to provide constructive feedback that benefits both employees and their managers. It also ensures that feedback is fair, accurate and motivating, fostering a meaningful dialogue that supports mutual growth and success.

At SONGWON, we remain committed to investing in and developing the talented employees already within our organization, while continuing to hire new team members. Our HR strategy is to hire the best candidate for each position and provide them with an environment in which they can excel. To meet our customers' needs, SONGWON offers a workplace centered on common goals where employees are encouraged to grow by taking on meaningful tasks aligned with their roles. This approach, combined with our trainee programs, strengthens SONGWON's position as an attractive employer and helps address the global shortage of skilled workers.

For our HR team, finding the "best" candidate extends beyond qualifications and experience. It means identifying flexible and talented individuals who align with SONGWON's Corporate Values, bring diversity to our team and add value to our multicultural environment. As a leading global organization, operating in a fast-paced, international market, we seek open-minded, collaborative thinkers who are adaptable, versatile and able to navigate challenges.

SONGWON maintains close cooperative relationships with local universities and technical colleges to support external recruitment efforts. Furthermore, to foster engagement with future talent, we invite university students in Korea to tour SONGWON's lab which provides them with first-hand insight into the work we do and our industry. Adhering to local apprenticeship regulations, we support the growth of local talent and strengthen the workforce by creating skill development opportunities.

At SONGWON, we:

provide

an environment for sharing & collaborating.

support

creativity & entrepreneurial team spirit.

enable

people to thrive & take responsibility.

value

diversity & unique perspectives.

encourage

further development & learning.

acknowledge

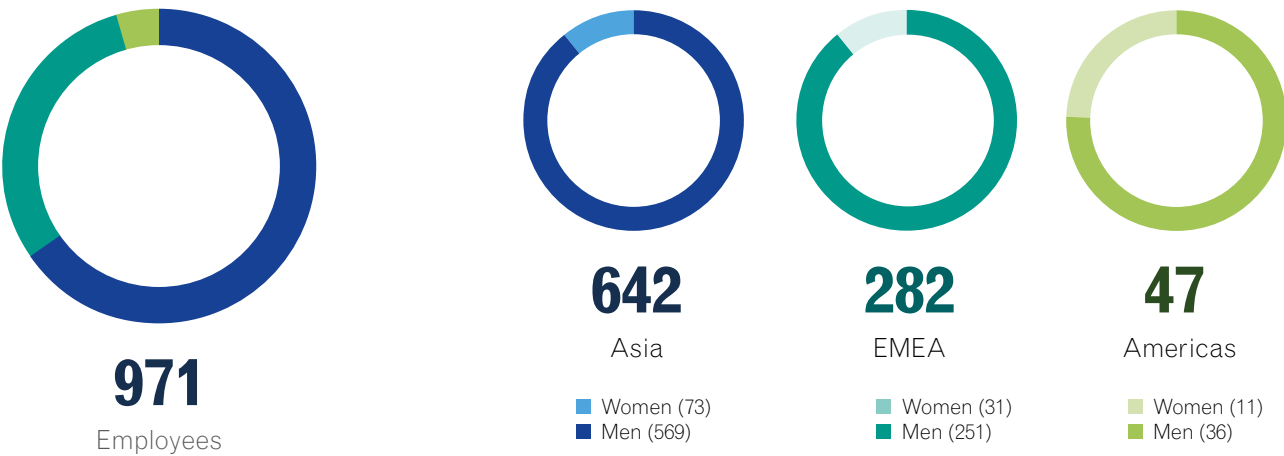
dedication & achievements.

empower

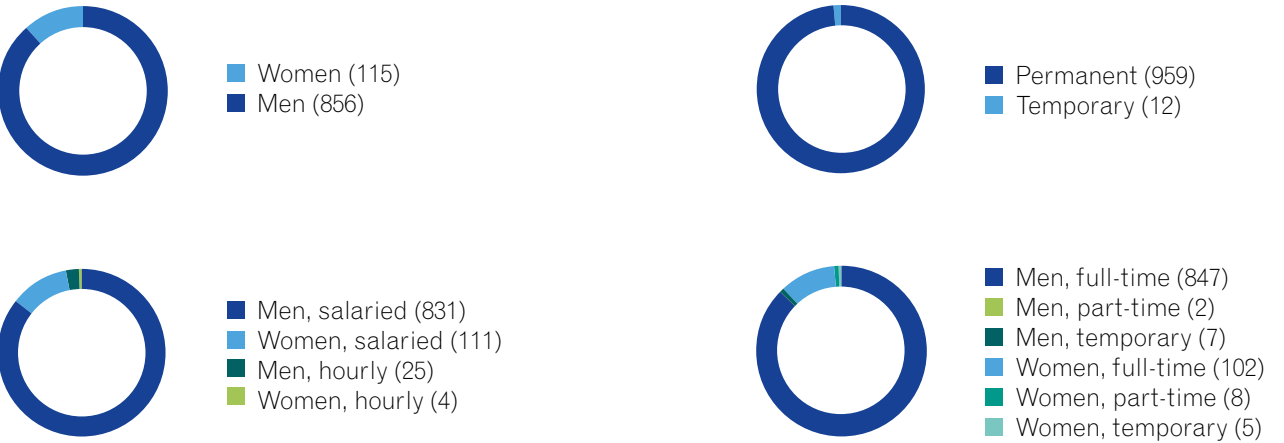
performance.

Local managers have an inherent understanding of the culture of their employees and customers and at SONGWON, we leverage this localized expertise to strengthen our operations. While HR's priority is always to select the best candidate for the position, it aims to always hire from within SONGWON if possible. For mid- to lower-level positions, our priority is internal recruitment and we follow a similar approach when selecting candidates for senior management positions.

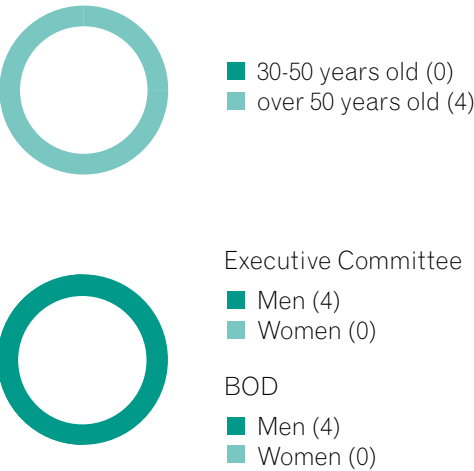
In 2024, our regional and global HR teams played a pivotal role in ensuring business continuity across the organization. By introducing new measures and executing key strategies, they supported and empowered our people to continue contributing positively to SONGWON's success. Looking ahead, HR will continue to rethink and adapt its principles to position SONGWON as a preferred employer in the market while implementing leaner, more optimized processes across the entire Group to enhance efficiency and ensure that the organization is well-equipped for future growth. ■



In 2024, 9 employees took parental leave and 8 employees returned to work.



BOD & Executive Committee



Employees by gender	Left	Hired
Total	64	57
Men	56	46
Women	8	11
Employees by age	Left	Hired
Total	64	57
> 50 years	29	3
From 30 to 50 years	24	20
< 30 years	11	34

SONGWON'S GLOBAL TEAM

35 different nationalities work at SONGWON



03

SUSTAINABILITY REPORT

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SUSTAINABILITY STATEMENT

For SONGWON, sustainability is more than just environmental responsibility — it is a fundamental part of how we operate and conduct our business. From optimizing efficiency and developing innovative products to fostering employee engagement and upholding ethical leadership, sustainability influences every aspect of our business. Since our first report in 2008, we have remained dedicated to transparently communicating our actions and their impacts each year.

Transparency is fundamental to our relationships with stakeholders and provides a vital level of accountability. Building on our commitment to transparency and accountability, we are proud to have achieved the EcoVadis Platinum in 2024. After consistently earning Gold in previous years, this milestone reflects the steady progress we have made in advancing our sustainability efforts. Beyond enhancing our reputation and strengthening stakeholder trust, this recognition also reinforces our position as a leader in sustainable business practices and underscores our dedication to integrating sustainability into every aspect of our operations.

In line with this commitment, SONGWON's reporting scope covers our global operations. In 2024, we moved a step closer to our goal of achieving the 17 UN Sustainable Development Goals (SDGs) aligning our efforts with 15 SDGs — an increase from 13 in 2023. Throughout the year, we also made further progress on our comprehensive carbon reduction roadmap for SONGWON, developed in the previous year to align with the Korean government's Nationally Determined Contribution, which targets an 11.4% reduction in chemical industry emissions by 2030. Our roadmap lays the foundation for SONGWON's ambitious long-term goal of achieving Net-Zero emissions by 2050.

With the addition of 36 new sustainability KPIs in 2024, SONGWON is taking further steps to address critical environmental, social and governance challenges. These expanded indicators will be essential in advancing key initiatives, including water stress management and green purchasing while supporting data-driven strategies to drive long-term sustainability improvements.

Furthermore, to further advance our sustainability efforts, we are strengthening SONGWON's sustainability strategy through ESG quantitative and qualitative target setting. By establishing clear, measurable objectives across environmental, social and governance areas, we are enhancing our ability to track progress, drive meaningful change and align our initiatives with global sustainability standards. This structured approach not only ensures our long-term sustainability goals remain ambitious and achievable but also strengthens our role as a responsible and forward-thinking industry leader.

Whether in environmental initiatives such as carbon reduction, social priorities like employee well-being, or governance enhancements, this framework will enable us to set clear expectations, monitor our impact and continuously evolve in response to emerging challenges.

As an industry leader, SONGWON has consistently demonstrated its agility and resilience in overcoming challenges, including the unforeseen, by steadfastly adhering to our sustainability values. While we recognize that there is always more to be done, our roadmap positions us to explore new and innovative ways to enhance sustainability across our operations.

The 2024 Sustainability Report highlights the progress we have made to date, showcases SONGWON's ability to drive meaningful change and reaffirms our deep, ongoing commitment to shaping a more sustainable tomorrow for the future generations.

Dr. Schmutz

Thomas Schmutz

Leader Global Technology,
Regulatory Affairs & Sustainability

ECOVADIS PLATINUM



In 2024, SONGWON received its 1st Platinum medal from EcoVadis in recognition of our outstanding sustainability performance. Scoring 85 out of 100, we are proud to be ranked in the top 1% of the 73,000 companies evaluated worldwide.

Over the years, SONGWON has achieved EcoVadis Gold status 5 times. Our 1st Platinum EcoVadis rating reflects not only our strong commitment to sustainability and corporate responsibility but also highlights the areas where we have made major improvements:

**Sustainable procurement:
Improved from 60 to 80.**

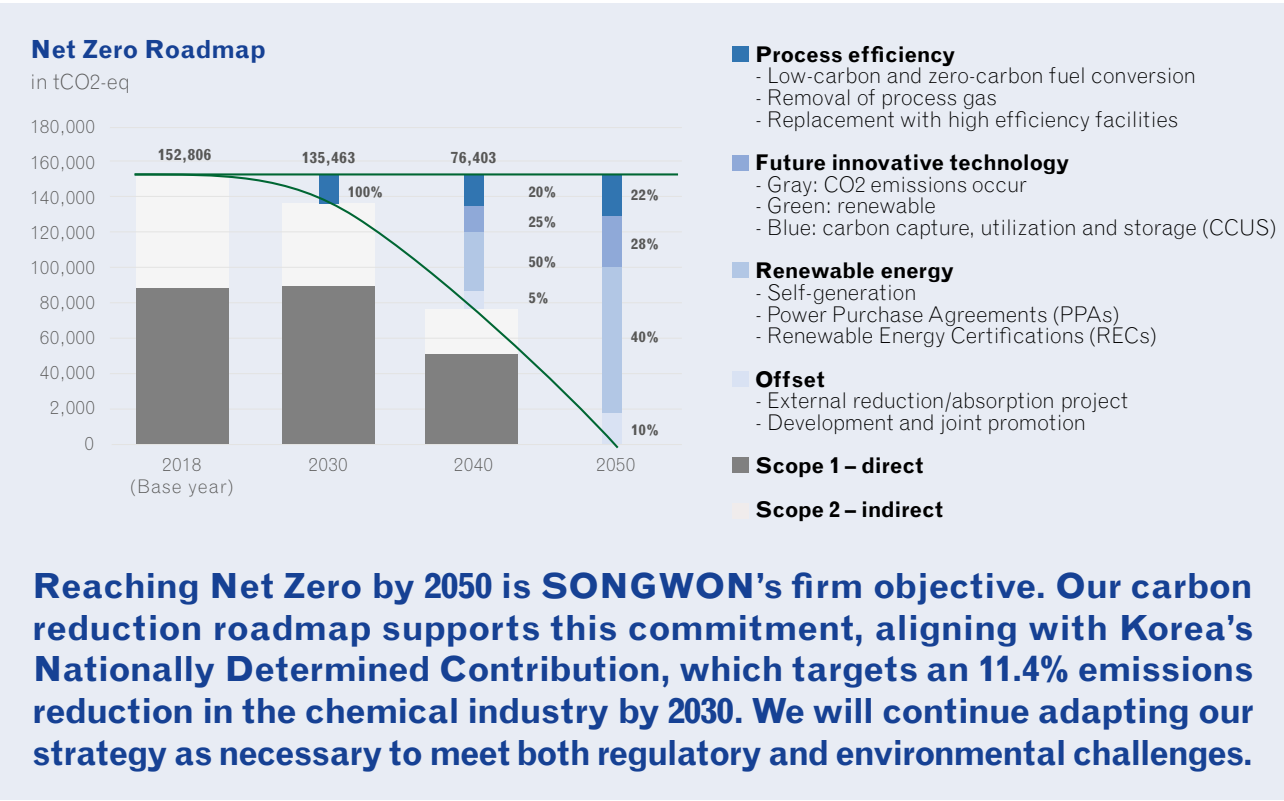
**Environment and human rights:
Improved from 70 to 90.**

Unlike many other certifications that apply only to specific sites, the Platinum rating reflects the sustainability efforts of the entire SONGWON Group. This achievement highlights our collective commitment to sustainability across our global operations.


EcoVadis is one of the leading industry reference platforms for evaluating how an organization has integrated the principles of sustainability into its business and management system. Trusted by over 700 major multinational corporations to monitor the CSR performance of their business partners, EcoVadis applies a comprehensive assessment framework that covers 4 key areas: environmental protection, labor and human rights, business ethics and sustainable procurement.

Based on international standards such as the 10 Principles of the UN Global Compact, ILO conventions, GRI Standards and ISO 26000, EcoVadis' sustainability ratings offer businesses valuable, evidence-based performance analysis and a valuable actionable roadmap for continuous improvement.

For more information on EcoVadis, please see: www.ecovadis.com



SUSTAINABILITY ACHIEVEMENTS 2024



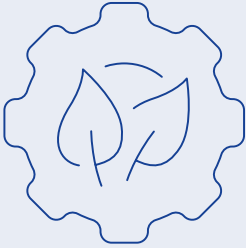
36

new KPIs
bringing the
total to 89 KPIs in 2024

Increased alignment with
UN Sustainability
Development Goals

15

from 13 to





EcoVadis Platinum
SONGWON is in the top 1% of
companies evaluated worldwide.

Strengthened SONGWON's
sustainability strategy
through **ESG** quantitative
and qualitative target setting.

recovered

53%

of steam
condensate





Progressed with long-term goal
of achieving
Net-Zero emissions
by 2050

2024 HIGHLIGHTS

ENVIRONMENT

- Established a detailed strategy plan by 2030 according to SONGWON's Net-Zero Roadmap.
- Maximized use of steam produced by the agro-waste-fired steam boiler.
- Used PE bags containing 50% recycled plastic as packaging materials.
- Collected and reused tote bags (liquid PVC stabilizer packaging).
- Recycled waste by extracting raw materials from process sludge generated in the product manufacturing process.
- Recycled water through Zero Liquid Discharge (total water savings: 9,798 KI).
- Executed CO₂ emissions management in relation to our global supply chain.
- Promoted sustainable sourcing and maintained membership in the Responsible Mineral Initiative (RMI).
- Conducted Life Cycle Assessments (LCAs) on the top 80% of our products, based on their sales volume.
- Derived improvement activities for GHG emissions and energy efficiency, e.g. power & fuel efficiency improvement.
- Identified improvement activities for reducing GHG emissions and enhancing energy efficiency, such as power and fuel efficiency optimizations.
- Prepared for further power and fuel efficiency improvement and renewable energy purchasing.
- Sourced 63% of the Panoli plant's total energy consumption from renewable energy.

SOCIAL

- Improved EHS system to enhance SONGWON's safety and health management.
- Conducted quarterly joint safety patrols to improve plant environment & safety.
- Promoted a break room and office remodeling project to improve the welfare of in-house, partner companies and direct employees in the Maeam and Suwon plants.
- Engaged in community donation activities (hospitals, schools), Panoli plant.
- Provided training to supply chain partners, enabling them to participate in reducing CO₂ emissions and managing ESG e.g. for 10 suppliers in China.
- Planted over 200 trees near SONGWON's Panoli plant in India to support GHG absorption.

GOVERNANCE

- Established an ESG Roadmap to ensure comprehensive ESG reporting.
- Developed Environmental, Health & Safety, Labor and Human Rights and Sustainable Procurement policies, including qualitative and quantitative ESG targets. ESG Policies: www.songwon.com/sustainability/esg-policies
- Prepared for future reporting under The Korea Sustainability Standards Board (KSSB) by applying the concept of double materiality—an approach supported by GRI, as their standards represent the impact side of double materiality.

ABOUT OUR SUSTAINABILITY REPORT

Since its foundation in 1965, SONGWON has continually adapted to the ever-changing landscape, seizing opportunities and navigating the challenges that arise. As our global business grows, our sustainability priorities also evolve, driving our efforts to meet the expectations of our stakeholders and allowing us to create long-term value that will benefit future generations.

At SONGWON, sustainability is deeply embedded in our approach to economic, environmental and social responsibility throughout the value chain. Our 2024 Sustainability Report provides stakeholders with a transparent and in-depth look at our key activities and accomplishments, underscoring our firm commitment to sustainability and accountability. Within this report, we detail our environmental, social and governance (ESG) objectives, progress and performance across our global operations for the fiscal year 2024 (ending December 31st, 2024), unless otherwise noted. The content of this report has been shaped by taking into consideration our stakeholder's feedback and recommendations regarding the previous year's reported topics and their importance.

This year's report, published on March 21th, 2025, is designed to fulfill the information requirements of SONGWON's stakeholders, comply with relevant regulations and align with criteria defined by sustainability rating and benchmarking organizations. It emphasizes key concepts and performance indicators (KPIs) that reflect SONGWON's material sustainability issues and has been prepared in accordance with GRI Standards 2021 for the period from January 1st, 2024, to December 31st, 2024, in alignment with the Group's financial reporting.

Additional disclosures in 2024

SONGWON updates its sustainability Key Performance Indicators (KPIs) on an annual basis to meet the evolving environmental, social and governance (ESG) standards. In line with the future adoption of the IFRS sustainability standards by the Korea Sustainability Standards Board (KSSB), we have aligned our KPIs to meet the strict criteria outlined by the Korea Institute of Corporate Governance and Sustainability (KCGS) and the demanding requirements set by EcoVadis. This year, we introduced 36 new KPIs, bringing the total to 89. Furthermore, we have a roadmap for the next 2 years that includes additional sustainability disclosures to ensure we effectively monitor and improve SONGWON's sustainability performance,

while aligning our ESG reporting with stakeholder expectations and complying with the required timelines set by the relevant authorities.

Compared to the 13 SDGs last year, SONGWON expanded its KPIs to target a total of 15 UN SDGs in 2024. The newly added SDG is: "17. Partnerships for the Goals." As part of this expansion, we introduced a KPI focused on water stress management, reinforcing our commitment to addressing global water resource challenges. By managing water stress in regions where our plants operate, SONGWON strives to make a meaningful contribution to resolving international water resource issues, directly supporting our goal of achieving SDG 17.

External assurance

At SONGWON, transparent and verified reporting is a key priority. As part of our commitment, the selected KPIs for 2024 have been externally assured by the British Standards Institution (BSI). This limited assurance engagement was conducted in accordance with the auditing principles outlined in the International Standard on Assurance Engagements (ISAE) 3000. Through this process, we ensure that SONGWON's reporting meets the highest standards of accuracy and credibility. (For further details, see the BSI Independent Assurance Opinion Statement on pg. 136–143).

Enhanced reporting

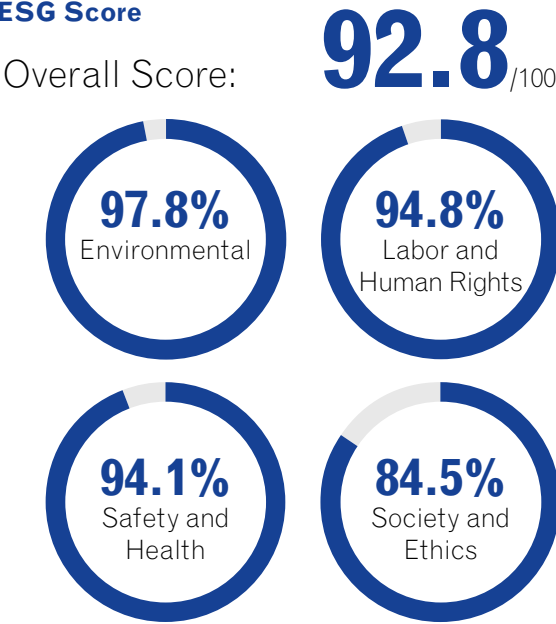
In anticipation of the forthcoming disclosure requirements as per the IFRS Sustainability standards, SONGWON has launched a project aimed at enhancing its environmental, social and governance (ESG) reporting. These IFRS standards for sustainability are expected to be adopted by the Korea Sustainability Standards Board (KSSB) and are likely to become mandatory for SONGWON starting in 2027. Additionally, we diligently consider the evaluation criteria outlined by the Korea Institute of Corporate Governance and Sustainability (KCGS)

in accordance with Korean law, as well as the higher standards required by EcoVadis to achieve each rating level. We view our project as a valuable opportunity to further SONGWON's progress and strengthen our position as a socially responsible organization.

Sustainability Strategy

Sustainability is a strategic driver at SONGWON. We understand that in order for us to maintain and strengthen our leadership position in our core businesses, it is essential to operate with a sustainable business model. Hence, our strategic goal is to ensure we create added value by optimizing operational efficiency, promoting innovation and embracing responsible business practices that meet the ever-changing demands and sustainability standards of our markets and stakeholders.

ESG Score



This drives the company's strategic direction and requires substantial investments, especially in financial and human capital. Sustainability is a collective company-wide challenge for SONGWON, involving our entire global team across all entities and playing an active role in shaping the company's culture. We take a comprehensive approach, considering all aspects of sustainability — environmental, social and economic. Our sustainability priorities are defined through our materiality assessment process and focus on the most significant topics.

Our sustainability efforts are guided by the UN SDGs and aligned with internationally recognized sustainability principles that further the global sustainability agenda. Our commitment to SONGWON's Code of Conduct and stakeholder expectations are reflected in our corporate strategy, policies and integrated management system, highlighting our dedication to sustainability while uncovering new business opportunities. As external sustainability regulations continue to evolve each year, we have proactively strengthened our ESG initiatives to ensure SONGWON remains well ahead of global disclosure requirements. The establishment of IFRS sustainability disclosure standards in 2023, along with their forthcoming adoption by the Korea Sustainability Standards Board (KSSB), has had a significant influence on our approach.

To prepare for these regulatory changes, SONGWON has developed a structured ESG reporting roadmap to transition from GRI Sustainability Reporting Standards to IFRS Sustainability Standards. This roadmap is designed to enhance transparency while aligning with the expectations of key assessment bodies such as KCGS and EcoVadis to maintain consistently high ESG ratings. Strengthening our disclosures not only meets future global reporting requirements but also enables stakeholders to make informed decisions by providing clear insights into critical sustainability areas, such as greenhouse gas reduction (GHG) and circular economy initiatives.

Improving energy efficiency, reducing emissions and transitioning to renewable energy sources remain central pillars of SONGWON's long-term sustainability

In 2024, SONGWON successfully completed an ESG management evaluation by the Korea Productivity Center¹ and secured a strong overall score of 92.8 across the areas of Environmental, Labor & Human Rights, Safety & Health and Society & Ethics

¹ Korea Productivity Center is Korea's largest training and consulting agency.

strategy. As we monitor, manage and report on a broad range of ESG factors, we prioritize resources toward addressing material sustainability risks and opportunities. Understanding our key priorities allows us to optimize our time, investments and efforts for maximum impact.

To achieve our goals, we continually seek innovative ways to embed sustainability across our operations and product offerings. An innovation-driven mindset is deeply embedded in SONGWON's corporate culture and plays a crucial role in our business success. Across SONGWON's global operations, we leverage advanced technologies to enhance energy efficiency, improve water management and — most critically — manage and reduce emissions in line with our long-term sustainability commitments. These ongoing efforts have contributed to SONGWON achieving an EcoVadis Platinum rating in 2024, underscoring our continuous drive for sustainability excellence.

Material topics

At SONGWON, we conduct an annual materiality assessment to ensure we focus on issues that have the greatest potential to impact our business and those that matter most to our stakeholders — customers, employees, investors and communities.

In order to identify material topics, we reference the previous year's report and follow the principles outlined in the GRI 3: Material Topics 2021. We assess both actual and potential impacts through engagement with internal and external stakeholders, as well as experts who have an in-depth understanding of SONGWON's operational context. This method helps us prioritize the issues most crucial for our reporting. At SONGWON, we assess the relevance of each sustainability element by considering its impact on our business and its broader economic, environmental and social impacts which include factors such as human rights and business relationships. The results from this process directly guide our strategic focus. The outcomes from this assessment directly shape our strategic priorities.

Determining material topics is an ongoing process to ensure the achievement of long-term relevance and value. The topics covered in this report were selected for their potential impact on SONGWON's stakeholders and our ability to generate long-lasting value. The primary responsibility for selecting these topics lies with the Sustainability Management Team, as defined in our Sustainability Governance Structure (see Governance pg. 118). This team consistently

engages with customers, partners, the supply chain and shareholders to acquire relevant feedback. The feedback gathered from last year's report not only validates our direction but also highlights areas that require deeper exploration, such as customer experience and supply chain-related issues.

Furthermore, at SONGWON, we actively monitor emerging factors that may impact future material topics, such as climate change, evolving environmental regulations, shifts in consumer and investor expectations and changes in social responsibility and regulatory frameworks. This proactive, ongoing approach enables us to remain responsive to emerging trends and allows us to adjust SONGWON's materiality assessments to address both current and future sustainability needs.

At the end of 2023, as part of SONGWON's structured sustainability governance framework, the Executive Committee (EC) actively contributed by identifying key ESG material issues and grading their respective positive and negative impacts. This time, to proactively prepare to meet upcoming ISSB² disclosure requirements, the concept of double materiality was applied focusing on both the impact of ESG factors on SONGWON and the company's impact on these ESG factors.

Subsequently, the Sustainability team reviewed the methodology used in 2023 and reassessed whether SONGWON's circumstances or the external environment had changed significantly enough to require us to reidentify or regrade the material ESG issues. After careful consideration, the team concluded that no such changes were necessary and this finding was shared with the Executive Committee (EC) for further review. The EC then re-examined and approved the existing material topics to ensure they continued to align with SONGWON's sustainability strategy and goals. The finalized results were subsequently acknowledged by the Board of Directors (BoD).

For more information on SONGWON's Material Topics, see pg. 122

At SONGWON, we align our operational goals and performance metrics with the core principles of our sustainability strategy. We regularly assess our progress and transparently communicate the results through our Sustainability Report. This approach ensures that we focus on the most relevant topics, addressing the priorities of both our organization and our stakeholders.

Goals	Measures
CO ₂ -Emissions*: reduction of 11.4% by 2030 (Base year: 2018)	Verification by Korean Government Independent Limited Assurance by BSI (British Standards Institution) 3 rd Party verification by KSA (Korean Standard Association)
Energy consumption: Energy-efficiency, renewables	Renewables: renewables used based on palm oil, photovoltaics, agro-waste (implemented locally), recovery of raw materials from wastewater and waste oil Energy-efficiency: on-site operational optimization measures, Independent Limited Assurance by BSI (British Standards Institution)
Product carbon footprint	LCA for all main products available; completed LCA for the top 80% of our products, based on their sales volume.
Health and Safety	Reached goal in 2024: Total Case Accident Rate of 0.22 No./hour Independent Limited Assurance by BSI (British Standards Institution)
Customer satisfaction	Sustainability Service Center
Innovation	Product innovations. Sustainable products
Circular economy	Developed design for mechanical recycling of raw materials The packaging recycled for PVC stabilizers
Waste reduction	Share of recycling waste increases annually Recycled PE for packaging (up to 50%), RIGK-Certificate Recovery of raw materials from wastewater and CO ₂ emissions reduction Water recycling by operating a ZLD (Zero Liquid Discharge) system
Governance Structure	Sustainability Governance Structure in place

* To meet the Korean government's NDC (Nationally Determined Contribution), the CO₂ emissions (Scope 1 and Scope 2) shall be reduced by 11.4% from the 2018 absolute value by 2030 at the Korean manufacturing sites.

² The International Sustainability Standards Board

ENVIRONMENT, SOCIAL AND GOVERNANCE (ESG) APPROACH

SONGWON's approach to ESG is both a comprehensive and proactive one. Ensuring sustainable performance, it is focused on delivering consistent returns and creating long-term value for all our stakeholders. In keeping with this, we have implemented a sustainable business model that aligns with the long-term objectives of environmental, social and governance (ESG) principles.

Value Creation

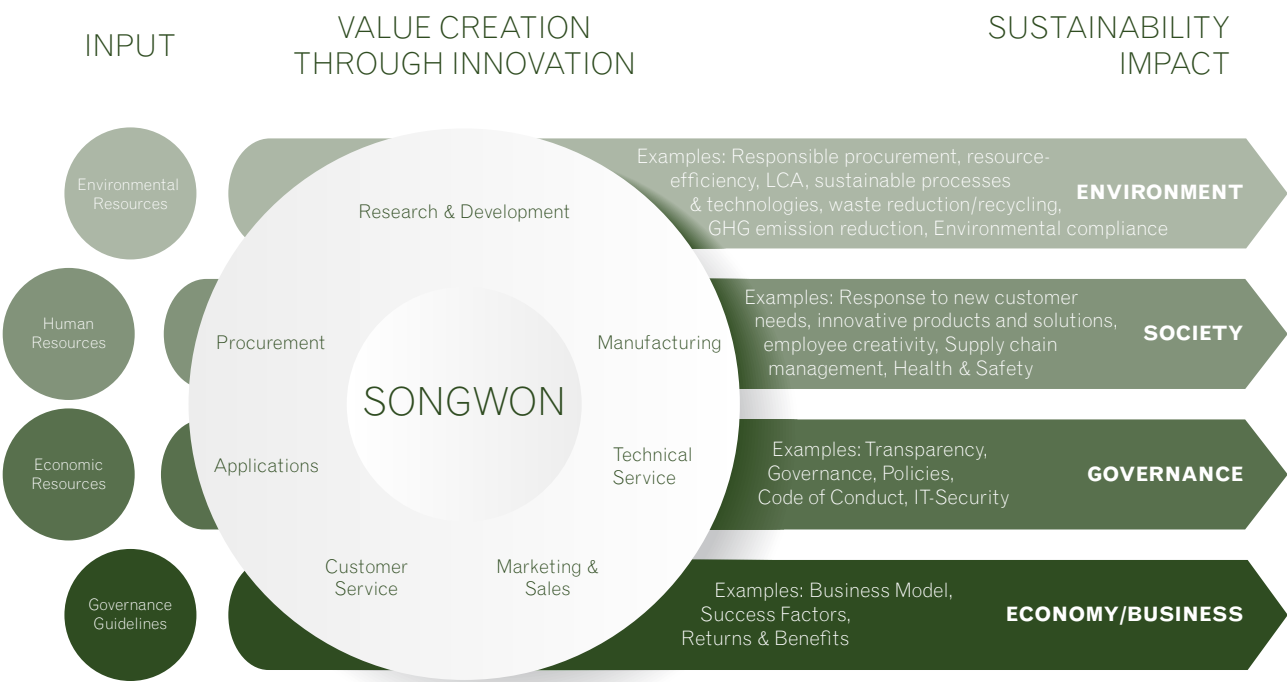
SONGWON's business model actively embodies a commitment to ongoing sustainability, social responsibility and ecological responsibility, while creating value through innovation.



SONGWON aims to create long-term value for all stakeholders.

Value Creation through Innovation

Committing to ongoing sustainability, social and ecological responsibility — while creating value through innovation — reflects SONGWON's business model.



At SONGWON, we carefully assess the ESG impacts of all of our business activities, ensuring their alignment with sustainable development and the UN's SDGs.

Products

SONGWON is a global leader in the development, manufacture and supply of specialty chemicals and one of the largest manufacturers of polymer stabilizers in the world. At SONGWON, sustainability is at the forefront of everything we do. By collaborating with customers and industry experts, we develop and deliver custom, application-specific chemical products for a variety of industries.

Sustainable product development

At SONGWON, we remain committed to product safety, quality and innovation while anticipating and continuously adapting to the growing demand for sustainable solutions. As companies across industries raise their investment in sustainable technologies and eco-friendly innovations to reduce carbon footprints, we are continuously enhancing our efforts to develop products that contribute to these sustainability goals. By applying life cycle thinking,

we guide our portfolio toward greater sustainability, considering the environmental impacts at every stage — from responsible sourcing and transportation to manufacturing, customer use and end-of-life management. In line with GRI Standards, we recognize the importance of managing and reporting on our products' environmental impact and have made it a fundamental part of SONGWON's sustainability strategy.

Sustainability is at the core of product development at SONGWON's Technology Innovation Center in South Korea. Our experienced team of experts is committed to expanding our portfolio while reducing environmental impact and optimizing resource efficiency through innovative solutions. With a strong collaborative approach and forward-thinking strategies, we contribute to a cleaner economy, align with our customers' sustainability goals and drive shared progress toward a greener, more sustainable future.

Over almost 60 years in the industry, SONGWON has built a diverse and comprehensive portfolio of performance-enhancing products that increase the durability of end materials and make plastics easier to recycle. In addition, our additives make it possible for products to retain their original properties and contribute to giving plastics a 2nd life. By actively assisting customers in selecting products that meet their sustainability requirements, SONGWON makes a valuable contribution to supporting the circular economy.

SONGNOX® 1076
(phenolic antioxidant)

SONGNOX® 1680
(phosphite)

SONGNOX® 1010
(phenolic antioxidant)

SONGNOX® L670
(liquid primary antioxidant for lubricants)

SONGSORB® CS WB product range
(solvent-free coatings additives)

SONGSTAB® CZ product range
(lead-free PVC additives)

SONGSTAB® COS product range
(tin- and zinc-free PVC additives)

HI-THANE™ A-7332
(solvent-free polyurethane adhesive)

HI-THANE™ A-6200

SONGNOX® 9228
(antioxidant for color improvement, stabilization of Cr-type high-density polyethylene)

SONGSORB® 1164
(UV absorber for plastics)

SONGSORB® CS 477 SONGSORB® CS 171
(for highly durable coatings - new high performing triazine and a liquid benzotriazole)

SONGSORB® CS B5459 SONGSORB® CS B5452
(coatings on a water-based solution, new blends)

Photoresist Monomers
(raw material of photoresist in semiconductor manufacturing process)

Photoresist Polymers
(photoresist chemicals in the semiconductor manufacturing process)

Technical Service

To offer customers the highest level of expert technical support, SONGWON has 10 support centers strategically located around the globe. In our industry today, it is not enough just to produce sustainable products. Customers expect much more from us. In keeping with this, SONGWON's TS team leverages its expertise to help customers implement sustainable solutions and provides ongoing support to ensure high performance is consistently maintained. Throughout the year, TS continued to focus its efforts on the key market issues of recycling, sustainability and regulation.

- SONGWON's Technical Service Team:
- proactively monitors and addresses customer requests.
 - provides LCAs for SONGWON's core products.
 - designs and further develops solutions for mechanical recycling.
 - promotes learning in the area of mechanical recycling.
 - supports product innovations, e. g., incl. bio-based content.
 - contributes to extending SONGWON's portfolio of sustainable products & solutions.
 - monitors initiatives related to plastic waste as a renewable resource to promote the circular economy.

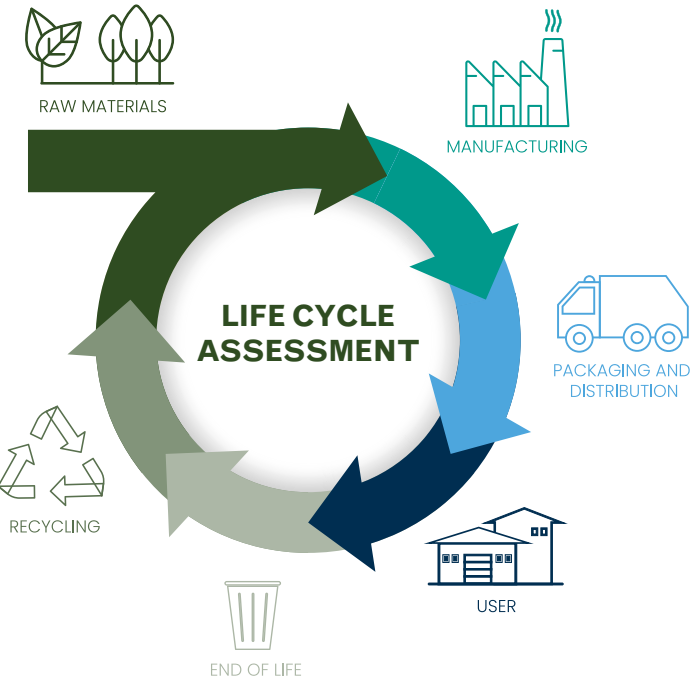
Life Cycle Assessments (LCAs)

Utilizing our global standing as a provider of specialty chemicals, we customize our offerings to meet our customers' diverse needs while maintaining stringent quality and performance benchmarks. However, we are also mindful of our products and processes' potential impacts on our customers, end-consumers and the environment.

Hence, in recognition of our responsibility towards the circular economy, SONGWON conducts Life Cycle Assessments (LCA) to assess the sustainability performance of our core products across their entire life cycle, starting from the development phase to their end-of-use, evaluated based on the ISO 14040 and ISO 14044 standards.

In 2024, we conducted Life Cycle Assessments (LCAs) on the top 80% of our products, based on their sales volume. Data was collected using a well-established methodology such as CML IMPACT, covering aspects such as materials, energy usage and emissions which are based on the ecoinvent database to:

- LCA is updated every 5 years according to the TfS (Together for Sustainability) guideline.
- quantify the global warming potential per product and identify optimization possibilities.
- find opportunities for low-impact raw materials, extending the durability of end products, or utilizing renewable energy for production and operations.



SONGWON takes into account the full life cycle of plastics during product development.

Circularity

For us, the circular economy means optimizing resource use throughout the entire value chain, as we handle a substantial volume of materials in our production processes each year. Through ongoing learning, our deep commitment to continuous improvement and strategic investments, we aim to enhance our operational efficiency and increase the utilization of energy and the raw materials we purchase, while reducing emissions and minimizing waste at the same time.

Recognizing its responsibility to both the environment and society, SONGWON has introduced comprehensive 5R initiatives to support and continually strengthen the circular economy. In our global organization, employees are not only encouraged but also empowered to go beyond minimum standards in their efforts to safeguard the environment.

SONGWON has comprehensive 5R initiatives in place to support the circular economy.

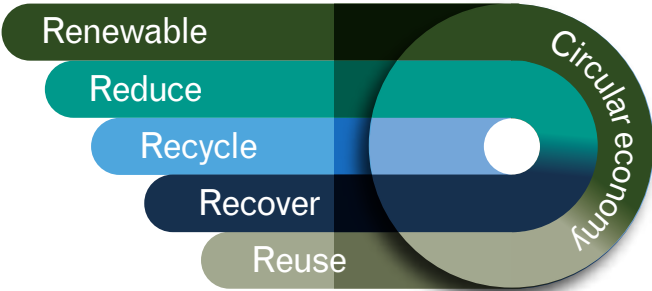
RENEW:
e.g. using raw materials from renewable sources

REDUCE:
e.g. emissions reduction through solar PV (photovoltaic) panels

RECYCLE:
e.g. bags made with 50% recycled PE

RECOVER:
e.g. recovering (e.g. tin) from wastewater for reuse or sale

REUSE:
e.g. giving plastics and recycled resins a 2nd life

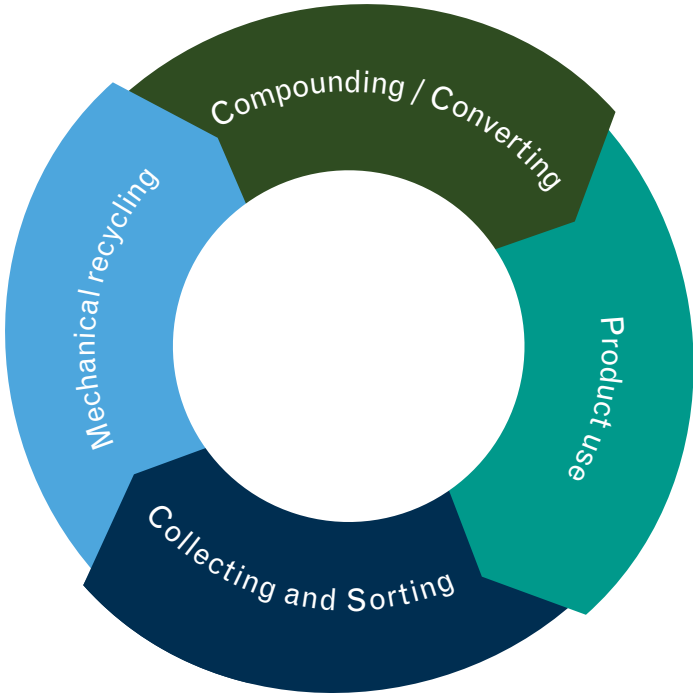


Today, players in the plastics industry are actively seeking solutions that meet the ever-evolving demands for sustainability. In response, SONGWON is focusing its innovation efforts on improving the sustainability of plastics. By applying our expertise in additives and specialty chemistry, we are supporting customers to transform and reuse materials, creating new solutions that contribute to closing the loops.

SONGWON is a member of PCEP (Polyofelin Circular Economy Platform), a European joint industry initiative, founded by two plastics industry associations (EuPC and PlasticsEurope) to advance the circular economy.

SONGWON's Approach to Circularity

When plastics are not adequately stabilized with additives, their mechanical properties and durability are substantially reduced over time. To prevent this, we have developed a "design-for-circularity" approach that enhances both the quality and durability of polyolefins. SONGWON's approach helps to reduce material waste and support a more sustainable circular economy by making it possible for products to be reused or recycled more effectively and without significantly losing their original properties.



SONGWON's contribution to mechanical recycling

Mechanical recycling is facilitated if the stabilizers are added upstream by the polymer producer. Through the process of re-stabilization achieved by adding SONGNOX® binary blends consisting of primary and secondary antioxidants, recycled resins become suitable for a 2nd service life.

UN Sustainable Development Goals (SDGs)

SONGWON is strongly committed to the Sustainable Development Goals (SDGs) and Agenda 2030. By providing sustainable solutions that drive innovation across various industries, the chemical sector can play a vital role in advancing sustainability. Our industry’s ability to deliver impactful solutions aligns with numerous SDGs, reinforcing its significance in global sustainability efforts.

As a member of the UN Global Compact (UNGC)*, SONGWON is working towards achieving 17 Sustainability Development Goals (SDGs) to fulfill its corporate social responsibility.



In 2024, with the continuous expansion of its KPIs, SONGWON is targeting 15 SDGs.

* SONGWON's UNGC membership information:
<https://unglobalcompact.org/what-is-gc/participants/143135-Songwon-Industrial-Co-Ltd->

For additional Key Performance Indicators see Appendix pg. 126.



ENVIRONMENT

At SONGWON, we strongly believe that reducing the environmental impact of our business activities is not only a moral responsibility but also a key driver of ensuring our long-term success as an industry leader. We recognize that our operations, supply chains and SONGWON's products and services impact the natural environment in multiple ways. As expectations for environmental responsibility grow throughout the value chain, we remain committed to upholding SONGWON's unwavering commitment to environmental stewardship.

Our main objective is to protect the environment by managing natural resources, including renewable and raw materials, responsibly through sustainable procurement and production practices. To achieve this, we prioritize reducing energy and water consumption while minimizing emissions, waste and effluents. In line with these efforts, we have established an operational management system designed to achieve SONGWON's emissions reduction targets, enhance energy efficiency, boost recycling rates and decrease waste and wastewater. Through proactive coordination

and strategic planning, we continue to drive meaningful progress toward a more sustainable and climate-resilient future.

SONGWON has transparently reported its sustainability performance since 2008, with a focus on specific countries and indicators. As part of our ongoing strategy and dedication to continuous improvement, we recently adjusted our reporting approach and scope to more effectively reflect SONGWON's goals and commitments.

Scope of environmental data to be extended	The reporting scope includes all manufacturing sites in SONGWON entities. Since 2023, all 8 manufacturing sites are included.	
	The environmental data collection was extended to all manufacturing sites of SONGWON entities since 2023. (Since 2024, the reported environmental data of the Baifu plant considers a share ratio of 30%.)	
Independent Limited Assurance	In accordance with ISAE 3000, BSI has conducted the external review (limited assurance) of 89 KPIs.	
	The assurance statement is provided on pg. 136.	
Restatement	At the end of June on an annual basis, the Korean Government verifies and corrects the SONGWON disclosed emissions data (Korea) in the Annual Report. The adjustments relate to the previous year's data. The (minor) adjustments according to the Korean government are included in the tables. A footnote details the modification.	
	The corresponding tables are marked.	

Energy

At SONGWON, we are committed to the sustainable consumption of energy. We have made it a top priority to evaluate the environmental, social and economic impacts of our energy use while implementing effective measures to reduce waste, enhance efficiency and transition to renewable sources whenever possible. By prioritizing resource optimization and energy efficiency, we continually strive to mitigate the environmental impacts related to the energy SONGWON consumes.

In 2024:

- Total energy consumption for infrastructure¹ & chemical processes: 3,174.966 TJ.
- Direct energy (Scope 1) consumption: 764.092 TJ.
- Indirect energy (Scope 2) consumption: 2,410.875 TJ
- Energy intensity: 2.97 GJ/Million KRW
- Total energy consumption for Korea: 2,911.73 TJ
- Renewable energy consumption: 129.238 TJ

Greenhouse Gas Protocol (GHG Protocol) corporate standard – Scope 1 and Scope 2

- Scope 1 – emissions are direct GHG emissions that occur from sources that are owned or controlled by SONGWON, including emissions from the combustion of fuels for electricity, incineration, heat, or steam and emissions from physical or chemical processing.
- Scope 2 – emissions are indirect GHG emissions from the generation of purchased electricity and steam consumed by SONGWON.

Energy consumption²

GRI Disclosures	SASB	Categories		Unit	2021	2022	2023	2024	
302-1	RT-CH-130a.1	Total	Total	GJ	3,406,637	2,983,108	2,945,187	3,174,966	
			Korea	GJ	3,224,683	2,801,451	2,620,229	2,911,730	
			Group entities	GJ	181,954	181,657	324,958	263,237	
302-1	RT-CH-130a.1	Direct Energy	Total	GJ	629,724	626,353	700,643	764,092	
			Korea	GJ	607,768	603,851	661,813	736,200	
			Group entities	GJ	21,956	22,502	38,831	27,892	
		Total	GJ	2,776,913	2,356,755	2,244,543	2,410,875		
			Korea	GJ	2,616,915	2,197,599	1,958,417	2,175,530	
			Group entities	GJ	159,998	159,155	286,127	235,345	
		Renewable energy consumption	Total	GJ	170,455	166,940	127,169	129,238	
			solar energy ^a	GJ	15,614	13,338	9,328	0	
			energy from agrowaste	GJ	154,841	153,603	117,841	129,238	
		Share of total energy		%	5%	6%	5%	4%	
		Self-generated energy	Total	GJ	290	288	261	266	
			Korea	GJ	290	288	261	266	
			Group entities	GJ	0	0	0	0	
		302-3	Energy use intensity	Intensity	GJ/ Million KRW	3.41	2.24	2.86	2.97

¹ heating, cooling, electricity, steam, etc.

² SWDM-KR calculation is based on the FRAMEWORK ACT ON LOW CARBON, GREEN GROWTH, the Korean Law relevant for SWDM-KR. This data is subject to change after data verification by the Korean Government. (Verification result is confirmed yearly in May). For the Global sites (SWDM-IN, AE/DE/US, SW Baifu), the calculation method is based on the IPCC guidelines (Scope 1) & electricity factors (Scope 2) of each country & the steam factor (Scope 2) of each steam supplier.

^a Due to contract expiration, solar energy supply has been stopped since 2023.

Emissions

This year, SONGWON established a more detailed carbon reduction plan to achieve its 2030 goal, incorporating it into the Net-Zero Roadmap established last year. In line with this roadmap, we aim to reduce SONGWON's emissions by 11.4% by 2030, aligning with the chemical industry sector's target of 11.4% reduction from 2018 levels. To achieve this, we plan to implement further efficiency measures, including investing in and upgrading our facilities, as well as procuring eco-friendly steam and renewable energy.

In 2024, as part of our ongoing efforts to reduce emissions, we introduced energy-efficient systems at SONGWON's South Korean plants in Ulsan, Maeam and Suwon to lower electricity-related GHG emissions. These include high-efficiency air compressors and chillers as well as other advanced technologies. One key outcome is that the Maeam Plant has successfully reduced its GHG emissions by switching from a low-pressure steam supply with a GHG emission factor to a middle-pressure steam supply with a zero GHG emission factor. This also contributed to additional GHG emission reductions by decreasing the LNG boiler load and SONGWON plans to expand further emission reduction activities.

Looking ahead, SONGWON's Net-Zero Roadmap outlines future strategies, including Carbon Capture, Utilization and Storage (CCUS), the transition to green fuels (such as the future Blue Hydrogen Grid by Ulsan City), and renewable energy adoption by 2050. As we move forward with these initiatives, more detailed plans will be integrated to ensure progress toward our Net-Zero target.

In adherence with internationally recognized standards, SONGWON has diligently tracked and reported emissions data annually since 2008. Our CO₂ equivalent (CO₂e) disclosures encompass both direct emissions (Scope 1) and indirect emissions (Scope 2), covering all 8 of SONGWON's global manufacturing facilities. In 2024, total emissions amounted to 167,649 tCO₂e.

In 2024 SONGWON:

- recorded total emissions² (Scope 1 & Scope 2) of 167,649 tCO₂e.
- reported a carbon intensity of 0.157 tCO₂e/Million KRW.

GHG emissions^a

GRI Disclosures	SASB	Categories		Unit	2021	2022	2023	2024	
305-1 305-2	RT-CH-110a.1	Total GHG emissions (Scope 1+2)	Total	tCO ₂ e	170,795	149,073	152,440	167,649	
			Korea	tCO ₂ e	161,908	140,337	132,116	146,619	
			Group entities	tCO ₂ e	8,887	8,736	20,324	21,030	
305-1	RT-CH-110a.1	Direct emissions (Scope 1)	Global Scope 1 emissions covered under emissions-limiting regulations	Total	tCO ₂ e	93,358	84,837	82,841	89,818
				Korea	tCO ₂ e	92,201	83,694	80,855	88,385
				Group entities	tCO ₂ e	1,157	1,143	1,986	1,433
				Total	tCO ₂ e	92,201	83,694	80,855	88,385
				Korea	tCO ₂ e	92,201	83,694	80,855	88,385
				Group entities	tCO ₂ e	0	0	0	0
				Total	%	99%	99%	98%	98%
				Korea	%	100%	100%	100%	100%
				Group entities	%	0%	0%	0%	0%
				305-2	Indirect emissions (Scope 2) ^b	Total	Total	tCO ₂ e	77,437
Korea	tCO ₂ e	69,707	56,643				51,261	58,234	
Group entities	tCO ₂ e	7,730	7,593				18,338	19,597	
305-4	Carbon Intensity ^c	Total Intensity	tCO ₂ e/ Million KRW	0.171	0.112	0.148	0.157		

^a SWDM-KR calculation is based on the FRAMEWORK ACT ON LOW CARBON, GREEN GROWTH, the Korean Law relevant for SWDM-KR. This data is subject to change after data verification by the Korean Government. (Verification result is confirmed yearly in May). For the Global sites (SWDM-IN, AE/DE/US, SW Baifu), the calculation method is based on the IPCC guidelines (Scope 1) & electricity factors (Scope 2) of each country & the steam factor (Scope 2) of each steam supplier.

^b 1) Electricity factor of GHG emissions (Unit : kg-GHG/kWh)
Korea : 0.4594
India : 0.933549
Germany : 0.379949
US (Texas) : 0.37283226
UAE : 0.421608
China : 0.660804
> based on Korean law and [Country-specific electricity grid greenhouse gas emission factors – 2024_Carbon Footprint Ltd]

2) Steam factor of GHG emissions (Unit : t-GHG/GJ)
- Ulsan Plant: TK(37K) : 0.041, TK(25K) : 0.050, TK(4K) : 0.000
- Maeam Plant: SY(25K) : 0.000, SY(8K) : 0.011, TK(7K) : 0.000
- Baifu Plant: Steam(7K) : 0.06
> emission factor source from each steam supplier

^c Carbon Intensity = Total GHG emissions(tCO₂-eq) / Total Sales (Million KRW)

² Since 2023, SONGWON's reporting scope is global and includes all 8 manufacturing facilities.

Raw Materials

At the heart of our product portfolio strategy lies a strong commitment to transitioning to renewable resources. We actively seek opportunities to integrate raw materials sourced from renewable sources into our operations. This year, SONGWON reinforced this commitment by establishing a Sustainable Procurement Policy and an Environmental Policy, further embedding renewable raw material sourcing into our corporate framework.

Additionally, this year SONGWON updated its goals to include continuously monitoring the procurement of eco-friendly raw materials and services as well as maximizing resource recycling to ensure the sustainable use of limited renewable resources. This approach aligns with our broader strategy for environmental sustainability.

To ensure compliance with evolving regulations, SONGWON conducted a preliminary study on the upcoming EU Deforestation Regulation (EUDR), which will take effect in January 2026. At the heart of our product portfolio strategy is a strong commitment to transitioning to renewable resources. We actively seek opportunities to integrate raw materials from renewable sources into our operations. In line with this, we aim to increase our use of renewable raw materials by evaluating the replacement of non-renewable materials with renewable whenever possible and continuously refining our processes.

Although the majority of SONGWON's required raw materials still originate from non-renewable sources, we are making steady progress each year to improve the sustainability of our operations. In 2024, we used 10,076 MT of renewable raw materials.

In 2024 SONGWON:

■ used 10,076 tons of renewable raw materials.

■ spent 23,175 Million KRW on green purchasing (renewable raw materials, recycled PE bags).

GRI Disclosures	SASB Categories	Unit	2021	2022	2023	2024	
	Green purchasing	Ratio of green purchasing compared to total purchase amount	%	5%	8%	5%	4%
		Green purchasing amount	KRW	25,062,501,995	46,480,897,731	22,041,998,821	23,175,468,820
		Renewable raw material (palm oil) ¹	KRW	22,803,325,173	44,102,530,748	21,796,875,864	21,473,670,529
		PE bag (50% recycled plastic)	KRW	2,259,176,822	2,378,366,983	245,122,957	1,701,798,291
	Total purchase amount		KRW	527,958,191,544	600,779,777,014	414,428,798,576	523,898,947,072
301-1	Raw Material	Total	ton	235,489	184,725	160,511	219,494
		Renewable ¹	ton	13,820	14,360	8,195	10,076
		Non-renewable	ton	221,669	170,365	152,316	209,418

¹ Cetyl Alcohol, Epoxy, Glycerine 99.5%, H-LA, H-OLE, H-ST(25 KG), N-OCT(OH), N-Octanol(Sasol), Oleylalcohol, S-100, ST(OH)-1

Water

Water is essential for our production processes and in 2024, we integrated our water management strategy into our Environmental Policy. SONGWON's strategy focuses on maximizing water efficiency across operations and minimizing pollutants entering into water sources. At each of SONGWON's facilities, we are executing targeted, site-specific action plans to reduce consumption, improve the quality of discharged water and implement pollutant-preventative measures aimed at conserving this highly valuable resource.

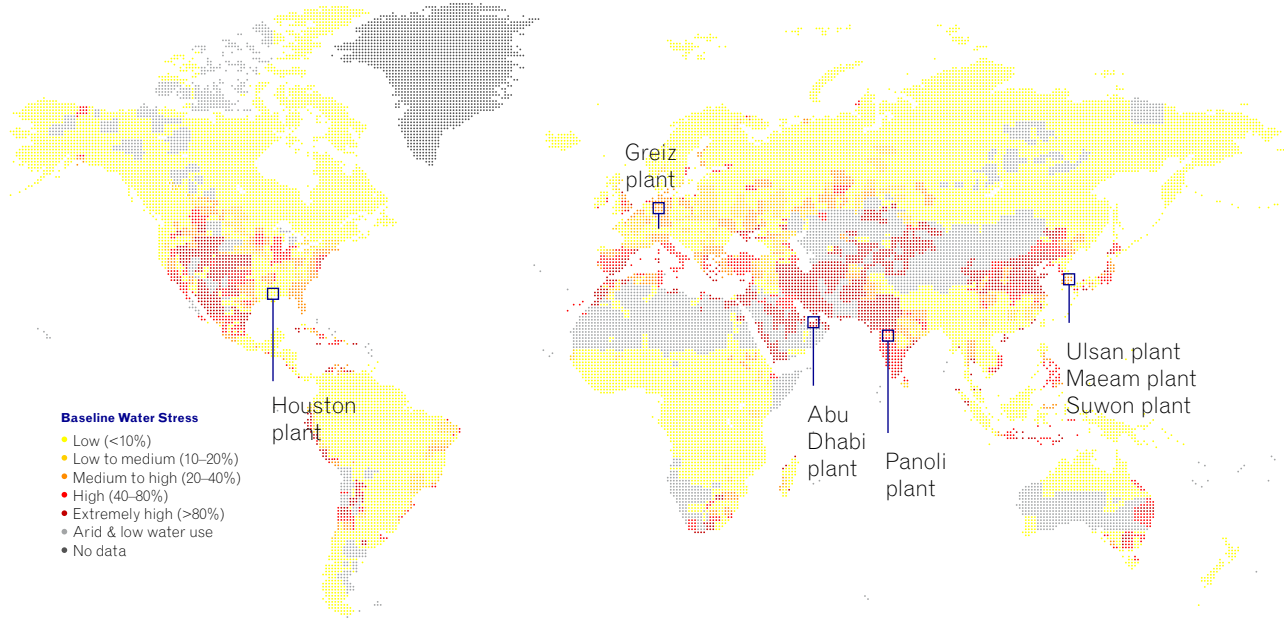
Each year, our water management team closely monitors water-related issues in real time to ensure efficiency and sustainability across our operations. In 2024, SONGWON achieved a 0.4% reduction in water withdrawals, demonstrating that our dedicated efforts are yielding results in improving our use of water.

All of SONGWON's manufacturing sites operate water treatment facilities to enhance the quality of water used and continuous process improvements are made at these facilities. As a result, the quality* of effluent from our wastewater treatment plants is managed to meet standards that are more stringent than those required by central sewage treatment plants, further

underscoring SONGWON's commitment to protecting water resources.

SONGWON's Panoli plant in India supports water resource recycling and reduces overall water consumption by operating a Zero-Liquid Discharge system, which re-treats wastewater from the production process and reuses it within the process. Our 3 manufacturing sites in Korea also contribute to water conservation by regenerating steam through used steam condensation. SONGWON also conducts and manages water stress assessments to identify water-related risks for all global manufacturing sites.

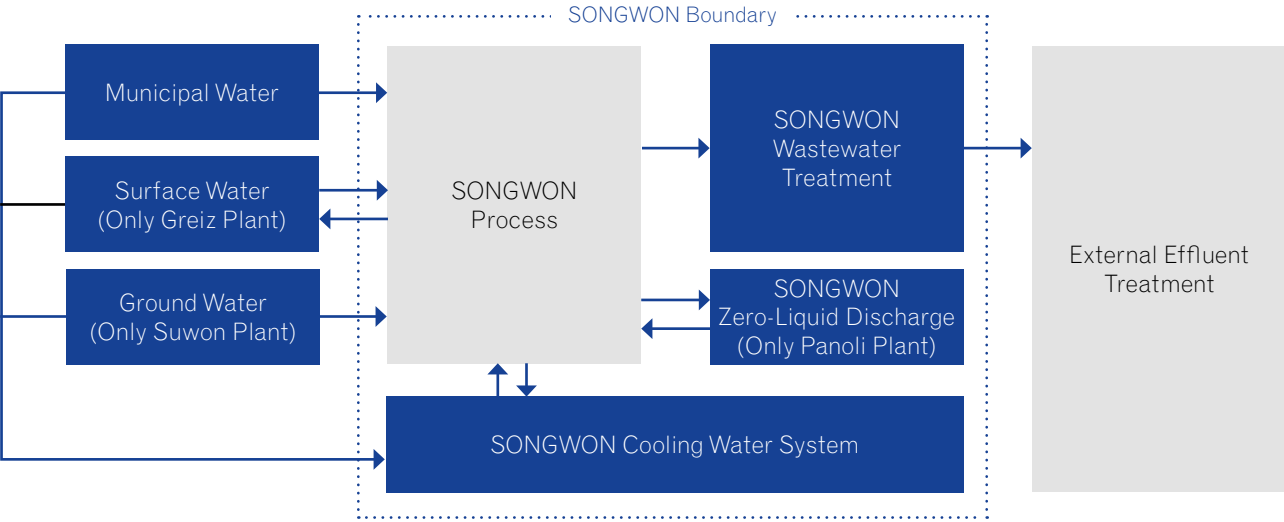
SONGWON Water Stress mapping



Criteria	Low	Low to Medium	Medium to High	High	Extremely High	Arid & low water use	No data	Total
Withdrawal	14%		71%		14%			100%
Consumption	14%		71%		14%			100%
Remark	Houston		Ulsan, Maeam, Suwon, Panoli, Greiz		Abu Dhabi			

* The quality assessment of wastewater is conducted according to the cycle of each country's water management laws and the quality assessment is conducted by an agency certified by the government. (In particular, the Suwon Plant has obtained approval for groundwater law permits and uses groundwater and operates water treatment facilities. It also periodically conducts groundwater quality assessments to prevent groundwater contamination).

Waste Treatment Flow of SONGWON



Cooling water is used in all processes at SONGWON's 8 manufacturing sites and is returned to the cooling tower for being recycled within the Cooling water system.

In 2024 SONGWON achieved a 0.4% reduction in water withdrawals compared to 2023.

GRI Disclosures	SASB Categories		Unit	2021	2022	2023	2024	
303-3	RT-CH-140a.1	Total	Total	ton	1,301,985	1,271,227	1,265,517	1,260,070
			Korea	ton	1,225,873	1,216,974	1,066,816	1,114,459
			Group entities	ton	76,112	54,253	198,701	145,611
		Municipal Water	Total	ton	1,248,747	1,226,422	1,173,071	1,193,165
			Korea	ton	1,172,635	1,172,169	1,022,783	1,079,396
			Group entities	ton	76,112	54,253	150,288	113,769
		Ground-water	Total	ton	53,238	44,805	44,033	35,063
			Korea	ton	53,238	44,805	44,033	35,063
			Group entities	ton	0	0	0	0
		Rainwater	Total	ton	0	0	0	0
			Korea	ton	0	0	0	0
			Group entities	ton	0	0	0	0
		Surface water	Total	ton	0	0	48,413	31,842
			Korea	ton	0	0	0	0
			Group entities	ton	0	0	48,413	31,842

GRI Disclosures	SASB Categories		Unit	2021	2022	2023	2024		
303-1 303-3	RT-CH-140a.1	Water withdrawn from locations with high or extremely high baseline water stress	Total	ton	First reporting from 2024			38,516	
			Korea	ton				0	
			Group entities	ton				38,516	
			Total	%				3.06%	
303-5	RT-CH-140a.1	Water Consumption	Total	ton	567,925	543,970	552,816	577,916	
				ton	491,813	489,717	441,265	502,607	
				ton	76,112	54,253	111,551	75,309	
			Municipal Water	Total	ton	522,806	506,725	468,024	548,348
				ton	446,694	452,472	404,886	473,039	
				ton	76,112	54,253	63,138	75,309	
			Ground-water	Total	ton	45,119	37,245	36,379	29,568
				ton	45,119	37,245	36,379	29,568	
				ton	0	0	0	0	
		Rainwater	Total	ton	0	0	0	0	
			ton	0	0	0	0		
			ton	0	0	0	0		
		Surface water	Total	ton	0	0	48,413	0	
			ton	0	0	0	0		
			ton	0	0	48,413	0		
		303-1 303-5	RT-CH-140a.1	Water consumed from locations with high or extremely high baseline water stress	Total	ton	First reporting from 2024		
Korea	ton				0				
Group entities	ton				56				
Share of total water consumption	%				0.01%				
303-4		Water discharge	Total	ton	734,060	727,257	712,702	678,804	
			ton	734,060	727,257	625,552	608,503		
			ton	0	0	87,150	70,302		
-		Water recycle	Total	ton	76,112	54,253	61,589	75,253	
			ton	0	0	0	0		
			ton	76,112	54,253	61,589	75,253		
			Ratio of re-cycled water compared to total water consumption	%	13%	10%	11%	13%	

Waste

Byproducts are an inevitable part of manufacturing processes, but at SONGWON, we strive to reuse them whenever possible to minimize waste generation and subsequently also reduce carbon emissions. SONGWON's commitment to sustainability is further reflected in our implementation of the 5R measures, which support building a circular economy.

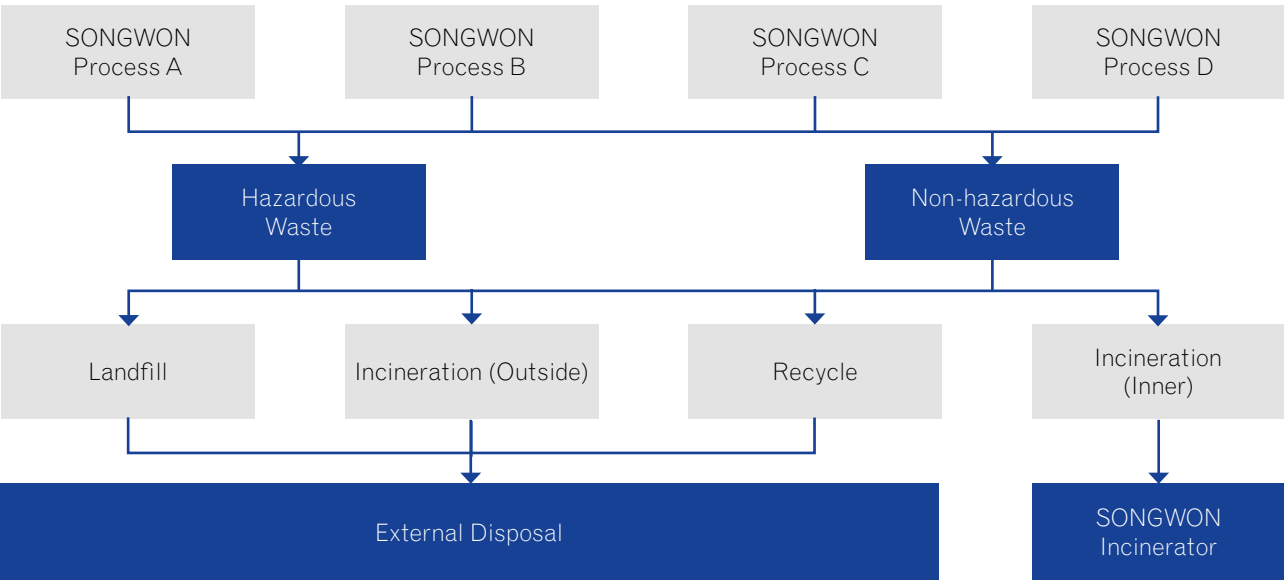
At SONGWON, waste is classified into hazardous and non-hazardous categories and the amount of waste is managed according to each method of treatment. SONGWON follows strict waste management guidelines and its environmental policy to ensure that we maintain compliance with laws and regulations, including e.g. Korea's Waste Management Act. Furthermore, we continuously monitor waste disposal across multiple categories to manage treatment methods effectively and ensure full regulatory compliance.

If there are no reasonable means of recycling waste, we ensure that unavoidable waste is properly treated and disposed of in full compliance with all regulations. In line with this, we continue to implement 5R measures at SONGWON to support circularity and as a member

of the Polyolefin Circular Economy Platform (PCEP) initiative, we remain committed to reducing waste throughout the entire product life cycle as a member. In addition, by complying with the waste disposal laws of each country, waste disposal is handled only within their country where it was generated, thereby preventing the transboundary movement of waste.

Since 2023, SONGWON's data boundary includes all manufacturing sites⁵. In 2024, the hazardous waste generated by SONGWON amounted to 33,574 tons a decrease compared to the previous year. In particular, the Ulsan plant achieved a ca. 15% reduction in hazardous waste through waste reduction activities within its processes.

Waste Treatment Flow of SONGWON



⁵ 2024 data boundaries: SONGWON's 7 manufacturing sites (Ulsan, Maeam, Suwon, Panoli, Houston, Greiz, Abu Dhabi) and the Baifu JV (30%). Up to 2022, the data included was only from SONGWON's 3 Korean plants and 1 plant in India: Ulsan, Maeam, Suwon and Panoli.

Waste Discharge and Recycling

GRI Disclosures	SASB Categories		Unit	2021	2022	2023	2024	
306-3	Waste generated	Total	Total	ton	35,522	34,309	145,160	84,379
306-4			Korea	ton	35,522	34,309	30,685	31,163
306-5			Group entities	ton	First reporting from 2023		114,475	53,216
306-3 306-4 306-5	Non-hazardous waste	Total	Total	ton	2,954	2,754	92,524	50,805
			Korea	ton	2,954	2,754	2,226	2,463
			Group entities	ton	First reporting from 2023		90,297	48,342
		Recycling ^a	Total	ton	1,687	1,070	1,614	1,748
			Korea	ton	1,687	1,070	1,459	1,649
			Group entities	ton	First reporting from 2023		155	99
		Landfill ^b	Total	ton	418	255	90,169	46,207
			Korea	ton	418	255	180	160
			Group entities ^{b-1}	ton	First reporting from 2023		89,989	46,046
		External incineration ^c	Total	ton	849	1,430	741	2,851
			Korea	ton	849	1,430	587	654
			Group entities	ton	First reporting from 2023		154	2,196
Internal incineration ^d	Total	ton	0	0	0	0		
	Korea	ton	0	0	0	0		
	Group entities	ton	First reporting from 2023		0	0		
306-3 306-4 306-5	RT-CH-150a.1 Hazardous waste	Total	Total	ton	32,568	31,555	52,636	33,574
			Korea	ton	32,568	31,555	28,459	28,700
			Group entities	ton	First reporting from 2023		24,178	4,875
		Recycling ^e	Total	ton	11,119	12,903	13,220	10,961
			Korea	ton	11,119	12,903	13,008	10,871
			Group entities	ton	First reporting from 2023		212	90
		Landfill ^f	Total	ton	3,641	3,074	26,234	7,796
			Korea	ton	3,641	3,074	2,596	3,407
			Group entities	ton	First reporting from 2023		23,639	4,389
		External incineration ^g	Total	ton	520	660	613	1,518
			Korea	ton	520	660	286	1,122
			Group entities	ton	First reporting from 2023		327	395
Internal incineration ^h	Total	ton	17,287	14,919	12,569	13,300		
	Korea	ton	17,287	14,919	12,569	13,300		
	Group entities	ton	First reporting from 2023		0	0		

^a Recycling of non-hazardous waste contains waste water sludge, waste carbon, food waste and waste glass.
^b Landfill of non-hazardous waste contains dust, waste sludge and waste insulation.
^{b-1} In 2023, excess waste was generated at the Houston plant due to the return of product waste from a customer.
^c External incineration of non-hazardous waste means waste plastic.
^d Internal incineration of hazardous waste means amount of waste which is incinerated from a SONGWON incinerator.
^e Recycling of hazardous waste contains waste drum, waste insulation oil, waste oil, waste catalyst and waste acid.
^f Landfill of hazardous waste contains process sludge (organic), waste asbestos and ash.
^g External incineration of hazardous waste means waste oil (process).
^h Internal incineration of hazardous waste means the amount of waste which is incinerated from an incinerator located within SONGWON's boundary.

Pollutants

At SONGWON, we have set air and water pollutant reduction targets that exceed legal requirements and have integrated these objectives into our Environmental Policy.

Throughout 2024, we have taken significant steps to actively monitor and reduce air and water pollutants across SONGWON's manufacturing facilities. SONGWON monitors the following identified air and water pollutants:

- Air: NOx, SOx, TSP, PM, Odor, VOCs, Noise, etc.
- Water: TOC (Total Organic Carbon), BOD (Biochemical Oxygen Demand), SS (Suspended Solids), etc.

SONGWON is pursuing the following strategies to reduce air and water pollutants:

- Enhancing air quality management by installing advanced pollution control equipment, transitioning to eco-friendly fuels and minimizing noise with silencers.
- Strengthening water pollution control efforts by upgrading treatment systems and expanding wastewater recycling programs.

Furthermore, as part of our ongoing efforts to minimize the environmental impact of SONGWON's production and achieve cleaner operations, we continue to install new technologies and implement process improvements. For example, in 2024, by installing a low nitrogen oxide (NOx) burner in 2 plants at SONGWON's manufacturing facility in Ulsan facility, we contributed to reducing NOx emissions.

In 2024, SONGWON installed a low NOx burner at the Ulsan plant.

Pollutants

GRI Disclosures	SASB	Categories		Unit	2021	2022	2023	2024	
305-7	RT-CH-120a.1	Air emissions	Sulfar Oxides (SOx) ^a	Total	kg	33	27	31	95
			Korea	kg	33	27	31	95	
			Group entities	kg					
		Nitrogen Oxides (NOx) ^a	Total	kg	37,867	18,435	29,217	36,625	
			Korea	kg	37,867	18,435	29,217	36,625	
			Group entities	kg					
		Water pollutants	Total Organic Carbon (TOC) ^b	Total	ppm	First reporting from 2022 (TOC)	27	19	24
				Korea	ppm		27	19	24
				Group entities	ppm				
		Biochemical Oxygen Demand (BOD) ^b	Total	ppm	7	11	7	6	
			Korea	ppm	7	11	7	6	
			Group entities	ppm					
		Suspended Solids (SS) ^b	Total	ppm	48	13	13	8	
			Korea	ppm	48	13	13	8	
			Group entities	ppm					

^a The coverage is Ulsan and Maeam plant
^b The coverage is Ulsan, Maeam and Suwon plant

Significant spills

At SONGWON, we have proactive measures in place to prevent significant spills, including comprehensive chemical management processes such as the CCTV monitoring of chemical storage areas, real-time leak detection systems and the installation of leak prevention facilities.

Since 2008, SONGWON has not recorded spills of any kind (oil, fuel, waste or chemical) that were required to be reported.

As in the previous year, SONGWON also recorded no spills in 2024.

Total Spills^a

GRI Disclosures		SASB Categories	Unit	2021	2022	2023	2024	
	Total Spills ^a	Total volume of spills (oil, fuel, waste and chemicals)	Total	Liters	0	0	0	0
			Korea	Liters	0	0	0	0
			Group entities	Liters	0	0	0	0

^a All manufacturing sites

Biodiversity

We recognize that our business operations present both opportunities and risks for biodiversity, that extend beyond our global production to the raw materials we use and how our products are used by customers. Part of our commitment to preserving biodiversity is prioritizing it in the management of our sites. Quantitative targets for biodiversity-related KPIs are periodically reviewed and managed at the management level (ECM and BoD) at SONGWON, to ensure that they are embedded into SONGWON's Environmental Policy and part of our sustainability strategy.

SONGWON does not own, lease, or manage any property within or near protected areas or regions of high biodiversity.

In 2024, to the best of our knowledge, SONGWON's activities, products and services had no significant impact on biodiversity.

Safety & Environmental Stewardship of Chemicals

At SONGWON, safeguarding the environment and ensuring the safe use of the chemicals we manufacture is a fundamental responsibility. Guided by SONGWON's Environmental Policy and supported by our comprehensive chemical management process, we diligently monitor and manage the environmental and safety impacts of chemicals and we also conduct hazard and risk assessments. In line with this dedication to responsible chemical handling, we comply with the chemical substance regulations of each country (e.g. K-REACH, EU-REACH, Chemical Substances Management Act). This ensures that chemical labeling management is implemented in accordance with each regulation and that chemical handling is strictly controlled by storing them in designated locations at each plant. This year, to further enhance our environmental management, SONGWON's Environmental Policy was updated to outline specific measures for improving chemical safety.

In order to promote safe handling and compliance, we provide regular chemical trainings for our employees, including specialized programs for hazardous chemical managers, handlers and workers. In addition, we provide ongoing support to the users of our products such as customers, by supplying Safety Data Sheets (SDS) and Regulatory Data Sheets (RDS). All of these documents contain essential information on chemical regulations, Substances of Very High Concern (SVHC) and also the appropriate Personal Protective Equipment (PPE) for each product.

In 2024, SONGWON's Environmental Policy* was updated to outline specific measures for improving chemical safety.

Safety & Environmental Stewardship of Chemicals

GRI Disclosures	SASB Categories	Unit	2021	2022	2023	2024
Total		ton	96,387	88,698	90,076	96,749
Hazardous chemicals		ton	96,387	88,698	90,076	96,749
Group entities		ton				

Data was collected in Korea only.

* SONGWON's Environmental Policy:

English version:



<https://www.songwon.com/sustainability/esg-policies>

Korean version:



<https://www.songwon.com/ko/sustainability/esg-policies>

Sustainable sourcing

SONGWON's procurement strategy incorporates key criteria such as health, quality, safety, social responsibility and environmental protection. Our procurement organization is focused on ensuring the long-term reliability of our supply chain, supporting product production and securing competitive advantages for SONGWON's business operations. Sustainability is at the center of all our procurement practices and we proactively seek suppliers who align with our commitment to environmental and social responsibility.

Our sustainable sourcing approach, which is embedded in our ESG and Sustainable Procurement Policies, focuses on respecting human rights, complying with all relevant laws and regulations, minimizing social and economic impacts and protecting the environment. In this way, we not only strengthen our supply chain resilience but also enhance our ability to meet our corporate responsibility commitments. In addition, SONGWON has dedicated significant resources to strengthening our human rights compliance systems as well as to fostering a safe and healthy organizational culture for both our employees and those supporting our supply chains.

We not only select suppliers based on economic indicators but also based on sustainability performance (e.g., shorter transport distances for lower emissions), competitiveness or geographic area (e.g., close proximity to plants, reduced delivery time, same time zones, quick responses).

SONGWON evaluates suppliers based on sustainability performance, including factors like labor laws, EH&S, human rights and business ethics. We also make full compliance with our Ethical Code of Conduct and ESG assessments and training a mandatory requirement. This year the Procurement team conducted a supply chain ESG assessment on approximately 150 suppliers across key product groups, including Main AO, Lubricant and TPP.

Furthermore, we avoid any products potentially linked to child labor in our value chain and source raw materials in compliance with regulations such

as conflict minerals and the Uyghur Forced Labor Prevention Act (UFLPA). We also completed a preliminary study on the EU Deforestation Regulation (EUDR), which will take effect in January 2026, in collaboration with our global regulatory team. To support stakeholders in making informed decisions, SONGWON provides reliable sustainability information verified by 3rd parties.

In 2024, SONGWON continued to embed sustainable sourcing strategies into its Sustainable Procurement Policy*.

At SONGWON, we are actively managing CO₂ emissions within our supply chain and support suppliers to reduce emissions by incorporating their performance into the evaluations. Our future goal is to meet customer demands by accounting for Scope 3 emissions and contributing to carbon reduction initiatives. By setting environmentally friendly corporate objectives and fostering a circular economy, we enable customers to participate in eco-friendliness by purchasing SONGWON products.

* SONGWON's Sustainable Procurement Policy:

English version:



<https://www.songwon.com/sustainability/esg-policies>

Korean version:



<https://www.songwon.com/ko/sustainability/esg-policies>

To promote sustainable sourcing, SONGWON is a member of the Responsible Mineral Initiative (RMI).



<http://www.responsiblemineralsinitiative.org/>

Exclusion of Conflict Materials

By maintaining membership in the Responsible Mineral Initiative (RMI), SONGWON reinforces its commitment to sustainable sourcing.

SONGWON secures suppliers' commitment to compliance by requiring them to sign the supply chain Ethical Code of Conduct and then confirm

their compliance through regular audits. The Code encompasses key sustainability principles, including responsible sourcing and the prohibition of conflict minerals. The Procurement team evaluates the performance of each supplier on an annual basis, e.g. ISO 14001. If they get a poor score they are excluded from next year's contract.

Product use

Our approach to product sustainability is rooted in reducing the environmental impact of our products throughout their entire life cycle, from production to disposal. To achieve this, we conduct Life Cycle Assessments (LCA) of our products to evaluate their environmental impacts from production to disposal. These assessments provide us with valuable insights, helping us identify opportunities to reduce our footprint during the product's use phase.

A key aspect of SONGWON's product strategy is transitioning to renewable resources. This year, we've set a quantitative target for sourcing renewable raw materials as part of our broader goal to adopt circular economy principles — principles focused on reducing resource consumption and increasing the use of renewable materials, which are integral to our Environmental Policy.

by continuously monitoring changes related to the sustainability of products, ensuring SONGWON stays aligned with evolving regulations and customer needs. By working closely with customers and experts, we focus on meeting global product safety regulations and customer-required quality specifications to minimize the safety and quality impacts on customers when they use our products.

Crucial for ensuring the safety and sustainability of our products is compliance with global regulatory frameworks such as K-REACH, EU-REACH, etc. These regulations ensure that we provide safe products to our customers while minimizing any adverse environmental and health impacts during product use. All SONGWON's departments, including the Sustainability, Procurement, Regulatory and Delivery teams, strive to comply with regulations

In line with our ongoing sustainability efforts, SONGWON has completed LCAs on the top 80% of our products, based on their sales volume, enabling us to better understand and minimize their environmental impact throughout their life cycle. LCA assessments are instrumental in guiding our future actions to improve product sustainability and reduce negative environmental effects.

Product end-of-life

At SONGWON, we are committed to sustainability throughout the entire product life cycle, from development to end-of-life. By applying circular economy principles, we focus on recycling, reusing and ensuring proper disposal methods to minimize

environmental impact. Implementing the 5R measures — Reduce, Reuse, Recycle, Recover and Redesign — allows us to extend material life, reduce waste, and uphold environmental responsibility beyond primary use.

GRI Disclosures	SASB	Categories	Unit	2021	2022	2023	2024
Product Use		Coatings	%	2.7%	2.7%	2.4%	2.7%
		Fuel and Lubricant Additives	%	17.3%	23.4%	24.6%	29.0%
		Polymer Stabilizers	%	63.6%	56.3%	56.4%	52.5%
		Specialty Chemicals	%	0.2%	0.4%	0.3%	0.1%
		Tin Intermediates / PVC	%	7.8%	8.5%	7.7%	7.2%
		TPU / SPU	%	8.5%	8.7%	8.5%	8.5%
		Total Sales Volume	kg	183,294,439	160,436,256	139,303,374	152,631,486

GRI Disclosures	SASB	Categories	Unit	2021	2022	2023	2024
Product End-of-Life		6 months	%	2.9%	3%	3%	2%
		8 months	%	0.4%	0%	0%	0%
		9 months	%	0.4%	0%	0%	0%
		12 months	%	17.8%	18%	18%	17%
		18 months	%	3.3%	3%	3%	3%
		24 months	%	39.7%	40%	40%	50%
		30 months	%	—	—	—	0%
		36 months	%	30.2%	30%	30%	20%
		60 months	%	5.4%	5%	5%	6%
		Number of products	no.	242	242	242	264

Genetically modified organisms (GMOs)

At SONGWON, we strive to ensure customer safety and environmental sustainability. For this reason, we exclusively source renewable raw materials that are non-GMO, we do not engage in the production of GMO-related products and we also make sure that our supply chain is GMO-free. By adhering to our fundamental principle of GMO-free raw material sourcing, we effectively mitigate potential risks associated with

GMOs in our product development and in this way, we manage the environmental impact of SONGWON's products and contribute to advancing sustainability.

SONGWON does not produce products related to GMOs.

GRI Disclosures	SASB Categories			Unit	2021	2022	2023	2024	
	RT-CH-410c.1	Genetically Modified Organisms ^a	Percentage of products by revenue that contain genetically modified organisms	Total	%	0%	0%	0%	0%

^a Since all SONGWON products are chemically based, GMO considerations do not apply.

Environmental Management & Compliance

SONGWON is committed to minimizing our ecological impact and protecting natural resources by following both national and international regulations. This dedication is a core element of SONGWON's Environmental Policy, which aligns with our long-term sustainability vision and drives our continuous efforts to foster a greener future.

To ensure effective environmental management, SONGWON has a company-wide environmental management system, certified under ISO 14001. This global standard outlines the requirements for an efficient environmental management system and enables organizations to improve their environmental performance. This year, SONGWON successfully renewed its ISO 14001 certification, reaffirming our dedication to maintaining high standards in environmental management and our ongoing commitment to sustainability.

In order to retain ISO 14001 certification, we conduct periodic internal and external audits each year to assess the effectiveness of our environmental management system. To ensure ongoing alignment with ISO 14001 standards at a global level, SONGWON's Global EHS team continuously monitors and evaluates the environmental performance across all manufacturing sites and the EHS teams at each business site oversee compliance with local environmental regulations. Additionally, all

SONGWON's suppliers and partners are required to adhere to the Ethical Code of Conduct for the supply chain. In this way, we ensure that environmental responsibility is embedded throughout every aspect of SONGWON's operations.

To complement this, we conduct regular monitoring and evaluations, stay committed to complying with both domestic and international environmental regulations and drive continuous improvement in SONGWON's environmental practices. In order to further strengthen our compliance efforts, ahead of the European Union Deforestation Regulation (EUDR), set to take effect in January 2026, we have proactively conducted a study this year to ensure SONGWON's compliance. The EUDR* seeks to ensure that products sold in the EU do not contribute to global deforestation or forest degradation. Our proactive measures to prepare highlight SONGWON's dedication to environmental responsibility and its readiness to meet changing regulatory standards.

In 2024, SONGWON successfully renewed its ISO 14001 certification.

* The Regulation on Deforestation-free products

GRI Disclosures	SASB Categories			Unit	2021	2022	2023	2024
	Environmental Management ^a	Number of Third-party approved environmental certifications	Total	no.	1	1	1	1
			Total	no.	1	1	0	2
		Number of environmental regulation violations	Korea	no.	1	1	0	2
			Group entities	no.	0	0	0	0
	Environmental Compliance	Amount of fines for environmental regulation violations	Total	KRW	0	0	0	1,600,000
			Korea	KRW	0	0	0	1,600,000
			Group entities	KRW	0	0	0	0

Employee environmental training

In 2024, we took significant steps to ensure that all employees are trained and aware of SONGWON's environmental sustainability goals and practices. Sustainable environmental education is now an official part of the organization's training curriculum and ensures that all employees complete essential education in environmental management.

As part of its commitment to continuous learning and sustainability, we also continue to offer programs focused on hazardous chemical management and energy consumption, along with climate action initiatives. In 2024, to enhance the quality and relevance of these trainings, we updated each program to reflect the latest trends and best practices in climate action.

Furthermore, to assess how effective SONGWON's training programs are, we evaluate our employees' awareness based on the education curriculum. In doing so, we can ensure that our people are not only familiar with the training content but also well-equipped enough to apply the knowledge in their

day-to-day activities. To foster a culture of proactive environmental responsibility, we also provide regular environmental training to help employees identify and mitigate environmental risks in their workplace. At SONGWON, we have reinforced the importance of sustainability across the organization by integrating environmental responsibility into employee development as well as performance management.

In 2024, SONGWON collaborated with external professional agencies to deliver specialized training on hazardous chemical management to provide employees with deeper expertise.

GRI Disclosures	SASB Categories		Unit	2021	2022	2023	2024
			Total	persons			922
			Korea	persons			592
			Switzerland	persons			51
			Germany	persons			31
			USA	persons			35
			India	persons			150
			UAE	persons			44
			Japan	persons			9
			PRC	persons			10

^a ISO14001
^b Environmental training contents
- Hazardous chemical management: For Hazardous chemical managers / 16 hours per twice year
- Climate change risk & Energy: For all employees / 1 hour per every year

SONGWON's social commitment reflects our understanding that sustainable growth is rooted in the well-being of people and communities. By focusing on customer satisfaction, employee health and safety and the promotion of diversity and human rights, we aim to lead with integrity and care. Our dedication extends beyond our organization to foster responsible practices across our supply chain and contribute meaningfully to society. Together, these efforts highlight our core belief that building strong relationships and prioritizing people are essential to driving lasting, impactful change and achieving a successful, sustainable future.

Customer Focus

As key stakeholders, our customers are central to our value proposition and to SONGWON's success. Dedicated to cultivating strong, trust-based relationships with them, we prioritize their needs across our product portfolio, ensuring quality, reliability while always upholding our commitment to environmental, health, safety and social responsibility.

SONGWON's workplace culture is founded upon personal accountability and a strong focus on meeting customer needs. As a reliable development partner, we harness the power of collaboration to provide high-quality solutions. Our aim is to consistently stay a step ahead of our customers and we have proactive measures in place to anticipate their future product, service and information needs. By seamlessly

integrating all aspects of the value chain, making swift and calculated decisions and applying solution-driven strategies, we work relentlessly to reliably supply top-quality to customers, optimize costs and drive innovation across both products and processes.

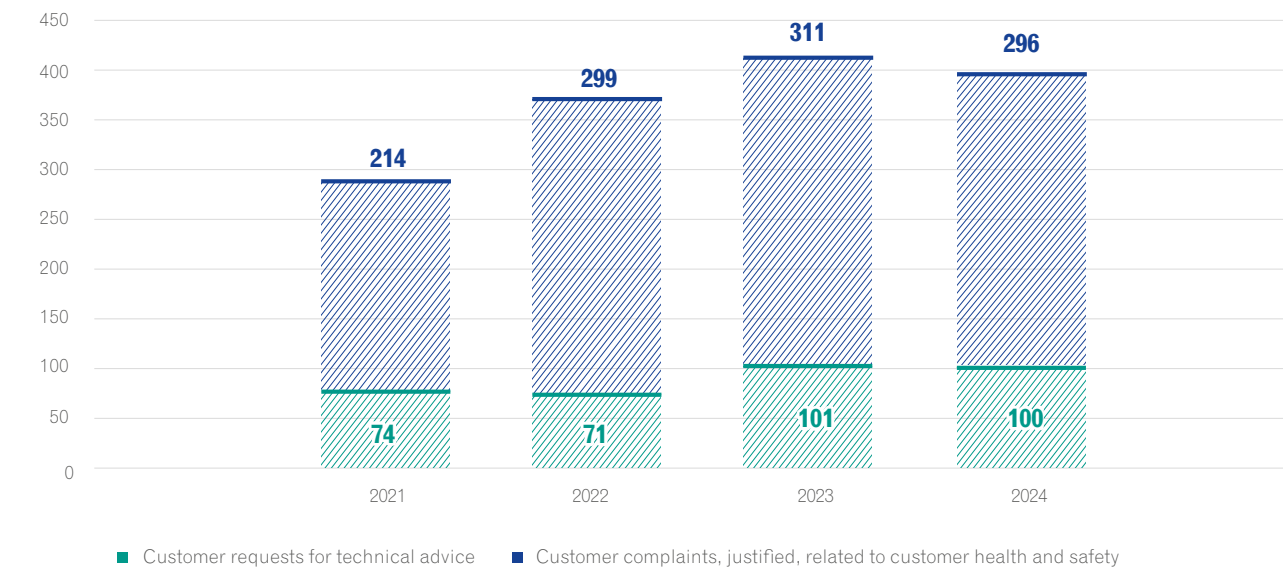
Our services to our customers

Taking a comprehensive approach, we support our customers across every stage of the value chain — from procurement and production to sales, service and after-sales processes such as recycling solutions. Our goal is to address evolving customer needs, regulatory developments and meet the increasing demands for product and service information, labeling and life cycle assessments (LCA) as well as sustainable solutions in both products and packaging.

Once again, SONGWON maintained a record of zero non-compliance incidents related to marketing communications, product information and labeling in 2024. To gain deeper insights into customer needs and perceptions, the Technical Service team conducted a strategic review, including a voice of customer surveys. Additionally, the team explored ways to improve response times to inquiries and has a dedicated email address (techservice@songwon.com) to streamline all technical customer requests.

Customer Health & Safety

(in EA)



Customer Health & Safety

GRI Disclosures	SASB Categories	Unit	2021	2022	2023	2024
	Customer complaints, justified, related to customer health and safety	Number	74	71	101	100
416-1	Customer requests for technical advice	Number	214	299	311	296
416-2	Incidents of non-compliance with regulation and/or voluntary codes concerning the health and safety impacts of products and services	Number	0	0	0	0
	Incidents of non-compliance with regulations resulting in a fine or penalty	Number	0	0	0	0

* Data boundaries: All SONGWON's business operations. (7 manufacturing sites & all offices).

At SONGWON, we are committed to ensuring customer satisfaction and safeguarding their health and safety by advancing product and process innovations that deliver positive environmental impacts. These include:

- declaring the sourcing and components of all SONGWON products
- excluding conflict materials and child labor
- procuring renewable materials where possible
- manufacturing products in a safe environment
- ensuring prompt and reliable supply (despite supply chain disruption or geopolitical challenges)
- using recycled PE for packaging (up to 50%) incl. Climate Protection Certificate from RIGK
- providing an LCA for all SONGWON's core products and expanding these each year
- continuing to build an optimized pipeline of products, services and solutions
- offering guidance, trainings and videos for the efficient and safe handling of products or solutions
- managing (online) requests regarding product use, technologies, materials and/or regulations received from supply chain stakeholders
- offering trainings on our mechanical recycling approach to give plastics a 2nd life
- monitoring of regulatory and product (labeling) requirements
- strengthening the Sustainability Team

Health and Safety

TCAR* 2024: 0.22 No./hour

Ensuring health and safety has always been and continues to be, our top priority. For SONGWON to be a truly sustainable organization, we strive for environmental stewardship and a safe, healthy and injury-free work environment.

In the past 10 years, SONGWON has made significant improvements in EH&S by increasing awareness and emphasizing its importance across the organization. Our manufacturing facilities all operate with well-established EH&S safety policies as well as clear procedures and performance standards that go well beyond the minimum required to comply with the laws and regulations for chemical production processes, products, or technologies. To ensure compliance is maintained and that we adhere to the health and safety regulations and standards of the countries in which SONGWON operates, we conduct annual legal analyses and compliance assessments.

The EHS System introduced at SONGWON last year is a comprehensive framework that includes management, work permits, safety inspections, corrective actions, internal audits, employee health management as well as subcontractor management. This year, we upgraded the system to raise employee awareness and strengthen safety management standards at each facility, thereby enhancing safety and health practices with the goal of achieving accident-free operations. Key efforts included identifying near-miss incidents wherever possible, providing training on accident and incident cases and implementing preventive actions. In addition, we provide annual regular health check-up programs, work environment measurement programs and job stress assessment programs for employee health.

Proactive measures are central to our efforts to build a safer, healthier workplace for everyone at SONGWON. In line with this, every member of our global team actively engages in identifying and managing risks, as well as seeking ways to continuously improve EH&S. Our regular safety walks and housekeeping activities help us identify and manage workplace hazards, implement corrective actions and apply preventive measures to improve overall health and safety practices.

Additionally, carrying out periodic risk assessments (K-PSR, HAZOP, Checklist) helps us to mitigate potential process accident risks such as fires, explosions, or exposure to hazardous chemicals. These important efforts not only prevent accidents but also enhance employees' understanding of potential risk factors. Furthermore, to make sure that everyone at SONGWON is well-prepared to handle emergencies effectively, the management makes sure that all employees take part in our mandatory training on safety and health*, as well as emergency response simulations e.g. fire and evacuation drills**.

Safeguarding our stakeholders, facilities and the environment, while strongly advocating the sustainable use of natural resources and fostering environmental awareness is central to SONGWON's mission as a responsible leader in the industry.

Driven by our commitment to safety, responsibility and achieving accident-free operations, we continuously monitor and work to improve the safety standards across SONGWON's facilities. We firmly believe that every accident is preventable and that by applying safe working practices and strictly abiding them, we can effectively mitigate or eliminate hazards. Safeguarding our stakeholders, facilities and the environment, while strongly advocating the sustainable use of natural resources and fostering environmental awareness is central to SONGWON's mission as a responsible leader in the industry.

* Provide regular safety and health training on industrial safety and health risks for all employees on a quarterly basis and issue certificates of completion.
** Conduct fire and evacuation drills at least once a year based on scenarios such as fire, explosion and chemical leakage within the plants.

GRI Disclosures	SASB	Categories	Unit	2021	2022	2023	2024		
403-9		Number & Rate of Recordable Accidents (TCAR) – employees & contractors ^a	Based on 200'000 Working hours	Number	5	0	1	3	
				Number/h	0.32	0.00	0.07	0.22	
			Based on 1'000'000 Working hours	Number	5	0	1	3	
				Number/h	1.61	0.00	0.35	1.09	
		Number & Rate of Injuries (TCIR, TRIR) – employees & contractors ^b	Based on 200'000 Working hours	Number	19	4	6	29	
				Number/h	1.23	0.27	0.43	2.10	
			Based on 1'000'000 Working hours	Number	19	4	6	29	
				Number/h	6.13	1.34	2.13	10.52	
	Lost day & Lost day rate (LDR, LTIR) due to accidents and incidents – employees & contractors ^c	Based on 200'000 Working hours	Number	126	8	72	7		
				Number/h	8.13	0.53	5.11	0.51	
				Number	126	8	72	7	
		Based on 1'000'000 Working hours		Number/h	40.66	2.67	25.54	2.54	
			Number & Rate of Fatalities – employees & contractors ^d	Based on 200'000 Working hours	Number	0	0	0	0
						Number/h	0.00	0.00	0.00
Working Hours – employees & contractors (denominator)	Number of hours worked			3,098,659	2,991,337	2,818,595	2,757,503		

Our People

At SONGWON, we understand the importance of doing what's right for people — our employees, customers and communities — and for the environment. We value the input of our employees and recognize that their contributions are crucial to our success. It is the collective efforts of our global team to establish and maintain long-term relationships with our stakeholders that drive SONGWON's ongoing, sustainable growth.

In addition to ensuring a safe, inclusive work environment, SONGWON also wants to be known as a "great place to work". Moreover, as a responsible employer, we recognize that attracting and retaining the best talent is essential to our success. Aiming to continually improve productivity and support work-life balance, we empower our employees to thrive both personally and professionally.

Committed to promoting work-life balance, SONGWON offers flexible working arrangements that reflect local needs and cultural contexts. This includes options like flextime for childcare, compensatory leave options and a vacation application system, etc. Our HR team ensures the initiatives are effectively managed and aligned with our broader organizational goals and also looks at expanding initiatives, where appropriate.

a Rate of recordable accidents (TCAR)
TCAR (Total Case Accident Rate) = Number of recordable accidents * (200,000 or 1,000,000) / total working hours (includes all workers in SONGWON's 7 manufacturing sites : Ulsan, Maeam, Suwon, Panoli, Greiz, Houston, Abu Dhabi)
b Rate of Injuries (TCIR, TRIR)
TCIR (Total Case Incident Rate), TRIR (Total Recordable Incident Rate) = Number of injuries (incidents) * (200,000 or 1,000,000) / total working hours (includes all workers in SONGWON's 7 manufacturing sites : Ulsan, Maeam, Suwon, Panoli, Greiz, Houston, Abu Dhabi)
* TRIR means: equal to TCIR.
c Lost Day Rate (LDR, LTIR)
LDR (Lost Day Rate), LTIR (Lost-Time Injury Rate) = Number of lost days * (200,000 or 1,000,000) / total working hours (includes all workers in SONGWON's 7 manufacturing sites : Ulsan, Maeam, Suwon, Panoli, Greiz, Houston, Abu Dhabi)
* LTIR means: equal to LDR.
d Rate of Fatalities = Number of fatalities * 200,000/total working hours (includes all workers in SONGWON's 7 manufacturing sites : Ulsan, Maeam, Suwon, Panoli, Greiz, Houston, Abu Dhabi)

Supporting the health and well-being of our employees is a key aspect of SONGWON's commitment to fostering a positive workplace. Our initiatives in this area include e.g. various health awareness programs, sports activities to promote physical fitness and personal counseling services such as grievance support.

When seeking to fill an open position, our aim is to hire from within wherever possible and also to look for local talent. Furthermore, we actively seek to attract young professionals while ensuring that our long-term employees are recognized and valued for their experience and dedication. By sharing their knowledge and providing guidance, long-term employees play a key role in our onboarding process and in developing the younger talent within the organization. It is an approach that allows us to balance fresh perspectives with the invaluable expertise of our seasoned workforce.

We recognize that in global context in which we operate, our people and potential employees seek purpose in their work and wish to be a part of an organization whose values align with their own. This shift is especially significant in our industry, where

people want to see and contribute to making a tangible and meaningful impact on sustainability.

Every individual plays a significant role in our success and in driving the sustainable growth of our organization. Aligned with SONGWON's values, we actively create awareness of sustainability topics and encourage employees to follow related policies. Through our internal e-learning platform (LMS), we offer various presentations and annual training sessions on key topics such as energy saving and climate change to ensure our employees remain well-informed and engaged.

SONGWON is committed to ensuring that remuneration practices are fair, competitive and aligned with both market trends and individual performance. Our group-wide policies outline clear principles for structuring remuneration, including benefits, based on objective criteria such as responsibilities, competencies and results. We have a zero-tolerance policy for discrimination and ensure that all remuneration decisions are made impartially, based solely on qualifications and performance and not influenced by personal factors such as gender, age, or background.

GRI Disclosures	SASB Categories		Unit	2021	2022	2023	2024
401-1	Employee New Hires	Total	Total	persons			57
		By gender	Male	persons			46
			Female	persons			11
			Male Ratio	%			0,81
			Female Ratio	%			0,19
		By age group	Under 30	persons			34
			30 to under 50	persons			20
			50 and over	persons			3
		401-1	Employee Turnover	Total	persons		
By type	Voluntary			persons			39
	Involuntary			persons			25
Total turnover rate	%					7%	
Voluntary turnover rate	%					4%	
Permanent employee in the previous year (Denominator)	persons					968	

Diversity & Inclusion

SONGWON embraces diversity as an essential element of its corporate culture. With 971 employees representing 35 nationalities, our global operations are supported by a solid foundation of mutual respect and responsibility towards all stakeholders. This commitment is reinforced by SONGWON's Corporate Values, Code of Conduct and Whistleblower Policy, which guide our efforts to maintain an inclusive and ethical workplace.

To reinforce our company standards, everyone, including the management, receives a series of comprehensive trainings aligned with SONGWON's Code of Conduct, covering key topics such as ethics, safety, workplace harassment prevention (incl. sexual harassment), human rights and disability awareness. These trainings, provided annually through our internal eLearning platform, ensure that our workforce is equipped with the knowledge to maintain a respectful and safe work environment. Our Code of Conduct explicitly states that discrimination will not be tolerated. In 2024, while no such cases occurred at SONGWON, if any did occur, we would take swift and decisive action.

All new employees are trained on compliance and the Code of Conduct during their onboarding, which includes a test that they take at the end on the Learning Management System (LMS). Furthermore, we conduct annual refresher tests to reinforce our ethical standards and ensure these principles always remain at the forefront of our employees' minds. To maintain transparency and accountability, we have an established monitoring process designed to promptly detect and effectively resolve or eliminate any instances of non-compliance. Most importantly, our Whistleblower Policy provides employees with a confidential and secure channel to report any violations.

GRI Disclosures	SASB Categories	Unit	2021	2022	2023	2024
2-7	Employee Status	Total				971
		By entity	Korea	persons	First reporting from 2024	623
			Switzerland	persons		53
			Germany	persons		31
			USA	persons		47
			India	persons		151
			UAE	persons		47
			Japan	persons		9
			PRC	persons		10
		By gender	Male	persons		857
			Female	persons		115
		By age group	Under 30	persons		105
			30 to under 50	persons		651
			50 and over	persons		216
		By contract type: Permanent	Subtotal	persons		959
			Male	persons		849
		By contract type: Temporary	Female	persons		110
			Subtotal	persons		12
			Male	persons		7
			Female	persons		5

In 2024, SONGWON reported no instances of discrimination, bribery, corruption, whistleblowing, child labor, forced labor, or violations of the Code of Conduct. The organization complies with all relevant government regulations regarding working conditions and fully respects employees' rights to freedom of association and collective bargaining.

During the reporting period, there were no pending or completed legal actions related to anti-competitive behavior, violations of anti-trust laws, or breaches of monopoly legislation.

SONGWON Employee* Demographics

- 88% are men
- 12% are women
- 66% from Asia
- 29% from Europe/Middle East/ India
- 5% from North & South America

GRI Disclosures	SASB	Categories	Unit	2021	2022	2023	2024
405-1		Top Executive position	Total	Persons			4
			Male	Persons			4
			Female	Persons			0
			Male Ratio	%			100%
			Female Ratio	%			0%
			By age group				
		Senior management position	Total	Persons			9
			Male	Persons			9
			Female	Persons			0
			Male Ratio	%			100%
			Female Ratio	%			0%
			By age group				
		Mid-level management position	Total	Persons			59
			Male	Persons			45
			Female	Persons			14
			Male Ratio	%			76%
			Female Ratio	%			24%
			By age group				
		Staff position	Total	Persons			899
			Male	Persons			798
			Female	Persons			101
			Male Ratio	%			89%
			Female Ratio	%			11%
			By age group				
			Under 30	Persons			96
			30 to under 50	Persons			596
			50 and over	Persons			207
		Employees with disabilities	Persons				7

* permanent employees

Employee parental leave

GRI Disclosures	SASB	Categories		Unit	2021	2022	2023	2024	
401-3		Employees that were entitled to parental leave	By gender	Total	Persons	136	137	136	316
	Female			Persons	61	60	59	54	
	Male ^a			Persons	75	77	77	262	
		Employees that took parental leave	By gender	Total	Persons	12	19	21	9
	Female			Persons	11	17	18	7	
	Male			Persons	1	2	3	2	
		Employees that returned to work in the reporting period after parental leave ended	By gender	Total	Persons	11	13	15	8
	Female			Persons	10	11	12	6	
	Male			Persons	1	2	3	2	
		Employees that returned to work after parental leave and ended that were still employed 12 months after their return to work	By gender	Total	Persons	8	11	15	14
	Female			Persons	7	10	13	11	
	Male			Persons	1	1	2	3	
		Return to work rate of employees that took parental leave	By gender	Female	Persons	91%	65%	67%	86%
	Male			Persons	100%	100%	100%	100%	
	Retention rate of employees that took parental leave	By gender	Female	Persons	64%	100%	118%	92%	
Male			Persons	33%	100%	100%	100%		

Employee training^b

GRI Disclosures	SASB	Categories		Unit	2021	2022	2023	2024	
404-1		Total training hours – all topics	By gender	Total	hours	First reporting from 2024		40,034	
				Female	hours			1,621	
				Male	hours			38,413	
		Training hours per person – all topics	By gender (per person)	Total	hours/person			59	
				Female	hours/person			14	
				Male	hours/person			45	
		Total training hours – labor and human rights topics	By gender	Total	hours			716	
				Female	hours			81	
				Male	hours			635	
		Average training hours – labor and human rights topics	By gender (per person) ^{b-1}	Total	hours/person		0.74		
				Female	hours/person	0.26	0.32	0.34	0.72
				Male	hours/person	0.03	0.05	0.06	0.75

^a Until 2023, the number of male employees that were entitled to parental leave was reported without SWDM-KR. Since 2024, the number of SWDM-KR is also included.

^b the training schemes include climate issues, energy savings, ethics, compliance, corporation value and information security.

^{b-1}Until 2023, the data has been reported based on unit (hours). Since 2024, the data is reported based on unit (hours/person). (The previous data unit has also changed).

Social Responsibility

As an industry leader, our responsibility extends well beyond minimizing our environmental footprint. At SONGWON, we strive to make a positive contribution to humanity by supporting vulnerable and less privileged members of our communities. Corporate social responsibility is an ongoing commitment for us and an obligation we take very seriously.

At SONGWON, our commitment is matched by our capacity to act. Addressing some of the wider issues that affect us as global citizens, we support a variety of socio-economic, educational and health initiatives and programs.

In 2024:

SONGWON sponsored the efforts of various healthcare initiatives such as the Blue Cross Medical Cooperative in Korea which provides access to free medical treatment for those who are unable to afford it themselves. According to the World Health Organization, more than half the world's population has no access to basic healthcare.

SONGWON also supported ChildFund Korea, the oldest and largest children's welfare organization in Korea. With its programs and projects, all aligned with the UN Convention on the Rights of the Child, the organization addresses critical issues such as climate change, social challenges and humanitarian needs to ensure the protection and well-being of all children.

SONGWON's local communities consist of various interconnected groups, including partners, suppliers, neighbors, employees, schools and universities, all of which contribute to the local dynamic. The identity and cohesion of each community are shaped by diverse factors such as goals, resources, needs, risks and social values like safety and security.

Supporting humanity has always been deeply embedded in SONGWON's core values and those of our employees. As a result, it is clear to each member of our global team that we all have a responsibility to actively engage with the communities where we live and work. While this responsibility is rooted in social values, we also see it as essential to our organizational commitment. For this reason, we are constantly seeking meaningful ways to extend SONGWON's support and give back.

Prioritizing Human Rights

The international community, represented by organizations such as the UN and OECD, advocates for expanded corporate responsibility to include not only the protection of individual human rights but also those within supply chains. Organizations are urged to implement systems and policies that proactively prevent human rights violations.

SONGWON has publicly pledged to adhere to its Code of Conduct, prioritizing the protection of the dignity and values of all stakeholders. Additionally, the company has strengthened its human rights protection system to maintain a safe and inclusive organizational culture, ensuring freedom from discrimination for its employees.

SONGWON supports international standards, including the Universal Declaration of Human Rights, the Human Rights and Labor Principles of the UN Global Compact (UNGC), the UN Guiding Principles on Business and Human Rights (UNGPs) and the International Labor Organization (ILO). Furthermore, we ensure that we remain fully compliant with the laws of the countries in which we operate.

2024 Labor & Human Rights Key Metrics:

- Quantitative target on labor and human rights issues: 0 cases
- TCAR: 0.22 No./hour; injury rate: 2.10 No./hour,
- Recorded cases of non-compliance = zero
- Supplier due diligence conducted (see Procurement pg. 99)
- Exclusion of child labor & conflict materials (see Procurement pg. 99 & Ethical Code of Conduct pg., 115 & 122)
- SONGWON managed labor & human rights issues through its KPIs

Labor and Human Rights

GRI Disclosures	SASB	Categories	Unit	2021	2022	2023	2024
403-4 407-1		Number of meetings conducted to discuss labor and human rights	no.	4	4	4	4
2-30	Work Council ^a	Number of work council members	persons	First reporting from 2024			22
2-30		Number of eligible work council members	persons				22
2-30		Work council membership rate	%				100%
-	Grievance channel	Number of grievances received	no.				0
		Number of grievances resolved	no.				0
		Percentage of grievances handled through the channel	%				0
407-1 408-1 409-1		Cases of child/forced labor	no.	0	0	0	0

Annual Compensation

GRI Disclosures	SASB	Categories	Unit	2021	2022	2023	2024
-		Ratio of the annual total compensation for the highest paid individual, to the median annual total compensation for all employees ^b	%	First reporting from 2022	168	156	165

Employee wage

GRI Disclosures	SASB	Categories	Unit	2021	2022	2023	2024
202-1		Direct employees ^c covered by a living wage benchmarking analysis ^d	%	First reporting from 2022	100	100	100
		Direct employees paid below living wage ^d	%		0	0	0
		All employees paid below living wage, including direct employees, individual contractors and dispatched workers ^{d,e}	%		0	0	0
		Average wage gap for direct employees paid below living wage against a living wage benchmark ^d	%		0	0	0

^a The work council holds regular labor-management meetings every 3 months.
^b Applicable only to employees except executives & Directors. (Data boundaries: Only applicable for the SWDM-KR_Ulsan, Maeam, Suwon plant, Seoul, Busan offices).
^c Direct employees include full-time employees and laboratory interns directly employed by SONGWON.
^d In case of living wage (Data boundaries : Only applicable for the SWDM-KR_Ulsan, Maeam, Suwon plant, Seoul, Busan offices)
^e When SONGWON enters a contract with a subcontractor, the letter of agreement includes compliancy matters related to compliancy with relevant local laws related to living wages, labor standards, industrial health & safety, etc., thereby ensuring that the subcontractor compliancy with the relevant laws. And in case of Dispatched workers — there are no dispatched workers in Korea.

IT-Security and -infrastructure

Ensuring a high level of IT security and continually strengthening our IT infrastructure are high priorities for SONGWON. Only by regularly checking our systems, networks and programs against cyberattacks can we maintain the robust cybersecurity that is essential for our business but also for our stakeholders.

In line with this, our cybersecurity efforts focus on expanding security measures and continuously improving the infrastructure. This underscores SONGWON's commitment to sustainable business operations and to meeting stakeholders' expectations. Furthermore, SONGWON introduced a Phishing Alert System in 2024 that empowers employees to immediately report suspicious emails (e.g., phishing emails) to the Global IT Team. Having this system in place makes it possible for the team to quickly address potential threats and take immediate appropriate action to reinforce SONGWON's defenses against any cyber threats.

At SONGWON, we ensure compliance with IT data privacy-related laws and standards in every nation and region where we do business. Accordingly, we have implemented robust IT policies and guidelines, including a privacy policy (see Global Privacy Policy) to meet privacy laws and regulations globally. These efforts highlight our commitment to ensuring the protection of personal data and information assets.

Additionally, to protect and manage information assets in the operations sector, we expanded SONGWON's internal information security policy this year to align with our sustainability goals and stakeholder expectations.

At SONGWON, the Global IT Team manages enterprise-wide IT security operations, while our local IT teams handle and resolve security issues at the entity level (with the option to escalate to the Global IT Team). This cohesive approach ensures that SONGWON's IT security remains strong and contributes to the sustainability of our digital operations.

We also request the support of external IT experts, who play a vital role in maintaining and improving SONGWON's internal IT systems and help to reinforce systematic IT security throughout the organization. Working alongside the Global IT Team, these experts execute attack simulations (such as phishing, external penetration tests and Red Team Attacks), make continuous improvements to strengthen security and address any security vulnerabilities.

To further enhance IT security awareness among employees and cybersecurity resilience, SONGWON conducts training and testing programs.

In 2024, the IT team conducted:

- Cybersecurity awareness training (live and virtual end user training, online self-learning courses and regular simulated phishing attacks)
- Entity-specific (local) application penetration tests (penetration tests of applications from local vendors and mitigation of weak points detected)
- Personal information awareness training

Information Security

GRI Disclosures	SASB Categories		Unit	2021	2022	2023	2024
418-1	Total substantiated complaints received concerning breaches of customer privacy	Complaints received from outside parties and substantiated by the organization	no.	0	0	0	0
		Complaints from regulatory bodies	no.	0	0	0	0
	Total identified leaks, thefts, or losses of customer data		no.	0	0	0	0

Key Information Security Commitments at SONGWON:

- Safeguarding SONGWON's information assets against unauthorized access, cyberattacks and data breaches.
- Maintaining the confidentiality, accuracy and accessibility of SONGWON's information assets.
- Complying with all legal and regulatory requirements for information security.
- Increasing employees' awareness of the importance of information security to help them effectively prevent, identify and respond to incidents.
- Assessing, monitoring and auditing risks relating to information protection at SONGWON on a regular basis.

Supply Chain

SONGWON has internalized its commitment to social responsibility through its Sustainable Procurement Policy, which is a core element of our broader strategic ESG framework. This policy ensures compliance with all applicable laws and regulations, upholds human rights, minimizes social and economic impacts and promotes environmental protection across our supply chain.

All of SONGWON's policies and procurement procedures are specifically designed to address a range of risks, including those associated with human rights and upstream social and environmental issues. In addition, we have invested considerable resources into strengthening our human rights compliance systems, ensuring a safe and healthy environment for both our employees and those involved in our supply chains.

We prioritize long-term supply chain stability by selecting suppliers who align with our commitment to environmental and social responsibility. This approach not only strengthens the resilience of our supply chain but also reinforces our corporate responsibility. At SONGWON, we evaluate suppliers' sustainability performance by assessing key factors such as labor laws, environmental health and safety (EH&S), human rights and business ethics.

In 2024, we continued to evaluate suppliers based on their environmental and social responsibility, focusing on key criteria such as ISO certifications, ESG activity levels and overall delivery capabilities. We assess the top 80% of suppliers actively working with us each year and based on this evaluation, we assign a supplier rating. These ratings are used to guide our supplier selection for the following year and ensure that we maintain strong, sustainable partnerships in our supply chain aligned with our sustainability objectives. Suppliers with poor performance are noted for an annual review and those with unsatisfactory ratings are excluded from future contracts.

SONGWON ensures that our supply chain adheres to the legal and ethical standards of each country or region, particularly those concerning social responsibility. These standards are outlined in SONGWON's Sustainable Procurement Policy and Ethical Code of Conduct. In 2024, we took a significant step forward by formally establishing the Sustainable Procurement Policy, further demonstrating our commitment to these principles for the benefit of our stakeholders.

SONGWON's Ethical Code of Conduct reinforces our commitment to upholding high ethical standards across our entire supply chain and outlines key principles, including compliance with local laws (e.g. wage regulations), the prohibition of child labor and maintaining a strict policy against discrimination. SONGWON remains strongly committed to avoiding any products or services linked to modern slavery, forced or child labor within our value chain.

In keeping with this, all SONGWON's suppliers are required to adhere to our Supply Chain Ethical Code of Conduct when entering any contractual relationship with us. To formalize this commitment, each supplier must sign an agreement, confirming that they understand and will adhere to our Code. The mechanisms we have in place at SONGWON, such as supplier appraisals, audits and a request for compliance with the Ethical Code of Conduct, ensure transparency within our supply chain. These measures, along with supplier training, have effectively contributed to achieving our social responsibility goals.

To strengthen partnerships with local suppliers, SONGWON conducts periodic on-site audits and offers training and support to enhance their sustainability practices. This approach ensures that our suppliers can also make a positive contribution to the environmental and social sustainability of their communities. Furthermore, with our regular annual evaluations and the supplier audits, conducted twice a year, we ensure fair wages, safe working conditions and equitable treatment of workers within our supply chain. These efforts support our ongoing dedication to maintaining ethical labor practices and high standards across our operations.

In 2024, we took proactive steps to understand and actively manage and reduce CO₂ emissions within our supply chain by securing emissions data from suppliers for their products. To further drive CO₂ reduction efforts and to emphasize emissions management and best

practices, we provided awareness trainings for our suppliers and also made on-site visits. Additionally, with our sustainability and ESG-related trainings, specifically focusing on CO₂ emissions management, we sought to encourage and support our suppliers to actively reduce their emissions.

To support sustainable sourcing and eliminate the use of conflict minerals, SONGWON is a member of Responsible Minerals Initiative (RMI). We also require all our supply chain partners to adhere to SONGWON's Ethical Code of Conduct and our Purchasing Policy.



Exclusion of Conflict Minerals:

In 2024, SONGWON conducted CSR audits of key suppliers to ensure strict compliance with regulations that prohibit the trading or processing of conflict minerals. This includes excluding minerals such as tantalum, tungsten, tin and gold sourced from conflict zones, in accordance with international laws.

GRI Disclosures	SASB Categories		Unit	2021	2022	2023	2024
—	Buyers who received training on sustainable practices	Number					11
		Rate		First reporting from 2024			69%
—	Total number of buyers(denominator)	Number					16
308-1	Targeted suppliers with ISO14001 registered	Number		71	68	31	40
		Rate		85%	83%	86%	91%
—	Grievance channel for suppliers	Number of grievances received from suppliers		First reporting from 2024			0
		Number of grievances resolved					0
		Percentage of grievances handled through the channel					0



GOVERNANCE

Understanding the vital importance of Governance, SONGWON has taken decisive steps to strengthen its operations. The measures implemented include establishing a clear Governance structure, implementing a comprehensive sustainability strategy, securing independent limited assurance for the organization's key performance indicators and developing a robust risk management framework. Together, these measures are designed to enhance SONGWON's resilience to market volatility and the challenges presented by climate change.

SONGWON's Board of Directors is responsible for overseeing the Group's strategic direction and ensuring that sound governance procedures are in place. The Board supervises the decisions made by the ECM and is closely involved in managing the Group's economic, environmental and social impacts, including the approval and implementation of the sustainability strategy, overseeing investments and ensuring accurate reporting.

SONGWON's ECM has a central role in shaping the Group's strategic direction, sustainability initiatives, policies, governance, implementation and reporting. Also responsible for identifying and managing risks and opportunities, the ECM oversees the organization's daily business activities and ensures that high standards of company-wide governance practices are adhered to.

- The members of the highest governance body, proposed to the Shareholders for election, are nominated based on criteria such as impartiality, freedom from external influence or conflicts of interest, performance history, ethical behavior, leadership and expertise. These criteria contribute to fostering a diverse and well-balanced Board.
- SONGWON's highest governance body delegates responsibility for managing the company's impacts to the members of the ECM: the Group CEO, Group CFO, Leader of Operations and Leader of Group Commercial.
- The Board is responsible for reviewing and approving reported information, including the organization's material topics based on a proposal submitted by the Sustainability Management Team, which is subsequently approved by the ECM.

- In case a conflict of interest should arise, the governing body member concerned will abstain from voting on the issues relating to the conflict of interest, ensuring that the highest standards of corporate governance are maintained.
- SONGWON's management has always fostered good communication across the organization and the smooth flow of information is facilitated by the SONGWON's streamlined structure. Any potential topics of critical concern (whether internal or external) can be raised with the ECM and are discussed during their regular meetings.

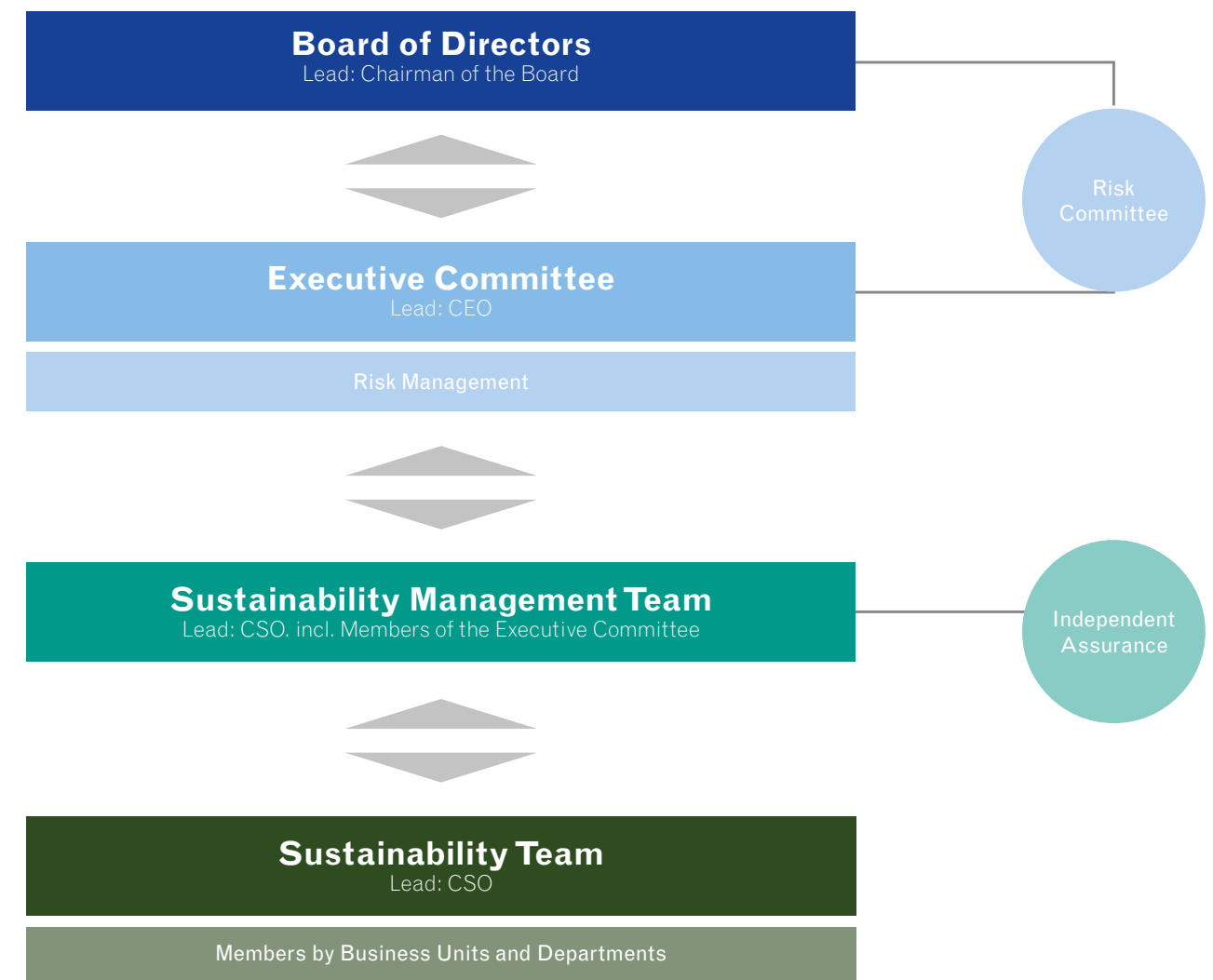
Sustainability, especially the focus on the environmental, health and safety aspects of the chemical business, will continue to remain a top priority. As governments introduce and make updates to regulations, such as emissions reduction targets and reporting standards, these changes present new challenges that the highest governance bodies must continually address. In response, close collaboration with internal and external experts is one of SONGWON's key approaches to enhancing the highest governance body's collective knowledge, skills and experience in sustainable development.

The BoD and ECM have noted the newly introduced IFRS Sustainability Standards, as well as their adoption by the Korea Sustainability Standards Board (KSSB). Committed to meeting these reporting requirements, SONGWON is diligently reviewing the regulatory landscape to identify reporting obligations across the jurisdictions where it operates. In addition, the Sustainability Management Team is already rolling out reporting initiatives to ensure compliance with the upcoming deadlines, which are expected to be communicated by the relevant authorities soon.

Governance structure

SONGWON has a clearly defined Governance Structure, with the Board of Directors serving as the highest authority on sustainability matters. The Executive Committee (ECM) is responsible for decision-making and its members play a key role in managing the organization's impact on the economy, environment and society. Some ECM members also

serve on the Sustainability Management Team which is led by SONGWON's Chief Sustainability Officer (CSO). The Sustainability Team ensures that leaders from all SONGWON's business units and departments collaborate effectively in a unified effort to address various sustainability issues and challenges.



Within our sustainability framework, we strive to enhance the sustainability profile of SONGWON's product portfolio, reduce greenhouse gas (GHG) emissions, minimize waste and conserve natural resources, in addition to fostering a safe, inclusive and engaging workplace.

To achieve these goals, we utilize clearly defined key performance indicators (KPIs) and ensure

comprehensive monitoring and reporting across all levels of the organization. This is done in full compliance with international standards and strict internal policies. SONGWON's commitment to Governance is further demonstrated by the positive assessments and consistently strong ratings we receive from leading agencies, as well as through achievements such as the EcoVadis Platinum rating.

GRI Disclosures	SASB Categories			Unit	2021	2022	2023	2024
2-9, 102-22	Board of Directors	Composition	Total		persons	First reporting 2024		4
			By type	Inside Director	persons			3
				Outside Director	persons			1
				By gender	Male		persons	
			Female		persons			0
			2-9	Board of Directors	Operation		Number of board meetings	
Number of agenda	Resolution	no.					12	
	Report	no.					1	

Stakeholders

At SONGWON, we define stakeholders as customers, employees, shareholders/investors, business partners and suppliers. Other relevant stakeholder groups include the local communities where we operate as well as creditors, regulatory bodies, trade associations, decision-makers and opinion leaders. Stakeholders are selected based on their relevance to SONGWON's corporate strategy and sector, considering both the extent of their impact on our organization and in relation to how SONGWON's activities impact them.

For us, prioritizing accountability and transparency are fundamental to establishing trust with our stakeholders and we use their input and perspectives to guide us. Regularly engaging in transparent and collaborative dialogue with them enables us to better understand our stakeholders' challenges and enables us to build strong long-term relationships. Their feedback also helps us to identify areas for improvement and align what we do with their expectations.

Stakeholder involvement is paramount to SONGWON's success. To effectively implement our sustainability strategy in a significant way, we rely on contributions from all SONGWON's stakeholders. To achieve this, we utilize various communication channels for each stakeholder group. This approach enables us to promptly address their concerns and meet their expectations.



In 2024, to strengthen communication with stakeholders and respond appropriately, KPIs related to health and safety as well as technical advice were added to the KPIs for management.

Stakeholder engagement examples

Stakeholder Groups	Topics	Channels
Internal Employees	Health & safety, human rights, career development, work conditions, job security, information security	Daily interaction, meetings, intranet, employee newsletter, training, performance reviews, whistleblowing channel*
External Customers	Requests, new requirements, products, developments, strategy	Personal contact, website, newsletter, events, surveys, handbooks, emails/ calls, webinars
Suppliers	Due diligence, targets, products, developments, declaration	Direct contact, online, meetings, surveys, assessments, training, calls
Shareholders/ Investors	Strategy, performance, ESG	Financial reporting, meetings, annual reports, website, calls
Industry Associations	Industry developments/issues, regulations, standards, legislation, partnerships	Memberships, conferences, meetings, projects

* Via the following channels listed below and either anonymously or not, whistleblowers can report matters to:

- 1) their immediate supervisor
- 2) the responsible Business Unit Leader, Division Leader, or General/Country Manager
- 3) the Group's Chief Executive Officer
- 4) the designated Whistleblowing Officers
 - a) Korea: Whistleblowing Grievance Committee (see Committee counselor contact information)
 - b) Global: Whistleblowing Officers (see Section 7 of the Whistleblowing policy)

At SONGWON, we foster stakeholder communication through regular contact and exchange. Stakeholder engagement activities are primarily initiated at the top level (Board/ECM, BU leaders, site management) to identify current and potential impacts, as well as to determine appropriate prevention measures or joint solutions. All levels are involved in the follow-up process. We also make sure that stakeholders have access to clear and accessible information through appropriate communication channels, such as product declarations.

We systematically record and integrate stakeholder feedback that has been gathered using methods such as online questionnaires and requests for low-emission products, into decision-making processes, including product Life Cycle Assessments (LCAs). In all our business and communication activities, we actively promote SONGWON's values of respect, which encompass human rights and the cultivating of positive business relationships

At the end of 2023, SONGWON's management conducted a materiality assessment on climate change risks and the outcomes were incorporated into key performance indicators (KPIs) for 2024 and are being effectively managed by the Leader Sustainability.

Materiality Assessment

At the end of 2023, SONGWON conducted a comprehensive ESG materiality assessment using a detailed methodology developed by a workgroup under the guidance of the Executive Committee. This time SONGWON applied the concept of double materiality, examining both the impact of ESG factors on the organization (financial materiality) and SONGWON's impact on these ESG factors (impact materiality) in compliance with GRI Standards and to prepare for future reporting as per KSSB*.

Topcis	Impacts	Type	Charac- teristic	Level
GHG emission management	Contribute towards meeting the NDC goals and the Paris Agreement by reducing GHG emissions on entire value chain	E&S	Positive	●●○
	Increased GHG emission and worsening of climate change if Net Zero strategy is not implemented and managed appropriately	E&S	Negative	●●○
	If carbon emissions are not managed appropriately, sales revenue may decrease due to lack of customer confidence and capital raising may not be made easy due to negative impressions from stakeholders (ex. deal reduction, contract withdrawal)	Financial	Risk	●●●
Investment of green product and technology	Promote green consumption and contribute towards green society by expanding investment in eco-friendly technology and products	E&S	Risk	●●●
	Increase in the cost of R&D to meet the demand for green products	Financial	Positive	●●●
Minimization of environmental impact across product life cycle	Reduced carbon footprint across product life cycle by conducting life cycle assessment (LCA) on Songwon's products and monitoring the results	E&S	Positive	●●●
	Increase in sales revenue and capital inflow due to the expansion of market share of Songwon's LCA-implemented products	Financial	Opportunity	●●○
Occupational health and safety risk management	If the culture of safety is not appropriately addressed then the burden of public healthcare system and the community accident rate may increase	E&S	Negative	●○○
	Decrease in sales revenue and net profit, caused by lower labor productivity and production volume	Financial	Risk	●●○

●●● High ●●○ Medium ●○○ Low

* Korea Sustainability Standards Board

1. The workgroup identified relevant ESG topics by:

- evaluating reporting standards
- benchmarking industry peers
- considering SONGWON's specific priorities

2. These topics were then classified and a list of their impacts was compiled based on:

- Nature: E&S or financial
- Occurrence: actual or potential
- Implications: positive or negative

3. This extensive list of impacts was shared with the Executive Committee and 2 external experts, who graded each topic:

- E&S impacts were graded based on their scale, scope, remediability and likelihood.
- Financial impacts were graded based on their scale, likelihood and time horizon.

4. The rankings from these evaluations identified 4 critical ESG impacts and their associated topics as material to SONGWON for 2024.

With its materiality assessment approach, SONGWON strives to better understand stakeholders' concerns and expectations, integrate them into its business strategy to drive improvement in its business performance and enhance environmental and social value across its operations.

Risk Management

To achieve our long-term vision and meet stakeholders' expectations in our rapidly evolving business environment, we recognize the importance of addressing risks through proactive and decisive actions.

The numerous challenges over the past few years, such as supply chain disruptions and heightened geopolitical tensions, have highlighted for us the importance of evaluating and anticipating a broad range of risks and systematically incorporating them into SONGWON's top-level strategies. This is essential not only for mitigating or minimizing SONGWON's exposure to risks but to ensuring that we are always well-positioned to capitalize on any valuable emerging opportunities. SONGWON's Board of Directors is actively involved in identifying and assessing risks and opportunities, as well as in developing and implementing strategies to manage them.

In particular, evaluating exposure to climate-related risks and opportunities within a defined timeframe is essential for driving the shift to a low-carbon economy, as outlined in the Paris Agreement and the United Nations' Sustainable Development Goals (SDGs). To address this risk, we continue to focus on reducing SONGWON's carbon footprint while also developing more sustainable products that support the circular economy.

Furthermore, the impact of potential risks related to regulatory changes (e.g., product registrations, substance bans, etc.), market uncertainties (e.g., volatile demand, rising costs, etc.) and maintaining SONGWON's reputation (e.g., governance, operations, etc.) underline the necessity for our continued vigilance. In addition to formulating SONGWON's strategy, establishing a robust and well-developed risk management framework serves as an essential basis for our future initiatives. By systematically identifying, assessing and mitigating risks, we can protect our operations and strategically position SONGWON for sustainable growth in our highly complex and evolving business landscape.

Ethics

At SONGWON, acting responsibly, ethically and in compliance with the law to uphold a culture of mutual accountability is central to our approach to business. We are committed to cultivating a culture of responsibility and implementing policies that empower our people to align their actions with our core values.

The guiding principle behind our actions is our dedication to “always doing the right thing,” which directs us to act with the utmost responsibility and integrity. At SONGWON, we prioritize human welfare, seek new opportunities and strive for excellence and collaborative success with our stakeholders. In addition to this, we aim to continually reinforce ethical behavior, improve our processes, policies and compliance tools as well as enable employees to make sound decisions. It is important to us that our people feel proud to work for a global organization that upholds high standards of integrity and is committed to safeguarding its employees, assets and reputation.

Aligned with the company's core values and professional, customer-focused approach, SONGWON's **Code of Conduct** clearly lays out our business principles and how every member of SONGWON's global team should apply them:

The Code is regularly updated to address the following areas:

- Corporate values
- Equal opportunities
- Health and safety
- Environment
- Fair trading
- Money laundering
- Trade control regulations
- Insider trading
- Bribery and corruption
- Gifts and favors
- Expenses and claims
- Intellectual property rights
- Use of company property
- Alcohol, controlled substances and weapons
- Code breaches
- Communication

As part of its commitment to fostering a culture of good corporate practice, SONGWON also has a whistleblower policy that allows individuals to report* concerns regarding improper activities in the workplace (e.g., human rights problems such as bullying, discrimination, sexual harassment, etc.) or breaches of the Code and protects them from retaliation.

We aim to continually reinforce ethical behavior, improve our processes, policies and compliance tools as well as enable employees to make sound decisions.

* Via the following channels listed below and either anonymously or not, whistleblowers can report matters to:
1) their immediate supervisor
2) the responsible Business Unit Leader, Division Leader, or General/Country Manager
3) the Group's Chief Executive Officer
4) the designated Whistleblowing Officers
a) Korea: Whistleblowing Grievance Committee (see Committee counselor contact information)
b) Global: Whistleblowing Officers (see Section 7 of the Whistleblowing policy)

GRI Disclosures	SASB Categories		Unit	2021	2022	2023	2024
205-2	Ethics training ¹	Total employees trained on ethics	Number	1,023	994	977	971
			%	100	100	100	100
		Total ECM members trained on ethics	Number	4	4	4	4
			%	100	100	100	100
		Total BoD members trained on ethics	Number	6	4	4	4
			%	100	100	100	100
205-1	Risk assessment	Percentage of fully owned sites for which an internal audit/risk assessment on ethics issues	Number	4	4	7	7
			%	57	57	100	100
205-3	Whistle-blowing channel and corruption	Cases reported through whistle-blowing channel	Substantiated cases	Number	0	0	0
			Unsubstantiated cases	Number	0	0	0
		Total confirmed incidents of corruption					
			Number	0	0	0	0
206-1	Legal Actions	Total number of legal actions pending or completed during the reporting period regarding anti-competitive behavior and violations of anti-trust and monopoly legislation	Number	0	0	0	0
205-2	Employee training – fair trading ²	Number of employees who completed the training	Number	1,023	994	977	971

Compliance

In 2024, no inquiries, reports, or complaints were received and no cases were reported of human rights violations, bribery, discrimination, or other violations of personal rights. During the reporting period, there were also no lawsuits or fines resulting from anti-competitive practices, in relation to products and services but 2 violations at the Ulsan plant in South Korea for non-compliance with environmental laws and regulations. Corrective actions were immediately and fully implemented in line with the improvement order, swiftly rectifying the violations at the Ulsan plant and allowing it to operate without further issues.

Compliance	
Ethics and integrity	No cases
Discrimination and harassment	No cases
Human rights	No cases
Bribery and corruption	No cases
Anti-competitive practice	No cases
Environmental laws/regulations	2

¹ SONGWON conducts training for employee's Code of Conduct of ethics which incorporates content on ethics.
² SONGWON conducts training for employee's Code of Conduct which incorporates content on fair trading.

APPENDIX

SDGs	Metrics and Disclosure	Report
Climate Action	Energy consumption within the organization	Sustainability, Environment
	GHG emissions (Scope1 & Scope2) within the organization	
	Carbon intensity	
	Energy intensity	
	Air emissions	
	New suppliers that were screened using environmental criteria	
<ul style="list-style-type: none">• Clean water and sanitaion• Life below water• Life on land Metrics and Disclosure: <ul style="list-style-type: none">• Locations with High or Extremely High Baseline Water Stress as a percentage of the total water withdrawn• Locations with High or Extremely High Baseline Water Stress as a percentage of the total water consumed• Water recycle• Number of Third-party approved environmental certifications• Number of environmental regulation violations• Amount of fines for environmental regulation violations• Number of employees who completed the environmental training• Pollutions(TOC, BOD, SS)• Hazardous chemicals use	Water consumption	
	Water withdrawal	
	Water discharge	
	Management of water dischargereLATED impacts	
	Product End-of-Life	
	New suppliers that were screened using environmental criteria	
	Significant spills	
	Waste management	
Responsible consumption and production	Materials use management	Sustainability, Society, Governance structure
	Waste management	
	Product use	
	Product End-of-Life	
	Customer requests for technical advice	
	New suppliers that were screened using environmental criteria	
Metrics and Disclosure: <ul style="list-style-type: none">• Green purchasing• Genetically Modified Organisms		

SDGs	Metrics and Disclosure	Report
Industry, Innovation and Infrastructure	Product Use	Sustainability, Society, Governance structure
	Product End-of-Life	
	Customer requests for technical advice	
	New suppliers that were screened using environmental criteria	
	Products life cycle assessment (LCA) and improvement (GHG-reduction etc.)	
Sustainable cities and communities	Customer complaints, justified, related to customer health and safety	
	Customer requests for technical advice	
	Incidents of non-compliance concerning the health and safety impacts of products and services	
	Total substantiated complaints received concerning breaches of customer privacy	
Good health and well-being	Total identified leaks, thefts, or losses of customer data	
	Incidents of non-compliance with regulations and/or voluntary codes concerning the health and safety impacts of products and services	
	Work-related injuries	
Decent Work and Economic Growth	Number of hours worked	Sustainability, Society, Governance structure
	Management and employee joint councils or meetings to discusslabor and human rights issues	
	Employees that were entitled to parental leave, by gender	
	Parental leave	
	Diversity of governance bodies and employees	
Metrics and Disclosure: <ul style="list-style-type: none">• Employee Status By entity, By age group, By contract type• Employee New Hires By age group• Employee Turnover• Board of Directors	Work-related injuries	
	Ratio of the annual total compensation for the highest paid individual, to the median annual total compensation for all employees	

APPENDIX

SDGs	Metrics and Disclosure	Report
Reduced inequalities	Management and employee joint councils or meetings to discuss labor and human rights issues	
	Parental leave	
	Training hours per employee	
	Cases of child/forced labor	
	Communication and training about anti-corruption policies and procedures	
	Operations assessed for risks related to corruption	
	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	
	New suppliers that were screened using environmental criteria	
	Ratio of the annual total compensation for the highest paid individual, to the median annual total compensation for all employees	
Gender equality	Parental leave	
	Diversity of governance bodies and employees	
Quality education	Communication and training about anti-corruption policies and procedures	
No poverty	Direct employees covered by a living wage benchmarking analysis	
	Direct employees paid below living wage	
	All employees paid below living wage, including direct employees, individual contractors and dispatched workers	
	Average wage gap for direct employees paid below living wage against a living wage benchmark	
Partnerships for the Goals	Partnerships, Memberships	Labels, Standards, Certifications, Partnerships, Memberships
	Sustainability Standards, Ratings	



GRI CONTENT INDEX

	For the Content Index – Essentials Service, GRI Services reviewed that the GRI content index has been presented in a way consistent with the requirements for reporting in accordance with the GRI Standards and that the information in the index is clearly presented and accessible to the stakeholders.
Statement of use	SONGWON has reported in accordance with the GRI Standards for the period January 1 st , 2024 - December 31 st , 2024.
Applicable GRI sector standard(s)	No existing GRI Sector Standards are applicable to SONGWON
GRI 1 used	GRI 1: Foundation 2021
GRI Content Index	The GRI Content Index includes the General Disclosures (GRI 2) and the Material Topics (GRI 3) and Reasons for Omissions for disclosures and requirements that the organization cannot comply with.
Reporting Principles	SONGWON confirms the application of the Reporting Principles: Accuracy, Balance, Clarity, Comparability, Completeness, Sustainability context, Timeliness, Verifiability.
Content Index Service	Reporting year 2024: Content Index Service Essential Reporting year 2023: Content Index Service Essential Reporting year 2022: Content Index Service Essential

GRI 2 GENERAL DISCLOSURES 2021

GRI Disclosures		Page	Comments	Omissions Requirement(s) Omitted	Reason	Explanation
Disclosure 2-1	Organizational details	19-25				
Disclosure 2-2	Entities included in the organization's sustainability reporting	22-25 74-76				
Disclosure 2-3	Reporting period, frequency and contact point	74, 251-253				
Disclosure 2-4	Restatements of information	86				
Disclosure 2-5	External assurance	136-143				
Disclosure 2-6	Activities, value chain and other business relationships	20-64 75-84 118-125				
Disclosure 2-7	Employees	62-67 107-113				
Disclosure 2-8	Workers who are not employees	98 106-108	s. Health and Safety			

GRI 2 GENERAL DISCLOSURES 2021

GRI Disclosures		Page	Comments	Omissions Requirement(s) Omitted	Reason	Explanation
Disclosure 2-9	Governance structure and composition	118-119 146-148				
Disclosure 2-10	Nomination and selection of the highest governance body	118, 147-149				
Disclosure 2-11	Chair of the highest governance body	118, 147-149	Chairman, see Governance Structure and the company website*			
Disclosure 2-12	Role of the highest governance body in overseeing the management of impacts	118, 147-149				
Disclosure 2-13	Delegation of responsibility for managing impacts	118, 147-149				
Disclosure 2-14	Role of the highest governance body in sustainability reporting	118, 147-149				
Disclosure 2-15	Conflicts of interest	118, 150	In 2024, there were no cases of conflicts resulting from cross-memberships, cross-shareholding, or control by related parties			
Disclosure 2-16	Communication of critical concerns	109, 124-125	In 2024, no critical concerns about the organization's potential and actual negative impacts on stakeholders, business conduct, or business relations have been communicated to the highest governance body.			
Disclosure 2-17	Collective knowledge of the highest governance body	118				

* www.songwon.com/investors/corporate-governance/board-of-directors

GRI 2

GENERAL DISCLOSURES 2021

GRI Disclosures		Page	Comments	Omissions Requirement(s) Omitted	Reason	Explanation
Disclosure 2-18	Evaluation of the performance of the highest governance body	148	In 2024, neither a dependent nor an independent evaluation of the highest governance body has been carried out.	Disclosure 2-18, c.	Information unavailable/incomplete	<i>The performance of the highest governance body is not evaluated by any 3rd party. See Governance & Corporate Governance.</i>
Disclosure 2-19	Remuneration policies	108, 147		Disclosure 2-19 a. i-v	Confidentiality constraints	<i>This information is confidential and subject to legal prohibition such as data protection and privacy laws.</i>
Disclosure 2-20	Process to determine remuneration	108, 148		Disclosure 2-20 a. i-iii and b.		
Disclosure 2-21	Annual total compensation ratio			Disclosure 2-2, a, b and c		
Disclosure 2-22	Statement on Sustainable Development Strategy	70, 75	Code of Conduct ¹ ESG policies ²			
Disclosure 2-23	Policy commitments	75, 109, 112, 115-116, 124,149	Code of Conduct. Policies.			
Disclosure 2-24	Embedding policy commitments	62-64, 98-99, 100-103, 109 146,149	Also in order to obtain ISO certification, policies are embedded in the structures and processes, communicated companywide, to our partners and through trainings (e.g. Health and Safety, Ethics etc.)			

¹ www.songwon.com/investors/corporate-governance/code-of-conduct

² www.songwon.com/sustainability/esg-policies

GRI 2

GENERAL DISCLOSURES 2021

GRI Disclosures		Page	Comments	Omissions Requirement(s) Omitted	Reason	Explanation
Disclosure 2-25	Processes to remediate negative impacts	123-124 146-150				
Disclosure 2-26	Mechanisms for seeking advice and raising concerns	63, 109, 124, 149-150	In 2024, no critical concerns re: potential and actual negative impacts from the organization on stakeholders were raised through grievance mechanisms or other processes.			
Disclosure 2-27	Compliance with laws and regulations	59-91 112 124	In 2024: No cases of non-compliance.			
Disclosure 2-28	Membership associations	250				
Disclosure 2-29	Approach to stakeholder engagement	120-121 151				
Disclosure 2-30	Collective bargaining agreements	110, 113				

GRI 3MATERIAL TOPICS 2021

GRI Disclosures		Page	Comments	Omissions Requirement(s) Omitted	Reason	Explanation
Disclosure 3-1	Process to determine material topics	122-123	The double materiality assessment is conducted in the following order: 1) identification of industry-specific ESG issues, 2) identification of environmental and social impacts of each issue, and 3) assessment of impacts, leading to the final selection of material issues.			
Disclosure 3-2	List of material topics	122	2024 material topics: • GHG emissionmanagement • Investment of greenproduct and technology • Minimization of environmental impact across product lifecycle • Occupational health and safety riskmanagement			
Disclosure 3-3	Management of material topics	70-123	See Sustainability Report. For each material topic, the following information is provided throughout: • relevant impacts (economy, human rights, business) • strategic goals, qualitative and/or quantitative targets, policies • actions taken to achieve targets • tracking of action effectiveness, • engagement with / information of stakeholders			

GRI Disclosures

PageCommentsOmissions

GHG emission management

GRI 3: Material Topics 2021

3-3	Management of material topics	122-123		
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GRI 302: Energy 2016

302-1	Energy consumption within the organization	87		
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GRI 305: Emissions 2016

305-1	Direct (Scope 1) GHG emissions	89		
305-2	Energy indirect (Scope 2) GHG emissions	89		
305-4	GHG emissions intensity	89		

Investment of green product and technology

GRI 3: Material Topics 2021

3-3	Management of material topics	122-123		
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GRI 301: Materials 2016

301-1	Materials used by weight or volume	90		
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Minimization of environmental impact across product lifecycle

GRI 3: Material Topics 2021

3-3	Management of material topics	122-123		
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GRI 303: Water and Effluents 2018

303-1	Interactions with water as a shared resource	93		
303-3	Water withdrawal	93		
303-4	Water discharge	93		
303-5	Water consumption	93		

GRI 305: Emissions 2016

305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	96		
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GRI 306: Waste 2020

306-3	Waste generated	95		
306-4	Waste diverted from disposal	95		
306-5	Waste directed to disposal	95		

GRI 308: Supplier Environmental Assessment 2016

308-1	New suppliers that were screened using environmental criteria	116		
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Occupational health and safety risk management

GRI 3: Material Topics 2021

3-3	Management of material topics	122-123		
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GRI 403: Occupational Health and Safety 2018

403-4	Worker participation, consultation, and communication on occupational health and safety	113		
403-9	Work-related injuries	107		

GRI 404: Training and Education 2016

404-1	Average hours of training per year per employee	111		
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INDEPENDENT ASSURANCE OPINION STATEMENT

To the Board of Songwon Industrial Co., Ltd.

83, Jangsaengpo-ro, Nam-gu 44781, Ulsan, Republic of Korea

Holds Statement No.: SRA 745794

The British Standards Institution (BSI) has conducted a limited assurance engagement on the sustainability information (described in the "Scope") in the specific sustainability performance information (ESG Data template_Quantitative_FY24 Consolidated) for Songwon Industrial Group for the financial year 2024.

Scope

The scope of engagement agreed upon with Songwon includes the following:

The assurance covers the information of the following subject matters in the specific sustainability performance information for Songwon Industrial Group for the financial year 2024. The selected information is reported in accordance with GRI Standards, SASB Chemical Standards and Organization-specific indicators. The details of subject matters and their boundaries within the scope is described in Appendix A.

Opinion Statement

We have conducted a limited assurance engagement on the sustainability information described in the "Scope" above Sustainability Information. The limited assurance is compared to the reasonable assurance, and provides a lower level of assurance than the reasonable assurance. As a result, the procedure for collecting evidence, such as the nature, scope and sampling of the procedure carried out by the assurer, is planned at a lower level than that of the reasonable assurance, and may not be aware of the important points that may be identified through the reasonable assurance. Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the accompanying Sustainability Information is not prepared, in all material respects and assurer has found no findings that would determine that the information and data contained were improperly described in accordance with the criteria used by Songwon in view of the importance of the information to be verified.

Methodology

Our assurance engagements were carried out in accordance with ISAE3000 (Revised). Our work was designed to gather evidence on which to base our conclusion. As part of its independent assurance, the assurer has used the methodology developed to collect relevant evidence to comply with the verification criteria and to reduce errors in the reporting, and has performed the following activities.

- a top level review of issues raised by external parties that could be relevant to organizations policies to provide a check on the appropriateness of statements made in the report.
- discussion with managers and staffs on organization's approach to stakeholder engagement. However, we had no direct contact with external stakeholders.
- interviews with staffs involved in sustainability management, report preparation and provision of report information were carried out.
- document review of relevant systems, policies, and procedures where available

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- review of the findings of internal audits.
- review of supporting evidence for claims made in the reports.
- visit of the Ulsan HQ of Songwon to confirm the data collection processes, record management practices.

Responsibility

Songwon is responsible for the preparation and fair presentation of the sustainability information and report in accordance with the agreed criteria and is responsible for designing and implementing an internal control system related to the content of the report and maintaining it to ensure that there are no significant errors due to forgery or alteration or distortion.

British Standards Institution (BSI) is responsible for providing an independent assurance opinion statement to stakeholders giving our professional opinion based on the scope and methodology described. We have conducted review the information presented by Songwon according to expert judgment, and prepared assurance opinion based on the assurance procedure and conclusion performed. We assume that all information provided by Songwon is true, accurate, and complete. We shall not bear any responsibility to a third party other than Songwon regarding the work performed by the assurer and the conclusions presented in this opinion.

Independence, Quality Control and Competence

British Standards Institution (BSI) is a leading global standards and assessment body founded in 1901 and an independent professional institution that specializes in quality, health, safety, social and environmental management with over 120 years history in providing independent assurance services and complied with the other ethical requirements of BSI. BSI Group Korea implements a comprehensive system that meets the accreditation requirements of ISO 14065 (General principles and requirements for bodies validating and verifying environmental information) and ISO/IEC 17021 (Requirements for bodies providing audit and certification of management systems), which complies with the Code of Ethics requirements of ISQM1 (International Standard on Quality Management 1) and IESBA (Certified Public Accountant of International Ethics Standards Board for Accountants). No member of the assurance team has a business relationship with Songwon Industrial Group. The Assurer has conducted this verification independently, and there has been no conflict of interest. The Assurer applies Quality Control of BSI scheme and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements. All assurers who participated in the assurance have qualifications as an ISAE3000 assurer, have wide assurance experience and in-depth understanding of the BSI Group's assurance standard methodology.

Issue Date: 12.02.2025

For and on behalf of British Standards Institution (BSI):



Jungwoo Lee, Lead Assurrer of BSI Korea



SeongHwan Lim, Managing Director of BSI Korea

BSI Group Korea, Republic of Korea, 29, Insa-dong 5-gil, Jongno-gu, Seoul

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Appendix A: [Data of subject matters within the scope]

No	KPIs and disclosures	GRI	GRI Details	SASB	SASB Details
1	Employee Status (Total, By entity, By gender, By age group, By contract type)	2-7	Employees	-	-
2	Board of Directors (Composition, Operation)	2-9	Governance structure and composition	-	-
3	Number of work council members, Number of eligible work council members, Work council membership rate (Only Korean Entity)	2-30	Collective bargaining agreements	-	-
4	Direct employees covered by a living wage benchmarking analysis, direct employees paid below living wage, all employees paid below living wage, including direct employees, individual contractors and dispatched workers, Average wage gap for direct employees paid below living wage against a living wage benchmark (Only Korean Entity)	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	-	-
5	Percentage of sites for which an internal audit/risk assessment on ethics issues	205-1	Operations assessed for risks related to corruption	-	-
6	Number of employees trained on ethics, Total ECM, BoD members trained on ethics,	205-2	Communication and training about anti-corruption policies and procedures	-	-
7	Total Cases reported through whistleblowing channel, Total confirmed incidents of corruption	205-3	Confirmed incidents of corruption and actions taken	-	-
8	Total Number of legal actions pending or completed during the reporting period regarding anti-competitive behavior and violations of anti-trust and monopoly legislation	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	-	-
9	Renewable, Non-Renewable Materials (Only Korean Entity)	301-1	Materials used by weight or volume	-	-

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10	Direct Energy, Indirect Energy	302-1	Energy consumption within the organization	RT-CH-130a.1	Total energy consumed, percentage renewable energy, total self-generated energy
11	Energy intensity	302-3	Energy intensity ratio for the organization	-	-
12	Water withdrawal (Municipal water, Groundwater, Rainwater, Surface water), Water withdrawn from locations with High or Extremely High Baseline Water Stress	303-1 303-3	Water withdrawal, Interactions with water as a shared resource	RT-CH-140a.1	(1) Total water withdrawn, (2) percentage of each in regions with High or Extremely High Baseline Water Stress
13	Water discharge	303-4	Water discharge	-	-
14	Water consumption (Municipal water, Groundwater, Rainwater, Surface water)	303-5	Water consumption	RT-CH-140a.1	(2) Total water consumed; percentage of each in regions with High or Extremely High Baseline Water Stress
15	Direct emissions (Scope 1)	305-1	Direct (Scope 1) GHG emissions	RT-CH-110a.1	Gross global Scope 1 emissions, percentage covered under emissions-limiting regulations
16	Indirect emissions (Scope 2)	305-2	Energy indirect (Scope 2) GHG emissions	-	-

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17	Carbon Intensity	305-4	GHG emissions intensity	-	-
18	Nitrogen Oxides (NOx), Sulfur Oxides (SOx) Emissions (Only Korean Entity)	305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	RT-CH-120a.1	Air emissions of the following pollutants: (1) NOx (excluding N ₂ O), (2) SOx
19	Total amount of hazardous waste (Recycling, Landfill, External Incineration, Internal Incineration)	306-3 306-4 306-5	Waste diverted from disposal Waste directed to disposal	RT-CH-150a.1	(1) Amount of hazardous waste generated
20	Total amount of non-hazardous waste (Recycling, Landfill, External Incineration, Internal Incineration)	306-3 306-4 306-5	Waste diverted from disposal Waste directed to disposal	-	-
21	Targeted suppliers with ISO14001 registered	308-1	New suppliers that were screened using environmental criteria	-	-
22	New employee hires and employee turnover	401-1	New Employee Hires and Employee Turnover	-	-
23	Employees that were entitled to parental leave by gender, Employees that took parental leave by gender, Employees that returned to work in the reporting period after parental leave ended, Employees that returned to work after parental leave and ended that were still employed 12 months after their return to work, Return to work rate of employees that took parental leave, Retention rate of employees that took parental leave by gender	401-3	Parental leave	-	-

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24	Management and employee joint councils or meetings to discuss labor and human rights issues (Only Korean Entity)	403-4 407-1	Worker participation, consultation, and communication on occupational health and safety Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	-	-
25	Number & Rate of Recordable Accidents (TCAR)–employees & contractors, Number & Rate of Injuries (TCIR, TRIR) – employees & contractors, Lost day & Lost day rate (LDR, LTIR) due to accidents and incidents – employees & contractors, Number & Rate of Fatalities – employees & contractors	403-9	Work-related injuries	RT-CH-320a.1	(1) Total recordable incident rate (TRIR) and (2) fatality rate for (a) direct employees and (b) contract employees
26	Total training hours – all topics, Training hours per person – all topics, Total training hours – labor and human rights topics, Average training hours – labor and human rights topic	404-1	Average hours of training per year per employee	-	-
27	Top Executive position, Senior management position, Mid-level management position, Staff position	405-1	Diversity of governance bodies and employees	-	-
28	Cases of child/forced labor	407-1 408-1 409-1	Operations and suppliers at significant risk for incidents of child labor	-	-
29	Customer requests for technical advice	416-1	Assessment of the health and safety impacts of product and service categories	-	-
30	Incidents of non-compliance with regulations and/or voluntary codes concerning the health and safety impacts of products and services	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	-	-

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31	Substantiated complaints concerning breaches of customer privacy and losses of customer data Total substantiated complaints received concerning breaches of customer privacy, Total identified leaks, thefts, or losses of customer data	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	-	-
32	Total Organic Carbon (TOC), Biochemical Oxygen Demand (BOD) and Suspended Solids (SS) (Only Korean Entity)	-	-	-	-
33	Hazardous chemicals (Only Korean Entity)	-	-	-	-
34	Ratio of green purchasing compared to total purchase amount, Green purchasing amount, By type (renewable raw material, PE bag), Total purchase amount (Only Korean Entity)	-	-	-	-
35	Product Use	-	-	-	-
36	Water recycle (Total), Ratio of recycled water compared to total water consumption)	-	-	-	-
37	Customer complaints, justified, related to customer health and safety	-	-	-	-
38	Grievance channel for Labor and Human Rights	-	-	-	-
39	Employees with disabilities	-	-	-	-
40	Product End-of-Life	-	-	-	-

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41	Genetically Modified Organism	-	-	RT-CH-410c.1	Discussion of strategy to (1) manage chemicals of concern and (2) develop alternatives with reduced human or environmental impact
42	Number of Third-party approved environmental certifications	-	-	-	-
43	Number of environmental regulation violations, Amount of fines for environmental regulation violations	-	-	-	-
44	Number of employees who completed the training (Environmental)	-	-	-	-
45	Ratio of the annual total compensation for the highest paid individual, to the median annual total compensation for all employees (Only Korean Entity)	-	-	-	-
46	Buyers who received training on sustainable practices, Total number of buyers, Grievance channel for suppliers	-	-	-	-
47	Total volume of spills (oil, fuel, waste, and chemicals)	-	-	-	-
48	Working Hours – employees & contractors	-	-	-	-

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04

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

Dedicated to transparency & accountability

Sound and accountable corporate governance is the essential basis for responsible management and for securing SONGWON's lasting business success. Since the company's foundation, we have been dedicated to applying high levels of transparency and accountability that go beyond mere compliance.

Over time, SONGWON has established a solid reputation as a global player with strong ethical principles, committed to delivering long-term value to our shareholders and conducting our business in full compliance with all legal requirements. We are proud to be a market leader, making valuable contributions to the industry and the communities in which we operate.

Guided by principles of integrity and a commitment to responsible governance, we make transparency a priority in communicating SONGWON's financial and business performance. This enables us to earn and maintain the trust of SONGWON's employees, customers, shareholders and all other stakeholders. By embedding responsible corporate governance in our daily operations worldwide, we ensure that SONGWON remains a robust, accountable organization that is well-positioned to achieve its targets, meet stakeholder needs and deliver long-term competitive returns for shareholders.

At the center of SONGWON's approach to corporate governance are our core values: entrepreneurship, collaboration, value in people and excellence. These elements lie at the heart of our business operations, shaping how we engage with stakeholders, generate value and strategize for the future. SONGWON's leadership is driven by these values and applies them to daily decision-making, defining long-term planning and developing the strategic vision for the organization.

At SONGWON, corporate governance is a shared responsibility embedded across all levels of the organization and practiced by our dedicated and talented global team. Our people measure their contribution to the company's success not just on the basis of business growth, but also by how well they can meet the high standards of accountability and create value for all of SONGWON's stakeholders.

SONGWON's Code of Conduct incorporates guidelines, policies and practices for conducting our daily business responsibly. In addition, SONGWON's vision and mission statements, together with our core values, serve as the foundation for everything we do and guide every action we take as individuals and as an organization.

Full compliance with relevant external standards and regulations is a top priority for SONGWON's leadership. The management team strives to minimize risks by maintaining consistent standards and responsible business practices throughout the organization. To support this, SONGWON has sound policies and procedures in place for monitoring potential risks, together with the ICFR* framework.

This ongoing process has already enhanced the Group's ability to identify potential risks and supports continuous improvement at SONGWON. For example, to meet the ICFR requirements, SONGWON has implemented a whistleblower policy, which is part of the CFA (Controlling, Finance & Administration) manual and is maintained by Global HR. Additionally, all of SONGWON's policies, such as those related to ESG, are designed to reinforce the principles of an 'open, fair and clean' corporate culture throughout the organization. These policies are regularly reviewed and updated on an ongoing basis by the Executive Committee and subsequently approved by the Board.

* Internal Control Over Financial Reporting



Annual Shareholders Meeting

This year, SONGWON's Annual General Meeting was held at SONGWON's Headquarters in Ulsan, Korea on March 15th, 2024. During the meeting, the Annual Report for the financial year 2023 was adopted, as well as the proposal for the distribution of profits.

Each year, all SONGWON shareholders are invited to attend the Annual Shareholders Meeting where important decisions are made on matters concerning SONGWON Industrial Co., Ltd. and the Group. Traditionally, the meeting focuses on the annual report and financial accounts, but it also offers shareholders the opportunity to raise any questions related to the meeting's agenda. In accordance with the mechanisms provided by Korean law, company directors are required to organize a shareholders' meeting and propose resolutions submitted by the shareholders.

The Board of Directors & Executive Committee

SONGWON Industrial Group's structure comprises the Board of Directors and Executive Committee.

- The Board of Directors consists of 3 executive members and 1 non-executive member, which is equivalent to 3 internal directors and 1 outside director in line with Korean regulations.
- During the year, the members of the Board usually attend 4 face-to-face meetings but if not possible, then meetings are organized via video call. In 2024, 4 Board meetings took place. In addition to these meetings, virtual ad hoc meetings are also organized when necessary.
- SONGWON's Executive Committee is made up of 4 members, all of whom hold key managerial positions within the Group. The Committee generally meets in person once per quarter and holds frequent teleconferences and video calls, as well as communicating regularly via email. This year, 4 face-to-face meetings took place.

- The Executive Committee manages SONGWON's daily business while maintaining and ensuring sound company-wide governance practices. In addition to developing and implementing policies, the Committee makes all the operational decisions based on the Group's overall strategy. This includes the allocation of resources, investments and HR issues except for specific decisions reserved under the Korean Company Act for the Board. The Executive Committee is also responsible for addressing any matters related to the Korean Company Act. Should any such instances arise, it prepares the necessary proposals for submission to the Board for final approval.
- At SONGWON, the responsibilities of the Chairman of the Board and CEO are separated. All the responsibilities concerning business operations decisions are managed by the Executive Committee while the Board handles the decision-making process related to SONGWON's strategy and investment. This clear division of responsibilities between the Board and the Executive Committee strengthens the Group's corporate governance by ensuring greater transparency, controls and accountability. In line with continuous improvement, SONGWON's leadership seeks to implement the Board's activities with a clearly defined scope of responsibility that differs from the activities of the Executive Committee.

SONGWON's Board of Directors oversees the strategic direction of the Group and ensures that effective governance procedures are implemented. The Executive Committee is the governing body responsible for making decisions relating to economic, environmental and social impacts. All of these decisions are supervised by the Board. In addition, the Executive Committee plays a crucial role in identifying and managing risks and opportunities.

As SONGWON's highest governance body, the Executive Committee is responsible for reviewing the adequacy of the organization's internal controls to ensure the quality of the organization's sustainability reporting. SONGWON's Audit Committee* oversees financial reporting, ensures regulatory compliance and monitors internal controls. Additionally, identifying, evaluating and mitigating potential risks across the organization is carried out by the Risk Committee at SONGWON. (see pg. 119, Sustainability Governance Structure).

At SONGWON, the directors (excl. the executive members) proposed to the shareholders for election are chosen based on the following criteria::

- performance history
- ethical behavior
- leadership & expertise
- attitude towards rules & regulations
- expertise in the area of responsibility
- independence & impartiality

These criteria help to ensure diversity on the Board with individuals from various backgrounds offering different perspectives. In 2024, SONGWON's Board of Directors comprised individuals representing 2 different nationalities with experience and knowledge from a wide range of industries. Each year, the Board of Directors reviews the outcomes of its decisions and actions to evaluate their effectiveness and value for SONGWON. As the highest governing bodies, the Board and Executive Committee oversee all aspects and decisions related to Environmental, Social and Governance (ESG) at SONGWON, ensuring alignment with global sustainability standards.

Chairman of the Board, Chief Executive Officer (CEO) & Executive Management

The Chairman of the Board is a Non-Executive Director who is elected at SONGWON's Annual Shareholders' Meeting. The CEO is an Executive Director who manages the Group in accordance with the Board of Director's instructions. As Chair of the Executive Committee, the CEO exercises ongoing control of the Group and acts in line with the division of responsibilities between the CEO and the Board of Directors, as approved by the Board.

Remuneration

For SONGWON's highest governance body members, senior managers and executives remuneration (incl. departure arrangements), is aligned with the company's performance overall and takes into consideration the social, economic and environmental results.

External auditors

Every 3 years at the Annual Shareholders Meeting, auditors for SONGWON are elected for a 3-year term. SONGWON's current auditors are Ernst & Young. Both the Board and the Executive Committee collaborate closely with the external auditors to ensure they remain up-to-date and well-informed on relevant issues related to the accounts, reporting procedures and management of the Group's assets.

Corporate governance framework

SONGWON's Vision and Mission statements reflect the organization's strong commitment to upholding high levels of integrity and ethical standards across its global operations.

At SONGWON, we know that successfully building a robust, high-performing and responsible organization is only possible when we encourage direct and respectful communication at all levels and foster a corporate culture built upon honesty, tolerance and integrity. We also recognize that corporate culture influences people's behavior within an organization. For this reason, it is a priority to ensure that we keep our employees up-to-date and well-informed. In line with this, SONGWON's leadership regularly shares information with employees on the organization's operations, activities and strategic objectives.

Furthermore, SONGWON's Board and upper management prioritize regularly communicating the importance of responsible behavior and ensuring that ethical business conduct is always at the forefront of all day-to-day activities. To support this, both SONGWON's Vision and Mission statements are clearly communicated to all employees and also published on the company's website to make them available to our stakeholders worldwide.

SONGWON has developed a comprehensive set of policies covering all our business activities. Accessible to every employee, the policies outline our dedication to high ethical standards and compliance with the applicable laws in the areas and regions we operate. Hence, a great deal of effort goes into ensuring that SONGWON's Code of Conduct, along with other important measures like HSE, are continually aligned with internationally agreed standards and updated regularly.

In addition, SONGWON'S Code of Conduct, which is downloadable from the company's website, is actively promoted via internal communication and trainings across the global organization. The Code explains how to apply the basic principles aligned with SONGWON's core values and our safe, responsible and ethical culture. It also provides practical advice on complying with laws and regulations and includes guidance on interacting with colleagues as well as SONGWON's customers and local communities. Every employee is given a copy of SONGWON's Code of Conduct when they are hired and we also test all our employees' knowledge each year to ensure that the Code remains fresh in their minds.

SONGWON's Code also governs the handling of information, confidentiality and data security, the prevention of money laundering, bribery and corruption as well as issues relating to separating personal and business interests. Having a strong monitoring process, SONGWON's Management makes sure that if the Code is breached in any way, it can be easily detected and dealt with quickly. In 2024, no breaches were reported (see: www.songwon.com/investors/corporate-governance/code-of-conduct).

SONGWON's leadership believes in fostering a collaborative approach to management where each individual, including senior management, is easily approachable, always open to engaging in dialogue and ready to advise as well as offer guidance. Creating an environment of openness and clarity where people are treated fairly and encouraged to contribute is a priority. In keeping with this, questions and even discussions are both welcome and encouraged across the organization. Although SONGWON has no punishment culture, every employee is very aware of the zero-tolerance policy for any breach of standards or any improper, unethical behavior.

SONGWON's whistleblower policy and framework support our commitment to maintaining a culture of honesty and integrity, providing all SONGWON's stakeholders with a way of reporting² (incl. anonymously) any actual or suspected misconduct within the organization. The policy also protects whistleblowers from any repercussions or breaches of their confidentiality. Any concerns reported are treated with absolute discretion and handled as swiftly as possible. This ensures that issues are resolved quickly and any changes that need to be made within the organization are implemented appropriately.

*as per the Korean Commercial Code (KCC)

¹ External 3rd party concerns can be reported directly to the Executive Committee.

In 2024, no whistleblower claims were reported and there were also no incidents that breached SONGWON's principles (e.g. corruption, anti-trust, or discrimination). However, if an incident had occurred, then the most appropriate form of communication and/or consultation method would have been applied immediately based on the nature of the issue at hand. SONGWON had no monetary or non-monetary fines for non-compliance with laws and regulations to report in 2024.

Internal control

Internal control is a fundamental aspect of SONGWON's corporate culture. Each year, the organization works to continually strengthen and improve its Internal Control Over Financial Reporting (ICFR) to monitor all of the Group's activities. In doing so, SONGWON ensures that its rules of business engagement, which include compliance with external legislation and regulations as well as internal guidelines and control documentation, are diligently adhered to.

An important aspect of internal control is identifying risks and ensuring they are managed effectively. The Management's main goal is to minimize SONGWON's exposure to risk as much as possible while capitalizing on valuable opportunities at the same time. To support this, SONGWON is structured so that it meets the requirements for effective internal control with all its working methods characterized by organizational transparency and a clear division of responsibilities.

Another important aspect of internal control is identifying risks and then ensuring that they are managed effectively. Our main goal is to minimize SONGWON's exposure to risk as far as possible while making sure that we can capitalize on valuable opportunities at the same time. SONGWON is organized in such a way as to ensure it meets the requirements for effective internal control and its working methods are characterized by organizational transparency and a clear division of responsibilities. To ensure true and fair consolidated financial reporting can be achieved, the Management has the necessary financial and business reporting systems in place, secured under the implemented ICFR.

Internal group reports are compiled each month using well-established procedures and then presented in a document that also includes extensive analysis. There are a number of people from different Group

departments and various company levels involved in preparing the quarterly and annual financial reporting. The management team, the Executive Committee and the Board of Directors carefully review the summarized results and approve them.

In case a conflict of interest should arise, the governing body member concerned abstains from voting on the issues relating to the conflict of interest to ensure that the highest levels of corporate governance are always upheld. SONGWON is not aware of any conflicts of interest arising in 2024, or of any which could have potentially occurred during the year.

SONGWON's leadership is fully aware that corruption in any form can severely impact sustainable economic and social development, with significant consequences, particularly for poorer communities. As the organization expands its reach, it becomes more exposed to environments where corruption is well-known to exist. To address this, SONGWON is continuously updating its policies and processes. It also remains open and responsive to any improvements that stakeholders and authorities may suggest and deem necessary. ■

SONGWON strengthens corporate governance by:

- 

optimizing communication to further enhance the interaction between the Board, Executive Committee and the various function leaders.
- 

enhancing the Board's knowledge and understanding of the relevant impacts of SONGWON's activities on a regular basis. For example, each business and function is invited to present and discuss its strategies and actions with the Board.
- 

focusing its efforts on improving and strengthening the Internal Control Systems at every level and entity within the Group.
- 

conducting regular reviews of its existing policies to ensure that they are always up-to-date and introducing new policies when necessary.
- 

participating actively in various associations and organizations to strengthen its ability to monitor key issues (incl. ESG), identify potential risks and opportunities and ensure that SONGWON is always well-positioned to respond accordingly at an early stage.
- 

supporting and continually improving engagement between senior management and employees at all levels through e.g. Town Hall meetings which are organized when needed. Each Executive Team member also holds regular dialogue sessions with their teams. Such meetings provide an opportunity for SONGWON's leadership to share information with employees on the Group's financial results, business activities and strategy as well as emphasize SONGWON's expectations concerning ethical business conduct, sustainability and EH&S, etc.
- 

evaluating the effectiveness of management-employee communications, identifying areas for improvement and following up on any issues or concerns raised by employees.

05

FINANCIAL STATEMENTS

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INTRODUCTION TO THE CONSOLIDATED FINANCIAL STATEMENTS

On the following pages (160 – 249), consolidated financial statements for the year 2024 are presented. The financial statements disclosed are prepared according to International Financial Reporting Standards as adopted by the Republic of Korea (“KIFRS”) and represent the statements submitted for approval to the Annual General Shareholders’ Meeting on March 21, 2025, in Ulsan, Korea.

While the management of the Group is responsible for the preparation and presentation of the financial statements, the Group’s independent auditor is responsible for expressing an opinion on these financial statements. The report on the consolidated financial statements – issued by our Group auditor, Ernst & Young Han Young – can be found on pages (157 – 159).

INDEPENDENT AUDITOR’S REPORT



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Independent auditor’s report
(English translation of a report originally issued in Korean)

The Shareholders and Board of Directors
Songwon Industrial Co., Ltd.

Opinion

We have audited the consolidated financial statements of Songwon Industrial Co., Ltd. (the “Company”) and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated statements of financial position as of December 31, 2024 and 2023, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the two years in the period ended December 31, 2024, and the notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for each of the two years in the period ended December 31, 2024 in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (“KIFRS”).

Basis for opinion

We conducted our audit in accordance with Korean Standards on Auditing (“KSA”). Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matter

A key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

The Group consists of the Company, its 13 subsidiaries and a joint venture, and the volume of intragroup transactions, such as sales and purchases, is significant. Due to the significant impact of the aggregation of such sales and purchases and their related receivables and payables balances, and of the completeness and accuracy of the elimination of intragroup transactions on the consolidated financial statements, we have selected this area as a key audit matter.

The main audit procedures we have performed in relation to the key audit matter are as follows:

- We performed an analytical procedure on the Group’s significant intragroup sales and purchases as well as related receivables and payables of the current and prior reporting periods.
- We performed a review for the consistency of the major intragroup sales, purchases and related balances that are subject to elimination by comparing those to the input data used in the consolidation system.
- We performed a review to confirm whether all intragroup sales and purchases aggregated were eliminated during the consolidation process.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with KIFRS, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with KSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with KSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is *Yoon, Jung Won*.



February 28, 2025

This audit report is effective as of February 28, 2025, the independent auditor's report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the date of the independent auditor's report to the time this report is used. Such events and circumstances could significantly affect the accompanying consolidated financial statements and may result in modifications to this report.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of December 31, 2024 and 2023

		2024	2023
Assets	Notes	Million KRW	Million KRW
Current assets		654,244	569,230
Cash and cash equivalents	5, 33	113,481	98,584
Trade and other receivables	6, 31, 33	162,040	150,975
Other current financial assets	7, 21, 33	8,665	12,410
Other current assets	8	15,506	13,606
Inventories	9, 24	353,485	291,466
Income tax receivables		1,067	2,189
Non-current assets		525,949	520,514
Investments accounted for using the equity method	10	9,202	8,131
Property, plant and equipment	4.2.2, 11, 24, 25	430,699	435,321
Investment properties	4.2.2, 12, 24, 25	3,442	3,448
Intangible assets	4.2.2, 13, 14, 24	15,844	14,789
Right-of-use assets	4.2.2, 15	35,523	18,379
Other non-current financial assets	7, 31, 33	12,113	11,345
Other non-current assets	22	11,435	23,046
Deferred tax assets	28	7,691	6,055
Total assets		1,180,193	1,089,744
Equity and liabilities			
Total liabilities		424,083	384,152
Current liabilities		329,649	307,693
Interest-bearing loans and borrowings	17, 24, 25, 32, 33	149,034	164,696
Trade and other payables	18, 31, 32, 33	142,364	119,245
Current lease liabilities	15, 32, 33	3,914	2,357
Other current financial liabilities	20, 21, 32, 33	3,310	1,640
Other current liabilities	19	6,984	5,149
Income tax payable		24,043	14,606
Non-current liabilities		94,434	76,459
Bonds, interest-bearing loans and borrowings	17, 24, 25, 32, 33	2,250	5,250
Pension liability	22	4,575	4,269
Other long-term employee-related liabilities	23	14,650	10,780
Non-current lease liabilities	15, 32, 33	31,991	16,087
Other non-current financial liabilities	20, 32, 33	1,471	2,579
Other non-current liabilities		374	434
Deferred tax liabilities	28	39,123	37,060
Equity		756,110	705,592
Non-controlling interests		—	—
Equity attributable to owners of the parent		756,110	705,592
Issued capital	16.1	12,000	12,000
Capital surplus	16.2	20,482	20,482
Reserves	16.3	30,903	30,303
Retained earnings	16.3	669,322	638,217
Other components of equity	16.4	23,403	4,590
Total equity and liabilities		1,180,193	1,089,744

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of December 31, 2024 and 2023 (see note 2.3)

		2024	2023
Assets		Thousand USD	Thousand USD
Current assets		445,064	387,231
Cash and cash equivalents		77,198	67,064
Trade and other receivables		110,231	102,704
Other current financial assets		5,895	8,442
Other current assets		10,548	9,256
Inventories		240,466	198,276
Income tax receivables		726	1,489
Non-current assets		357,788	354,093
Investments accounted for using the equity method		6,260	5,531
Property, plant and equipment		292,993	296,137
Investment properties		2,341	2,346
Intangible assets		10,778	10,061
Right-of-use assets		24,165	12,503
Other non-current financial assets		8,240	7,718
Other non-current assets		7,779	15,678
Deferred tax assets		5,232	4,119
Total assets		802,852	741,324
Equity and liabilities			
Total liabilities		288,494	261,332
Current liabilities		224,252	209,318
Interest-bearing loans and borrowings		101,384	112,038
Trade and other payables		96,846	81,120
Current lease liabilities		2,663	1,603
Other current financial liabilities		2,252	1,117
Other current liabilities		4,751	3,504
Income tax payable		16,356	9,936
Non-current liabilities		64,242	52,014
Bonds, interest-bearing loans and borrowings		1,531	3,571
Pension liability		3,112	2,904
Other long-term employee-related liabilities		9,966	7,333
Non-current lease liabilities		21,763	10,945
Other non-current financial liabilities		1,001	1,754
Other non-current liabilities		255	296
Deferred tax liabilities		26,614	25,211
Equity		514,358	479,992
Non-controlling interests		—	—
Equity attributable to owners of the parent		514,358	479,992
Issued capital		8,163	8,163
Capital surplus		13,933	13,933
Reserves		21,021	20,613
Retained earnings		455,321	434,161
Other components of equity		15,920	3,122
Total equity and liabilities		802,852	741,324

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

for the years ended December 31, 2024 and 2023

		2024	2023
	Notes	Million KRW	Million KRW
Sales	4.1, 4.2, 31	1,070,200	1,029,975
Cost of sales	26.5, 31	-893,292	-880,026
Gross profit		176,908	149,949
Selling and administration costs	26.2, 26.5, 31	-114,094	-91,480
Operating profit		62,814	58,469
Other income	26.3	2,853	4,111
Other expenses	26.4, 26.5	-4,173	-5,170
Share of result from investments accounted for using the equity method	10	1,186	847
Finance income	27.1, 27.3	53,146	42,792
Finance expenses	27.2, 27.3	-51,584	-51,555
Profit before tax		64,242	49,494
Income tax expenses	28	-19,154	-14,647
Profit for the period		45,088	34,847
Other comprehensive income, net of taxes			
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		18,813	6,502
Exchange differences on translation of foreign operations	16.4	18,813	6,502
Net other comprehensive income not to be reclassified to profit or loss		-7,383	-6,379
Gain on valuation of financial assets at FVOCI	16.4	—	2
Re-measurement loss on defined benefit plans	16.4, 22	-7,383	-6,381
Total other comprehensive income, net of taxes		11,430	123
Total comprehensive income		56,518	34,970
Profit for the period attributable to:			
Owners of the parent	29	45,088	34,847
Non-controlling interests		—	—
Profit for the period		45,088	34,847
Total comprehensive income attributable to:			
Owners of the parent		56,518	34,970
Non-controlling interests		—	—
Total comprehensive income		56,518	34,970
Earnings per share			
		KRW	KRW
Basic / diluted, profit for the period attributable to ordinary equity holders of the parent	29	1,879	1,452

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

for the years ended December 31, 2024 and 2023 (see note 2.3)

	2024	2023
	Thousand USD	Thousand USD
Sales	728,027	700,663
Cost of sales	-607,681	-598,657
Gross profit	120,346	102,006
Selling and administration costs	-77,615	-62,231
Operating profit	42,731	39,775
Other income	1,941	2,797
Other expenses	-2,839	-3,517
Share of result from investments accounted for using the equity method	807	576
Finance income	36,154	29,110
Finance expenses	-35,091	-35,072
Profit before tax	43,703	33,669
Income tax expenses	-13,031	-9,964
Profit for the period	30,672	23,705
Other comprehensive income, net of taxes		
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	12,798	4,423
Exchange differences on translation of foreign operations	12,798	4,423
Net other comprehensive income not to be reclassified to profit or loss	-5,022	-4,340
Gain on valuation of financial assets at FVOCI	—	1
Re-measurement loss on defined benefit plans	-5,022	-4,341
Total other comprehensive income, net of taxes	7,776	83
Total comprehensive income	38,448	23,788
Profit for the period attributable to:		
Owners of the parent	30,672	23,705
Non-controlling interests	—	—
Profit for the period	30,672	23,705
Total comprehensive income attributable to:		
Owners of the parent	38,448	23,788
Non-controlling interests	—	—
Total comprehensive income	38,448	23,788
Earnings per share		
	USD	USD
Basic / diluted, profit for the period attributable to ordinary equity holders of the parent	1.28	0.99

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

for the years ended December 31, 2023 and 2024

	Attributable to owners of the parent							Non-controlling interests	Total equity
	Issued capital	Capital surplus	Reserves	Other components of equity			Total		
				Retained earnings	Fair value reserve of financial assets at FVOCI	Foreign currency translation reserve			
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
As of January 1, 2023	12,000	20,482	29,103	622,951	-703	-1,211	682,622	—	682,622
Profit for the period	—	—	—	34,847	—	—	34,847	—	34,847
Other comprehensive income	—	—	—	-6,381	2	6,502	123	—	123
Total comprehensive income	—	—	—	28,466	2	6,502	34,970	—	34,970
Dividends	—	—	—	-12,000	—	—	-12,000	—	-12,000
Appropriation to reserves	—	—	1,200	-1,200	—	—	—	—	—
As of December 31, 2023	12,000	20,482	30,303	638,217	-701	5,291	705,592	—	705,592

As of January 1, 2024	12,000	20,482	30,303	638,217	-701	5,291	705,592	—	705,592
Profit for the period	—	—	—	45,088	—	—	45,088	—	45,088
Other comprehensive income	—	—	—	-7,383	—	18,813	11,430	—	11,430
Total comprehensive income	—	—	—	37,705	—	18,813	56,518	—	56,518
Dividends	—	—	—	-6,000	—	—	-6,000	—	-6,000
Appropriation to reserves	—	—	600	-600	—	—	—	—	—
As of December 31, 2024	12,000	20,482	30,903	669,322	-701	24,104	756,110	—	756,110

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

for the years ended December 31, 2023 and 2024 (see note 2.3)

	Attributable to owners of the parent							Non-controlling interests	Total equity
	Issued capital	Capital surplus	Reserves	Other components of equity			Total		
				Retained earnings	Fair value reserve of financial assets at FVOCI	Foreign currency translation reserve			
	Thous. USD	Thous. USD	Thous. USD	Thous. USD	Thous. USD	Thous. USD	Thous. USD	Thous. USD	Thous. USD
As of January 1, 2023	8,163	13,933	19,797	423,776	-478	-824	464,367	—	464,367
Profit for the period	—	—	—	23,705	—	—	23,705	—	23,705
Other comprehensive income	—	—	—	-4,341	1	4,423	83	—	83
Total comprehensive income	—	—	—	19,364	1	4,423	23,788	—	23,788
Dividends	—	—	—	-8,163	—	—	-8,163	—	-8,163
Appropriation to reserves	—	—	816	-816	—	—	—	—	—
As of December 31, 2023	8,163	13,933	20,613	434,161	-477	3,599	479,992	—	479,992

As of January 1, 2024	8,163	13,933	20,613	434,161	-477	3,599	479,992	—	479,992
Profit for the period	—	—	—	30,672	—	—	30,672	—	30,672
Other comprehensive income	—	—	—	-5,022	—	12,798	7,776	—	7,776
Total comprehensive income	—	—	—	25,650	—	12,798	38,448	—	38,448
Dividends	—	—	—	-4,082	—	—	-4,082	—	-4,082
Appropriation to reserves	—	—	408	-408	—	—	—	—	—
As of December 31, 2024	8,163	13,933	21,021	455,321	-477	16,397	514,358	—	514,358

CONSOLIDATED STATEMENTS OF CASH FLOWS

for the years ended December 31, 2024 and 2023

		2024	2023
	Notes	Million KRW	Million KRW
Profit for the period		45,088	34,847
Total adjustments	30	76,385	74,182
Changes in operating assets and liabilities	30	-36,327	102,211
Interest received		2,295	1,353
Payments of income tax		-6,774	-45,813
Net cash flows provided by operating activities		80,667	166,780
Proceeds from sale of property, plant and equipment	11, 30	5	80
Purchases of property, plant and equipment	11	-21,396	-38,392
Purchases of intangible assets	13	-2,360	-4,203
Dividends received from investments using the equity method	10	549	578
Decrease / (increase) in other financial assets, net		3,494	-1,859
Net cash flows used in investing activities		-19,708	-43,796
Proceeds from borrowings	17, 30	271,459	341,188
Repayments of borrowings	17, 30	-291,048	-445,377
Payment of lease liabilities	17, 30	-3,789	-3,332
(Decrease) / increase in other financial liabilities, net	17, 30	-872	3,575
Interest paid		-6,227	-8,997
Dividends paid	16	-6,000	-12,000
Net cash flows used in financing activities		-36,477	-124,943
Increase / (decrease) in cash and cash equivalents		24,482	-1,959
Net foreign exchange differences		-9,585	-4,217
Cash and cash equivalents as of January 1	5	98,584	104,760
Cash and cash equivalents as of December 31	5	113,481	98,584

CONSOLIDATED STATEMENTS OF CASH FLOWS

for the years ended December 31, 2024 and 2023 (see note 2.3)

	2024	2023
	Thousand USD	Thousand USD
Profit for the period	30,672	23,705
Total adjustments	51,963	50,464
Changes in operating assets and liabilities	-24,712	69,531
Interest received	1,561	920
Payments of income tax	-4,608	-31,165
Net cash flows provided by operating activities	54,876	113,455
Proceeds from sale of property, plant and equipment	3	54
Purchases of property, plant and equipment	-14,555	-26,117
Purchases of intangible assets	-1,605	-2,859
Dividends received from investments using the equity method	373	393
Decrease / (increase) in other financial assets, net	2,377	-1,265
Net cash flows used in investing activities	-13,407	-29,794
Proceeds from borrowings	184,666	232,101
Repayments of borrowings	-197,992	-302,978
Payment of lease liabilities	-2,578	-2,267
(Decrease) / increase in other financial liabilities, net	-593	2,432
Interest paid	-4,236	-6,120
Dividends paid	-4,082	-8,163
Net cash flows used in financing activities	-24,815	-84,995
Increase / (decrease) in cash and cash equivalents	16,654	-1,334
Net foreign exchange differences	-6,520	-2,867
Cash and cash equivalents as of January 1	67,064	71,265
Cash and cash equivalents as of December 31	77,198	67,064

1. CORPORATE INFORMATION

1.1. THE GROUP

SONGWON Industrial Group (the “Group”) consists of the parent company Songwon Industrial Co., Ltd. (the “Company”) and its consolidated subsidiaries as listed below. The Company was incorporated on December 15, 1965, under the law of the Republic of Korea to engage in the manufacture and commercial sale of polymer stabilizers, tin intermediates, PVC stabilizers and specialty chemicals, among others. The Company’s main manufacturing plants are located in Korea in Ulsan, Maeam and Suwon and in India in Ankleshwar. The address of the registered office (Songwon Industrial Co., Ltd.) can be found at the end of the annual report.

The Company has listed its common shares on the Korea Exchange since June 1977, pursuant to the Korean Securities and Exchange Act.

1.2. SCOPE OF CONSOLIDATION

1.2.1. CHANGE IN THE SCOPE OF CONSOLIDATION

As of December 31, 2024, the scope of consolidation for the consolidated financial statements encompasses 14 entities (2023: 14 entities). Additionally, one entity is classified as a joint venture (2023: one entity) and accounted for using the equity method.

During the twelve months of 2024, there were no changes in the legal structure of the Group or the scope of consolidation. During the twelve months of 2023, there were no changes in the legal structure of the Group or the scope of consolidation.

The consolidated financial statements include the financial statements of the Company and of the subsidiaries listed in the following table. The table also includes joint ventures which are accounted for using the equity method.

Consolidated entities	Location	Status	2024	Status	2023
			December 31		December 31
			Interest		Interest
Songwon Industrial Co., Ltd.	Korea	Parent		Parent	
Songwon International-Japan K.K.	Japan	Subsidiary	100%	Subsidiary	100%
Songwon Specialty Chemicals-India Pvt. Ltd.	India	Subsidiary	100%	Subsidiary	100%
Songwon International-Americas Inc.	USA	Subsidiary	100%	Subsidiary	100%
Songwon International AG	Switzerland	Subsidiary	100%	Subsidiary	100%
Songwon Group Holding AG	Switzerland	Subsidiary	100%	Subsidiary	100%
Songwon Management AG	Switzerland	Subsidiary	100%	Subsidiary	100%
Songwon ATG GmbH	Germany	Subsidiary	100%	Subsidiary	100%
Songwon Europe GmbH	Germany	Subsidiary	100%	Subsidiary	100%
Songwon Chemicals GmbH	Germany	Subsidiary	100%	Subsidiary	100%
Songwon Trading GmbH	Germany	Subsidiary	100%	Subsidiary	100%
Songwon International-Qingdao Co., Ltd.	China	Subsidiary	100%	Subsidiary	100%
Songwon International Middle East FZE	UAE	Subsidiary	100%	Subsidiary	100%
Songwon Polysys Additives-Sole Proprietorship LLC	UAE	Subsidiary	100%	Subsidiary	100%

Entity accounted for using the equity method (joint venture)

Songwon Baifu Chemicals (Tangshan) Co., Ltd.	China	Joint venture	30%	Joint venture	30%
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1.2.2. SUMMARIZED STATEMENTS OF FINANCIAL POSITION AND COMPREHENSIVE INCOME OF SUBSIDIARIES

The summarized statements of financial position and comprehensive income of subsidiaries are as follows:

	Total assets	Total liabilities	Total equity	Total revenue	Net income	Total comp. income
2024	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
as of December 31						
Songwon International – Japan K.K.	40,560	29,737	10,823	93,782	1,260	1,260
Songwon Specialty Chemicals-India Pvt. Ltd.	59,577	10,575	49,002	33,379	6,259	6,258
Songwon International – Americas Inc.	139,435	92,398	47,037	254,541	2,809	2,809
Songwon International AG	131,655	94,113	37,542	282,210	7,477	7,499
Songwon Group Holding AG	150,985	3,979	147,006	–	21,154	21,154
Songwon Management AG	25,329	16,244	9,085	–	1,807	2,230
Songwon-ATG GmbH	8,718	3,768	4,950	8,692	314	314
Songwon Europe GmbH	447	5	442	2,729	88	88
Songwon Chemicals GmbH	287	50	237	2,861	93	93
Songwon Trading GmbH	836	621	215	2,736	89	89
Songwon International – Qingdao Co., Ltd.	14,477	9,342	5,135	30,821	476	476
Songwon International – Middle East FZE	13,174	9,608	3,566	47,072	1,760	1,760
Songwon Polysys Additives – Sole Proprietorship LLC	33,602	7,001	26,601	28,479	1,843	1,843

2023

as of December 31

Songwon International – Japan K.K.	35,867	25,682	10,185	97,271	1,295	1,295
Songwon Specialty Chemicals-India Pvt. Ltd.	50,930	8,379	42,551	27,946	7,269	7,426
Songwon International – Americas Inc.	99,069	57,866	41,203	237,256	3,747	3,747
Songwon International AG	99,419	67,256	32,163	263,157	4,450	4,337
Songwon Group Holding AG	138,892	3,144	135,748	–	23,351	23,351
Songwon Management AG	24,520	16,650	7,870	–	1,899	255
Songwon-ATG GmbH	7,939	3,617	4,322	7,561	321	321
Songwon Europe GmbH	422	94	328	2,617	82	82
Songwon Chemicals GmbH	149	18	131	1,544	42	42
Songwon Trading GmbH	132	16	116	1,406	36	36
Songwon International – Qingdao Co., Ltd.	10,965	6,407	4,558	25,929	459	459
Songwon International – Middle East FZE	12,983	9,664	3,319	37,797	1,889	1,889
Songwon Polysys Additives – Sole Proprietorship LLC	38,549	15,623	22,926	31,385	1,370	1,370

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

2.1. BASIS OF PREPARATION

The Group prepares statutory financial statements in the Korean language in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("KIFRS") enacted by the *Act on External Audit of Stock Companies*.

The consolidated financial statements have been prepared on a historical cost basis, except for certain items, such as financial instruments, which are mentioned separately in the following accounting principles. The consolidated financial statements are presented in Korean won (KRW) and all values are rounded to the nearest million (000,000), except when otherwise indicated.

The Group maintains its official accounting records in Korean won. The accompanying consolidated financial statements have been translated into English from Korean financial statements. In the event of any differences in interpreting the financial statements or the independent auditor's report thereon, the Korean version, which is used for regulatory reporting purposes, shall prevail.

2.2. BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as of December 31, 2024. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure or rights to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when it loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statements of comprehensive income from the date that the Group gains control until the date that it ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to align their accounting policies with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.3. CONVENIENCE TRANSLATION INTO UNITED STATES DOLLAR AMOUNTS

The parent company operates primarily in Korean won and its official accounting records are maintained in KRW. The USD amounts provided in the financial statements represent supplementary information solely for the convenience of the reader. All KRW amounts are expressed in USD at the rate of 1,470.00 KRW to 1 USD, the exchange rate in effect on December 31, 2024. Such a presentation is not in accordance with generally accepted accounting principles and should not be construed as a representation that the KRW amounts shown could be readily converted, realized, or settled in USD at this or at any other rate.

2.4. BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at the acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as of the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired as well as all of the liabilities assumed, and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregated consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

2.5. INTEREST IN JOINT ARRANGEMENTS

Joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its joint ventures are accounted for using the equity method. Under the equity method, the investment in a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the joint venture since the acquisition date.

The statements of comprehensive income reflect the Group's share of the results of operations of the joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of a joint venture, the Group recognizes its share of any changes, when applicable, in the statements of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Group's share of profit or loss in a joint venture is shown on the face of the statements of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the joint venture.

The financial statements of the joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to align the accounting policies with those of the Group.

At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, and then recognizes the loss as "Share of profit of a joint venture" in the statements of comprehensive income.

Upon loss of material influence over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the joint venture – upon loss of material influence or joint control – and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Joint operations

A joint operation is defined as an arrangement in which the parties with joint control have rights to the assets and obligations for the liabilities relating to that arrangement. In respect of its interest in a joint operation, a joint operator must recognize all of its assets, liabilities, revenues and expenses, including its relative share of jointly controlled assets, liabilities, revenue and expenses.

The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries.

2.6. FOREIGN CURRENCY TRANSLATION

The consolidated financial statements are presented in KRW, which is the parent company's functional currency. Each entity in the Group determines its own functional currency, and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the companies at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The assets, including goodwill and liabilities of foreign subsidiaries, where the functional currency is other than the KRW, are translated using the exchange rate at the end of the reporting period, while the statements of comprehensive income are translated using the average exchange rates during the period. Differences arising from such translations are recognized within equity and reclassified to net income when the gain or loss on disposal of the foreign subsidiary is recognized.

In determining the spot exchange rate to use on initial recognition of the related asset, expense, or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

2.7. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are valued at cost less accumulated depreciation and accumulated impairment losses. If the recognition criteria are met, such costs include the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects. Other repair and maintenance costs are recognized in the statements of comprehensive income as incurred. If the costs of certain components of an item of property, plant and equipment are material in relation to the total cost of the item, they are accounted for and depreciated separately.

Depreciation expenses are calculated by using the straight-line method. The following useful lives are assumed:

Land	No depreciation
Buildings	18–54 years
Structures	10–39 years
Machinery	10–20 years
Other	1–39 years

Residual values and useful lives are reviewed annually and adjusted accordingly if expectations differ from previous estimates.

The gain or loss arising from the derecognition of a property, plant, or equipment shall be determined as the difference between the net disposal proceeds and the carrying amount of the asset. It shall be recognized in the income statement when the asset is derecognized.

2.8. INTANGIBLE ASSETS

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

Intangible assets with useful finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life, or the expected consumption pattern of future economic benefits embodied in the asset, are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the income statement under cost of sales and selling and administration costs in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives (such as goodwill and memberships) are not amortized, but are tested for impairment annually either individually, or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement when the asset is derecognized.

Intangible assets with finite useful lives are amortized using the straight-line method with the following useful lives:

Software	3–10 years
Industrial rights	10 years

2.9. INVESTMENT PROPERTY

The Group classifies the property to earn rentals or for capital appreciation, or both, as investment properties. As investment properties are accounted for using a cost model, the same accounting policies applied to property, plant and equipment are used for their accounting treatment, except for their classification and presentation.

2.10. LEASES

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

- Right-of-use assets*
The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment (see note 15).
- Lease liabilities*
At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate (see note 32.3).

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. The carrying amount of the right-of-use asset and lease liability is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments, or a change in the assessment to purchase the underlying asset.

- Short-term leases and leases of low-value assets*
The Group applies the short-term lease recognition exemption to its short-term leases of tools and other equipment (i.e., those leases that have a lease term of twelve months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below 5,000 USD). Lease payments on short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term.
- Material judgment in determining the lease term of contracts with renewal options*
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgment in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a material event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned. In the financial year 2024, the Group has not entered into lease agreements as a lessor.

2.11. IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group reviews non-financial assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any indication exists, or when annual impairment testing for assets, such as membership is required, the Group estimates the asset's recoverable amount. Recoverability of assets is measured by the comparison of the carrying amount of the asset to the recoverable amount, which is the higher of the asset's value in use and its fair value less costs to sell. If assets do not generate cash inflows that are largely independent of those from other assets or groups of assets, the impairment test is not performed at an individual asset level; instead, it is performed at the level of the cash-generating unit (CGU) that the asset belongs to.

Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the Group estimates the asset or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited, so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such a reversal is recognized in the income statement.

The following criteria are also applied in assessing impairment of specific assets:

Goodwill

Goodwill is tested for impairment annually as of December 31, and whenever there are events or changes in circumstances (triggering events), which suggest that the carrying amount may not be recoverable. Goodwill is carried at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the (groups of) cash-generating unit(s) that is expected to benefit from the synergies of the business combination. If the carrying amount of the cash-generating unit(s), to which the goodwill is allocated, exceeds its recoverable amount, an impairment loss on goodwill is recognized. The recoverable amount is the higher of the cash-generating unit(s) fair value less costs to sell and its value in use.

Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives

Intangible assets with indefinite useful lives are tested for impairment annually as of December 31, either individually, or at the cash-generating unit level, as appropriate and when circumstances indicate that the carrying value may be impaired.

2.12. BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction, or production of an asset, that requires a substantial period of time to get ready for its intended use or sale, are capitalized as part of the cost of the respective assets.

2.13. INVENTORIES

Inventory is valued at the lower of the acquisition or production cost and net realizable value, cost being generally determined on the basis of a weighted average. Production costs comprise direct material and labor and applicable manufacturing overheads, including depreciation charges based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

2.14. CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the statements of financial position comprise cash at banks, as well as on-hand and short-term deposits with a maturity of three months or less.

2.15. PROVISIONS

A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event. It is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are recognized at present value by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money.

Greenhouse gas emissions

The Group receives free emission rights as a result of emission trading schemes. The rights are received on an annual basis and, in return, the Group is required to remit rights equal to its actual emissions. The Group has adopted the net liability approach to the emission rights granted. Therefore, a provision is recognized only when actual emissions exceed the emission rights granted and still held. The emission costs are recognized as other operating costs. Where emission rights are purchased from other parties, they are recorded at cost, and treated as a reimbursement right, whereby they are matched to the emission liabilities and re-measured to fair value. The changes in fair value are recognized in the statement of profit or loss and other comprehensive income.

2.16. PENSIONS AND OTHER LONG-TERM EMPLOYMENT BENEFITS

Pensions

The Group operates three defined benefit pension plans: one in Korea, one in Switzerland and one in India. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Re-measurements, comprising actuarial gains and losses, the effect of the asset ceiling, excluding net interest and the return on plan assets (excluding net interest), are recognized immediately in the statements of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognized in profit or loss on the earlier of the date:

- the plan amendment or curtailment
- that the Group recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The pension expenses are recognized in the income statement under cost of sales and selling and administration costs.

Other long-term employment benefits

The parent company also implements a bonus plan designed to present a prescribed quantity of gold and entitles compensated vacation to long-term service employees. Accounting policies of the bonus plan are mostly the same as the defined benefit plan, except that re-measurements are recognized immediately in profit or loss.

2.17. TAXES

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax basis of assets and liabilities, and their carrying amounts for financial reporting purposes.

- Deferred tax liabilities are recognized for all taxable temporary differences, except:
- where the deferred tax liability arises from the initial recognition of goodwill, or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit, nor taxable profit or loss;
 - with respect to taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled, and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit, nor taxable profit or loss;
- with respect to deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future, and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction, either in other comprehensive income, or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.18. REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group's business is the manufacture and commercial sale of antioxidants, stabilizers and polyurethane. Revenue from contracts with customers is recognized when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, except for the agency services below, because it typically controls the goods or services before transferring them to the customer.

Sales of goods

The Group has concluded that revenue from the sale of goods should be recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

Sale of services

The Group provides transportation services in combination with the sales of goods. The services can be provided by others and are not materially modified or customized. There are two performance obligations in a contract for bundled sales of goods and transportation services, because its promises to transfer goods and provide transportation services are capable of being distinct and separately identifiable. The Group allocates the transaction price based on the relative stand-alone selling prices of goods and transportation services. The Group concluded that revenue for transportation services will be recognized over time because the customer simultaneously receives and consumes the benefits provided by the Group.

Contract balances

1) Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays a consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

2) Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to the accounting policies of financial assets in note 2.19.

3) Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

2.19. FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVtPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them: With the exception of trade receivables

that do not contain a material financing component, or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are, solely payments of principal and interest (SPPI), on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades), are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

1) Subsequent measurement

For purposes of subsequent measurement, financial assets are classified into four categories:

- Financial assets at amortized cost (debt instruments);
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments);
- Financial assets at FVTPL.

2) Financial assets at amortized cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective of holding financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified, or impaired.

3) Financial assets at FVOCI (debt instruments)

The Group measures debt instruments at FVOCI if both of the following conditions are met:

- the financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss. The Group's debt instruments at FVOCI includes investments in quoted debt instruments included under other non-current financial assets.

4) Financial assets designated at FVOCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under KIFRS 1032 and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled into profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Group elected to classify irrevocably its non-listed equity investments under this category.

5) Financial assets at FVTPL

Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or materially reduces, an accounting mismatch.

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at FVTPL. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that materially modifies the cash flows that would otherwise be required, or a reclassification of a financial asset out of the FVTPL category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at FVTPL.

6) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

After the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement.

In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

7) *Impairment of financial assets*

Further disclosures relating to the impairment of financial assets are also provided in the sections:

- material accounting judgments, estimates and assumptions
- debt instruments at FVOCI
- trade and other receivables

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at FVtPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a material increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a material increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors regionally specific to the debtors and the economic environment.

For debt instruments at FVOCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a material increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

1) *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at FVtPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include mainly trade and other payables, interest-bearing loans and borrowings as well as derivative liabilities.

2) *Subsequent measurement*

The measurement of financial liabilities depends on their classification, as described below:

3) *Financial liabilities at FVtPL*

Financial liabilities at FVtPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVtPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by KIFRS 1109. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the statement of profit or loss.

Financial liabilities designated upon initial recognition at FVtPL are designated at the initial date of recognition, and only if the criteria in KIFRS 1109 are satisfied.

4) *Loans and borrowings*

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings. For more information, refer to note 17.

5) *Derecognition*

A financial liability is derecognized when the obligation under the liability is discharged, cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Derivative financial instruments and hedge accounting

1) *Initial recognition and subsequent measurement*

The Group uses derivative financial instruments, such as forward exchange contracts and interest rate swaps, to hedge its foreign currency risks, interest rate risks and commodity price risks. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment.
- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability, or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment.
- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including analysis of the sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- there is an economic relationship, between the hedged item and the hedging instrument.
- the effect of credit risk does not dominate the value changes that result from that economic relationship.
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group really uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

2) Fair value hedges

The change in the fair value of a hedging instrument is recognized in the statement of profit or loss as other expenses. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognized in the statement of profit or loss as other expenses.

For fair value hedges relating to items carried at amortized cost, any adjustment to carrying value is amortized through profit or loss over the remaining term of the hedge using the EIR method. The EIR amortization may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognized, the unamortized fair value is recognized immediately in profit or loss.

When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in profit or loss. The Group has forward exchange contracts as well as currency and interest rate swaps (CRS) in order to hedge the risk of foreign exchange rate fluctuation of assets and liabilities denominated in foreign currencies and floating interest rates on corporate bonds. The Group applies fair value hedge accounting for forward exchange contracts (note 21.1.1) and currency and interest rate swaps (note 21.1.2).

3) Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognized in OCI in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial

cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognized in OCI for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

The Group had interest rate swap agreements about some borrowings that had been terminated early. The Group applied cash flow hedge accounting for interest rate swap contracts.

4) Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized as OCI while any gains or losses relating to the ineffective portion are recognized in the statement of profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the statement of profit or loss.

Fair value measurement

The Group measures financial instruments such as derivatives at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is material to the fair value measurement as a whole:

- **Level 1** — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- **Level 2** — Valuation techniques for which the lowest level input that is material to the fair value measurement is directly or indirectly observable.
- **Level 3** — Valuation techniques for which the lowest level input that is material to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is material to the fair value measurement as a whole) at the end of each reporting period.

The Group determines the policies and procedures for both recurring fair value measurement, such as investment properties and unquoted AFS financial assets, and for non-recurring measurement, such as assets held for sale in discontinued operation.

External valuers are involved for material assets, such as AFS financial assets, and material liabilities. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

At each reporting date, the Group analyses the movements in the values of assets and liabilities that are required to be remeasured or reassessed as per the Group's accounting policies. For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Group, in conjunction with the Group's external valuers, also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

On an interim basis, the Group and the Group's external valuers present the valuation results to the Group's independent auditors. This includes a discussion of the major assumptions used in the valuations.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

2.20. GOVERNMENT GRANTS

Government grants are recognized where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual installments.

2.21. NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The Group applied certain standards and amendments for the first time, which are effective for annual periods beginning on or after January 1, 2024 (unless otherwise stated). The Group has not adopted early any other standard, interpretation, or amendment that has been issued but is not yet effective.

Amendments to KIFRS 1116 *Lease Liability in a Sale and Leaseback*

The amendments to KIFRS 1116 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognize any amount of the gain or loss that relates to the right of use it retains.

The amendments had no impact on the consolidated financial statements of the Group as SONGWON Industrial Group is not involved in any sale and leaseback transactions.

Amendments to KIFRS 1001 *Classification of Liabilities as Current or Non-current*

The amendments to paragraphs 69 to 76 of KIFRS 1001 specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- what is meant by a right to defer settlement.
- that a right to defer must exist at the end of the reporting period.
- that classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The Group assessed the impact the amendments have on current practice and existing loan agreements and did not identify transactions impacted by the amendments in the Group's consolidated financial statements.

Amendments to KIFRS 1007 and KIFRS 1107 *Supplier Finance Arrangements*

The amendments to KIFRS 1007 *Statement of Cash Flows* and KIFRS 1107 *Financial Instruments: Disclosures* clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

These amendments had no impact on the consolidated financial statements of the Group as there were no transactions referring to supplier finance arrangements which require additional disclosure of such arrangements.

For illustrative purposes, the Group has listed all the disclosures of new and amended standards and interpretations that are effective from January 1, 2024, regardless of whether these have any impact on the Group's financial statements.

2.22. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to KIFRS 1021 *Lack of Exchangeability*

The amendments to KIFRS 1021 *The Effects of Changes in Foreign Exchange Rates* specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

The amendments will be effective for annual reporting periods beginning on or after January 1, 2025. Early adoption is permitted but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information.

The amendments are not expected to have a material impact on the Group's consolidated financial statements.

Amendments to KIFRS 1109 *Financial Instruments* and KIFRS 1107 *Financial Instruments: Disclosures – Classification and Measurement of Financial Instruments*

The amendments to KIFRS 1109 *Financial Instruments* and KIFRS 1107 *Financial Instruments: Disclosures – Classification and Measurement of Financial Instruments* include the following:

- clarify that financial liability is derecognized on the settlement date and introduce an accounting policy choice to derecognize financial liabilities that are settled by using electronic payment system before the settlement date (if specific criteria are met);
- provide additional guidance as to how to assess contractual cash flows of financial assets with environmental, social and corporate governance (ESG) and similar features;
- clarify what constitutes non-recourse features and the characteristics of contractually linked financial instruments; and
- introduce disclosures on financial instruments with contingent features and additional disclosure requirements for equity instruments measured at fair value through other comprehensive income.

The amendments will be effective for annual periods beginning on or after January 1, 2026. Earlier adoption is permitted, but only for the amendments for the classification of financial assets and related disclosures. The Group does not plan to early apply the amendments.

In relation to the derecognition of financial liabilities that are settled via electronic payment systems, the Group is performing assessment on all the major electronic payment systems used in various jurisdictions in which the Group operates. The Group is assessing whether the amendments will have a material impact on the current practices and whether the criteria for the accounting policy choice to derecognize financial liabilities are met. In order to assess if a financial asset is derecognized on the date on which the contractual rights to the cash flows expire, and if a financial liability is derecognized on the settlement date, the Group is currently assessing all payment systems such as cheques, credit cards, and debit cards.

Furthermore, the Group is assessing the impact of the amendments on financial assets with ESG-linked and similar contingent features, financial instruments with non-recourse features, and contractually linked financial instruments. The amendments are not expected to have a material impact on its consolidated financial statements based on the initial assessment performed but the assessment has not been completed.

Annual Improvements to KIFRS - Volume 11

Annual Improvements to KIFRS - Volume 11 have been announced for the purpose of improving consistency of requirements set out in each standard, enhancing clarity, and providing better understanding of the amendments.

Amendments to KIFRS 1101 *First-time adoption of KIFRS: Hedge accounting by a first-time adopter*

Amendments to KIFRS 1107 *Financial Instruments: Disclosures: Gain or loss on derecognition, Guidance for application of amendments in practice*

Amendments to KIFRS 1109 *Financial Instruments: Accounting for derecognition of lease liabilities and definition of transaction prices*

Amendments to KIFRS 1110 *Consolidated Financial Statements: Determination of a "de facto agent"*

Amendments to KIFRS 1007 *Statement of Cash Flows: Cost Method*

The amendments will be effective for annual periods beginning on or after January 1, 2026. Earlier adoption is permitted but will need to be disclosed. The amendments are not expected to have a material impact on the Group's consolidated financial statements.

3. MATERIAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, which have a material risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Notes	Description	Nature of estimation
11, 12, 13, 14, 15	Impairment of non-financial assets / goodwill	Impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The determination of the recoverable amount of a cash-generating unit involves the use of estimates by management. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the expectations for the next three to five years and do not include restructuring activities that the Group is not yet committed to or material future investments that will enhance the asset performance of the cash-generating unit being tested. The recoverable amount based on the value in use is most sensitive to the discount rate used for the discounted cash flow model (WACC), as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The recoverable amount based on the fair value less cost to sell is most sensitive to the market prices, premiums and the estimate of cost to sell. These estimates, including the methodologies used, can have a material impact on the fair value and ultimately, the amount of any goodwill impairment.
22, 23	Pension and other employment benefits	The cost of defined benefit pension plans and other similar long-term employee benefits, and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions, which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions.
28.1, 28.2	Income tax / deferred tax assets	The Group applies material judgment in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assesses on a yearly base whether these uncertainties have an impact on its consolidated financial statements. Deferred tax assets are recognized for all unused tax losses, to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Material management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

33	Fair value of financial instruments	Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include consideration of inputs, such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.
32.3	Leases – determination of lease term and incremental borrowing rate	<p>The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a material event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of material leasehold improvements or material customization to the leased asset).</p> <p>The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.</p>



4. SEGMENT INFORMATION

The Group is organized into two main reporting segments “Industrial Chemicals” and “Performance Chemicals”. The segments are defined based on SONGWON's product portfolio and its respective product families.

- Industrial Chemicals**
Industrial Chemicals operating segment mainly includes the product lines “Polymer Stabilizers”, “Fuel and Lubricant Additives” and “Coatings”.
- Performance Chemicals**
Performance Chemicals operating segment mainly includes the product lines “Thermoplastic Polyurethanes / Solution Polyurethanes”, “Tin Intermediates / PVC Stabilizers and Plasticizers” and “Specialty Chemicals”.

The Chief Operating Decision Makers (CODM), at Songwon, leaders of respective divisions, monitor the sales and operating profits or losses of its operating segments separately for the purpose of making decisions about resource allocation and performance assessment. However, certain income and expense positions such as other income / expenses, finance income / expenses and income tax expenses are managed on a Group basis and therefore not allocated to operating segments. The Group does not disclose a measure of total assets and liabilities for each reportable segment as such amounts are not reported to the CODM.

There are no inter-company transactions between the two operating segments.

4.1. REPORTED KEY FIGURES

The following key figures are presented each month to the CODM. For the segment reporting, the same accounting policies and methods of computation as were followed in the most recent annual financial statement are used.

For the twelve months ended December 31						
Description	2024		2023		2024	
	Industrial Chemicals		Performance Chemicals		Total	
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Sales	798,719	765,743	271,481	264,232	1,070,200	1,029,975
Operating profit	52,115	56,536	10,699	1,933	62,814	58,469

As of December 31, 2024, the balance of contract liabilities not recognized as sales at the end of the reporting period amounted to 4,610 Million KRW (operating advances: 2,734 Million KRW, deferred sales: 1,876 Million KRW). As of December 31, 2023, the balance of contract liabilities not recognized as sales was 4,458 Million KRW (operating advances: 3,630 Million KRW, deferred sales: 828 Million KRW).

4.2. GEOGRAPHIC INFORMATION

4.2.1. SALES

The sales information below is based on the location of the customer. Korea is disclosed separately due to the size of the Korean market whereas all other countries have been summarized into regions. Therefore, no other country's revenues are disclosed separately.

	2024	2023
	Million KRW	Million KRW
Korea	184,781	198,256
Rest of Asia	300,094	287,729
Europe	251,154	238,094
North and South America	259,982	235,432
Australia	2,975	2,285
Middle East and Africa	71,214	68,179
Total sales	1,070,200	1,029,975

As of December 31, 2024, one customer referring to the reporting segment “Industrial Chemicals” accounted for more than 10% of the Group's total sales with a total amount of revenues of 124,907 Million KRW. (As of December 31, 2023: 114,115 Million KRW.)

4.2.2. NON-CURRENT ASSETS

Non-current assets information presented below consists of property, plant and equipment, right-of-use assets, investment properties and intangible assets.

	2024	2023
	Million KRW	Million KRW
Korea	401,686	410,232
Rest of Asia	24,374	23,582
Europe	7,161	7,444
North and South America	31,885	12,409
Middle East and Africa	20,402	18,270
Total	485,508	471,937

5. CASH AND CASH EQUIVALENTS

Description	2024	2023
	December 31	December 31
	Million KRW	Million KRW
Cash on hand	76	103
Bank accounts	69,349	66,566
Time deposits (< 3 months)	44,056	31,915
Total	113,481	98,584

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for various periods from one day to three months, depending on the Group's immediate cash requirements, and earn interest at the respective short-term deposit rates.

As of December 31, 2024, time deposits included restricted cash of 143 Million KRW (December 31, 2023: 125 Million KRW).

6. TRADE AND OTHER RECEIVABLES

Description	2024	2023
	December 31	December 31
	Million KRW	Million KRW
Trade and notes receivables	158,663	148,170
Allowances for trade and notes receivables	-1,201	-1,375
Trade and notes receivables (related parties) (note 31)	–	65
Other accounts receivables	4,445	3,948
Allowances for other accounts receivables	-7	-13
Accrued income	140	180
Total	162,040	150,975

Other accounts receivables include customs duty refunds, rental income receivables and others.

Changes in the allowance for doubtful accounts for trade and other receivables are as follows:

Million KRW	
January 1, 2023	-1,389
Charge for the period	-279
Unused amounts reversed	280
December 31, 2023	-1,388
January 1, 2024	-1,388
Charge for the period	-105
Utilized	24
Unused amounts reversed	261
December 31, 2024	-1,208

The aging analysis of trade and other receivables is as follows:

	Days past due					
	Total	Current	≤ 90	91-120	121-180	> 180
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
December 31, 2024	163,248	155,802	6,858	–	–	588
December 31, 2023	152,363	139,998	11,759	–	–	606

Refer to note 32.2 on credit risk of trade receivables, which describes how the Group manages and measures credit quality of trade receivables that are neither past due, nor impaired.

As the right of recourse is granted to the transferee, the balance of trade receivables that are not derecognized at the end of the financial year amounts to 36,634 Million KRW (2023: 47,877 Million KRW). The total amount of deposits received was carried in the financial statements under interest-bearing loans and borrowings.

7. OTHER FINANCIAL ASSETS

Description	2024		2023	
	December 31		December 31	
	Current	Non-current	Current	Non-current
	Million KRW	Million KRW	Million KRW	Million KRW
Financial instruments at amortized cost (bank deposit)	2,705	684	2,400	539
Financial instruments at FVtPL	2,541	9,953	5,823	9,450
Derivative assets at FVtPL (note 21)	2,606	–	3,556	–
Guarantee and other deposits at amortized cost	813	1,443	631	1,323
Guarantee and other deposits at amortized cost (related parties) (note 31)	–	33	–	33
Total	8,665	12,113	12,410	11,345

As of December 31, 2024, financial instruments at amortized cost (bank deposit) include restricted cash of 5 Million KRW (2023: 5 Million KRW) as well as pledged bank deposits of 1,601 Million KRW (December 31, 2023: 804 Million KRW).

7.1. EQUITY INSTRUMENTS AT FVOCI

Details of equity instruments at FVOCI as of December 31, 2024, and 2023 are as follows:

Description	2024				2023			
	December 31				December 31			
	Number of shares	% to equity	Cost	Fair value	Number of shares	% to equity	Cost	Fair value
			Million KRW	Million KRW			Million KRW	Million KRW
Ulsan Broadcasting Corporation	180,000	3.00%	900	–	180,000	3.00%	900	–
Total			900	–			900	–

Investments in equity instruments that do not have a quoted market price in an active market are measured using an appropriate valuation technique.

8. OTHER CURRENT ASSETS

Other current assets as of December 31, 2024, and 2023, consist of the following:

Description	2024	2023
	December 31	December 31
	Million KRW	Million KRW
Advance payments	1,085	701
Prepaid expenses	5,573	4,961
VAT refundables	8,848	7,944
Total	15,506	13,606

9. INVENTORIES

Description	2024			2023		
	December 31			December 31		
	Acquisition	Allowance	Net Value	Acquisition	Allowance	Net Value
	Million KRW			Million KRW		
Raw materials and supplies	63,503	-742	62,761	59,248	-1,398	57,850
Work in progress	1,184	-34	1,150	1,148	-16	1,132
Finished and semi-finished goods	217,704	-7,316	210,388	180,242	-4,764	175,478
Goods in transit	76,711	–	76,711	54,594	–	54,594
Consignment stocks	2,475	–	2,475	2,412	–	2,412
Total inventories at the lower of cost and net realizable value	361,577	-8,092	353,485	297,644	-6,178	291,466

The Group recognized inventory allowance expenses of 4,718 Million KRW in the financial year 2024 (2023: 2,413 Million KRW) and reversed inventory allowances recognized in prior periods of 2,804 Million KRW (2023: reversal of inventory allowance of 1,088 Million KRW).

For the year ended 2024, the Group recognized impairment losses of 1,668 Million KRW within inventory (2023: 2,638 Million KRW).

10. INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

The Group has a 30% interest in Songwon Baifu Chemicals (Tangshan) Co., Ltd., classified as a jointly controlled entity that primarily engages in the production of thioesters. Determination was driven by the contractually agreed sharing of control with regard to relevant activities, requiring unanimous consent of the control-sharing parties.

The summarized statements of financial position and summarized statements of comprehensive income of joint ventures (accounted for using the equity method) are as follows:

Statement of financial position	Cash and cash equivalents	Total current assets	Total non-current assets	Current financial liabilities	Total current liabilities	Non-current financial liabilities	Total non-current liabilities	Equity	Carrying amount
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	6,986	16,093	13,464	2,374	2,418	–	37	27,102	8,131
December 31, 2023	6,986	16,093	13,464	2,374	2,418	–	37	27,102	8,131
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	1,951	13,354	20,966	2,856	3,601	–	45	30,674	9,202
December 31, 2024	1,951	13,354	20,966	2,856	3,601	–	45	30,674	9,202

Statement of comprehensive income	Revenue	Depreciation & Amortization	Interest income	Interest expense	Profit before tax	Income tax expenses	Profit for the period	Other comp. income	Total comp. income
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	31,632	-180	61	-4	3,270	-447	2,823	147	2,970
December 31, 2023	31,632	-180	61	-4	3,270	-447	2,823	147	2,970
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	39,886	-206	122	-3	5,304	-1,350	3,954	1,447	5,401
December 31, 2024	39,886	-206	122	-3	5,304	-1,350	3,954	1,447	5,401

The investment in the joint venture is accounted for by using the equity method. The joint venture is continuing its operations as of December 31, 2024, and its reporting period is the same as that of the Group. In 2024, dividends of 549 Million KRW were received from Songwon Baifu Chemicals (Tangshan) Co., Ltd. (2023: 578 Million KRW).

Changes in the investments in joint ventures are summarized as follows:

	As of January 1	Dividends	Share of result from equity method revaluation	Exchange rate effects	As of December 31
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
2023					
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	7,818	-578	847	44	8,131
Total	7,818	-578	847	44	8,131
2024					
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	8,131	-549	1,186	434	9,202
Total	8,131	-549	1,186	434	9,202

11. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Structures	Machinery	Other	Construction in progress	Total
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Acquisition cost							
As of January 1, 2023	149,656	103,338	72,918	532,467	22,053	35,498	915,930
Additions	—	242	163	2,111	587	27,057	30,160
Disposals	—	-3,612	-1,512	-56,397	-3,005	—	-64,526
Reclassifications	—	2,452	7,633	44,103	-95	-54,940	-847
Net exchange differences	—	545	—	1,255	151	—	1,951
As of December 31, 2023	149,656	102,965	79,202	523,539	19,691	7,615	882,668
As of January 1, 2024	149,656	102,965	79,202	523,539	19,691	7,615	882,668
Additions	—	244	714	1,948	581	22,789	26,276
Disposals	—	-136	-472	-6,010	-831	—	-7,449
Reclassifications	—	601	5,240	15,911	975	-22,776	-49
Net exchange differences	—	3,063	—	4,529	645	169	8,406
As of December 31, 2024	149,656	106,737	84,684	539,917	21,061	7,797	909,852
Accumulated depreciation and impairment							
As of January 1, 2023	—	-35,096	-47,647	-374,184	-17,462	—	-474,389
Depreciation charge	—	-3,613	-4,104	-23,254	-1,394	—	-32,365
Disposals	—	1,862	1,314	54,143	2,978	—	60,297
Reclassifications	—	—	—	-533	533	—	—
Net exchange differences	—	-109	—	-701	-80	—	-890
As of December 31, 2023	—	-36,956	-50,437	-344,529	-15,425	—	-447,347
As of January 1, 2024	—	-36,956	-50,437	-344,529	-15,425	—	-447,347
Depreciation charge	—	-3,608	-4,293	-25,044	-1,406	—	-34,351
Disposals	—	50	363	4,845	801	—	6,059
Net exchange differences	—	-815	—	-2,281	-418	—	-3,514
As of December 31, 2024	—	-41,329	-54,367	-367,009	-16,448	—	-479,153
Net book value							
As of December 31, 2024	149,656	65,408	30,317	172,908	4,613	7,797	430,699
As of December 31, 2023	149,656	66,009	28,765	179,010	4,266	7,615	435,321

During the year ending 2024, no impairment was recognized on property, plant and equipment (2023: none).

Non-cash acquisition of property, plant and equipment increased during the year ending 2024 by 4,880 Million KRW (2023: decreased by 9,079 Million KRW) and accounts payables relating to non-cash transactions amounted to 8,391 Million KRW as at the year ending 2024 (2023: 3,511 Million KRW).

In 2023, tenant improvements of 847 Million KRW within Songwon International – Americas Inc. were reclassified from “construction in progress” in “right-of-use assets buildings” (refer to note 15) including recognition of the respective lease liabilities.

Capitalized borrowing costs

Borrowing costs, which are directly attributable to the acquisition or production of a qualifying asset, are capitalized as part of the cost of that asset.

As of December 31, 2024, no borrowing cost was capitalized in the property, plant and equipment.

As of December 31, 2023, the balance of capitalized borrowing costs within property, plant and equipment amounted to 731 Million KRW.

Contractual commitments and pledged assets

A pledged asset is an asset that is transferred to a lender for the purpose of securing debt. The lender of the debt maintains possession of the pledged asset but does not have ownership unless a default occurs (refer to note 25). For contractual commitments to purchase property, plant and equipment refer to note 24.3.

12. INVESTMENT PROPERTIES

	Land	Buildings	Total
	Million KRW	Million KRW	Million KRW
Acquisition cost			
As of January 1, 2023	3,278	498	3,776
Net exchange differences	-1	-4	-5
As of December 31, 2023	3,277	494	3,771
Net exchange differences	1	2	3
As of December 31, 2024	3,278	496	3,774
Accumulated depreciation			
As of January 1, 2023	–	-320	-320
Depreciation charge	–	-7	-7
Net exchange differences	–	4	4
As of December 31, 2023	–	-323	-323
Depreciation charge	–	-6	-6
Net exchange differences	–	-3	-3
As of December 31, 2024	–	-332	-332
Net book value			
As of December 31, 2024	3,278	164	3,442
As of December 31, 2023	3,277	171	3,448

Investment properties are stated at cost less any accumulated depreciation and impairment losses, if any. The same useful lives have been applied to property, plant and equipment.

	2024	2023
	Million KRW	Million KRW
Description		
Rental income	14	16
Operational expenses	-36	-39

The Company owns an office building in Busan which is subleased. The fair value of the office building and land amounts to 7,534 Million KRW as of December 31, 2024 (2023: 8,184 Million KRW). In addition, Songwon International – Japan K.K. owns an object that is subleased. The fair value of the building and land is 25 Million KRW (2023: 24 Million KRW). The fair value of investment properties is calculated based on the valuation of an independent rating agency taking into consideration the location and category of the investment property being valued. It is classified as Level 3 based on the valuation technique of the fair value hierarchy.

During the current year, the Company did not dispose of any investment properties (2023: no disposed investment properties).

Disclosure of pledged assets can be found in note 25.

13. INTANGIBLE ASSETS

	Industrial rights	Software	Memberships	Goodwill	Construction in progress	Total
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Acquisition cost						
As of January 1, 2023	7,688	3,558	831	40,734	3,186	55,997
Additions	27	92	–	–	4,084	4,203
Disposals	-5	-32	–	–	–	-37
Reclassifications	340	208	–	–	-548	–
Net exchange differences	–	35	–	6,168	–	6,203
As of December 31, 2023	8,050	3,861	831	46,902	6,722	66,366
As of January 1, 2024	8,050	3,861	831	46,902	6,722	66,366
Additions	2	1,634	–	–	724	2,360
Disposals	–	-71	–	–	-21	-92
Reclassifications	529	6,387	–	–	-6,916	–
Net exchange differences	–	138	–	5,461	–	5,599
As of December 31, 2024	8,581	11,949	831	52,363	509	74,233
Accumulated amortization and impairment						
As of January 1, 2023	-4,039	-2,922	–	-37,609	–	-44,570
Amortization charge	-657	-265	–	–	–	-922
Disposals	4	33	–	–	–	37
Net exchange differences	–	-25	–	-6,097	–	-6,122
As of December 31, 2023	-4,692	-3,179	–	-43,706	–	-51,577
As of January 1, 2024	-4,692	-3,179	–	-43,706	–	-51,577
Amortization charge	-642	-977	–	–	–	-1,619
Disposals	–	71	–	–	–	71
Net exchange differences	–	-137	–	-5,127	–	-5,264
As of December 31, 2024	-5,334	-4,222	–	-48,833	–	-58,389
Net book value						
As of December 31, 2024	3,247	7,727	831	3,530	509	15,844
As of December 31, 2023	3,358	682	831	3,196	6,722	14,789

Intangible assets with a definite useful life are amortized over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. During the year ended 2024, no impairment loss on intangible assets was recognized by the Group (2023: none).

Intangible assets with an indefinite useful life are tested for impairment on an annual basis. An impairment test was carried out for goodwill and memberships based on the recoverable amount of each asset. For further details of the impairment test, refer to note 14. The goodwill items consist of items acquired in a business combination. In the financial years 2024 and 2023, no business combination took place that led to a recognition of goodwill.

Capitalized borrowing costs

Borrowing costs, which are directly attributable to the acquisition or production of a qualifying asset, are capitalized as part of the cost of that asset.

As of December 31, 2024, the no borrowing costs were capitalized within intangible assets.

As of December 31, 2023, the balance of capitalized borrowing costs within intangible assets amounts to 193 Million KRW.

13.1. DETAILS OF INDIVIDUAL MATERIAL INTANGIBLE ASSETS

Description	Remark	2024	2023	Remaining life
		December 31 Million KRW	December 31 Million KRW	
Industrial rights	REACH	2,883	2,876	5.5
Industrial rights	1330 Technology	119	238	1.0
Software	D-365	7,207	–	9.0
Membership	New Seoul Country	778	778	Indefinite
Goodwill	Acquisition of Business SeQuent Scientific Limited	3,530	3,196	Indefinite
Construction-in-progress	D-365	–	6,378	n/a
Construction-in-progress	REACH	509	344	n/a
Material intangible assets total		15,026	13,810	

14. IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLES WITH INDEFINITE USEFUL LIFE

14.1. IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIFE

Goodwill acquired through business combinations and memberships with an indefinite useful life have been allocated to the cash-generating units (CGUs) according to their business activities. Goodwill acquired in a business combination is allocated to each CGU expected to benefit from the synergies of the business combination.

The goodwill resulting from the business acquisition of SeQuent Scientific Limited was allocated to the individual CGU of Songwon Specialty Chemicals – India Pvt. Ltd., India (SWDM-IN).

Details of the allocation of goodwill and intangible assets with an indefinite useful life to the CGU are as follows:

Description	2024	2023
	December 31 Million KRW	December 31 Million KRW
Goodwill of Songwon Specialty Chemicals-India Pvt. Ltd., India (SWDM-IN)	3,530	3,196
Memberships with indefinite useful lives of the rest of the Group	831	831
Total tested goodwill and intangible assets with indefinite useful lives	4,361	4,027

The Group performed its annual impairment test in December 2024 and 2023. The recoverable amount of the CGU – to which goodwill and intangible assets with an indefinite useful life are allocated – has been determined based on its value in use, calculated using the discounted cash flow (DCF) model.

CGU of SWDM-IN

As of December 31, 2024, the recoverable amount of the CGU of Songwon Specialty Chemicals – India Pvt. Ltd., India amounts to 51,947 Million KRW or 3,022 Million INR (2023: 54,266 Million KRW or 3,487 Million INR) and exceeds the carrying amount of the respective CGU.

Memberships with indefinite useful lives of the rest of the Group

As of December 31, 2024, no impairment loss is recognized according to the impairment test on memberships with indefinite useful lives (2023: no impairment loss).

14.2. KEY ASSUMPTIONS USED IN CALCULATION OF VALUE IN USE

The calculation of the CGU value in use reflects the future free cash flows for the next five years for SWDM-IN discounted to the present value at the WACC and an estimated residual value. The projected free cash flows for SWDM-IN's CGU are estimated on the basis of the Business Plan 2025 – 2029, as approved by management, and mid-term assumptions. For the free cash flows extending beyond the detailed planning period, a terminal value was computed by capitalizing the normalized cash flows using a constant growth rate. The long-term growth rate was calculated in consideration of the long-term inflation expectations for relevant countries.

In addition, a market risk premium of 5.23% (2023: 5.16%) and a small cap premium of 2.91% (2023: 3.05%) were applied for the calculation of the WACC.

The key assumptions underlying the calculation are as follows:

Parameters for the determination of the recoverable amount of the CGU	Description
Average annual growth rate	Average annual growth is calculated on the basis of mid-term assumptions.
WACC	WACC, which is the weighted average of cost of equity and cost of debt, is calculated using the Capital Asset Pricing Model (CAPM). The application of pre-tax WACC and post-tax WACC yields the same value in use.
Long-term growth rate	Long-term growth rate is calculated based on the long-term inflation expectations for the relevant countries.

Parameters for the determination of the recoverable CGU amount of SWDM-IN	2024	2023
Average annual growth rate	9.32%	10.07%
Pre-tax WACC	15.11%	15.56%
Post-tax WACC	11.05%	11.19%
Long-term growth rate	2.96%	2.71%

The following changes in key assumptions in 2024 led to a situation where the value in use for the CGU SWDM-IN equals the carrying amount:

Parameters for the determination of the recoverable CGU amount	Sensitivity analysis SWDM-IN
Average annual growth rate	7.04%
Pre-tax WACC	17.29%
Post-tax WACC	12.47%
Long-term growth rate	0.00%

15. RIGHT-OF-USE ASSETS AND LEASES

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the period:

	Right-of-use assets:				
	Buildings	Structures	Machinery	Other	Total
Acquisition cost	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
As of January 1, 2023	21,652	2,837	1,200	1,297	26,986
Additions	1,737	–	264	397	2,398
Disposals	-75	-2,819	–	-8	-2,902
Reclassifications	847	–	–	–	847
Modification of contract	-370	654	–	-57	227
Net exchange differences	843	1	37	59	940
As of December 31, 2023	24,634	673	1,501	1,688	28,496

As of January 1, 2024	24,634	673	1,501	1,688	28,496
Additions	14,791	410	–	1,137	16,338
Disposals	-271	-654	–	–	-925
Modification of contract	548	245	–	-17	776
Net exchange differences	4,301	2	176	189	4,668
As of December 31, 2024	44,003	676	1,677	2,997	49,353

As of January 1, 2023	-6,315	-2,342	-510	-850	-10,017
Depreciation charge	-1,703	-660	-157	-276	-2,796
Disposals	75	2,819	–	8	2,902
Modification of contract	–	–	–	76	76
Net exchange differences	-235	–	-9	-38	-282
As of December 31, 2023	-8,178	-183	-676	-1,080	-10,117

As of January 1, 2024	-8,178	-183	-676	-1,080	-10,117
Depreciation charge	-2,277	-657	-162	-343	-3,439
Disposals	271	654	–	–	925
Modification of contract	–	–	–	12	12
Net exchange differences	-1,003	-3	-92	-113	-1,211
As of December 31, 2024	-11,187	-189	-930	-1,524	-13,830

As of December 31, 2024	32,816	487	747	1,473	35,523
As of December 31, 2023	16,456	490	825	608	18,379

No impairment losses were recognized in 2024 on right-of-use assets (2023: none).

In 2023, tenant improvements of 847 Million KRW within Songwon International – Americas Inc. were reclassified from “construction in progress” in “right-of-use assets buildings” (refer to note 11) including recognition of the respective lease liabilities.

Further, the Group recognized rent expenses from short-term leases of 212 Million KRW (2023: 170 Million KRW), leases of low-value assets of 81 Million KRW (2023: 78 Million KRW) and variable lease payments of 46 Million KRW (2023: 54 Million KRW) in the consolidated statements of comprehensive income.

Set out below are the carrying amounts of lease liabilities and the movements during the year:

Description	2024	2023
	Million KRW	Million KRW
As of January 1	18,444	16,898
Additions	16,338	3,245
Modifications	788	303
Net exchange differences	3,386	665
Accretion of interest	738	665
Payments	-3,789	-3,332
As of December 31	35,905	18,444

The maturity analysis of lease liabilities is disclosed in note 32.3.

16. ISSUED CAPITAL AND RESERVES

16.1. SHARE CAPITAL

In accordance with the Articles of Incorporation, the Company is authorized to issue 100,000,000 shares of common stock with a par value of 500 KRW per share. As of December 31, 2024, and 2023, the Company issued 24,000,000 shares of common stocks outstanding with a carrying value of 12,000 Million KRW.

16.2. CAPITAL SURPLUS

As of December 31, 2024, and 2023, the Group's capital surplus is composed of the following:

Description	2024	2023
	December 31 Million KRW	December 31 Million KRW
Paid-in capital in excess of par value	20,065	20,065
Gain on disposal of treasury stock	4,296	4,296
Loss on change in non-controlling interest due to interest acquisition	-3,879	-3,879
Total	20,482	20,482

16.3. RESERVES

Description	2024	2023
	December 31 Million KRW	December 31 Million KRW
Legal reserve	5,088	4,488
Asset revaluation surplus	25,815	25,815
Total	30,903	30,303

Legal reserves

In accordance with the Korean Commercial Code, an amount equal to at least 10% of cash dividends is required to be appropriated as a legal reserve until the reserve equals 50% of paid-in capital. The legal reserve may not be utilized for cash dividends, but may only be used to offset a deficit, if any, or be transferred to capital. Appropriation to the legal reserve from retained earnings, pursuant to the approval of the General Meeting of Shareholders on March 15, 2024, amounted to 600 Million KRW (2023: 1,200 Million KRW).

Asset revaluation reserve

The Group re-valued certain parts of its property, plant and equipment in accordance with the Korean Asset Revaluation Act on January 1, 1984, and January 1, 1999, resulting in a revaluation surplus of 2,884 Million KRW and 64,277 Million KRW, respectively. An asset revaluation surplus amounting to 62,343 Million KRW, net of related revaluation tax, was credited to capital surplus. As of December 31, 2024 and 2023, the asset revaluation surplus is 25,815 Million KRW. The asset revaluation surplus of 23,312 Million KRW and 13,216 Million KRW were utilized in the disposition of accumulated deficit pursuant to the approval of the stockholders on March 6, 2008, and March 7, 2009, respectively. The asset revaluation surplus may not be utilized for cash dividends, but may only be used to offset a deficit, if any, or be transferred to capital.

Dividends

Dividends approved by the shareholders are as follows:

Description	2024	2023
	December 31	December 31
Subject to the year	2023	2022
Dividends on ordinary shares in KRW	6,000,000,000	12,000,000,000
Number of shares	24,000,000	24,000,000
Dividends per share in KRW	250	500

16.4. ACCUMULATED OTHER COMPREHENSIVE INCOME

Accumulated other comprehensive income, net of tax, as of December 31, 2024, and 2023, is composed of the following:

Description	2024	2023
	December 31	December 31
	Million KRW	Million KRW
Re-measurement of defined benefit plans	-18,132	-10,749
OCI recognized within retained earnings	-18,132	-10,749
Fair value reserve of financial assets at FVOCI	-701	-701
Foreign currency translation reserve	24,104	5,291
OCI recognized within other components of equity	23,403	4,590

Details of other comprehensive income for the year ended December 31, 2024, and 2023, are as follows:

Description	2024	2023
	Million KRW	Million KRW
Pre-tax amounts		
Losses on valuation of financial assets FVOCI	–	–
Exchange differences on translation of foreign operations	18,813	6,502
Re-measurement losses on defined benefit plans	-9,541	-8,009
Pre-tax amounts total	9,272	-1,507
Tax effects on		
Losses on valuation of financial assets FVOCI	–	2
Re-measurement losses on defined benefit plans	2,158	1,628
Tax effects total	2,158	1,630
Net amounts		
Gains / (losses) on valuation of financial assets FVOCI	–	2
Exchange differences on translation of foreign operations	18,813	6,502
Re-measurement losses on defined benefit plans	-7,383	-6,381
Net amounts total	11,430	123

17. BONDS, INTEREST-BEARING LOANS AND BORROWINGS

Interest-bearing loans and borrowings as of December 31, 2024, and 2023, are as follows (refer to note 21.1.3):

Description	2024	2023
	December 31	December 31
	Million KRW	Million KRW
Long-term borrowings	2,250	5,250
Non-current interest-bearing loans and borrowings	2,250	5,250
Current portion of corporate bonds	–	57,529
Current portion of long-term borrowings	3,000	3,590
Short-term borrowings	146,034	103,577
Current interest-bearing loans and borrowings	149,034	164,696
Total	151,284	169,946

Details of corporate bonds that the Group entered in the form of a private placement bond and floating rate note (FRN) as of December 31, 2023, are as follows:

Contractual party	Form	Contract amount	Carrying amount	Maturity dates	Interest rate
			Million KRW		
Hana Bank	Private placement bond	26,000 Million KRW	26,000	24.09.2021 – 24.09.2024	2.09% (fixed rate)
Woori Bank	Private placement bond (FRN)	24,500 Thousand USD	31,529	17.09.2021 – 13.09.2024	SOFR Compounding +0.8%
Total			57,529		

Details of long-term borrowings as of December 31, 2024, and 2023, are as follows:

Banks	Description	Maturity date	Annual interest rate (%)	2024	2023
				December 31	December 31
				Million KRW	Million KRW
Busan Bank	General Loan	08.05.2024	4.99	–	590
Korea Development Bank	General Loan	24.08.2026	4.48	5,250	8,250
Subtotal				5,250	8,840
Less current portion				3,000	-3,590
Non-current portion				2,250	5,250

Details of short-term borrowings as of December 31, 2024, and 2023, are as follows:

Banks	Description	Annual interest rate (%)	2024	2023
			December 31 Million KRW	December 31 Million KRW
Hana Bank	General & trade loan	3.54~4.19	24,471	13,740
Woori Bank	General & trade loan	3.30~5.08	41,092	17,876
Busan Bank	General & trade loan	3.53~4.05	12,850	14,442
Kyongnam Bank	General & trade loan	3.65~5.13	22,921	20,269
Korea Development Bank	General loan	4.51	25,000	32,250
NH Bank	General loan	4.15	5,000	5,000
Citibank Korea	General loan	4.19	14,700	—
Subtotal			146,034	103,577

18. TRADE AND OTHER PAYABLES

Description	2024	2023
	December 31 Million KRW	December 31 Million KRW
Trade payables	108,976	74,675
Trade payables (related parties) (note 31)	2,601	1,062
Other accounts payables	2,160	18,186
Other accounts payables (related parties) (note 31)	7	7
Withholdings	2,058	1,966
Accrued expenses	26,544	23,334
Guarantee deposits	18	15
Total	142,364	119,245

Trade and other payables do not bear interest and usually become due within 30–60 days.

19. EMISSION RIGHTS AND EMISSION LIABILITIES

Details of the annual quantity of allocated emission allowances as of December 31, 2024, are as follows
(Unit: Korean Allowance Unit – KAU):

	2021	2022	2023	2024	2025	Total
Allocated emission allowance	138,875	138,875	138,875	137,574	137,574	691,773

Changes in emission rights and emission allowances during each planned period are as follows (Units: KAU and Million KRW):

	2023		2024		2025	
	Quantity	Book value	Quantity	Book value	Quantity	Book value
Beginning	3,063	27	9,844	–	147,418	–
Allocation	138,875	–	137,574	–	137,574	–
Disposal	-3,282	-27	–	–	–	–
Delivery to government	-128,812	–	–	–	–	–
Carryforward	-9,844	–	–	–	–	–
Ending	–	–	147,418	–	137,574	–

There are no emission rights provided as collateral as of December 31, 2024.

Changes in emission liabilities included in other current liabilities during the current and prior reporting period are as follows (in Million KRW):

	2024	2023
As of January 1	–	–
Increase	–	–
Decrease	–	–
As of December 31	–	–

Allocated greenhouse gas emissions free of charge in 2024 were 137,574 KAU.

Estimated greenhouse gas emissions in 2024 were 145,647 KAU (2023: 132,285 KAU).

20. OTHER FINANCIAL LIABILITIES

Other financial liabilities as of December 31, 2024, and 2023, are as follows:

Description	Current Million KRW	2024 December 31		2023 December 31	
		Non-current Million KRW	Current Million KRW	Non-current Million KRW	Current Million KRW
Derivative liabilities (note 21)	1,515	–	89	–	–
Deposits	1,471	1,471	1,290	2,579	–
Accrued interest expenses	324	–	261	–	–
Total	3,310	1,471	1,640	2,579	–

21. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS

21.1. DERIVATIVES FINANCIAL INSTRUMENTS

Description	2024		2023	
	December 31		December 31	
	Assets	Liabilities	Assets	Liabilities
	Million KRW		Million KRW	
Forward exchange contracts (current portion)	–	1,515	96	89
Currency swap (current portion)	2,606	–	–	–
Currency and interest rate swaps (current portion)	–	–	3,460	–
Total	2,606	1,515	3,556	89

21.1.1. FORWARD EXCHANGE CONTRACTS

Details of forward exchange contracts that the Group entered into with financial institutions in order to hedge the risk of foreign exchange rate fluctuation of assets denominated in foreign currencies as of December 31, 2024, and 2023 are as follows:

Contractual party	Position	Contract amount	Maturity dates	2024
				As of December 31
				Contractual exchange rate (KRW)
Woori Bank	sell	EUR 21,150,000	31.01.2025 – 30.06.2025	1,459.40 ~ 1,517.20
Citibank Korea	sell	EUR 12,950,000	13.01.2025 – 30.06.2025	1,459.30 ~ 1,504.00
Busan Bank	sell	EUR 4,840,000	27.01.2025 – 30.05.2025	1,459.80 ~ 1,499.00

Contractual party	Position	Contract amount	Maturity dates	2023
				As of December 31
				Contractual exchange rate (KRW)
Woori Bank	sell	EUR 15,000,000	31.01.2024 – 28.06.2024	1,456.10 ~ 1,457.10
Citibank Korea	sell	EUR 10,800,000	16.01.2024 – 28.06.2024	1,403.50 ~ 1,454.20

21.1.2. CURRENCY SWAPS

As of December 31, 2024, the Group entered into the following currency swap contracts to hedge the FX risk of short-term borrowings (refer to note 17) denominated in foreign currencies:

Contractual party	Target	Contract amount	Interest condition	2024	
				As of December 31	
				Contract date	Maturity date
Citibank Korea	Short-term borrowing	Receipt: 10,000 TUSD	KRW 3M CD +0.8%	24.09.2024	23.09.2025
		Payment: 13,360 MKRW			
Hana Bank	Short-term borrowing	Receipt: 10,000 TUSD	KRW 3M CD +0.8%	24.09.2024	23.09.2025
		Payment: 13,370 MKRW			

21.1.3. CURRENCY AND INTEREST RATE SWAPS

The Group was exposed to exchange rate and interest rate risks due to the corporate bond issuance in the form of a floating rate note (refer to note 17). To hedge these risks, the Group entered into the following currency and interest rate swaps (CRS) as of December 31, 2023:

Contractual party	Target	Contract amount	Interest exchange condition	2023	
				As of December 31	
				Contract date	Maturity date
Hongkong Woori Investment	Corporate bond (foreign currency FRN)	Receipt: 24,500 TUSD	SOFR Compounding +0.8%	17.09.2021	13.09.2024
		Payment: 28,643 MKRW	Fixed 1.96%		

22. PENSION LIABILITY

Pension plan	2024	2023
	Million KRW	Million KRW
Net defined benefit liability (incl. in pension liability)	4,575	4,269
Korean	—	—
Swiss	4,513	4,201
Indian	62	68
Net defined benefit asset (incl. in other non-current assets)	10,497	22,062
Korean	10,497	22,062

The Group has three defined benefit pension plans: one pension plan in Korea, one in Switzerland and one in India.

The following tables summarize the components of net benefit expense recognized in the consolidated statements of comprehensive income and the funded status and amounts recognized in the consolidated statement of financial position for the respective plans.

22.1. DEFINED BENEFIT OBLIGATION

Changes in the defined benefit obligation:

	Korean plan Million KRW	Swiss plan Million KRW	Indian plan Million KRW	Total Million KRW
Defined benefit obligation as of January 1, 2023	65,649	33,075	402	99,126
Pension cost charged to profit or loss				
Service costs	3,817	1,127	32	4,976
Interest costs	3,793	800	31	4,624
Sub-total included in profit or loss	7,610	1,927	63	9,600
Benefits (paid) / received	-4,873	326	-26	-4,573
Re-measurement gains / (losses) in OCI				
Actuarial changes arising from changes in demographic assumptions	-9	—	-3	-12
Actuarial changes arising from changes in financial assumptions	4,750	3,920	38	8,708
Experience adjustments	3,123	-305	4	2,822
Sub-total included in OCI	7,864	3,615	39	11,518
Employee contributions	—	878	—	878
Plan amendments	—	-963	—	-963
Exchange differences	—	4,093	9	4,102
Defined benefit obligation as of December 31, 2023	76,250	42,951	487	119,688
Pension cost charged to profit or loss				
Service costs	4,472	1,453	36	5,961
Interest costs	3,848	616	34	4,498
Sub-total included in profit or loss	8,320	2,069	70	10,459
Benefits paid	-8,724	-4,208	-47	-12,979
Re-measurement gains / (losses) in OCI				
Actuarial changes arising from changes in demographic assumptions	—	—	—	—
Actuarial changes arising from changes in financial assumptions	3,423	2,800	9	6,232
Experience adjustments	4,422	1,552	18	5,992
Sub-total included in OCI	7,845	4,352	27	12,224
Employee contributions	—	954	—	954
Plan amendments	—	632	—	632
Plan settlements	—	-524	—	-524
Exchange differences	—	2,737	52	2,789
Defined benefit obligation as of December 31, 2024	83,691	48,963	589	133,243
Weighted average duration 2023 (years)	10.31	12.28	6.01	
Weighted average duration 2024 (years)	10.50	12.71	7.00	

22.2. PLAN ASSETS

Changes in the fair value of plan assets:

	Korean plan Million KRW	Swiss plan Million KRW	Indian plan Million KRW	Total Million KRW
Plan assets as of January 1, 2023	96,271	30,417	378	127,066
Pension cost charged to profit or loss				
Interest income	5,583	756	27	6,366
Administration expenses	-329	-16	–	-345
Sub-total included in profit or loss	5,254	740	27	6,021
Benefits (paid) / received	-5,203	326	-26	-4,903
Re-measurement gains / (losses) in OCI				
Return on plan assets (excluding amounts included in interest expenses)	1,990	1,518	1	3,509
Sub-total included in OCI	1,990	1,518	1	3,509
Employer contributions	–	1,063	31	1,094
Employee contributions	–	878	–	878
Exchange differences	–	3,808	8	3,816
Plan assets as of December 31, 2023	98,312	38,750	419	137,481
Pension cost charged to profit or loss				
Interest income	4,974	558	28	5,560
Administration expenses	-320	-17	–	-337
Sub-total included in profit or loss	4,654	541	28	5,223
Benefits paid	-6,642	-4,208	-47	-10,897
Re-measurement gains / (losses) in OCI				
Return on plan assets (excluding amounts included in interest expenses)	-2,136	4,818	1	2,683
Sub-total included in OCI	-2,136	4,818	1	2,683
Employer contributions	–	1,154	78	1,232
Employee contributions	–	954	–	954
Exchange differences	–	2,441	48	2,489
Plan assets as of December 31, 2024	94,188	44,450	527	139,165

The Group expects to make a contribution in the following year at the amount comparable to the contribution made during the current reporting period, and the composition of plan assets as of December 31, 2024 and 2023 is as follows:

Structure of plan assets:	Korean plan		Swiss plan		Indian plan	
	2024	2023	2024	2023	2024	2023
Equity	–	–	31%	31%	–	–
Debt instruments	–	–	14%	24%	–	–
Real estate	–	–	26%	28%	–	–
Investment funds	100%	87%	–	–	100%	100%
Alternative investments	–	–	19%	17%	–	–
Cash and cash equivalents	–	13%	10%	–	–	–
Total	100%	100%	100%	100%	100%	100%

The category equity, debt instruments, real estate and alternative investments are quoted or daily traded with the exception of cash and cash equivalents. With only a few exceptions, there is no active market for plan assets in investment funds.

22.3. NET PENSION LIABILITY / ASSET

Changes in the net defined benefit liability / asset are as follows:

	Korean plan Million KRW	Swiss plan Million KRW	Indian plan Million KRW	Total Million KRW
Net defined benefit asset as of January 1, 2023	30,622	—	—	30,622
Net defined benefit liability as of January 1, 2023	—	-2,653	-24	-2,682
Pension cost charged to profit or loss				
Service costs	-3,817	-1,127	-32	-4,976
Administration expenses	-329	-16	—	-345
Net interests	1,790	-44	-4	1,742
Sub-total included in profit or loss	-2,356	-1,187	-36	-3,579
Benefits paid	-330	—	—	-330
Re-measurement gains / (losses) in OCI				
Actuarial changes arising from changes in demographic assumptions	9	—	3	12
Actuarial changes arising from changes in financial assumptions	-4,750	-3,920	-38	-8,708
Return on plan assets (excluding amounts included in interest expenses)	1,990	1,518	1	3,509
Experience adjustments	-3,123	305	-4	-2,822
Sub-total included in OCI	-5,874	-2,097	-38	-8,009
Employer contributions	—	1,063	31	1,094
Employee contributions	—	—	—	—
Plan amendments	—	963	—	963
Exchange differences	—	-285	-1	-286
Net defined benefit asset as of December 31, 2023	22,062	—	—	22,062
Net defined benefit liability as of December 31, 2023	—	-4,201	-68	-4,269
Pension cost charged to profit or loss				
Service costs	-4,472	-1,453	-36	-5,961
Administration expenses	-320	-17	—	-337
Net interests	1,126	-58	-6	1,062
Sub-total included in profit or loss	-3,666	-1,528	-42	-5,236
Benefits received	2,082	—	—	2,082
Re-measurement gains / (losses) in OCI				
Actuarial changes arising from changes in demographic assumptions	—	—	—	—
Actuarial changes arising from changes in financial assumptions	-3,423	-2,800	-9	-6,232
Return on plan assets (excluding amounts included in interest expenses)	-2,136	4,818	1	2,683
Experience adjustments	-4,422	-1,552	-18	-5,992
Sub-total included in OCI	-9,981	466	-26	-9,541
Employer contributions	—	1,154	78	1,232
Employee contributions	—	—	—	—
Plan amendments	—	-632	—	-632
Plan settlements	—	524	—	524
Exchange differences	—	-296	-4	-300
Net defined benefit asset as of December 31, 2024	10,497	—	—	10,497
Net defined benefit liability as of December 31, 2024	—	-4,513	-62	-4,575

The re-measurement losses recognized in the statements of other comprehensive income are losses of 7,383 Million KRW (2023: losses of 6,381 Million KRW), net of tax. The total amount as of December 31, 2024, of accumulated losses included in retained earnings is 18,132 Million KRW (2023: accumulated losses of 10,749 Million KRW), net of tax.

The principal assumptions used in determining pension benefit obligations for the Group's plans are shown below:

	Determining net benefit expense		Determining pension benefit obligation	
	2024	2023	2024	2023
			December 31	December 31
Discount rate				
Korean plan	5.13%	5.88%	4.66%	5.13%
Swiss plan	0.95%	1.50%	0.95%	1.50%
Indian plan	7.20%	7.45%	6.80%	7.20%
Future salary increases				
Korean plan	3.76%	3.78%	3.76%	3.76%
Swiss plan	1.75%	2.50%	1.75%	2.50%
Indian plan	10.00%	8.00%	10.00%	10.00%

A quantitative sensitivity analysis for material assumptions as of December 31, 2024, is as follows:

	Sensitivity level	Impact on defined benefit obligation
	Change	Million KRW
Discount rate		
Korean plan	+1.00%	7,010
	-1.00%	-8,270
Swiss plan	+0.25%	-1,503
	-0.25%	1,597
Indian plan	+1.00%	-22
	-1.00%	24
Salary increase		
Korean plan	+1.00%	-8,417
	-1.00%	7,245
Swiss plan	+0.25%	133
	-0.25%	-130
Indian plan	+1.00%	23
	-1.00%	-22

The sensitivity analysis above has been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

23. OTHER LONG-TERM EMPLOYEE-RELATED LIABILITIES

Other long-term employee-related liabilities consist of the following:

Description	2024	2023
	December 31	December 31
	Million KRW	Million KRW
Other long-term employee benefits – Korea	13,252	8,777
Other long-term employee benefits – Others	1,197	857
Share-based payment-related liability	201	1,146
Total other long-term employee-related liabilities	14,650	10,780

23.1. OTHER LONG-TERM EMPLOYEE BENEFITS – KOREA

The parent company implements a bonus plan designed to compensate employees with a prescribed quantity of gold and entitle compensated vacation to long-term service employees. Accounting policies of the bonus plan are mostly the same as those of the defined benefit plan, except that all the past service costs and actuarial variances are recognized immediately in profit or loss.

Description	Million KRW
As of January 1, 2023	7,002
Current service costs	629
Interest costs	378
Re-measurement losses	1,552
Total payment	-784
As of December 31, 2023	8,777
Current service costs	731
Interest costs	409
Re-measurement gains	3,964
Total payment	-629
As of December 31, 2024	13,252

Description	2024	2023
	December 31	December 31
Discount rate	4.48%	4.98%
Compensation increase	5.17%	2.00%
Compensation per day for vacation	KRW 95,471 – 236,167	KRW 106,623 – 230,417
Rate of increase in gold price	8.33%	7.45%
Gold price per 3.75 grams	KRW 527,000	KRW 368,800

23.2. OTHER LONG-TERM EMPLOYEE BENEFITS – OTHERS

The remaining other long-term employee benefits refer to legally established termination benefits of subsidiaries located in the United Arab Emirates of 1,048 Million KRW (as of December 31, 2023: 745 Million KRW) and expenses for the defined contribution plan of Songwon Specialty Chemicals India Pvt. Ltd. of 149 Million KRW (as of December 31, 2023: 112 Million KRW).

23.3. SHARE-BASED PAYMENT-RELATED LIABILITY

On March 31, 2013, the Group granted virtual stock options to eligible employees of subsidiaries according to the Virtual Stock Option and Long-term Incentive Plan ("LTIP"). The virtual stock options granted are an entitlement of cash compensation, and are neither a stock option, nor any other listed or unlisted security and do not grant any right to physically acquire stocks. Settlement of options exercised is in cash only. When the virtual stock option is exercised, the Group shall pay the holder the greater of the difference between the fair market value at the exercise date (the listed stock price of Songwon Industrial Co., Ltd.) minus the strike price or nil (zero). The virtual stock options, granted under the LTIP, are subject to a vesting period of two to four years during which the holder of the options must be continuously employed by the Group.

The fair value of options, granted as of December 31, 2024, and 2023, was estimated using the following assumptions:

Description	2024	2023
Dividend yield	2.23%	0.73%
Expected volatility	45.00%	45.00%
Risk-free interest rate	3.18%	3.74%
Weighted average expected life of share options (years)	1.16	2.05
Model used	Binomial tree	Binomial tree

The carrying amount of the liability relating to the LTIP on December 31, 2024 amounts to 201 Million KRW (December 31, 2023: 1,146 Million KRW) and the corresponding number of share options vested as of December 31, 2024 and 2023 is 234,670 and 164,329, respectively.

The decrease of the LTIP liability led to a negative expense (income) for employee services received during the year 2024, recognized in the statements of comprehensive income, which amounts to 935 Million KRW (2023: income of 60 Million KRW). There were no cancellations and modifications to the awards during the years 2024 and 2023.

Movements during the year

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the reporting period:

Description	Number	2024	Number	2023
		KRW		KRW
Outstanding as of January 1	360,064	19,146	407,064	18,879
Granted during the year	–	–	1,000	17,100
Forfeited during the year	-19,876	20,710	-13,800	19,906
Exercised during the year	-2,200	15,750	-34,200	15,602
Outstanding as of December 31	337,988	19,076	360,064	19,146
Exercisable as of December 31	234,670	18,945	164,329	19,932

The weighted average of remaining contractual life for the share options, outstanding as of December 31, 2024, was 1.0 year (December 31, 2023: 2.0 years). No new options were granted during the period ending as of December 31, 2024. The weighted average fair value of options granted during the prior period ending as of December 31, 2023, was 7,183 KRW. The exercise price for options outstanding at the end of the reporting period ranges from 8,120 KRW – 27,000 KRW (2023: 8,120 KRW – 27,000 KRW).

24. COMMITMENTS AND CONTINGENCIES

24.1. CONTINGENT LIABILITIES

There are no current proceedings of lawsuits, claims, investigations and negotiations in relation to product liability, mercantile law, environmental protection, health and safety etc., which could have a significant impact on business operations and on the Group's consolidated financial position or income. Contingent liabilities in the Group are related to tax appeals of 664 Million KRW (December 31, 2023: 909 Million KRW). As of December 31, 2024, there were no contingent liabilities related to customer complaints concerning the quality of SONGWON products. As of December 31, 2023, a customer complaint concerning product quality (related sales valued at 285 Million KRW) was disclosed as a contingent liability. The latter case was resolved in the course of 2024 with no financial impact on SONGWON.

24.2. OTHER LEASE COMMITMENTS

The Group has entered into short-term and low-value leases on certain buildings, vehicles, furniture and fixtures. The lease periods for low-value leases are below 5 years. There are no restrictions placed upon the Group by entering into these leases. Future minimum short-term and low-value lease payments as of December 31, 2024, and 2023 are as follows:

Description	2024	2023
	December 31 Million KRW	December 31 Million KRW
Short-term lease commitments		
Within one year	-2	-2
Total short-term lease commitments	-2	-2
Low-value lease commitments		
Within one year	-53	-59
After one year but not more than five years	-12	-25
Total low-value lease commitments	-65	-84
Total	-67	-86

24.3. OTHER COMMITMENTS

As part of the ordinary business activities, the Group enters into various contractual commitments for the purchase of inventories, property, plant and equipment, intangible assets and investment properties. As of December 31, 2024, the Group entered into commitments to purchase property, plant and equipment, as well as raw materials amounting to 6,332 Million KRW (December 31, 2023: 6,344 Million KRW).

Details of the Group's available short-term credit line facilities (excluding general loans) as of December 31, 2024, are as follows:

Description	Currency	Credit limit	Used	Unused
USANCE and L/C for import	Thousand USD	15,700	4,161	11,539
D/A and D/P	Million KRW	12,000	7,921	4,079
	Thousand USD	99,500	19,533	79,967
Secured loan of credit sales	Million KRW	9,000	1,914	7,086
Other foreign currency guarantees	Thousand USD	8,750	1,755	6,995
Total Million KRW		21,000	9,835	11,165
Total Thousand USD		123,950	25,449	98,501

25. ASSETS PLEDGED AS COLLATERAL AND GUARANTEES

Details of property, plant and equipment and investment property pledged by the Group as collateral for interest-bearing loans and borrowings as of December 31, 2024, and 2023, presented in the maximum pledge amount, are as follows:

Pledged to	Pledged assets		2024	2023
			December 31	December 31
Property, plant and equipment (Joint collateral in connection with long-term loan)				
Busan Bank	Land, buildings and machinery	Million KRW	30,000	30,000
Kyongnam Bank	Land, buildings and machinery	Million KRW	18,000	18,000
Property, plant and equipment and investment property (Collateral for other than long-term loan)				
Woori Bank	Land, buildings and machinery	Million KRW	120,000	120,000
Hana Bank	Land, buildings and machinery	Million KRW	80,400	80,400
Korea Development Bank	Land, buildings, investment properties and machinery	Million KRW	96,600	96,600
Busan Bank	Land, buildings and machinery	Thousand USD	24,000	24,000
Total		Million KRW	345,000	345,000
		Thousand USD	24,000	24,000

No other items of property, plant and equipment are pledged as collateral for interest-bearing loans and borrowings as of December 31, 2024, and 2023.

Payment guarantee to Seoul Guarantee Insurance Company

In the financial year ended December 31, 2024, as well as in the financial year ended December 31, 2023, the Group held a deposit guarantee of 500 Million KRW for return payment of government subsidies concerning the greenhouse gas energy reduction project for companies participating in the emissions trading system from November 2023 till March 2025.

Moreover, in the financial year ended December 31, 2024, the Group held a deposit guarantee of 62 Million KRW for return payment of government subsidies concerning the greenhouse gas energy reduction project for companies participating in the emissions trading system from May 2024 till March 2025.

In the financial year ended December 31, 2023, the Group held a deposit guarantee of 1,100 Million KRW for return payment of government subsidies concerning the greenhouse gas energy reduction project for companies participating in the emissions trading system from July 2023 till February 2024.

Additionally, in the financial year ended December 31, 2023, the Group held a deposit guarantee of 106.7 Million KRW for return payment of government subsidies concerning the greenhouse gas energy reduction project for companies participating in the emissions trading system from November 2023 till March 2025.

26. OPERATING PROFIT AND OTHER INCOME / EXPENSES

26.1. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses of 6,066 Million KRW (2023: 5,162 Million KRW) are recorded in the consolidated statements of comprehensive income. Development expenses are not capitalized because the conditions for capitalization have not been met.

26.2. SELLING AND ADMINISTRATION EXPENSES

Description	2024	2023
	Million KRW	Million KRW
Sales-related costs	-32,164	-18,097
Personnel expenses	-52,289	-47,270
Travelling and entertainment	-5,985	-5,559
Depreciation and amortization	-3,174	-2,389
Administration expenses	-13,247	-11,829
IT expenses	-5,630	-4,630
Others	-1,605	-1,706
Total	-114,094	-91,480

26.3. OTHER INCOME

Description	2024	2023
	Million KRW	Million KRW
Fee income	69	84
Income resulting from government grants received	1,425	2,021
Gains on disposal of property, plant and equipment	5	16
R&D sales income	361	855
Rental income	14	16
Miscellaneous income	979	1,119
Total	2,853	4,111

26.4. OTHER EXPENSES

Description	2024	2023
	Million KRW	Million KRW
Miscellaneous expenses	-2,762	-1,005
Losses on disposal of property, plant and equipment	-1,390	-4,165
Loss on disposal of intangible assets	-21	—
Total	-4,173	-5,170

26.5. EXPENSES CLASSIFIED BY NATURE

Description	2024	2023
	Million KRW	Million KRW
Purchased material	-657,724	-660,551
Freight and logistic costs	-30,415	-16,652
Energy costs	-60,054	-55,190
Personnel expenses	-139,128	-127,990
Depreciation and amortization	-40,812	-39,921
Other expenses	-83,426	-76,372
Total	-1,011,559	-976,676
Thereof recorded in cost of sales	-893,292	-880,026
Thereof recorded in selling and administration costs	-114,094	-91,480
Thereof recorded in other expenses	-4,173	-5,170
Total	-1,011,559	-976,676

27. FINANCE INCOME / EXPENSE

27.1. FINANCE INCOME

	2024	2023
Description	Million KRW	Million KRW
Gains on foreign exchange transactions	25,135	25,126
Gains on foreign exchange translations	22,252	13,986
Gains on derivative transactions	563	1,440
Gains on valuation of derivatives	2,606	96
Gain on valuation of financial assets FVtPL	503	308
Interest on loans and receivables	2,087	1,836
Total finance income	53,146	42,792

27.2. FINANCE EXPENSES

	2024	2023
Description	Million KRW	Million KRW
Interest on borrowings	-7,375	-9,297
Total interest expenses	-7,375	-9,297
Losses on foreign exchange transactions	-21,307	-28,295
Losses on foreign exchange translations	-18,647	-12,312
Losses on derivative transactions	-2,450	-1,280
Losses on valuation of derivatives	-1,515	-147
Loss on lease modification	-7	-
Bank charges	-283	-224
Total finance expenses	-51,584	-51,555

27.3. NET GAINS AND LOSSES OF FINANCIAL INSTRUMENT CLASSES

	2024	2023
Description	Million KRW	Million KRW
Financial assets at amortized cost	36,853	24,691
Financial assets at FVOCI	-	2
Financial assets at FVtPL	1,222	564
Financial liabilities at amortized cost	-34,715	-33,647
Financial liabilities at FVtPL	-1,515	-147
Total net losses of the classes of financial instruments	1,845	-8,537

Net losses of financial instruments recognized in the consolidated statement of comprehensive income

Finance expense*	-51,301	-51,331
Finance income	53,146	42,792
Total	1,845	-8,539

Net gains / (losses) of financial instruments recognized in the consolidated statement of other comprehensive income

Financial assets at FVOCI	-	2
Total	-	2
Total	1,845	-8,537

* Excluding bank charges

28. INCOME TAX EXPENSES

The major components of income tax expense in the statements of comprehensive income are as follows:

28.1. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Description	2024	2023
	Million KRW	Million KRW
Current income tax charge	-24,598	-13,648
Adjustments in respect of current income tax of previous year	7,418	1,677
Deferred income taxes related to changes of temporary differences, net	8,114	-178
Deferred income taxes related to changes in tax rate	-7,930	-868
Deferred income taxes recognized directly in other comprehensive income	-2,158	-1,630
Income tax expenses	-19,154	-14,647

Description	2024	2023
	Million KRW	Million KRW
Accounting profit before income taxes	64,242	49,494
At parent company's statutory income tax rate of 22.20% (2023: 21.15%)	-14,261	-10,468

Increase in income tax expens resulting from:

Adjustments in respect of current income tax of previous years	7,418	1,677
Non-temporary differences	-489	-606
Tax credits	22	2,186
Non-taxable income	-42	-56
Effect of different tax rates in tax jurisdiction	-7,511	-7,829
Others*	-4,291	449
At the effective income tax rate of 29.82% (2023: 29.59%)	-19,154	-14,647

* See note 35 "Events after the reporting period"

28.2. DEFERRED TAX

Deferred tax relates to the following:

Description	Consolidated statements of financial position		Consolidated statements of comprehensive income	
	2024	2023	2024	2023
	December 31 Million KRW	December 31 Million KRW	December 31 Million KRW	December 31 Million KRW
Net pension obligation	-1,001	-1,729	-1,430	-772
Other long-term employment benefits	2,961	2,058	903	392
Trade receivables	135	118	17	-27
Inventories	4,444	2,508	1,936	-1,605
Fixed assets	-8,160	-7,863	-297	990
Right of use asset	-42	—	-42	—
Gain on revaluation of land	-26,503	-26,446	-57	-287
Other non-current financial assets	141	-279	674	-12
Other current financial assets	-276	-533	3	-896
Other current assets	308	595	-287	-231
Other non-current financial liabilities	1	-6	7	33
Current lease liabilities	293	295	-2	13
Other current financial liabilities	955	712	243	-482
Other current liabilities	274	101	173	27
Intangible assets	-215	-3	-212	-6
Investments in subsidiaries	-4,747	-533	-4,214	-196
Translation difference	—	—	611	383
Deferred tax income			-1,974	-2,676
Net deferred tax liabilities	-31,432	-31,005		

Reflected in the statements of financial positions as follows:

Deferred tax assets	7,691	6,055
Deferred tax liabilities	-39,123	-37,060

The Group offsets tax assets and liabilities if, and only if, it has a legally enforceable right to do so, and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

Reconciliation of deferred tax liabilities, net:

Description	2024	2023
	Million KRW	Million KRW
Opening balance as of January 1	-31,005	-29,576
Deferred tax recognized in statements of comprehensive income	-1,974	-2,676
Deferred tax recognized in other comprehensive income (note 16.4)	2,158	1,630
Translation differences	-611	-383
Closing balance as of December 31	-31,432	-31,005

Expecting sufficient taxable income, the Group recognized deferred income tax assets to the extent of future taxable income. For the following deductible temporary differences, no deferred tax assets as of December 31, 2024 and 2023, were recognized.

Description	2024	2023
	Million KRW	Million KRW
Temporary differences related to investments in subsidiaries	13,473	10,186
Total	13,473	10,186

In the financial years 2024 and 2023, the Group did not recognize any tax loss carryforwards and tax credit carryforwards.

29. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent company by the average number of ordinary shares outstanding during the year. There is no difference between basic and diluted earnings per share in 2024 and 2023, as no securities with dilutive features have been issued as of the end of the reporting periods.

The following reflects the income and share data used in the basic per-share computations:

Description	2024	2023
	KRW	KRW
Net profit attributable to ordinary equity holders of the parent	45,088,472,239	34,846,592,809
Weighted average number of ordinary shares	24,000,000	24,000,000
Earnings per share (basic / diluted)	1,879	1,452

30. CASH FLOW STATEMENT

Cash and cash equivalents in the consolidated statements of cash flows are equal to those in the consolidated statements of financial position.

The Group's consolidated statement of cash flows is prepared using the indirect method. The adjustments to the net profit for the period of the non-cash and non-operating items and changes in operating assets and liabilities for the years ended December 31, 2024, and 2023, are as follows:

Adjustments	Notes	2024	2023
		Million KRW	Million KRW
Depreciation of property, plant and equipment	11	34,351	32,365
Depreciation of right-of-use assets	15	3,439	2,796
Depreciation of investment properties	12	6	7
Amortization of intangible assets	13	1,619	922
Impairment of inventories	9	1,668	2,638
Losses on disposals of property, plant and equipment, net	11	1,385	4,149
Losses on disposal of intangible assets, net	13	21	–
Share of result from investments accounted using the equity method	10	-1,186	-847
Share-based compensation income	23.3	-935	-60
Pension costs	22.3	5,236	3,579
Other long-term employee benefits expenses	23.1, 23.2	5,444	2,712
Finance income		-3,810	-1,647
Finance expenses		9,993	12,921
Income tax expenses	28	19,154	14,647
Total		76,385	74,182

Changes in operating assets and liabilities	2024	2023
	Million KRW	Million KRW
Trade receivables	-363	30,905
Other receivables	-170	-2,190
Other current assets	-1,620	-502
Other current financial assets	950	-1,707
Inventories	-48,652	90,089
Trade payables	31,729	-3,835
Other payables	-18,674	-7,650
Other current financial liabilities	2,517	37
Other current liabilities	1,612	-363
Pension liabilities	-2,868	-1,500
Other long-term employee benefits	-788	-1,073
Total	-36,327	102,211

Changes in liabilities arising from financing activities for the years ended December 31, 2024 and 2023, are as follows:

	Current interest-bearing loans and borrowings	Non-current interest-bearing loans and borrowings	Other financial liabilities
	Million KRW	Million KRW	Million KRW
As of January 1, 2023	208,070	65,745	555
Cash flows	-104,189	–	3,575
Foreign exchange movement	242	–	–
Net losses on valuation of financial liabilities	20	58	89
Reclassifications	60,553	-60,553	–
As of December 31, 2023	164,696	5,250	4,219
Cash flows	-19,589	–	-872
Foreign exchange movement	927	–	-81
Net losses on valuation of financial liabilities	–	–	1,515
Reclassifications	3,000	-3,000	–
As of December 31, 2024	149,034	2,250	4,781

31. RELATED PARTY DISCLOSURES

The companies listed below have been identified as related parties:

Company name	Location	Relation with the Group	Remarks
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	China	Joint Venture	Jointly controlled by Songwon Group Holding AG
Songwon Moolsan Co., Ltd.	Korea	Other (refer to note 31.5)	A company that has significant influence on the Group
Kyungshin Industrial Co., Ltd.	Korea	Other (refer to note 31.5)	A subsidiary of Songwon Moolsan Co., Ltd.

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial years and balances as per year-end:

Related party	Description	2024	2023
		Million KRW	Million KRW
Songwon Moolsan Co., Ltd.	Selling and administration costs	-80	-80
	Sales	432	523
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	Cost of sales	-24,129	-18,881
	Sales	432	523
Total	Cost of sales	-24,129	-18,881
	Selling and administration costs	-80	-80

Related party	Description	2024	2023
		December 31 Million KRW	December 31 Million KRW
Songwon Moolsan Co., Ltd.	Other non-current financial assets	33	33
	Trade and other payables	7	7
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	Trade and other receivables	–	65
	Trade and other payables	2,601	1,062
Total	Other non-current financial assets	33	33
	Trade and other receivables	–	65
	Trade and other payables	2,608	1,069

31.1. THE ULTIMATE PARENT

Songwon Industrial Co., Ltd. is the ultimate parent based and listed in Korea.

31.2. TERMS AND CONDITIONS OF TRANSACTIONS WITH RELATED PARTIES

Outstanding balances of related parties at the year-end are unsecured, interest-free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended December 31, 2024, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (December 31, 2023: none). This assessment is undertaken periodically by examining the financial position of the related party and the market in which the related party operates.

31.3. TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

During the financial year 2024, no other transactions with key management personnel than those disclosed in note 31.4 took place.

31.4. COMPENSATION OF KEY MANAGEMENT PERSONNEL OF THE GROUP

Description	2024	2023
	Million KRW	Million KRW
Short-term employee benefits	11,566	11,059
Post-employment benefits	426	122
Other long-term benefits	737	812
Share-based payments	-111	-18
Total compensation paid to key management personnel	12,618	11,975

The amounts disclosed in the table are the amounts recognized as an expense during the reporting period related to key management personnel. Key management personnel are those persons with authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

31.5. OTHER RELATED PARTIES

Other related parties are Songwon Moolsan Co., Ltd. (Korea) which has significant influence on the Group due to the interest held in the share capital of the parent company of 23.88%. Further, the subsidiary of Songwon Moolsan Co., Ltd., Kyungshin Industrial Co., Ltd., which holds interest in the share capital of the parent company of 9.15%, is identified as a related party of the Group.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise loans and borrowings, trade and other payables, and other financial liabilities. The main purpose of these financial liabilities is to finance the Group's operations. The Group has trade accounts and other accounts receivables, cash and cash equivalents and other financial assets that arrive directly from its operations. The Group also holds financial instruments at FVOCI and financial instruments at FVtPL and enters into derivative transactions and applies hedge accounting for cash flow hedges if applicable.

The Group is exposed to market, credit and liquidity risks. The Group's management oversees the management of these risks through appropriate risk assessment and monitoring activities to minimize their effects.

32.1. MARKET RISK

Market risk refers to the risk that a financial instrument's fair value of future cash flows will fluctuate because of changes in market prices. Market prices comprise two types of risk:

- interest rate risk; and,
- foreign currency risk.

Financial instruments affected by market risk include loans and borrowings, deposits, financial instruments at FVOCI, financial instruments at FVtPL and derivative financial instruments. The sensitivity analyses in the following sections relate to the position as of December 31, 2024 and 2023.

Interest rate risk

Interest rate risk refers to the risk that a financial instrument's fair value or future cash flows will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing loans and borrowings as well as bank deposits with floating interest rates.

The Group's exposure to the risk of changes in market interest rates relates substantially to the Group's interest-bearing loans and borrowings with floating interest rates, which exposes the Group to cash flow risk. In response, the Group is minimizing the risk partially through a currency and interest rate swap contract or choosing the most favorable financing instruments by switching to loans with more favorable conditions or improving the Group's credit rating.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing loans and borrowings as well as bank deposits with floating interest rates. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings as follows:

	Increase / (decrease) in %	Effect on profit before tax Million KRW
December 31, 2024	1.00	-570
	-1.00	570
December 31, 2023	1.00	-477
	-1.00	477

Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities. The risk of foreign exchange primarily relates to the US Dollar (USD), Euro (EUR), Japanese Yen (JPY), Swiss Franc (CHF), United Arab Emirates Dirham (AED) and to the Indian Rupee (INR).

Foreign exchange risks arise when commercial transactions, recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

The objective of the management of foreign currency risk is to maximize the value of the firm by minimizing the fluctuation of net profit and uncertainty arising from the fluctuation in foreign currency. To accomplish this, the Group uses a strategy to accord the collection terms of receivables and payment terms of payables denominated in USD considering the similar volume of exports and imports. In regard to EUR and JPY, the Group manages the risk through currency forward contracts.

Foreign currency sensitivity

The Group carries out a sensitivity analysis for the dominant foreign currencies: US Dollar (USD), Euro (EUR), Japanese Yen (JPY), Swiss Franc (CHF), United Arab Emirates Dirham (AED) and the Indian Rupee (INR). The assumed possible currency fluctuations are based on historical observations and future prognoses. The financial instruments are incorporated into calculations. The following table demonstrates the sensitivity of consolidated net profit before tax to a reasonably possible shift in exchange rates related to financial instruments held in the balance sheet. Assuming that all the other variables are constant and only the foreign exchange rate changes by 10%, the impacts on net profit for the years ended on December 31, 2024, and 2023, are as follows:

Currency	2024 December 31		2023 December 31	
	10% increase Million KRW	10% decrease Million KRW	10% increase Million KRW	10% decrease Million KRW
USD	6,961	-6,961	6,981	-6,981
EUR	3,449	-3,449	1,015	-1,015
JPY	2,642	-2,642	2,248	-2,248
CHF	456	-456	224	-224
AED	-200	200	-153	153
INR	64	-64	24	-24
Total	13,372	-13,372	10,339	-10,339

The Group's exposure to foreign currency changes for all other currencies is not material.

32.2. CREDIT RISK

Credit risk is the risk that the counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade and other receivables) and investing activities.

The Group maintains a policy to keep trade relationships only with customers with high credit rating assessed by credit assessment, considering their financial position, past instances of defaults and other indicators of default. If the credit rating of a customer worsens, the Group sets an individual credit limit on that customer and intensively manages its credit risk. In addition, the Group minimizes the credit risk by maintaining the exposure to the credit risk at an immaterial level through ongoing management including periodical reviews of all the customers. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 33.

The Group is also exposed to credit risk with regard to bank deposits, as well as cash and cash equivalents in which the maximum exposure to credit risk at the reporting date is the carrying value. The exposure to the related credit risk, however, is relatively restricted because the Group maintains relationships with financial institutions with high credit ratings.

32.3. LIQUIDITY RISK

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities due to the unfavorable economy of the industry or financial markets.

The Group manages its liquidity risk through its strategy and plans which consider the maturity of financial instruments and expected operating cash flows. It also includes the policy to map out the maturity of financial assets and liabilities.

In addition, the Group maintains credit facilities with the banks, including overdrafts, to respond to an unexpected shortage in liquidity. In response to the expansion of the business, the Group manages funding schedules and ongoing review procedures, considering the appropriate mix of long-term and short-term loans and borrowings, to maintain the consistency and flexibility in obtaining liquidity and stable financing.

The details of the maturity profile of the Group's financial liabilities and lease liabilities, excluding financial derivative instruments, based on contractual undiscounted payments as of December 31, 2024, and 2023, are as follows:

	Less than a month	1 to 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
2024	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
As of December 31						
Interest-bearing loans and borrowings	12,416	73,706	62,912	2,250	—	151,284
Trade and other payables	120,793	15,178	6,393	—	—	142,364
Lease liabilities	454	935	3,862	17,448	16,840	39,539
Other financial liabilities	222	88	1,485	1,471	—	3,266
Total	133,885	89,907	74,652	21,169	16,840	336,453

	Less than a month	1 to 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
2023	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
As of December 31						
Interest-bearing loans and borrowings	67,912	35,072	61,712	5,250	—	169,946
Trade and other payables	97,457	20,565	1,223	—	—	119,245
Lease liabilities	240	517	1,954	8,442	10,100	21,253
Other financial liabilities	184	1,339	28	2,579	—	4,130
Total	165,793	57,493	64,917	16,271	10,100	314,574

32.3.1. CAPITAL MANAGEMENT

The capital managed by the Group is identical to the total amount of equity presented in the consolidated statements of financial position. The primary objective of the Group's capital management is to ensure its continued ability to provide consistency for its equity shareholders through a combination of capital growth and distribution. In order to achieve this objective, the Group monitors its gearing to balance risk and returns at an acceptable level, and also maintains a sufficient funding base to enable the Company to meet its working capital and strategic investment needs. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares considering not only the short-term position, but also its long-term operational and strategic objectives. At the Group level the debt ratio is reviewed regularly. The debt-equity ratio as of December 31, 2024, and 2023, is 56% and 54%, respectively.

All subsidiaries must report key performance indicators, including capital management information on a monthly basis.

33. FAIR VALUES

Below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments that are included in the financial statements.

2024		Carrying amount		Fair value	
As of December 31					
Financial assets		Current	Non-current	Current	Non-current
		Million KRW	Million KRW	Million KRW	Million KRW
	Financial assets at amortized cost				
	Other financial assets	3,518	2,160	3,518	2,160
	Trade and other receivables	162,040	–	162,040	–
	Cash and cash equivalents	113,481	–	113,481	–
	Total financial assets at amortized cost	279,039	2,160	279,039	2,160
	Financial assets at FVtPL				
	Currency swaps	2,606	–	2,606	–
	Other financial assets	2,541	9,953	2,541	9,953
	Total financial assets at FVtPL	5,147	9,953	5,147	9,953
	Total financial assets	284,186	12,113	284,186	12,113
Financial liabilities					
	Financial liabilities at amortized cost				
	Other financial liabilities	1,795	1,471	1,795	1,471
	Lease liabilities	3,914	31,991	3,914	31,991
	Trade and other payables	142,364	–	142,364	–
	Interest-bearing loans and borrowings	149,034	2,250	149,034	2,250
	Total financial liabilities at amortized cost	297,107	35,712	297,107	35,712
	Financial liabilities at FVtPL				
	Forward exchange contracts	1,515	–	1,515	–
	Total financial liabilities at FVtPL	1,515	–	1,515	–
	Total financial liabilities	298,622	35,712	298,622	35,712

2023		Carrying amount		Fair value	
As of December 31					
Financial assets		Current	Non-current	Current	Non-current
		Million KRW	Million KRW	Million KRW	Million KRW
	Financial assets at amortized cost				
	Other financial assets	3,031	1,895	3,031	1,895
	Trade and other receivables	150,975	–	150,975	–
	Cash and cash equivalents	98,584	–	98,584	–
	Total financial assets at amortized cost	252,590	1,895	252,590	1,895
	Financial assets at FVtPL				
	Forward exchange contracts	96	–	96	–
	Currency and interest rate swaps	3,460	–	3,460	–
	Other financial assets	5,823	9,450	5,823	9,450
	Total financial assets at FVtPL	9,379	9,450	9,379	9,450
	Total financial assets	261,969	11,345	261,969	11,345
Financial liabilities					
	Financial liabilities at amortized cost				
	Other financial liabilities	1,551	2,579	1,551	2,579
	Lease liabilities	2,357	16,087	2,357	16,087
	Trade and other payables	119,245	–	119,245	–
	Interest-bearing loans and borrowings	164,696	5,250	164,696	5,250
	Total financial liabilities at amortized cost	287,849	23,916	287,849	23,916
	Financial liabilities at FVtPL				
	Forward exchange contracts	89	–	89	–
	Total financial liabilities at FVtPL	89	–	89	–
	Total financial liabilities	287,938	23,916	287,938	23,916

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

- cash and cash equivalents, trade and other receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments;
- fair value of financial assets at FVOCI and financial assets at FVtPL are derived from quoted market prices in active markets, if available;
- fair value of unquoted financial assets at FVOCI and financial assets at FVtPL are estimated using appropriate valuation techniques (refer to note 33.1).

33.1. FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Description	Valuation technique
Level 1	Quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2	Other techniques for which all inputs which have a material effect on the recorded fair value are observable either directly or indirectly
Level 3	Techniques which use inputs that have a material effect on the recorded fair value that are not based on observable market data

As of December 31, 2024, and 2023, the Group held the following financial instruments carried at fair value on the statements of financial position:

		2024	Level 1	Level 2	Level 3
		December 31			
		Million KRW	Million KRW	Million KRW	Million KRW
Financial assets	Derivatives				
	Currency swaps	2,606	—	2,606	—
	Total derivatives	2,606	—	2,606	—
	Debt instruments				
	Exchange-traded fund at FVtPL	12,494	—	12,494	—
	Total debt instruments	12,494	—	12,494	—
	Total financial assets	15,100	—	15,100	—
	Derivatives				
	Forward exchange contracts	1,515	—	1,515	—
Financial liabilities	Total derivatives	1,515	—	1,515	—
	Total financial liabilities	1,515	—	1,515	—

		2023	Level 1	Level 2	Level 3
		December 31			
		Million KRW	Million KRW	Million KRW	Million KRW
Financial assets	Derivatives				
	Forward exchange contracts	96	—	96	—
	Currency and interest rate swaps	3,460	—	3,460	—
	Total derivatives	3,556	—	3,556	—
	Debt instruments				
	Exchange-traded fund at FVtPL	15,273	—	15,273	—
	Total debt instruments	15,273	—	15,273	—
	Total financial assets	18,829	—	18,829	—
	Derivatives				
Financial liabilities	Exchange-traded fund at FVtPL	89	—	89	—
	Total derivatives	89	—	89	—
Financial liabilities	Total financial liabilities	89	—	89	—

During the reporting periods ended December 31, 2024, and 2023, there were no transfers between Level 1 and Level 2 fair value measurements. For the financial assets and financial liabilities for which the fair values are disclosed (refer to note 33) the carrying amounts are reasonable approximations of fair values and are measured using Level 3 measurement methods, except for cash and cash equivalents.

34. IMPACT OF GLOBAL ECONOMIC SITUATION ON CONSOLIDATED FINANCIAL STATEMENTS

The Group closely monitors the global situation and assesses the future impact of the Russian-Ukrainian war as well as conflicts in various other regions on the consolidated financial statements on a regular basis. For the financial year 2024, the following assessments were performed, amongst others:

Indication of impairment on property, plant and equipment and intangible assets

The Group assessed whether there were any internal and external indicators of impairment of property, plant and equipment and intangible assets. For the year ended December 31, 2024, no impairment of property, plant and equipment and intangible assets has been recognized (2023: no impairment) due to the Russian-Ukrainian war and other conflicts.

Expected credit loss (ECL) of trade receivables and financial assets

In order to determine the impact of the global economic situation on the ECL model in accordance with KIFRS 1109, the Group reassessed past events, current conditions and forecasts of future economic conditions. As of December 31, 2024, the Group identified the changes in risk indicators considering the nature of risk such as the geographical location of debtors which has been reflected in the ECL model for the recognition of allowance on expected credit risks. Such parameter adjustments resulted in a decrease in the allowance on ECL of 173 Million KRW in the consolidated financial statements as of December 31, 2024. For the financial year ended December 31, 2023, the parameter adjustment resulted in an increase in the allowance on ECL of 226 Million KRW.

35. EVENTS AFTER THE REPORTING PERIOD

The consolidated financial statements for the year ended December 31, 2024, were approved by the Board of Directors of the parent company on January 31, 2025.

Between December 31, 2024, and the date of authorization for the issue of these financial statements, a Supreme Court judgement was issued in favor of Songwon Industrial Co., Ltd. As the result of this material adjusting event after the reporting period, income tax expenses were reversed by 7,553 Million KRW and additional deferred tax expenses of 4,407 Million KRW were recognized in the consolidated financial statements as of December 31, 2024 with the positive net impact on consolidated statements of comprehensive income of 3,146 Million KRW.

36. GLOBAL MINIMUM TAX

From 2024, as Pillar Two legislation came into effect in some countries where the Group operates its business, the Company as parent must pay additional income tax on the profits of the subsidiaries taxed at less than the minimum tax rate of 15%.

Most of the subsidiaries have either passed the transition period exemption rules or their effective tax rate is 15% or more, resulting in no significant additional tax to be incurred. Therefore, Pillar Two income tax expense of 154 Million KRW was recognized for the period ended December 31, 2024.

The Group neither recognizes nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes in accordance with the temporary exception to the requirement in KIFRS 1012. ■

SONGWON'S MEMBERSHIPS

- ALIA**
Asian Lubricants Industry Association
www.asianlubricants.org
- The Antwerp Declaration**
The Antwerp Declaration for a European Industrial Deal (antwerp-declaration.eu)
www.antwerp-declaration.eu
- ATC**
Additive Technical Committee
www.atc-europe.org
- CEFIC**
European Chemical Industry Council
www.cefic.org
- CEPAD**
The European Alkylphenols and Derivatives Association
http://cepad.cefic.org
- ELiSANA**
European Light Stabilisers and Antioxidants Association
https://elisana.cefic.org
- EPCA**
European Petrochemical Association
www.epca.eu
- FCA**
CEFIC Food Contact Additives Group
http://fca.cefic.org
- GOSC, Global Organotin Stewardship Council**
Consortia Management GmbH
67550 Worms, Germany
- GPCA**
Gulf Petrochemicals and Chemicals Association
www.gpca.org.ae
- ILMA**
Independent Lubricant Manufacturers Association
www.ilma.org
- JHOSPA**
Japan Hygienic Olefin and Styrene Plastics Association
www.jhospa.gr.jp
- JHPA**
Japan Hygienic PVC Association
www.jhpa.jp
- KCMA**
Korea Chemicals Management Association
www.kcma.or.kr

- KEEA**
Korean Electric Engineers Association
www.keea.or.kr
- KEEF**
Korea Environmental Engineers Association
www.keef.or.kr
- KFSI**
Korea Fire Safety Institute
www.kfsi.or.kr
- KISA**
Korea Industrial Safety Association
www.safety.or.kr
- KITA**
Korea International Trade Association
www.kita.net
- KLCA**
Korea Listed Companies Association
www.klca.or.kr
- KOEAA**
Korea Energy Engineers Association
www.koeaa.or.kr
- KSCIA**
Korea Specialty Chemical Industry Association
www.kscia.or.kr
- LiSAO – REACH Consortium**
www.reachcentrum.eu
- NLGI**
National Lubricating Grease Institute
www.nlgi.org
- OrganoTin REACH Consortium**
www.reachcentrum.eu
- PCEP**
Polyolefin Circular Economy Platform
https://pcep.eu
- RMI**
Responsible Mineral Initiative
http://www.responsiblemineralsinitiative.org/
- SPE**
Society of Plastics Engineers
www.4spe.org
- STLE**
Society of Tribologists and Lubrication Engineers
www.stle.org
- UEA**
Ulsan Environment Association
www.ulsanenv.or.kr

ABOUT THIS REPORT

By publishing this comprehensive report each year, we reaffirm our commitment to providing stakeholders with a transparent, detailed insight into SONGWON's performance as well as the challenges and opportunities facing the organization, our industry and all the regions and communities where we operate and do business worldwide.

This is SONGWON Industrial Group's 14th Annual Report, published on March 21st, 2025. It contains a comprehensive overview of our economic, environmental and social performance for FY2024 (January 1st to December 31st) and replaces the SONGWON Annual Report 2023, published in March 2024. Unless otherwise specified, this latest report includes updates to the previous one, reflecting data through the end of 2024.

Reporting scope

In this Annual Report, we share information on SONGWON management's approach, strategy, performance and the progress made in 2024 in relation to the Group's material topics. These topics focus on key areas such as corporate governance, economics, society, labor practices, human rights, the environment and product responsibility. The key topics for SONGWON in 2024 which are featured in this year's annual report were identified through a comprehensive review and consultation process. Furthermore, they also reflect the concerns and views that were gathered throughout the year by directly and indirectly engaging with all of SONGWON Industrial Group's stakeholders (e.g., senior management, employees, customers, suppliers, partners, etc.).

Further information on the SONGWON's materiality topics, the review and stakeholder engagement processes can be found on pages 120-121 of this year's report.

All the data included in this report has been carefully compiled using industry-standard measurement methods unless otherwise stated. In 2024, there were no significant changes to the reporting period, scope, boundaries, or measurement methods applied, or to the data included in the report apart from the expansion of the sustainability section to include additional performance indicators.

SONGWON Industrial Group's structure and the countries in which it operates define the boundary of this report unless otherwise specified. Any restatements relating to the content from previous reports have been disclosed separately.

Reporting standards

This year's annual report was prepared according to the GRI Sustainability Reporting Standards, the Sustainability Accounting Standards Board (SASB) and the Korea Sustainability Standards Board (KSSB) criteria and has been externally assured. The report also aligns with the UN Sustainable Development Goals and the 10 Principles of the UN Global Compact.

For more information on the indicators relevant to SONGWON's business operations, please see the GRI Content Index on pages 130-135. ■

FORWARD-LOOKING STATEMENTS

SONGWON's Annual Report 2024 contains forward-looking statements concerning the future plans, strategies and performance of the SONGWON Group. Some of the statements contained in this report that are not historical facts are statements of future expectations and other forward-looking statements reflecting SONGWON Group management's views, assumptions and expectations available at the date of publication. Please be advised that these involve known and unknown risks and uncertainties that are difficult to predict and generally beyond our control and could cause the actual results, financial situation, performance, or events to differ materially from those expressed in, implied, or projected by the forward-looking information and statements contained within this report. Accordingly, the reader is cautioned not to place undue reliance on any forward-looking statements provided in the report.

These statements may be identified by words such as 'anticipate', 'potentially', 'may', 'assume', 'believe', 'could', 'expect', 'foresee', 'intend', 'plan', 'shall', 'should' and other similar words or expressions used to identify forward-looking statements. Furthermore, any statement that refers to expectations, projections, or other indications of future events or circumstances, including any underlying assumptions should also be considered forward-looking statements. SONGWON does not intend and does not assume any obligation to update or amend any industry information or forward-looking statements or forecasts presented in this report to reflect new information, subsequent events and developments, or otherwise except as required by applicable law or stock exchange regulation. This report is prepared solely for use as general information and should not be construed as investment advice nor is it intended for solicitation. ■

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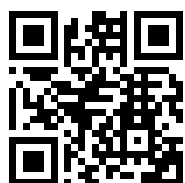
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