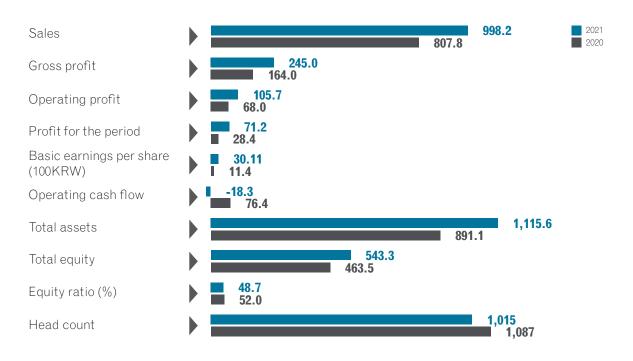
# ANNUAL REPORT

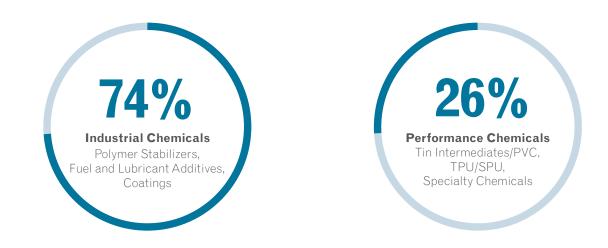


It's all about **the chemistry™** 

### Key Financial Data 2021



### Sales by reporting segment in 2021



### Sales by region in 2021



# SONGWON Industrial Group overview



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# LETTER TO SHAREHOLDERS

#### Dear Shareholders,

2021 was an exceptionally challenging and complex year. Since COVID-19 appeared in 2020, SONGWON Industrial Group has adapted well to the new operating environment across the globe, with the businesses demonstrating resilience and SONGWON's global team showing remarkable agility, discipline and dedication in the face of an unprecedented level of disruption worldwide.

Despite all the challenges posed by the continuing global pandemic, the Group delivered solid financial results. In 2021, SONGWON achieved consolidated revenues of 998,190 Million KRW (FY 2020: 807,768 Million KRW) as well as a net profit of 71,209 Million KRW, a 151% increase over the previous year (FY 2020: 28,365 Million KRW). In 2021, on the back of the effectively implemented operational excellence measures and increased sales, the Group's operating profit grew substantially to 105,714 Billion KRW in comparison to 68 Billion KRW in 2020.

### **SONGWON** generated consolidated revenues of 998,190 Million KRW.

These results confirm that the fundamental pillars of the Group's business have remained steadfast and strong. Over the years, we have not only developed the flexibility and agility needed to compete in the demanding markets of the industries we serve, but also the ability to respond swiftly and effectively to fluctuations in demand. This year, in addition to capitalizing on the high demand, SONGWON was able to benefit from business arising from unforeseen events in the market which contributed to the record number of sales.

### In 2021, SONGWON achieved its highest sales result since its foundation.

The year was heavily impacted by supply chain disruptions worldwide which led to severe cost increases, raw material shortages and ultimately pressure on capacities. However, despite the adverse underlying conditions, SONGWON was able to deliver on the Group's commitments to customers.

### Sustainability – a strategic driver

At the conclusion of the COP26\* and the Paris Agreement, we must build resilience against the here and now impacts of climate change. Governments have set the goal of achieving a net zero emission economy by 2050 and are therefore adopting respective regulations and legislation. We notice an increased awareness in global society. The entire Chemical industry is severely impacted.

We are responding to a highly demanding and less predictable market environment. In 2021, this market environment has proven to be an opportunity, as order inflow and production increased considerably. SONGWON proved to be a reliable partner and successfully managed the unprecedented 2021 challenges, such as the availability of raw materials or disrupted supply chains.

To SONGWON, Sustainability has become a strategic driver: • by integrating ESG in our corporate strategy,

- by strengthening our leadership position in our key businesses,
- by engaging actively with our Stake- and Shareholders,
- through innovation responding to new requirements (society, customers, industry), e.g. through development of product properties for improved lifetime, LCA (life cycle assessment),
- through expertise and operational excellence,
- through our commitment to supporting the United Nations' Sustainable Development Goals (SDGs) and similar initiatives.

Operational excellence is key to achieving a competitive edge in our industry and responding to global challenges, flexibly adapting to changing market demands and reducing our environmental impact is essential to success. In 2021, although facing raw material shortages and supply chain bottlenecks, our manufacturing facilities operated without any significant disruptions, apart from scheduled maintenance, and we could demonstrate production resilience to the markets throughout the year.

We continually drive for operational excellence by leveraging our global scale advantages, facilitating innovation, optimizing production and becoming more resource efficient. This year, we continued our ongoing improvement plans. For example, in order to manage increasing volumes and achieve more efficiency, we installed more automated systems. Our aim is to establish further effective ways of working by adapting more up-to-date technology and processes in various functions.

### SONGWON received EcoVadis gold and an improved KOSHA\* PSM rating.

\* Korea Occupational Safety& Health Agency

Sustainability, and particularly the environmental, health and safety aspects of the chemical business will remain a top priority. ISO standards e.g. are implemented to ensure our employees' health and safety and assure customers that SONGWON products fully comply with the industry's standards and expectations (processes, production, quality). R&D, Engineering and Manufacturing aim to prevent adverse impacts on the environment by reducing emissions, improving process yields, optimizing the use of raw materials as well as by supporting the circular economy.

SONGWON wants to create long-term value for its stakeholders, deliver solid returns for shareholders and strengthen the competitive position of its customers. We take our leadership role in the industry and ensure a high level of customer satisfaction thanks to high quality products, reliable supply, constant improvement in our cost position and innovation. We continue building an optimized pipeline of products that meet customer demands. It is essential for both SONGWON Divisions – Performance and Industrial Chemicals – to leverage new customer insights and to continue to act from an agile market-oriented perspective.

We promote reasonable economic growth and want to ensure sustainable success. This is achieved through implementing our strategy, recognizing, and systematically managing risks and opportunities, our practice of investing, as well as providing transparent information to all our stakeholders. One of the keys to our success amid this year's difficult environment was our people's ability to work together, leverage their experience and use their market insight to anticipate surges in demand well in advance and implement optimal actions.

\*26th UN Climate Change Conference in Glasgow.

To achieve this, we aim to minimize complexity, make our work practices simpler and deliver high-quality products and services with the supply reliability that our customers have come to expect from SONGWON. Furthermore, we worked on increasing the capacities of several product lines to ensure business continuity. To meet evolving customer needs for high-end specialty chemicals and raw materials for IT industries, construction began on SONGWON's new electronic chemicals plant in December, with start-up planned in the first quarter of 2022.

### 17 new distributors were added to **SONGWON's** extensive sales network.

One of the keys to our success amid this year's difficult environment was our people's ability to work together, leverage their experience and use their market insight to anticipate surges in demand well in advance and implement optimal actions. To support this, and ensure greater process efficiency, SONGWON's Business Units were redefined and reorganized. We will continue to remain vigilant and alert to global circumstances and potential risks, while seeking opportunities to advance our strategic ambitions, continuing to build on our strengths and adapting to changes in the business environment.

Jongho Park Chairman of the Board and CEO

This year, to achieve a better overview of e.g. inventory availability, and strengthen collaboration between SONGWON's functions, the Korean international supply and logistics function was brought together under the umbrella of SONGWON's Global Operations. Furthermore, in order to achieve regional process harmonization and optimize the exchange with manufacturing, SONGWON's regional supply chains and customer service functions are now part of Global Supply Chain.

Having strong partners is key to SONGWON's success. Over the years, we have built a strong global network of partners and suppliers. Now, more than ever, having multiple suppliers of key raw materials in various countries has helped us to mitigate the impacts from COVID-19 restrictions to our operations. This year, we also strengthened our distributor network with 17 new partners. Not only do they understand their markets, the information our distributors share with us on business trends, new regulations and levels of demand anticipated in the various regions has become even more valuable to us.

### Global and diverse team of 1,015 employees

Maintaining strong channels of communication and capitalizing on the synergy within our organization had helped us to maintain our competitive edge over the years. In 2021, we intensified communication internally but also with our global customer base as well as with our partners along the value chain. SONGWON's continued success and our ability to remain a leader in our industry are supported by the strength of the longterm relationships we have built with others. We place great importance on creating and maintaining an open, positive and rewarding working environment and most importantly, a safe one. Throughout the year, it has been our priority to protect the health and safety of our global team at all times. None of what we have achieved this year would have been possible without the dedication that our people around the world have shown. SONGWON's Management appreciates the solid performance and thanks each member of the team for their tireless efforts and deep commitment to the company and to our customers.

In the past few years, we have faced unparalleled challenges which have called for agility, determination and patience. Going forward in such an uncertain and volatile environment, we will continue to remain vigilant and alert to global circumstances and potential risks, while seeking opportunities to advance our strategic ambitions, continuing to build on our strengths and adapting to changes in the business environment.

SONGWON's positive performance during the past 12 months, gives us confidence that we can continue to generate lasting value for all of our stakeholders. On behalf of the Board of Directors, the Executive Committee and the entire SONGWON team worldwide, we thank you, our shareholders for your continued support, sustained confidence and valuable trust.

Jorgoto Parts

Jongho Park Chairman of the Board and CEO

### Board of Directors SONGWON Industrial Group



Jongho Park 1973 - Korean Chairman of the Board



Hans-Peter Wüest 1961 - Swiss Executive Board Member



Choung-Sik Kim 1957 - Korean Executive Board Member



Dieter Morath 1951 - German Non-Executive Board Member



*Markus Oppliger* 1959 - Swiss Non-Executive Board Member



*Gerhard Schlosser* 1948 - German Non-Executive Board Member

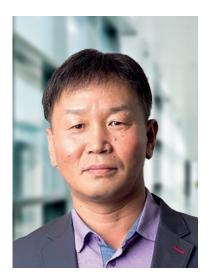
### Executive Committee SONGWON Industrial Group



Jongho Park Chief Executive Officer



Hans-Peter Wüest Chief Financial Officer



Byungsoo Boo Leader Operations



*Elena Scaltritti* Leader Group Commercial Chief Sustainability Officer

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# Share Price Development

### Strong end to a challenging year

On December 31<sup>st</sup>, SONGWON ended the year 2021 with a market cap of 514 Billion KRW marking a gain of 34.5% over the previous year. The Korea Composite Stock Price Index (KOSPI) increased its index level by 3.6% during FY 2021. The global economic volatility and deep uncertainty across financial markets in 2020 continued into 2021. In February 2021, SONGWON's stock price dropped to its lowest level of the year trading at 14,950 KRW. Just two months later in April 2021, SONGWON's stock price climbed to its peak for FY 2021 where it traded at 24,000 KRW.

Overall in the 1<sup>st</sup> half of 2021, the Korean stock market was strong on the back of the optimistic expectations that the economy would recover as the vaccine rollout progressed. Throughout June 2021, the KOSPI rallied to reach an index level of 3,300 as a result of strong liquidity combined with strong recovery in earnings. In spite of this, SONGWON experienced fluctuations in its share price during this period.

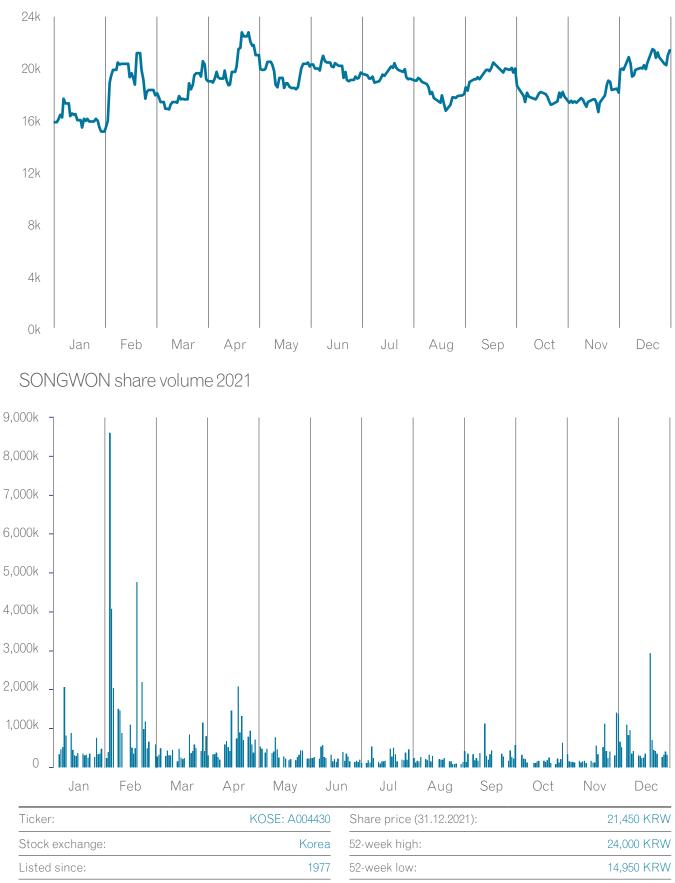
During the 1<sup>st</sup> part of 2021, many chemical companies including SONGWON announced price increases which led to a rapid rise in SONGWON's expected earnings and the share price increasing to 24,000 KRW. However, SONGWON's sales and profit margins in Q1/2021 disappointed investors and SONGWON's share price began to move downwards.

The movement in the stock market began to show signs of a slowdown overall in the 2<sup>nd</sup> half of 2021 as the U.S. FED announced its intention to tighten its monetary policy to tackle the risk of inflation. The announcement negatively impacted sentiments across the stock market signaling the possibility of an adverse effect on the U.S. as well as global economy which resulted in a downward trend again. The concerns which resulted exerted pressure on most of the key industrial sector names. Particularly for those in the chemical industry as the price of chemical products peaked in Q2/2021 causing the entire chemical sector to face further selling pressure. This situation was the main reason behind SONGWON's stock price not responding positively despite the Group's earnings significantly improving in the 2<sup>nd</sup> and 3<sup>rd</sup> quarters of 2021.

In the final month of the year, as many investors began to acknowledge the significant gap between SONGWON's improving fundamentals and its stock price, the Group ended the year solidly with a stock price of 21,450 KRW on December 31<sup>st</sup>, 2021. Furthermore, SONGWON's announcement on expanding capacities for its Electronical Chemical business positively influenced investor opinions and also contributed to its strong stock price going into FY 2022.

Despite the continuing uncertainty caused by the ongoing global COVID-19 pandemic, SONGWON expects its existing businesses to perform steadily and the organization is confident that it is well-placed to continue delivering a solid performance for both its customers and investors going forward.

SONGWON share price 2021



64.36%

120 KRW

# 2021 Highlights

**Partnership** 

17 distributors added to SONGWON's

global network

SONGWON extend its partnership with 3 distributors

### R&D

10 new products launched

9 new patent applications filed

13 new products under scale-up testing

Started full-scale commercialization of electronic chemicals

### CORPORATE

Songwon International-Qingdao Co., Ltd. established in China

### HR

Enhanced diversity with employees representing 36 different nationalities

Implemented performance review system

### COMPLIANCE

35 registrations successfully completed for K-Reach

> Issued new SDS's foi 160 products

### PRODUCTION

More automation in the plants

New equipment in the wastewater treatmant plant

Direct energy consumption was reduced by -39.6%

> Improved efficiency in packaging facility

### SUSTAINABILITY

Upgraded KOSHA rating

Awarded EcoVadis gold

Share of recycling waste could be increased significantly (+173%)

Implementation of Life Cycle Assessment (LCA)

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Corporate Governance		

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# Company Profile

SONGWON is a global leader in the development, manufacture and supply of specialty chemicals and the 2<sup>nd</sup> largest producer of polymer stabilizers in the world. Founded in 1965 and headquartered in Ulsan, South Korea, SONGWON has group companies operating all over the world and provides the globally beneficial advantage of readily accessible local operations which offer 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 foothold 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 steady course of international expansion.

Information on SONGWON's 56-year history can be found on the company website: www.songwon.com/company/history.

### What we stand for is

### Passion

We are a committed team driven and dedicated to advancing our customers' interests and the industry as a whole.

### Entrepreneurship

Each of us truly lives SONGWON's pioneering spirit. We transform innovative ideas, take risks, learn from them and continually move forward to set new trends.

### Accessibility

We see ourselves as an extended team that is always within reach with our support, expertise and valueadding solutions wherever and whenever our customers need us.

### Credibility

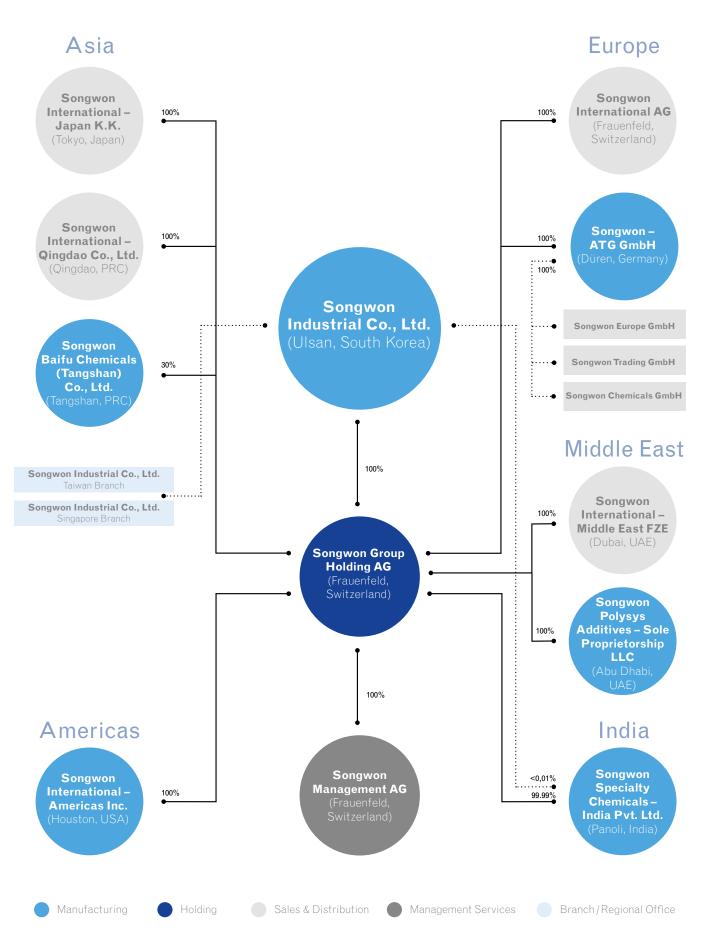
All of our people, products, processes and past bear the hallmark of SONGWON's reliability, trust and confidence in the future.

### Expertise

Our highly-qualified, talented global team, leverages its extensive experience and profound innovative strength to focus on industry needs and provide customers with long-term sustainable value.

# Group Structure

as of December 31st, 2021



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# **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.

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Germany, Düren					
Germany, Greiz					
India, Mumbai					
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					

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lanufacturing

# Product Groups

### Customized, high-performance solutions

As a specialty chemicals leader, SONGWON offers a broad portfolio to the industry with products that are as diverse as the areas in which they are used. SONGWON's products are the result of 56 years of industry experience, the latest technologies, 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 customers 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 wellequipped 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 all products together 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.

Flame retardants (FR) technologies provide high performance and competitive advantages in a broad range of applications and fuel the growth of halogenfree solutions for a wide variety of materials, ranging from foams to various polymers such as Polyolefins and Polyurethane (TPU).

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



# Our Brands

SONGCIZER™ **Plasticizers** 

### **SONGFLAME®**

Flame Retardants

**SONGNOX®** Stabilizers & OPS Blends

### **SONGSTAB™ PVC Stabilizers**

SONGSTAR™ **Polyester Diols** 

### SONGSTOMER™ **TPU** Grades

### **SONGXTEND®**

Stabilizer Solutions

**SONGSORB®** Light Stabilizers

**SONGCURE®** 

**Photoinitiators** 

### SONGCAT™ **Organo-Tin Intermediates**

**HI-THANE**<sup>™</sup> Polyurethanes

® 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

### <u>Our i</u>nputs

#### People



1,015 employees36 nationalities100% commitment

#### Manufacturing



8 world-class facilities Fully back integrated Leading-edge

technologies

#### Innovation



Technology Innovation Center

Dedicated application labs

38 products reviewed & developed

56 years of industry experience

#### **Financial**



Total assets 1,115.6 Billion KRW

### Our business

360° high performance solutions
2 main reporting segments
Comprehensive customer support
9 Technical Service Centers
Sustainable supply chain

Fully compliant & regulatory support

Reliable on-time supply

Strong global distributor network

Culture of innovation & responsibility

Customers in 60+ countries

### Our 2021 outputs

#### People



Added 59 new talents to the global team

Ethics training across the business

International employee assignments

### Manufacturing



LCAs (Life Cycle Assessments)

Regular safety trainings & health inspections

Increased the amount of recycled waste by 118%

#### Innovation



10 new products launched this year

### Financial



Total revenues 998.2 Billion KRW

Net incomes 71.2 Billion KRW

# SONGWON focuses on:



### Meeting our customers' current & future needs

Listening closely to and understanding our customers' concerns and needs is our key to reliably providing them with new products and solutions for high-end applications that enhance processing efficiencies and offer them solid ROI.



### Expanding & developing our diverse portfolio

Although we already have one of the broadest and most comprehensive product portfolios on the market, we constantly seek to expand our 360° offering by developing the highest quality, high-performance and most sustainable solutions for new markets and applications.



### Providing best-in-class & personalized customer support

We take good care of customers and cover all service areas – from customer service to logistics and from technical service to regulatory support, while also placing great importance on regulatory issues and using regulatory development to drive our innovation efforts.



### Creating value & remaining competitive

By creating sustainable value and achieving economic advantages through proprietary technology, economies of scale and backward integration, we help our customers overcome challenges and gain a competitive edge while successfully retaining our own.



### Offering global coverage with local operations

As an industry leader, making sure we are close to our customers is essential to our success. We have state-of-the-art manufacturing facilities in all major regions across the globe and strong local operations. This is how we minimize the risks to our organization, whether from economic volatility, negative currency developments or the current pandemic and how we ensure that we can capitalize on any growth opportunities.



### Building our diverse team of professionals

SONGWON's success lies in the hands of a strong talented group of committed, highly competent experts. We make a point of ensuring that each member of our global team at every level knows that they are SONGWON's true assets and that we aim to provide them with best and safest working conditions. Continually adding new key talents each year not only strengthens our organization but also improves our already outstanding EH&S performance.



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# Market, Risks & Opportunities

### The global landscape

SONGWON is exposed to many risks and uncertainties that are linked to our business activities and the global environment in which we operate. Such things as political, socio-economic and market unpredictability or rapid technological advancement are often beyond the scope of our control and carry with them the potential to negatively affect our organization. However, we understand that risks often go hand-in-hand with opportunities.

Given our highly complex and volatile business environment, we know that sound risk and opportunity management is of paramount importance to the company. At SONGWON, in order to mitigate any serious damage to our business, we make every effort to identify potential risks early and to counteract possible detrimental impacts. Risks related to economic volatility and political instability in particular, have the potential to inhibit growth and also dramatically impact demand.

Although, we are not able prevent this from happening, we want to be certain that SONGWON is well-placed to defend its industry position at all times. Therefore, we focus on developing our capacities, products, technology as well as SONGWON's market position so that we can benefit from any opportunities emerging from risk.

After the downturn and widespread COVID-19 turmoil in 2020, going into 2021, positive global economic growth was expected on the back of the vaccine rollouts worldwide, the surges in demand and normalization of daily life. However, as the world economy recovered, the pace of growth was slower than initially anticipated due to supply bottlenecks and disruptions related to logistics and labor issues as well as energy price increases. In addition, growth was also inhibited by the rise in COVID-19 cases from the Delta variant and in the latter part of 2021, from the impacts of the newest variant, Omicron.

In June 2021, the World Bank announced an expected expansion in the global economy of 5.6%, stating it to be "the fastest post-recession pace in 80 years". It was reported that the expansion was mainly due to the strong rebounds from a few major economies but that many developing economies still continued to struggle from the effects of the COVID-19 pandemic. According to the World Bank, the global growth forecast for the year is 5.5% and it is expected to weaken to 4.1% in 2022.

Due to the ongoing volatility and pandemic-caused impacts, global inflation is set to be higher than previously expected. Advanced economies' output and investments have been projected to return to pre-pandemic levels next year. Looking ahead to 2023, global growth is set to decline. According to the OECD's forecast, it will drop to an estimated 3.2%, as the currently robust demand begins to decline and uncertainty exists regarding the possible implications resulting from new COVID-19 variants which could emerge.

### Chemical industry 2021 challenges

The chemical industry has always been subjected to a wide variety of issues and events ranging from geopolitical risks and economic instability to fluctuating customer demand, stricter regional policies and rapidly changing regulations. The highly volatile environment created by the pandemic in 2020 continued into 2021 further increasing the already fiercely competitive environment. In addition, vulnerabilities in supply chains have surfaced since the pandemic began forcing industry players to seek effective optimization and implementing measures to secure continuity of supply to customers.

Early in 2021, renewed increases in COVID-19 cases in many regions and the subsequent restrictions led to heightened demand and resulted in global supply disruptions lasting much longer than expected. In June 2021, despite industry inventories increasing, supply shortages in the chemical industry worsened and have not yet returned to pre-pandemic levels. Consequently, key raw materials shortages contributed to low inventory levels which not only impact the industry as a whole but also those dependent on its reliable supply.

Materials supply issues, container shortages, limited vessel availability and insufficient port capacity led to long port entry times. Furthermore, high demand for goods, difficulties in securing shipments and significant rises in global container freight rates as well as significant delivery delays have seen costs skyrocket. For example, in 2020, the cost of a container from Asia to Europe was ca. USD 2000 and in August 2021, the price had risen by 600% to more than USD 14,000.

This impact has been particularly acute in chemical markets which are structurally dependent on imports from other regions. In the absence of containers or vessels, imports have not arrived on schedule and left those markets in short supply. These shipping industry challenges in 2021 have exacerbated the tightness in chemical markets and contributed to substantial increases in chemical prices.

Container shortages are projected to persist in 2022, which means a longer period of inflated chemical prices moving down through already disrupted supply chains and resulting in higher prices overall for consumer goods.

Under such circumstances, and in such a tight, highly competitive environment, companies are forced to strive even harder to achieve profitable growth in their markets. In the coming years, to create an advantage and maintain one's market position will mean ensuring the best strategic choices are made. For many of the industry's established players, the next few years will be crucial to securing their share of the market. In order to stay ahead, chemical companies will have to set clear priorities and become even more focused with their actions. Most importantly, identifying and developing new approaches to how they operate and innovate will be essential.

### **INDUSTRY TRENDS IN 2021**

#### Macroeconomic:

Subsidies implemented in some countries to counteract the impact of the pandemic, led to robust global demand. In several regions, the shortage of products drove the market demand much higher than usually seen by SONGWON and supply disruption was ongoing. Further impacts from the winter storms in Europe and North America and the blocking of the Suez Canal compounded the supply challenges in 2021. In addition, logistics issues such as the lack of container/vessel availability from Korea to other regions made it challenging for SONGWON to fulfill the high demand, particularly in the EU and North America and this contributed to increased costs.

#### **Environmental:**

For the chemical industry, the pre-pandemic challenges remained and both regulatory pressure as well as sustainability increased in intensity during 2021. This made it crucial for industry players to remain focused on achieving tangible sustainability goals. The topic of circular economy continued gaining in momentum and importance for our customers and within industry platforms. There was an increase in requests to sign and agree to stakeholder's corporate social responsibility initiatives, additional requests for CO2 footprint information, Life Cycle Assessments etc.

#### Technology:

The main "umbrella" technology trend is connected with sustainability. For example, in relation to Polymer Stabilizers, it reflects an additional focus on circular economy and the "hot topic" plastics recycling. For Coatings, the emphasis is on new technology to improve service life but also for antimicrobial performance (antibacterial, antiviral and antimold) to meet the new needs which have developed with the pandemic. Additionally, when it comes to digitalization, although the chemical industry has been moving slower than many other industries, the global pandemic has highlighted the power of digital through, for example, remote working and the remote operation of plant control systems. Furthermore, it has also enhanced efforts to find new ways of driving efficiencies through digitalization.

### How SONGWON is responding to these trends.

#### Macroeconomic:

The pandemic has highlighted the importance of supply chain diversification to a wider range of locations in order to achieve business continuity and avoid disruptions. SONGWON continues to build on its multi-source strategy to secure materials from more than one supplier as well as seeking suppliers located as close as possible to SONGWON's plants. In addition, we continue strengthening our communication with external stakeholders in order to better predict market changes, trends or upsurges in demand early so that our teams can take appropriate actions or look for alternatives well in advance. Information will continue to be shared immediately across the relevant functions within the organization to ensure that we are wellprepared and can minimize any negative impacts to SONGWON's operations or to our supply reliability.

#### **Environmental:**

Although we have already made sustainability an integral part of SONGWON's everyday business practices, we continue to focus on making it a key driver of our strategic direction and organizational development. SONGWON also continues to explore recycling possibilities and confirm its support for circular economy. Furthermore, we will continue to optimize SONGWON's manufacturing processes and set progressive targets for waste management as well as reducing our carbon footprint and transitioning towards green energy sources where possible.

#### Technology:

Our aim is to always ensure that our organization is equipped with the latest technologies. We know that digitalization is not only just a significant megatrend but also a very important opportunity. Our aim is to establish more effective ways of working that incorporate digital manufacturing, smart automation, modularization, sustainability, and standardization throughout SONGWON. Implementing digitalization across our organization will provide us with the tools to make better business decisions, keep an eye on trends, and provide us with valuable real-time information that supports risk management.

With the rapidly changing external environment, we strive to proactively address new risks and requirements to remain at the forefront of developments. Risks like natural events, accidents, or acts carried out intentionally to cause harm always exist. Any of these threats, whether global or local have the potential to seriously damage the reputation or image of any company, including ours. Regardless of the nature or source of a potential risk, SONGWON's management ensures that effective processes are in place to manage or limit risks as far as possible.

SONGWON's response to the current uncertain environment is to focus on making sure that we have the essential basics in place such as clear strategic targets, a balanced portfolio, supply reliability and initiatives to improve our competitiveness. With solid risk management processes in place, we are confident that we can reduce any negative impacts to our operations, while ensuring that SONGWON is always ready to take advantage of any opportunities which may arise.

Sources:

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# Sales & Division Updates

### Sales strategy

#### **Customer-focused & effective**

Over the years, combining our broad portfolio and services with our customer-focused approach has been a pivotal aspect to SONGWON's leadership position and growth in the industry. Nurturing solid, long-lasting relationships with our customers based on transparency, respect and trust and most importantly reliably supplying them with the highquality products is fundamental to the success of our global organization.

With industry expertise and a highly personalized approach, the Sales team strives to offer the most comprehensive service and to continually strengthen relationships with our customers. In this way, we gain valuable, up-to-date insight into the current challenges our customers face so that we can align our offering with the demands of the market. Furthermore, having such in-depth knowledge also helps us to make sound business decisions and supports SONGWON's competitive edge.

SONGWON's sales organization is strategically placed worldwide. Our global team speaks the language of SONGWON's customers. This ensures that both our local and international customers receive the best sales support possible. SONGWON's locally based sales teams are key contributors to differentiating our place in the market. They are ideally situated to identify trends in the respective regions quickly and share important information with the rest of the business. With the pandemic still casting a shadow across the world in 2021, the role of SONGWON's local representatives proved to be even more valuable and well-positioned us to meet market expectations and proactively address customer concerns.

Transparency is a common thread running throughout the organization and it forms the basis of our sales teams' interactions with both internal, as well as external stakeholders. Fostering a clear communication between SONGWON's sales team and internal stakeholders contributes to improving our responsiveness and adaptability to change, as well as ensuring that we remain agile, competitive, relevant and able react to market trends quickly. Through transparency, the Sales team establishes an open dialogue with customers, earns their confidence and builds genuine long-term win-win relationships for SONGWON. Success in sales means more than just selling products or promoting our services. It requires a thorough understanding of customers' needs and the ability to match these to a specific solution that adds value. We operate in highly-competitive markets with multiple suppliers pursuing the same customers. As their demands become increasingly more complex and the business environment more volatile, having a strong sales strategy and a well-placed sales organization has become crucial to SONGWON's success.

### In 2021, both Divisions:

- created a global commercial group to strengthen the connection between Sales and the rest of the business.
- supported the sharing of resources, knowledge and best practices across SONGWON.
- improved SONGWON's position by continuing to review and improve both our direct and indirect our presence.
- reviewed as well as expanded our distributor network.
- increased our responsiveness and adaptability to change.
- ensured that SONGWON remained agile, competitive, relevant.
- provided valuable information from successful leads to develop new businesses.
- shared best practices with other functions & took advantage of collective expertise.

In 2021, despite the ongoing constraints and disruption worldwide, we continued to optimize SONGWON's sales channels. This included making additional improvements to our service and partnering with new strategically placed distributors. We also sought to remain as close as possible to our customers via virtual means and looked for alternative ways to support them.

**SONGWON** expanded its global sales network with 17 new distributors

### Divisions update

Although, faced with a highly volatile, uncertain and complex operating environment which made it much more difficult to predict market demand or business trends, SONGWON's Divisions both performed very strongly in 2021. Each took advantage of the robust demand and recorded sound growth and solid increases in revenue. The positive result is testimony to SONGWON's broad portfolio of high-performance products and to the consolidated effort by our committed global teams to proactively manage the many challenges. It also demonstrates the effectiveness of SONGWON's strategy and reaffirms the resilience of our business model.

For Division Industrial Chemicals, 2021 was a year of strong demand for products across the board, and even increased demand in some regions. Compared to 2020, where demand fluctuated every quarter, this year it stayed strong over all the quarters. Logistics continued to cause difficulties, with the greatest hurdle being freight availability. Demand was greater than supply which impacted FY sales to some degree and some volume was moved into 2022. Higher revenues were mainly driven by the price increases previously implemented across the product portfolio to offset the rising cost of raw materials and escalating freight charges.

#### In 2021, both Divisions faced:

- restrictions as well as limited availability of containers and vessel space.
- sharp increases in raw material costs which required unprecedented price management.
- certain key raw materials issues which demanded much closer collaboration with customers and more frequent updates.

Division Performance Chemicals also benefited from strong global demand. Throughout the year, the Division's overall performance was well above that of 2020 in terms of revenue and profit despite facing higher material and logistics costs as well as price competition. However, the performance of the Divisions sub business units varied considerably. For example, Tin/PVC recorded strong increases in turnover, margins and growth whereas the performance of TPU/SPU was negatively impacted by sharp rises in the cost of raw materials and weaker demand.

#### Polymer Stabilizers (PS)

In 2021, demand remained consistently high for PS across all regions supported by a short to balanced supply in the markets. Throughout the year, SONGWON continued to supply PS to the market without disruption. Benefitting from the favorable demand/ supply situation, PS volumes increased in comparison to the previous year and SONGWON could confirm its position as a reliable, committed supplier.

To foster efficiency, the PS team was reorganized in 2021, to a leaner structure and continued to expand SONGWON's position in key markets such as MEA, North America and China. The PS technical service offering was repositioned in order to offer faster responses to customer requests globally and the distributor network was also successfully optimized.

Despite a volatile environment, the PS team was able to provide comprehensive support to customers backed by the effective synergy within SONGWON. In 2021, PS was able to effectively "walk the talk", achieving success on the back of the optimal alignment between SONGWON's teams and functions combined with the PS team's drive to build strong relationships with customers and deliver high-quality products.

#### Fuel and Lubricant Additives (FLA)

For SONGWON's FLA business, demand was particularly high over the year, driven by the recovery in the lubricants market and formula-driven price increases which led to higher revenues. Furthermore, FLA's positive performance was further enhanced by unforeseen events impacting competitors which led to additional requests from existing and new customers. The advanced ordering trend already observed in 2020 continued, with customers ordering products ahead of usual order patterns to counter logistics and shipping delays. During the year, the FLA team continued to work even more closely with customers to make sure that SONGWON could meet their evolving requirements. To support their efforts and ensure continued supply to match the demand, the team increased its collaboration internally across the whole supply chain. Furthermore, market and region penetration of FLA products to new but also existing customers continued successfully.

#### Coatings

Throughout the year, the positive momentum in the coatings industry remained. Compared to 2020, SONGWON's business recorded growth on the back of the significantly higher market demand. Demand was particularly strong in Europe and the U.S., partly due to supply issues which negatively impacted others in the industry but from which our team could generate additional opportunities as well as new business for SONGWON.

Overall, performance in 2021 was above expectations especially in Europe, the U.S. and in Korea. Our Coatings team continued to expand SONGWON's market share. They also gained more recognition for SONGWON as a key coating additives supplier with the successful launch of several new products and key approvals. In addition, despite port congestion and shipping delays etc., our ability to support customers with sufficient quantities and ensure their production continuity contributed to further strengthening SONGWON's overall reputation in the industry.

#### **TPU/SPU**

During 2021, the market demand for TPU/SPU was weaker than the previous year. Challenging market conditions were marked by very sharp increases in raw materials throughout 2021, which could not be passed on to customers in time and thus negatively impacted profitability. The volatility of the raw materials costs was the main challenge for the TPU/SPU team coupled with intense price competition and the ongoing COVID-19 restrictions in some markets led to a further decline in demand.

However, the team continued to successfully promote TPU in Europe and the U.S. and achieved sizable European sales. The team also endeavored to provide fast responses to customer requests as well as good service, competitive prices and stable quality. Due to the lower domestic demand, the team encountered difficulties maintaining market share and was also hindered expanding SPU to the SEA market.

#### Tin Intermediates/PVC

Tin Intermediates delivered robust performance with a solid increase in turnover and margins. There were signs of higher demand from Asia, particularly in China. The price increases for Tin Intermediates implemented to offset the steeply rising raw material and logistical costs contributed to the positive revenue growth. During the year, although SONGWON's plants were running at full capacities, demand did exceed the availability and SONGWON has responded with capacity increases.

In 2021, Korea's PVC market weakened and logistical costs increased which negatively impacted SONGWON's competitiveness outside Asia. However, during the year, SONGWON's PVC stabilizers' business benefited from the strong demand in North East Asia markets which had achieved almost a full recovery from the pandemic. In the final months of the year, the PVC market showed signs of improvement, especially in Korea and the business performed well with signs of strong growth.

#### Specialty Chemicals

SONGWON develops specialty chemicals for a wide spectrum of applications for fast-moving industries such as electronics, functional monomers and flame retardants. With its strong focus on research and by collaborating with customers, SONGWON identifies new opportunities to gain a competitive edge, most recently in the dynamic electrical and electronic sectors.

In addition to high-end specialty chemicals and raw materials for IT industries (incl. semiconductors) as well as display materials, SONGWON offers functional monomers based on backbone chemistries which significantly improve processing performance when incorporated into the polymerization process. Furthermore, SONGWON's flame retardants, which act synergistically with most available phosphorus flame retardants, assist customers in the development of halogen-free applications.

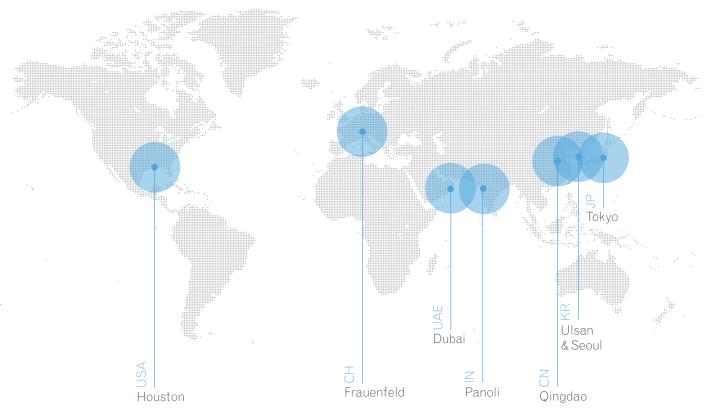
# Customer Service (CS)

### Putting customers first

At SONGWON, we never forget that our customers always have a choice. So, apart from offering them a comprehensive range of high-performing quality products, we know that their satisfaction greatly relies on the high quality of SONGWON's customer service. Only when our customers feel well taken care of is it possible for us to achieve long-term success. For this reason, our customers and their needs are at the core of our daily activities.

Working closely with our customers across the globe gives the CS team an in-depth understanding of what our customers need, what they don't need anymore, where their biggest challenges lie and what we can do to help them overcome these. This insight directs our business decisions and guides us to focus on those areas where customers see the greatest value. Most importantly, it helps SONGWON to offer them better quality, better service and better value.

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



One of SONGWON's goals is to be the partner of choice for customers and to support this we strive to offer them sound customer service. For our CS team this does not mean just telling the customer what they want to hear, it's about managing and whenever possible exceeding our customer's expectations, delivering to promise and supporting both our customers and SONGWON. We know that really listening to customers and building relationships with them can often lead to other business possibilities, expansion opportunities or reveal even better ways to meet current industry demands.

Staying ahead of the "curve", anticipating customers' challenges and acting in advance to resolve them well and as quickly as possible is an important element of good customer service. Accordingly, SONGWON's management has always fostered good communication throughout the organization and the company's structure facilitates the flow of information. So, it is very easy for the CS team to take advantage of positive synergies between departments which ultimately benefits SONGWON's customers. With strong channels of communication in place, CS is told immediately about delays or any unforeseen issues which enables them to keep the customer well-informed of progress. It also gives customers time to consider how they would like to proceed or whether they want to look for an alternative solution.

By regularly collecting feedback from both internal and external stakeholders, the CS team can measure its performance and identify areas where improvements should be made and processes streamlined. The information CS receives is also shared with SONGWON's management and the relevant departments so that steps can be taken in these areas to improve as well. In 2021, the ongoing COVID-19 pandemic created a highly challenging environment for CS and SONGWON in general. Not only was the global supply chain negatively affected with vessel delays and national lockdowns, the flow of both raw materials and finished goods was also severely disrupted. For our customers facing such ongoing uncertainty, the CS team's proactive service and support was more crucial than ever.

Throughout the year, the CS team increased its efforts to find solutions and sought alternative ways to overcome the challenges so that customers were served in time. In addition, the team tried to help customers to avoid plant shutdowns e.g. due to a lack of raw materials. In response to the ever-changing circumstances, CS also communicated more frequently with customers to keep them up-to-date.

From SONGWON'S 8 CS centers across the globe, our experienced CS team delivers comprehensive service to customers in more than 60 countries, before, during and after they purchase our products. Providing our service offering from multiple global centers allows us to flexibly shift our support and services to alternative locations when required to match those of our customers. Having more centers also increases SONGWON's resilience to any disruption.

In keeping with our ongoing aim to improve our service, SONGWON'S CS activities for the Indian Region, which were previously managed from Switzerland, were relocated in 2021 to Dubai in the United Arab Emirates (UAE). This has resulted in CS being better aligned with the requirements and work processes of SONGWON's customers in the Middle East, Africa and India and has led to enhanced customer service for this region.

One of our central aims at SONGWON is to continually optimize our service offering and streamline processes and activities. In 2021, CS continued these efforts and many internal initiatives were successfully implemented. Looking ahead to the coming year, CS will continue working to further improve and harmonize its processes in order to achieve even more efficiency wherever possible.

### Procurement

### Supporting business goals and continuity

The Procurement team is a strategic partner to our business and plays a key role. Apart from supporting the Group's goals and working to responsibly source a continual supply of raw materials for SONGWON's 8 manufacturing plants, our Procurement team also makes sure that our supply chain remains strong and reliable. Additionally, connecting both internal and external stakeholders' needs with the best supplier solutions possible is one of Procurement's main priorities. 2021 turned out to be an immensely tough year, particularly for our Procurement team. Not only were they confronted with all the ongoing challenges from 2020, many of which became significantly worse in 2021, but these were further compounded by new challenges. Between supply shortages, soaring raw material and logistics costs, great increases in demand for SONGWON's products and COVID-19 impacts, our Procurement professionals had to work harder to support the business and fulfill our strategic goals.

### In 2021, Procurement faced challenges such as:

- delivery issues and shortages of key raw materials in the market.
- new virus variants causing lockdowns, operational disruptions and Force Majeures.
- extreme winter weather conditions in the U.S. in February.
- the blocking of the Suez Canal by a container ship for 6 days in March.
- the electricity restrictions imposed by the Chinese government in September.
- ongoing logistics issues such as vessel space problems, truck driver shortages, strikes etc.

Throughout the year, with their out-of-the-box thinking, the Procurement team sought alternative solutions and provided the business with valuable foresight as well as insight. Working together with Supply Chain and closely with internal stakeholders, particularly in SONGWON's entities, Procurement's contribution was essential to SONGWON reliably delivering products worldwide, wherever and whenever they were needed.

Securing the required supply of raw materials for manufacturing is essential to maintaining our supply chain of incoming raw materials and outgoing finished products. Therefore, having the best, most reliable partners is an absolute must. SONGWON has always sought to work with the most qualified suppliers who are also committed to reliably delivering on time and in line with our standards. Over the years, we have built a strong global network of responsible partners and suppliers.

We always seek to work with suppliers and partners who have the same dedication to the highest sustainability, safety and ethical standards as SONGWON. Procurement makes a point of regularly checking our suppliers' performance by evaluating aspects such as flexibility, reliability, quality as well as key sustainability factors. In 2021, the team closely monitored and checked suppliers' "On Time Delivery" performance every month.

Usually, Procurement also plans supplier site audits but these were postponed again due to the COVID-19 restrictions. However, further strengthen relationships with suppliers, Procurement arranged video conferences to share outlooks and exchange market information. Through close contact with suppliers, the team is able to detect problems at an early stage and react quickly to changes or take the necessary steps to bypass any obstacles. One of Procurement's main priorities is ensuring that SONGWON is well-prepared in advance to face unexpected challenges.

In 2021, the team focused on further diversifying our supplier base and securing alternative and multiple sources in different regions as close to SONGWON's plants as possible. Having such a solid supplier network in place made it possible for SONGWON to benefit from the additional business opportunities arising from unexpected events in the market and to side-step disruptions such as the blockage in the Suez Canal. Furthermore, Procurement communicated on a daily basis with the delivery suppliers they had classified as 'high risk' and immediately shared any key information they received with internal stakeholders.

Procurement's multi-source approach together with the strong relationships with our external partners proved to be especially beneficial this year. For example, when the industries in China were impacted by the government imposed restrictions on electricity consumption, Procurement was alerted in advance about the impending limitations and worked quickly with internal stakeholders and suppliers to implement actions to minimize the impact to SONGWON.

In order to strengthen the Procurement Organization, in 2021, SONGWON's Management integrated the inbound Supply Chain team into the Procurement team. This led to optimized communication and facilitated more real-time feedback and collaboration which positively benefited the business and supported risk mitigation.

# Supply Chain

### Achieving key business goals

As a leader in specialty chemicals with customers, suppliers and operations spread across the globe, SONGWON must maintain a strong and stable supply chain. We know how crucial it is for customers to be assured of the uninterrupted supply of high-quality products and on-time delivery to keep their operations running smoothly and continue serving their markets.

Since the beginning of the pandemic, volatility has become the norm in our global business environment and it has become even more imperative today to ensure that we have an agile and dependable supply chain supporting our operations. The challenges caused by COVID-19 continued right throughout 2021, increasing the pressure on SONGWON's supply chain.

Just as many others in our industry, we faced raw material availability issues and difficulties in securing vessel spaces during 2021. This was further compounded by rapid rises in costs and upsurges in volumes sold. Furthermore, the added strain of local lockdowns and the continually changing restrictions at national borders not only hindered our access to some suppliers but also impeded the flow of raw materials.

Operating in this difficult environment made it important for the Supply Chain team to leverage global processes, standards and capabilities and align them with SONGWON's strategy to become more efficient and effective. Most importantly in 2021, the team focused on doing everything it could to ensure that our integrated supply chain could rapidly respond to the fluctuations in demand, which have increased substantially since the beginning of the pandemic.

In a year categorized by high demand across SONGWON's diverse product portfolio, the Supply Chain team worked closely with the businesses to stay a step ahead of the demand patterns and maneuver inventories across SONGWON's regions. The ongoing logistics crisis threatened supply stability throughout the year. In response, by prioritizing customers' needs, the Supply Chain and Sales teams continued to collaboratively partner to find workable solutions for SONGWON's customers.

During the year, as container shortages became more critical and port closures worsened, it was clear that alternative solutions needed to be found. In order to overcome the lack of available vessel space for products destined for Europe, the Supply Chain team decided to try the Trans-Siberian Rail (TSR). This proved to be a valuable solution and ensured that SONGWON's cargo was successfully delivered on time. This is just one of the many examples of how the team's collaborative efforts supported business continuity and secured reliable delivery to SONGWON's customers in 2021.

Although the team managed the supply chain challenges and continued to greatly support our operations, SONGWON still depended on suppliers for raw materials and on logistics companies to deliver them. Over the course of the year, the team remained in close contact with suppliers and customers to gain visibility into our extended supply chain and be wellpositioned to navigate any unexpected situations more effectively.

With the current uncertainty worldwide, simple and fast communication between the various functions and also with customers is essential to managing any risks to our promise of reliable supply. In line with this, SONGWON has continued to follow its strategy to secure contracts and establish multiple supply sources across different geographies to counteract potential supply chain risks.

Although impacted by the many challenges this year, SONGWON's Supply Chain team improved SONGWON's On time delivery rate for domestic suppliers.

### YTD On Time Delivery (OTD) vs SONGWON's requested date

**Domestic Suppliers:** 

98.3% (target 75%) – producers and distributors with inventory in Korea

**Overseas Suppliers:** 

49.1% (target 75%) – impacted by COVID-19 pandemic lockdowns and less vessel space In 2021, to foster closer communication throughout the organization, SONGWON's management revisited its end-to-end supply chain structure and made important improvements to fit it better to the global organization. To allow closer cooperation between functions and better visibility over inventory availability, supply planning, production planning and the international supply and logistics function for the Korean organization were all brought under the umbrella of SONGWON's Global Operations. In addition, to facilitate harmonization in the regional processes and optimize interaction with the manufacturing sites, SONGWON's regional supply chains and customer service functions were brought together under the umbrella of Global Supply Chain.

As the supply chain functions cater to the needs of multiple business units across many geographies, harmonizing processes throughout the organization while keeping the right balance of efficiency and customer focus is essential. Looking ahead, SONGWON aims to continue implementing significant automation in the work processes, with harmonization being the first step.

### In 2021:

- The frequency of communication from production to the regional supply chain functions was increased to stay up-to-date with the supply situation so that regional decisions could be made at short notice.
- Regional supply chains worked closely with shipping partners and informed customers in time about possible delays so alternative solutions could be created.
- Global customers sourcing SONGWON products directly from Korea, received real-time updates on their shipments.
- The monthly planning process was improved to allow structured discussions between Business, Supply Chain and Operations.
- The structure of the supply chain function was optimized to fit the evolving needs of the business.
- Process improvement initiatives were implemented within Supply Chain aimed at achieving the global harmonization of regional processes and automation.

# Research & Development (R&D)

### Developing value-adding solutions

Right from SONGWON's foundation in 1965, maintaining excellence in R&D has been imbedded in our company's DNA. It has been the driving force behind SONGWON's success and our ability to offer one of the broadest portfolios of high-performance solutions in the industry today.

As our customers' needs become more highly specified and complex, we know that it is more essential than ever to continue to offer a wide range of highperformance products that meet both the current and future needs of our customers and markets. Ensuring that we have strong R&D at the core of the company allows us to stay on top of trends and keep an eye out for new developments.

To ensure that SONGWON remains competitive in today's challenging environment, SONGWON's management fully supports this focused innovation approach and sees it as the key to keeping the company a step ahead in the industry. The management continually makes sure R&D has the necessary resources and conditions to continue providing essential strategic support, innovation and technology across the organization.

The R&D team's close collaboration with the business functions provides the researchers with a clear picture of the market situation, the diverse requirements of SONGWON's broad customer base and the wide range of industries we serve. Throughout 2021, the R&D team continued its endeavors to expand SONGWON's offering by supporting the continual growth of the organization with its comprehensive expertise. The R&D team's commitment and solution-oriented method of working is a main contributor to SONGWON achieving its aim to become our customers' partner of choice.

This year, the R&D team brought 10 products from lab process development to production and achieved a scale up success rate of over 90%. During 2021, many more ideas emerged which are currently in the research and development stages or the scale-up phase. When implemented, all of these products are expected to lead to real business in 2022 and beyond.

### In 2021:

- 10 new products were launched
- 13 new products are under scale-up testing
- 15 products are in the incubation stage
- 9 new patent applications were filed
- 43 patents are currently held by SONGWON

In 2021, the R&D team focused primarily on new product development for SONGWON's BU Specialty Chemicals. To support the effective management of electronic chemicals, ensure quality and resolve any technical issues, an electronic chemical Task Force Team was established which included members from the relevant departments. By effectively cooperating with both internal and external stakeholders, the R&D team was able to take advantage of the high synergy effect to achieve high value for SONGWON.

#### The team successfully:

- started full-scale commercialization of electronic chemicals.
- secured the technology and expansion of polymer production capacity for semiconductors.
- established a facility and testing environment for electronic chemical development in semiconductor applications.

R&D at SONGWON is structured so that the research process is standardized, the best level of flexibility is achieved and exactly the right competence and expertise can be provided where it is needed. In today's world it's very easy for people to become more dependent on external information than on their own self-acquired experience. To counteract this, R&D's processes are designed to increase technology expertise and encourage continual questioning so that simply relying on already available external information is avoided. For SONGWON, supporting continuous learning and promoting a positive learning attitude are important for improving R&D resources and developing our researchers' competency.

Since opening in 2017, the Technology Innovation Center in Maeam, Korea, which houses R&D, TAD and Technical Service, has enabled SONGWON to translate the needs of the market into innovative product solutions quickly and efficiently. This state-of-the-art facility has also greatly supported the organization's ability to leverage the synergies among various functions involved, consolidate SONGWON's technologies and support the complete development of new products from the design phase to final customer applications.

Each year improvements are made to the center to continually optimize the research environment for the teams and build up SONGWON's technology capability so that even higher quality technical results are achievable. In 2021, the R&D Center prepared an experimental and analysis system to better satisfy customer requirements. During the year, SONGWON'S R&D has developed semiconductor related materials such as photoresist monomers and polymers, the core technology in the semiconductor process. Semiconductors are fundamental to the 4<sup>th</sup> industrial revolution and make AI, IoT, Cloud computing, Big Data, Autonomous Vehicles and Smart Factories possible. R&D's recent technology developments are aimed at bringing SONGWON in line with the industrial mega trend.

Going forward, R&D will be focusing its efforts on supporting SONGWON's backward integration by developing key raw materials with our in-house expertise from laboratory to industrial scale production to meet demand. In turn, this will lead to the development of new high-quality products and open up additional application fields.

#### In 2021, R&D helped to strengthen the competitiveness of the businesses by:

- supporting SONGWON to manage customer requests with agility.
- contributing to SONGWON's future growth through process improvements.
- developing and commercializing new SONGWON products and solutions.

## TAD & Technical Service

## Application expertise & optimized support

In order to meet today's demanding performance requirements and comply with safety standards and industry regulations, customers are looking beyond innovative solutions to comprehensive application support and technical service.

Understanding customers' challenges and discovering ways to contribute to their success is a priority at SONGWON. Combining our innovative strength, high technical competence and many years of experience makes it possible for us to transform customers' product development ideas into tangible business outcomes accompanied by best-in-class support. Over the years, this customer-focused and collaborative approach has contributed to giving SONGWON a strong competitive advantage.

SONGWON's management ensures that Testing & Application Development (TAD) and Technical Service (TS) are always well-positioned to meet the needs and sustainability goals of customers and to keep on top of the trends and demands in the markets SONGWON serves. Consequently, our TAD and TS teams have all the required expertise and resources needed to help customers achieve maximum levels of performance as well as obtain the best value from their SONGWON products.

Based in SONGWON's Technology Innovation Center in Ulsan, South Korea, our industry experienced and highly competent TAD and TS experts work closely together and across SONGWON's global business to capture and capitalize on the most valuable opportunities for the company while offering best-inclass support. In 2021, in response to the limitations resulting from the global pandemic, the TAD and TS teams made a point of focusing on improving their processes as well as the services they provide to customers.

#### In 2021, TAD continued to:

- increase the level of collaboration with customers.
- expand its testing support by optimizing processes.
- improve lab safety.
- seek more response to customer efficiency.
- speed up the generation of key promotional data.
- strengthen application development know-how and experience.

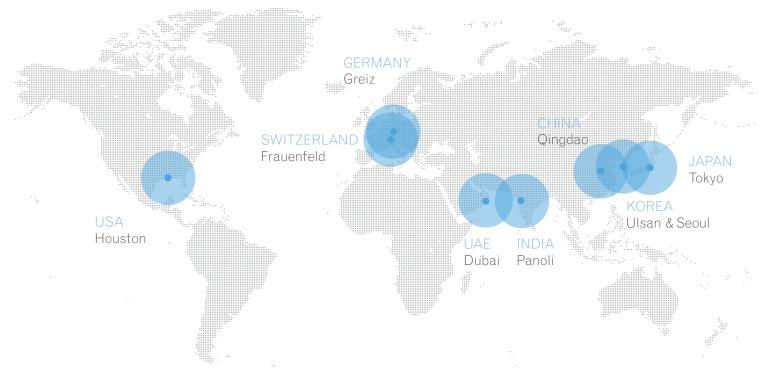
### Global Testing & Application Development (TAD)

Our TAD team leverages its extensive development expertise and experience to match SONGWON's technical application know-how to customers' requirements. Having its base in the Technology Innovation Center, it benefits greatly from the close collaboration with TS and R&D and has a key role in gaining approvals for SONGWON's products as well as for specific applications.

This year, TAD's efforts were facilitated by the organizational changes implemented in 2020 as the work of the coordinators appointed to each of SONGWON's Business Units (BUs) became fully effective. Acting as a contact point for internal and/ or customer projects, the coordinators have further strengthened the valuable connection between TAD and the business. Most importantly, they have successfully aligned the various application development initiatives with the strategies of each of SONGWON's BUs.

#### **CLOSE-TO-THE-CUSTOMER EXPERTISE**

We have always aimed to be right at hand to offer customers the best level of technical support wherever they are in the world and whenever they need it. SONGWON has 9 strategically placed support centers across the globe.



## Technical Service (TS)

SONGWON's TS experts are committed to building close relationships with customers and gaining indepth insight into their specific needs. With their technical know-how and experience, they make sure that each customer receives the most ideal SONGWON products for their unique application areas and can unlock the most value from them long after purchase.

Working closely with TAD, our TS experts are invaluable to SONGWON. As business enablers, they function as key facilitators between SONGWON's customers, our sales teams and our internal organization – Business Management, Manufacturing, R&D and TAD. In addition to offering the best level of technical support to customers, TS are in a position to identify potential market segments and also areas where SONGWON's existing products can be improved. Acting as business developers, they drive project efficiency by sharing this key information with the other functions and provide guidance for optimizing processes as well as promoting idea generation.

As the pandemic continued in 2021 and travel remained restricted, the TS team turned to new ways of remaining in close contact with customers. Apart from the usual calls and online meetings, the team organized webinars for global customers, particularly those newer to the industry to introduce them to the initial steps of stabilization. The 1st one: "Light Stabilization with Hydroxybenzoates in Polyolefins" was held in the middle of the year and the 2<sup>nd</sup> webinar, "Polypropylene degradation and stabilization" took place in the latter part of 2021. The TS team continued to actively participate in PCEP (Polyolefin Circular Economy Platform) throughout the year and was also able to present at the AMI Polyolefin Additives 2021 in October in Berlin, Germany where it promoted the SONGXTEND® 1106 antioxidant, designed to significantly improve color stability in Cr-type HDPE resins.

In 2021, to better understand customers' needs and perceptions, the TS team carried out a strategic review which included a voice of customer survey. In addition, the team also looked at ways to improve its response times to requests and a dedicated email address (techservice@songwon.com) was created to channel all technical customer enquiries.

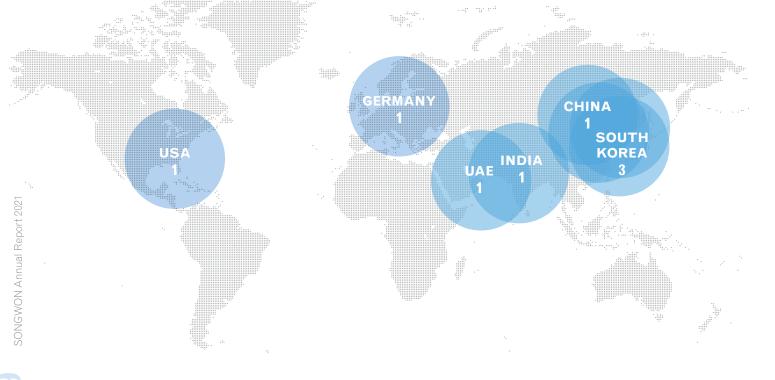
## Manufacturing

## Committed to high-quality and reliable supply

We are proud of our manufacturing heritage, stateof-the-art facilities and of our ability to produce such a broad range of high-quality products. Our years of manufacturing process experience, proprietary technology and backward integration are core strengths and keys to our success. They provide us with a solid foundation for maintaining SONGWON's leading position in the industry and support our growth ambitions.

SONGWON operates in a highly competitive and demanding industry which has become even more challenging due to the uncertainty and volatility caused by the COVID-19 pandemic. This year, we were confronted with unexpected surges in volumes sold, difficulties in sourcing raw materials as well as soaring logistics costs and delays. However, on the back of the improvements successfully implemented in the past years, we were able to navigate the challenges, continue to drive SONGWON's strategy of optimization and demonstrated resilience in manufacturing during 2021. SONGWON has 8 manufacturing facilities strategically placed across the globe which are all fully equipped with the latest technology. This ensures that we are in a position to offer the same high production quality levels to our customers wherever they are in the world. Continual investments in leadingedge technologies every year not only secures SONGWON's competitiveness but also provides us with the necessary agility to align our manufacturing capacities with our customers' demand and delivery requirements. This ability to provide our customers with global capacity assurance, operational flexibility and supply reliability are key elements to ensuring SONGWON's long-term success.

#### SONGWON has 8 state-of-the-art manufacturing facilities



Apart from scheduled, required maintenance and despite supply chain issues greatly impacting the flow of raw materials, SONGWON's production sites continued to run at high utilization rates without disruption in 2021, just as they had in the previous year. Furthermore, supply reliability was maintained by aligning our capacities to demand despite unexpected fluctuations.

This year, total production volumes had risen by 17% compared to 2020 despite the instability of raw materials supply and the great volatility in product demand caused by COVID-19. Working together and combining their experience, all the teams were able to match this rise with production which confirmed SONGWON could still deliver the stability and reliability of supply even under such unprecedented circumstances.

#### SONGWON's manufacturing strategy is focused on:

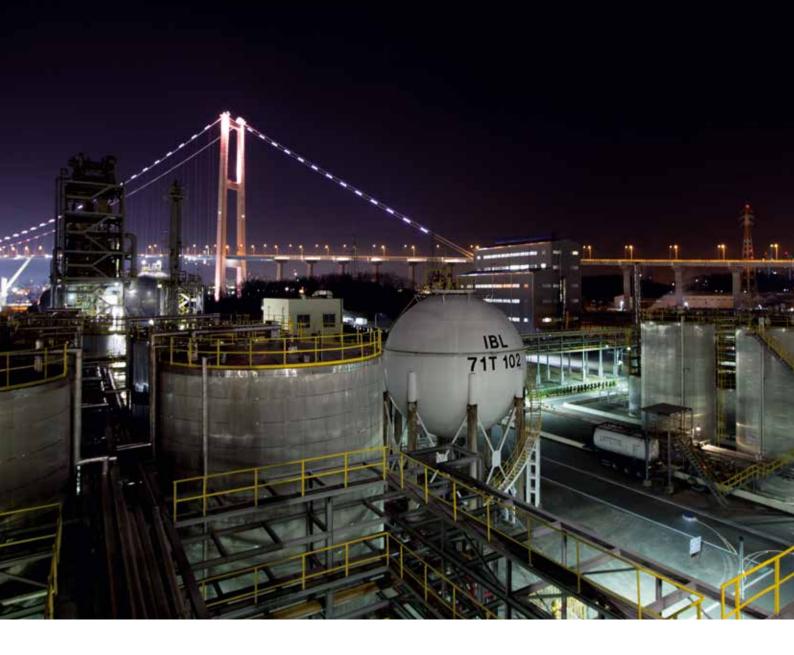
- ensuring reliability of supply to customers.
- delivering the product quality that matches customers' needs.
- remaining flexible and well-prepared for changes in demand.
- leveraging SONGWON's manufacturing know-how.
- optimally utilizing assets to produce economies of scale.
- seeking to achieve more environmentally responsible production.
- maintaining healthy and safe manufacturing facilities.
- managing increasing volumes by implementing automated systems for more efficiency.

To maintain SONGWON's strong position in the market and our reputation for manufacturing quality, we regularly invest in and adopt new, even more efficient processes, automation and technology to further strengthen SONGWON's operations and lower costs. But also to minimize the use of natural resources, better our safety performance and ultimately reduce the organization's environmental footprint. In 2021, to respond to the stricter regulations related to waste, the Manufacturing team conducted more accurate analysis of waste generation data and cooperated with an external partner to explore ways of recycling from waste to raw materials.

In 2021, more improvements, facility rationalization and automation at our plants was implemented which increased the effectiveness and efficiency of our manufacturing processes. Our efforts were recognized this year with a gold rating by EcoVadis and we obtained a higher rating from KOSHA (Korea Occupational Safety& Health Agency) after they conducted a PSM audit at our Ulsan plant.

We have a dedicated and experienced manufacturing team, some of whom have worked for SONGWON for many years. It is their experience, flexibility and commitment combined with our rigorous EH&S culture that have made it possible for SONGWON to continue reliably producing and supplying the quality products our customers have come to expect over the years. Throughout 2021, the team has worked tirelessly to respond to the rapid, unforeseen changes in demand and to manage the unprecedented challenges they faced this year.

With demand uncertainty, the need for more customization and faster production expected to continue, SONGWON will focus on streamlining processes in 2022 as well as implementing more automation, improving chemical yields and seeking ways to further reduce our environmental footprint. Furthermore, to ensure business continuity, the work to increase the capacities of several product lines will continue and SONGWON's new electronic chemicals production line is expected to come online in the 1<sup>st</sup> guarter of 2022.



## Manufacturing activities in 2021

### Installed

- additional technologies to increase capacity and yield
- more automation in the plants
- new equipment in the wastewater treatment plant
- optimized operation processes to achieve more efficiency

### Improved

- the general working environment at the wastewater treatment plant
- efficiency in packaging facility
- SONGWON's KOSHA grade during PSM audit
- work environment safety by eliminating hazards

### Reduced

- greenhouse gases by switching to renewable energy sources
- electricity consumption with better systems

#### Increased

• facility utilization and achieved the highest production volumes

### Conducted

 successful demonstrations of new products in Pilot plant

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## Quality Assurance (QA)

### Committed to the highest standards

For us, Quality Assurance (QA) is not just limited to controlling the quality of products before shipping or simply ensuring that SONGWON obtains the necessary certifications. It is a systematic approach involving a complete attention to detail, the alignment of process improvements and the continual application of best practices. At SONGWON, it is also about supporting the QA efforts of our customers from their operations to their finished products.

QA is embedded in SONGWON's company policy and supervised at the highest level of the company. By establishing the necessary environment and supporting synergy throughout the organization, SONGWON's management supports the drive to continually improve our products, services and processes. Furthermore, the management makes it clear that quality isn't just something for our QA experts, but that it depends on the performance and dedication of each individual working for SONGWON. In this way, they ensure that quality is a "way of life" for every member of SONGWON's global team and that it is always at the forefront of everything we do.

Responsible for making sure that SONGWON can maintain and offer the highest level of quality, the QA team's work is crucial to the success of the organization. Each member of our team has a sound technical background and in-depth experience. Skilled in the latest methodologies, QA tools and best practices, the team is involved in all aspects of the supply chain and ensures that SONGWON's products meet the stringent specifications demanded by the industry. In this way, QA makes it possible to achieve quick turnarounds and faster time-to-market for SONGWON's products. In 2021, in addition to working on ensuring product quality, the QA team shifted its focus and applied its support to countering the impacts of the global pandemic on supply chain. The current logistics and supply chain issues are expected to continue into 2022.

One of the QA team's main aims is to do as much as possible to reduce the number of customer complaints SONGWON receives overall. In 2021, the team achieved a 33% reduction in the number of customer complaints related to production. The result highlights the success of QA's continuous improvement activities over the past few years and the effective corrective actions which have been implemented in operations. Compared to 2020, the team also achieved a 10% reduction in complaints overall despite the increased number of customer complaints related to logistics and supply chain which were mainly caused by higher shipping volumes and the logistics disruptions worldwide throughout 2021.

Since first obtaining ISO certification in 1995, SONGWON has a rigorous set of operating procedures in place and extensive, well-documented quality control measures. ISO certification demonstrates our uncompromising commitment to quality and improving SONGWON's operations so that we are able to consistently continue to meet the customers' increasing expectations and changing needs. ISO sets out the criteria for a quality management system (QMS) based on several quality management principles which include: strong customer focus, processes, and continuous improvement. Such certifications also highlight to customers that their requirements for quality and sustainability are a key priority for us.

To make sure that SONGWON offers consistent quality, we continuously adapt our QMS to the new requirements created by the business or operations. Each year, SONGWON's Business Units launch new products to new industries and customers. QA prepares the required documentation, supports the businesses with the product launch and implements the necessary new processes in our QMS with the aim of achieving more efficiency. Adapting processes and documentation as well as training employees accordingly is an ongoing activity at SONGWON.



SONGWON's commitment to the highest levels of quality assurance also extends to our business partners. We place value on building strong collaborative relationships with suppliers and by conducting supplier audits for the business helps us to confirm that our rigorous QA requirements are understood and met. In 2021, due to the COVID-19 restrictions, the QA team conducted its customer and supplier audits via video calls. Although this supported compliance, it was also limited and so QA is planning on-site audits again as soon as it is possible.

In 2021, the QA team continued to work on its longterm strategy to implement other processes and other document types to SONGWON's online QMS system. We know how important it is to have, as well as maintain, an agile QMS system. Keeping it simple and removing the complexity whenever possible is a key driver to more efficiency. SONGWON works with a global QMS. All the core processes and major support processes are globally designed and ensure that all interactions with the relevant departments are standardized. The global QA team closely collaborates and coordinates with the regional QA organizations to ensure that everyone is working with the same agreed processes.

During this year, the QA team began designing and testing improvements and additional functions for the Quality module for the new ERP. The team plans to wrap up the testing stage by the end of 2022 and when completed, the improved ERP will be rolled out to all the sites and entities. This important upgrade will help to globally align the database and standardize SONGWON's local QA processes. Achieving a common QC/QA data base will increase transparency, bring more efficiency to the monitoring and facilitate the analysis of quality related data.

## Regulatory Affairs

### Committed to compliance

Regulatory Affairs is a fundamental part of SONGWON. In order to operate in our industry, it is crucial for us to adhere to the various laws and regulations in each region. Implementing effective regulatory affairs management provides us with a baseline for meeting stakeholders' expectations and assures our customers that SONGWON's products are fully compliant. Demonstrating strong regulatory affairs management also highlights our commitment to operating as a responsible organization.

For us at SONGWON, our commitment to compliance is reflected in all of our business activities and deeply embedded in our culture. We are driven by our responsibility to ensure that we abide with global and regional standards, laws and regulations in everything we do. We understand that ensuring compliance is not only essential to SONGWON's operations but also to those of our customers and our Regulatory Affairs team's role is fundamental to this.

Product compliance and product stewardship activities at SONGWON have been also systematically built into the company's core business processes by the management. In doing so, they have made sure that SONGWON's regulatory professionals are involved in new product development right from the beginning – from R&D's stage and gate process, the budgeting and strategic planning stages, as well as the Stock Keeping Unit (SKU) set up process.

In 2021, Regulatory Affairs' role was further strengthened by linking product regulatory compliance even more closely to SONGWON's internal business processes. A dedicated Regulatory Affairs manager was appointed for each business to increase the level of support at all stages. This facilitated more productive collaboration between the businesses and Regulatory Affairs throughout the year and led to more frequent exchanges on daily matters as well as strategic discussions on the future of current and new products. The Regulatory Affairs team members also participate more frequently in leadership meetings and their support of key functions such as Procurement, Finance and Supply Chain has proven very valuable to SONGWON especially amid the current uncertainty overshadowing the business environment.

Each year, as the number of regulatory requirements and regulations in the regions SONGWON does business increase and become more complex, Regulatory Affairs must keep on top of the challenges to ensure SONGWON remains compliant. Despite facing additional challenges in 2021, our Regulatory Affairs professionals continued to successfully meet SONGWON's compliancy commitments and also the regulatory needs of our customers.

## Current and future challenges facing Regulatory Affairs:

- UK REACH rules came into effect in 2021 after the UK left the EU.
- Brazil, Colombia, Mexico, India, Israel and others currently have draft proposals for new chemical control regulations to be enforced within the next several years.
- Worked to meet the first K-REACH registration deadline for existing substances >1000 ton/year.
- Due to the increasing cost of testing, more companies are assessing how viable it is to maintain their existing chemical substances in smaller markets.
- Greater costs and time to gain regulatory approvals is hindering the development and commercialization of new substances.
- Increased emphasis on sustainability has resulted in the demand for more transparency from suppliers about the content of the substances' trace concentrations, longer "black lists" (prohibited substances) and a demand for ISO Environmental Health or Safety certifications.
- More of the concerns and questions received by suppliers down the supply chain are filtering back to the suppliers of the basic chemicals used in making the products.

Throughout the marketplace, customers are seeking suppliers who do more than just comply with minimum regulatory requirements. They want to do business with suppliers that not only meet the quality, price and delivery terms but with those who are making headway to improve their products' sustainability and reduce their environmental footprint. The market driven deselection of chemicals is still moving faster than the regulatory processes. For this reason, it is more important than ever for SONGWON to remain as agile and up-to-date as possible.

One of Regulatory Affairs' priorities is making sure that our customers can continue to meet their environmental, health and safety goals with confidence knowing that they are using products that comply with both global and local regulations. In addition to this, we also see it as our responsibility to provide customers with comprehensive support on the complexities of compliance, registration and certification. SONGWON's management is responding to the global demand for more sustainability by ensuring that the Regulatory Affairs team has the required resources in place to support the ongoing development and production of more efficient and safer chemical substances.

We want our customers to know that we make every effort to ensure that SONGWON's products are compliant within the required deadlines. We also regularly provide customers with updates on the substance registration processes and aim to keep them informed. Our Regulatory Affairs team also supports SONGWON's businesses, and our customers, by being well-prepared for future regulatory changes. One of the ways the team stays ahead is to proactively anticipate forthcoming regulatory developments by participating in relevant industry associations and by working together with industry experts and competitors.

## **2021 Regulatory Affairs highlights:**

### **EU-REACH:**

2 new registrations submitted, 1 tonnage band updated and 2 minor dossier updates done

### K-REACH:

35 registrations were successfully completed

### **EAEU REACH:**

22 substance notifications were submitted to the Russian inventory

### **UK-REACH:**

all imported products were notified and DUIN<sup>1</sup> received

### **Turkey REACH:**

(pre)registration(s) and SEA notification(s) of substances in all products placed on the TR market

### **EU / AU / KR / CN:**

several physicochemical, toxicological or ecotoxicological studies were run to complete registration dossiers

<sup>1</sup> Downstream User Import Notifications

Providing our customers with the knowledge and information they need to use SONGWON's products in their applications safely and in accordance with relevant regulations and requirements is crucial to us. In our industry, it is common practice to provide customers with a range of key product documentation such as the specification (CoA), a technical data sheet (TDS) and a safety data sheet (SDS). At SONGWON, we provide an extra regulatory data sheet (RDS) which gives an overview of critical global product regulatory approval information which is well-received by our customers. We also fulfill EU-REACH requirements by creating an eSDS for each hazardous substances of > 10 ton/year. In 2021, Regulatory Affairs focused on improving its systematic approach to better manage, share and archive regulatory documents internally. In addition, the team has begun the process of setting up a shared mailbox (regulatory@songwon.com) for customer questions to provide Regulatory Affairs with a better overview, allow the easy sharing of results and to serve as a backup in case of absences. It should be fully available to the team in 2022.

At SONGWON, we have always fully supported compliance with both existing and upcoming regulations. Each year, we are getting better and better at ensuring compliance is truly integrated into the very core of our operations. Going forward, the Regulatory Affairs team will continue seeking newer and even better ways to manage and ensure compliance for SONGWON and our stakeholders across all the regions.

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#### In 2021, Regulatory Affairs:

- issued new SDSs for 160 new products.
- updated 520 SDSs for existing products.
- produced 1 new eSDS and updated 3 eSDS
- completed 1000+ SDS translations.
- created 15 new RDSs
- updated a total of 52 RDSs.

## Our People

### A committed global team

SONGWON was built by a strong team of skilled and talented individuals. Our people are the drivers of SONGWON's leading industry position and ensure long-term customer loyalty. All of our employees working across the globe place the highest expectations on themselves and are committed to giving 100% to the organization, our customers and the industry. The combination of SONGWON's global reach, personalized approach, years of experience and local knowledge has made our organization what it is today and enables us to sustain our competitive edge in the industry.

Representing 36 different nationalities, our people's diverse backgrounds are an asset to our international operations and with their many perspectives, they play an invaluable role in helping us to better understand and serve our global customers. Successfully working across the business and across borders, SONGWON's global team is united in their dedication to sharing ideas and applying their skills and expertise each day to benefit the organization. The mix of talents and expertise we have on board also fosters the entrepreneurial spirit and collaborative culture that exists within our global organization.

Ensuring the health and safety of our people and other stakeholders has always been one of our top priorities. Since early 2020, every aspect of our daily lives including how all of us work has been affected by COVID-19. Right from the start of the pandemic, SONGWON's management and HR quickly implemented measures across the organization to minimize the risk to our people, customers and operations, ensuring best practices and guidelines from governments and health authorities were followed. During this time of uncertainty, understanding how crucial clear communication is, SONGWON's CEO regularly informed the global team throughout 2021 about the latest COVID-19 developments. The CEO also emphasized the importance of complying with the government safety and hygiene rules in the various regions. The health and well-being of our employees is of great importance to us.

Accordingly, we endeavor to maintain an ideal and safe working environment at SONGWON that enables our employees to master the challenges of today's working world. It's important for us that everyone working at SONGWON is able to concentrate on their tasks at hand and feel well taken care of at the same time. We know that only a dedicated, healthy and loyal workforce can secure long-term success for SONGWON.

In addition to the CEO's messages, the team leaders provided frequent updates and supported their team members in adjusting to the new virtual way of working. During unprecedented times, we know the increased value and positive impact of effective external communication. In order to learn more about the challenges confronting SONGWON's customers, all of our teams remained in regular contact with them during the year and offered targeted support where it was needed. Throughout the year, SONGWON's people also continued to successfully build on key relationships and most importantly identified areas where SONGWON could do more.

#### HR's key focus areas in 2021:

- planned and prepared Performance Management System (PMS) improvements,
- focused on maintaining a safe work environment.
- ensured regular communication to employees across all entities.
- implemented internal trainings on the Learning Management System (LMS).
- harmonized HR standards and procedures throughout the entire SONGWON Group.
- offered special trainings and skill-building support through language/job specific courses.



We are proud of the talent we have at SONGWON and support the development of our people. We know that investing in them while fostering a positive, proactive culture is key to good business outcomes and leads to further success. SONGWON has always been committed to helping our global team members realize their maximum potential. Although very limited by the COVID-19 imposed restrictions, HR still aims to make sure that our employees have the chance to continually learn, share their knowledge with each other and use their experience to make valuable contributions to SONGWON.

Apart from the challenges the pandemic has created, SONGWON has seen the pace of change increasing rapidly with each year, whether in relation to customer demands, our business landscape or technology. For this reason, and as we grow and expand into new areas of business, it is necessary for our people to also master new skills, processes and approaches at a faster rate.

Fully aware that learning is the key to SONGWON remaining both competitive and relevant, we cultivate an attitude across the company that embraces constant learning, growing and striving to do even better than yesterday. Comprehensive on-the-job training provides all of our people with the hands-on experience they require to advance their skills, as well as the knowledge they need to perform their best.

In 2021, the various businesses conducted knowledgeenhancing trainings and webinars to ensure that particularly newer members to SONGWON's team were fully up-to-date with our most recent products as well as the current market information. Furthermore, we have established a learning platform at SONGWON which allows employees to access learning content from anywhere, at any time.

SONGWON also has an employee exchange program which has had to be paused at the moment due to the pandemic. It was developed to give employees the opportunity to work alongside another SONGWON team in different countries and cultures. In addition to providing insight into other work environments, it supports cultural understanding. The program also gives employees the opportunity to strengthen their language and international business skills.

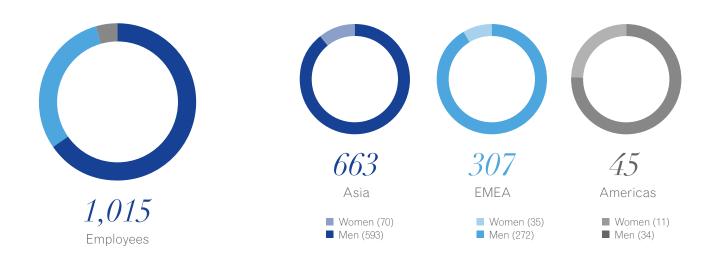
This experience of getting a chance to familiarize themselves with different ways of doing things and building stronger ties with other global team colleagues also benefits the local colleagues when the employee returns to their SONGWON base location. Over the years, strengthening the communication between locations and promoting the sharing of best practices has proven valuable to SONGWON on many levels. Most importantly, it helps us to establish a global mindset and build on our diversified culture.

Together with SONGWON's management, HR supports and encourages an entrepreneurial spirit and collaborative culture at SONGWON. By establishing the environment and conditions for our people to take pride in what they do and to contribute to fulfilling SONGWON's strategic targets is also a driver of our success. It's HR's aim to always make sure that our employees are engaged and continue to be driven by measurable results.

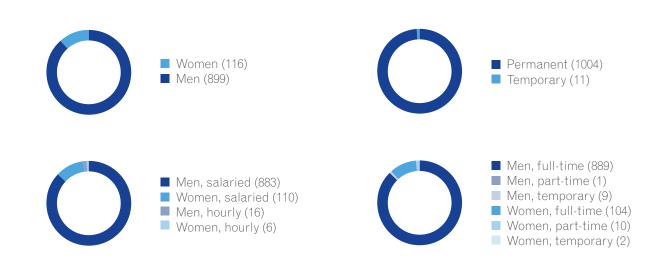
Fully aware that personal development is an integral part of employee satisfaction; our performance review system (PRS) is an important contributor to this. With this system in place, we endeavor to provide our people with the support they need to realize SONGWON's strategy, targets and growth ambitions. At SONGWON, we motivate and develop each individual by setting clear targets, aligned to SONGWON's organizational goals, and then assessing performance against clearly defined leadership expectations and measures.

Fully aligned with this, SONGWON's HR philosophy is built around acknowledging the important role each employee plays within our organization and the way in which they add value to SONGWON. The PRS process at SONGWON provides both context and purpose for each employee's area of work and helps them to clearly understand the scope of their contribution to the global team and to SONGWON as a whole. The overall aim of SONGWON's PRS is that the results and discussions provide 2-way feedback between managers and employees that is fair and accurate, as well as supporting development for both.

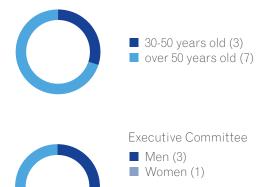
As well as investing in and developing the skilled employees we already have within SONGWON, we continue to hire talented people. SONGWON's HR strategy is to hire the best person for the job and give them the environment to thrive. To ensure that the organization is well-placed to meet customers' needs, SONGWON offers a workplace where our employees are guided to focus on common outcomes and inspired to improve. This approach has been the foundation for SONGWON reputation as an attractive employer.



In 2021, 11 women took parental leave and 10 women returned to work.



### BOD & Executive Committee



BOD Men (6) Women (0)

Employees by gender	Left*	Hired
Total	99	59
Men	77	44
Women	22	15
Employees by age	Left*	Hired
Total	00	
lotal	99	59
> 50 years	36	59 2

\*Departures due to the divestment of SONGWON's shareholding in Qingdao Long Fortune Songwon Chemical Co., Ltd. are not included.

## SONGWON's Global Team

Irish		Dutch		
	British		German	
	Belgia	n Luxembou	urgich	
	French	Swiss	Polish	
	riencii			
			trian Belarus	ian
Port	uguese	Italian Maltese	Romanian	
American		Jordanian		Chinese
Mexican	Egyptian		امعم	
	0.11	rakistani		
Salvadorans Venezuelan		Arab		Japanese
Venezuelan		Indi	an	
			Taiwanese	
Columbian	Niç	Jerian	_ankan	Filipino
			Malaysian	тирню
Chilean		Ugandan	Singaporean	
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For HR, seeking out the "best" for the job at hand means more than attracting people with the right qualifications and experience. It involves finding people who share SONGWON's key values, contribute to our diversity and add to our multi-cultural environment. At SONGWON, our people work with customers and colleagues from different cultures throughout the world. As a leading global organization, operating in such an international and dynamic environment requires open-minded, collaborative thinkers who are versatile and can adapt to the changes and manage challenges.

## At SONGWON, we:

#### provide

an environment for sharing & collaborating.

#### support

creativity & entrepreneurial team spirit.

enable people to take responsibility.

value diversity & unique perspectives.

encourage further development & learning.

acknowledge hard work & achievements. At SONGWON, we know the value of leveraging a local manager's inherent understanding of the culture of both employees and customers. To hire for mid-to lower level positions, we do our best to recruit from inside SONGWON. HR's priority is to always fill a position with the best person for the job but our aim is to hire from within wherever possible. We apply a similar approach to filling senior management positions.

SONGWON sees being a successful organization as more than just performance and achievements. For us, success means also acting in a responsible, ethical and law-abiding way. We make sure that every employee understands that they are personally responsible for complying with all SONGWON's principal company values and ethical principles provided in our Code of Conduct, as well as with external laws, rules and regulations.

We comply with regional and local laws and regulations and are dedicated to providing a working environment which encourages people of all backgrounds and beliefs to work well together with tolerance in the pursuit of common goals. We place great importance on treating all of our employees with fairness. Most importantly, at the core of our organization is an inclusive culture which focuses on fostering diversity, respecting human rights, offering equal opportunities and supporting nondiscrimination. It has always been important for us that our employees are engaged and proud to be part of a global organization that maintains the highest standards of integrity and protects its people, assets and reputation.

Each year, HR plays an increasingly strategic role in helping to support SONGWON's business performance and success. In response to all the challenges of 2021, the team is looking at where it can increase HR's overall effectiveness and further optimize to better align HR efforts with SONGWON's goals going forward.



# Sustainability Report

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## Sustainability Statement

## Building a sustainable business for the future

Considering market environments, opportunities and risks (environmental, societal) and the pace of technology trends, it is crucial for us to closely monitor developments in the industry and anticipate new requirements. To us, sustainability is more than just "going green". It's about building a sustainable business for the future.

The strategic objective is to create lasting value by managing operations, innovation and business practices to meet the changing demands and sustainability requirements of our markets, our shareholders and society. Our ability to develop innovative technologies to meet these challenges, conserve resources across our value chain and contribute to the circular economy enables us to maintain our reputation and prepare our business for a solid and sustainable future.

SONGWON's success this year can be attributed to our ability to remain agile on the back of our efficient global processes, our broad portfolio of high-performance products as well as our competent teams who proactively manage the challenges.

### Increased awareness

In society, for our customers and the plastics industry, sustainability awareness is increasing. This means to us that:

- on the one hand we are continuing to explore plastics recycling and confirm the aim to support the circular economy, e.g. trough polymerrecycling.
- on the other hand, we are aware of the importance to develop new technical solutions, putting an emphasis on sustainable products that increase the long-life value of the end-product.

### Customer focus

The global SONGWON team is committed to using its expertise to the benefit of the customers. By creating sustainable value and achieving economic advantages through proprietary technology, economies of scale and backward integration, we want our customers to overcome challenges and gain competitive advantage. It is essential for both SONGWON's Divisions – Industrial Chemicals and Performance Chemicals – to act from an agile, market-oriented perspective. We place great value on our customer-engagement:

- by strong channels of communication.
- by engaging actively / permanently with our customers; we implemented a process for tracking customer inquiries and requests.
- through a high performing, newly expanded distributors network.
- by a highly reliable supply.
- with 8 Customer Service Centers worldwide .
- by a market-oriented Technical Service (9 Centers worldwide).

## Innovation drives sustainable solutions

Using our innovation drive, we can deliver sustainable products and solutions to help our customers address a wide variety of issues relating to the design, performance, recycling and lifecycle of plastics.

- We recently launched a coating on a water-based solution, to avoid the use of solvents. Polymer stabilizers protect polymers from heat and light degradation, during processing. They ensure that plastic end-products retain their mechanical and physical properties, while in use they extend lifetime.
- PVC additives promote sustainable value in numerous applications, impart excellent heat stability, anti-weathering properties, flexibility and durability to PVC plastic end-products.
- Use of recycled PE for packaging (up to 50 %); new SPU products in inks and adhesives for more environmentally friendly, solvent-free adhesives for packaging.
- In the field of electronic materials, among the high value products developed, is the monomer, EAMA (Ethylhexyl Methacrylate), a raw material for ArF (Argon Fluoride) photoresist polymer needed in the semiconductor manufacturing industry. Developing and providing solutions for semiconductors, as they are a critical key material for many industries today, due to shortages and high demand.

We perform **LCAs** (life cycle assessments) as we know how important it is for all plastics value chain players to contribute to a circular economy and continue working on solutions that consider the entire lifecycle of plastics.

## Circular economy

Circular economy remains an important issue, namely to us as a global company. Time is a critical factor. Measures and initiatives are already implemented (page 69). More needs to be done. SONGWON also engaged in new recycling projects with the aim to further increase the ability to recycle plastics multiple times and to contribute to a circular economy. SONGWON is an affiliate member of PCEP (Polyolefin Circular Economy Platform) and is actively contributing with its stabilization expertise to support polyolefin recycling initiatives.

### Reliable supply

We have built a reliable global and local network of sustainably responsible partners by seeking long-term relationships. We select suppliers based on economic indicators, the proximity to SONGWON, but also on good sustainability performance and competitiveness. We care for sustainable sourcing by:

- establishing a TFT (Task Force Team) to monitor the COVID-19 situation and delivery status in each region every day.
- maintaining the safety stocks of raw materials around the globe.
- maintaining close, daily communication with stakeholders (production planning etc.).

### People make our success

SONGWON's people make our success. With their skills, entrepreneurship, and excellent teamwork, they are the drivers of SONGWON's leading industry position, the successful implemented operations and the long-term customer loyalty.

Our employees' health and well-being are of the utmost importance to us. Accordingly, we endeavor to maintain an ideal and safe working environment at SONGWON that enables our employees to master the challenges of today's working world. Only a dedicated, motivated, healthy and loyal workforce can secure SONGWON's long-term success.

## Approach to ESG – Environment, Society and Governance

**SONGWON** wants to create long-term value for all stakeholders and deliver solid returns for shareholders by operating a sustainable business model that addresses the long-term goals of environment, society and governance (**ESG**).



The integration of ESG in its reporting allows SONGWON to make the difference. It is not only about the inclusion of a core set of global metrics for NFI (non-financial information) in the mainstream reports, or about considering stakeholders' concerns, as today these issues are material to business resilience, but **it's about the way SONGWON creates value by integrating environmental, societal and governance aspects.**  To SONGWON, **involving stakeholders** is a key part of sustainability management. Stakeholders are selected based on their relevance in terms of corporate strategy and sector, and whether they significantly influence SONGWON or are affected by the company's activities. Through close contact and regular exchange by each individual site and business operation, the communication process is actively fostered. The content within this report has been put together after taking into consideration the feedback and recommendations of our stakeholders in relation to the reported topics and their importance.



Each aspect of sustainability is evaluated with regards to its business relevance and its economic, environmental and social impacts. Strategic priorities are set. This report is created for our stakeholders, for transparency, but also as a tool to measure and review the company's operations and achievements, as SONGWON – in accordance with the UN-Goals – has defined EHS objectives in its **corporate policies.** The material topics covered in this report are the most relevant in consideration of their potential impact on SONGWON's stakeholders and our ability to create long-term value.

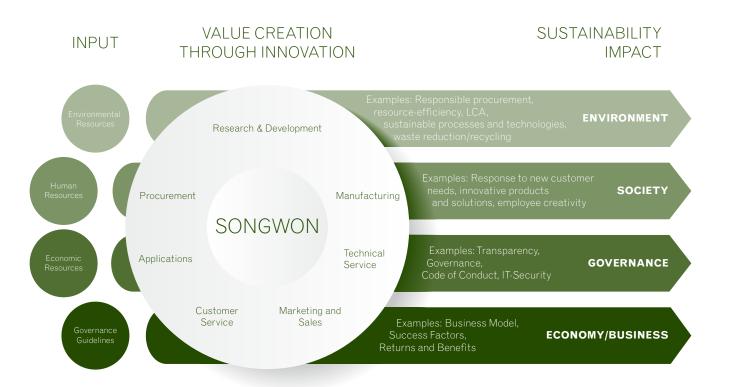
### **MATERIAL TOPICS (GRI)**

ENVIRONMENT	SOCIETY	ECONOMY
Emissions	Employment	Economic Performance
Energy	Occupational Health and Safety	Anti-corruption
Water and Effluents	Diversity and Equal Opportunity	Anti-competitive Behavior
Materials	Non-discrimination	
Biodiversity	Human Rights Assessment	
Compliance	Local Communities	
	Socioeconomic Compliance	

## Value Creation through Innovation

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

We are living in a connected world in which society – the Stake- and Shareholders – is increasingly committed to the values of responsible business, sustainable economic development and long-term value creation. SONGWON reports the environmental, societal and economic impacts associated with its business activities and how these are contributing to sustainable development and the United Nations' SDGs.



## Improvements in the process of value creation with Sustainability impact

### Procurement

**An interrupted supply chain marked the year 2021.** Various worldwide incidents caused a challenging situation: blocked Suez Canal, less vessel space and ISO Containers, lack of truck drivers, electricity supply limitations, lower operation rates in regions due to COVID-19 etc., consequently also price and tariff issues (e.g. freight). At the same time, the demand for SONGWON products substantially increased.

#### Economy/Business

- Frequent market information collection and risk assessments, followed by actions, helped to ensure SONGWON's production.
- Selecting suppliers in the proximity of SONGWON's plants.
- Close cooperation, sharing market information with Business Managers and the Senior Management Team to make quick and right decisions to overcome procurement issues.
- Expanded knowledge-sharing or support, adapted working approaches to better manage current challenges.

#### Environment

• Implementation of procurement criteria: suppliers must be close to SONGWON's plant, – for higher reliability, shorter transportation.

### Society

- Meeting specific customer needs, strengthen customer relations.
- Close internal cooperation with P&E and Production to test raw materials from new suppliers to expand sources.
- Building up long-term relationships with key strategic suppliers, developing criteria for supplier selection.
- Procurement of raw materials in compliance with K-REACH.

## Product innovations

**Focusing on meeting customers' needs, R&D contributes to providing innovative products,** maintaining competitive pricing and continuously improving quality. For more than 55 years, SONGWON has invested in technology and innovation and has a proud record of bringing innovative solutions to the market. The company's highly-skilled and experienced chemists, engineers, analysts and technicians are involved in product development and work together to further expand SONGWON's product portfolio.

## For highly durable coatings

New high performing triazine SONGSORB® CS 460 and a liquid benzotriazole SONGSORB® CS 171

#### Light stabilizer

Innovative, in the market established product BU PS SABOSTAB® UV 216, for agriculture/green houses

#### High-performance, durable and low-VOC water-based coatings

Newly introduced, the SONGSORB® CS WB product range. Low-VOC (volatile organic compounds)

#### Antioxidant, for color improvement

Newly presented SONGXTEND® 1106, stabilization of Cr-type high-density polyethylene

## Manufacturing

### **Economy/Business**

- **Increased sales and production,** by 11.9 respectively 17% compared to 2020. All plants were able to maintain full production by following the health and safety guidelines.
- Continuous product improvements, thanks to monthly feedback-checks and measures.
- High stability and reliability of supply to meet customers' needs and orders, despite the instability of raw materials supply and market-volatility, caused by COVID-19.

### Environment

- Reduction of raw material consumption and utility usage through production improvements.
- Reduction in process waste generation: the cost of waste has been increased substantially, environment regulations on waste have become stricter. SONGWON analyzes accurate data on waste generation and works on recycling waste into raw materials in cooperation with external partners.
- The use of biomass raw materials is considered to reduce carbon emissions generated by using LNG (Liquefied Natural Gas).

- Greenhouse gas reduction using renewable sources of energy.
- Multiple-effect evaporator implemented, equipment for energy savings.
- Installation of odor removal equipment in wastewater treatment plant.

### Society

- Further reduction of accidents and incidents. TCAR 2021 is 0.32%.
- Implementation of the Chemical Accident Prevention Management Plan, an integrated system of OCA (Off-site Consequence Analysis) and RMP (Risk Management Plan).
- Serious Accidents Act: The purpose of this Korean law is to prevent serious accidents involving citizens and workers.
- Acquiring ISO 14001 and ISO 45001 certifications for established management policies for safety, health and environment.
- To promote a safety culture, different measures are in place. Quarterly safety and health education for all employees; training for hazardous chemical handlers in accordance with the Chemicals Control Act; promoting safety and health of workplace through the Safety and Health Committee and the Supplier Council.

In the reporting year 2021, LCA-data for SONGWON key products have been collected – materials, energy, emissions and others – with the aim of quantifying the global warming potential per product and to identify optimization opportunities. Results and implications are expected in 2022. At the same time, R&D is bringing low-impact products or products that extend durability of end-products to the market.

## Technical Service

### **Economy/Business**

- SONGWON's 9 support centers are strategically placed across the globe and offer customers the best level of expert technical support wherever they are in the world (pages 37/38).
- In the strategy review, the Technical Service conducted a survey to better understand and respond even faster to client needs. As a result, an email address to channel all technical customer inquiries (techservice@songwon. com) was introduced.
- The development of new test methods to support testing or application will further improve our strategic position and expand our lab capabilities.

#### Environment

- Mechanical recycling is an important topic of the agenda 2022 (ongoing data analysis), this initiative supports the industry.
- Active Participation at Polyolefin Circular Economy Platform (PCEP), https://pcep. eu. The active participation in PCEP is an important step to show our commitment to sustainability.

### Society

- The team focused on further improving the technical service processes to respond faster to customer needs and to strengthen SONGWON's position as a professional company, delivering quality.
- Internal training focused on improving knowledge and experience of our junior team members, and the communication skills.
- Ethical standards, values and attitudes as being reliable, fast, creative and innovative to provide sustainable solutions - are basic aspects of SONGWON's understanding of Sustainability.



### SONGWON's contribution to the UN Sustainable Development Goals (SDGs)

As a global specialty chemicals company, SONGWON will continue concentrating on the UN's Sustainable Development Goals (SDGs) and the defined material topics.

SDGs	Metrics and Disclosure	Report
	Emissions reduction, Scope 1 and 2	
Climate Action	Energy efficiency	Sustainability, Environment
	Renewable energies	
	Sustainable management of water and sanitation	
Clean Water	Wastewater treatment	Sustainability,
and Sanitation	Water recycling and/or reuse system for reducing use of water	Environment
	Water use reduction	_
	Development of circular economy	
	Promotion of sustainable procurement	-
	Preventive action for leakage of hazardous materials	_
Responsible consumption and production	Reduction of impact of consumption through innovative products (incl. LCA)	Sustainability, Environment
	Development of sustainable technologies, processes, physicals/materials	
	Increasing resource and/or material efficiency	_
	Safe working environment	
Health	TCAR (Total Case Accident Rate)	Sustainability,
and Well-Being	Illness rate	Society
	Leadership and role models	_
	Ensure an environment of non-discrimination	
Diversity and Equality	Diversity by nationalities	Sustainability, Society
Equanty	Gender diversity	
	Products life cycle assessment (LCA) and improvement (GHG-reduction etc.)	
Industry, Innovation and	Pushing sustainable innovation, e.g. by extending the life cycle of products	Sustainability, Value Creation through
Infrastructure	Development of new products	Innovation
	Construction, replacements, improvements of infrastructure (plants, work environment)	
	Rate of employee turnover	
Decent Work	Share-and Stakeholders involvement	Sustainability,
and Economic	Share development / Dividend	Society, Share Price Development,
Growth	Supply Chain	Governance
	Governance	
	Partnerships, Memberships	Labels, Standards,
Partnerships for the Goals	Sustainability Standards, Ratings	Certifications, Partnerships, Memberships

## Labels, Standards, Certifications and Partnerships



EcoVadis Sustainability Rating



Commitment to and reporting in accordance with UN-Goals (SDGs)



ISO 14001, Environmental Management certification, for the Suwon plant (Korea) ISO 45001, Occupational Health and Safety certification, for plants in Ulsan and Maeam (Korea)

### GRI Standards Core Option

This report has been prepared in accordance with the GRI Standards: Core option and has undergone Content Index Service



Member of the Green Business Network, Abu Dhabi (EAD) Platform for public and private sector organizations in Abu Dhabi to promote environmentally friendly practices (UAE)



Member of the Ulsan Environment Engineers Association (Korea)



Active Member of the Polyolefin Circular Economy Platform (recycling)



Member of the Korea Chemicals Management Association



Korea Environmental Preservation Association

Member of the Korean Environmental Preservation Association



Member of the Korean Metropolitan Area Process Safety Management Association

## Other organizations

Annual Report, page 190 (Memberships)

## Environment

SONGWON's business depends on and impacts the natural environment in myriad ways, through its operations and supply chains, products and services. The visibility of the business impacts grows; expectations of producer responsibility extend along the value chain. The ambition is to protect the environment by managing its natural resources (renewables, raw materials), through sustainable procurement and production, the reduction of energy and water consumption and the reduction of emissions, wastes and effluents.

An operational management system is implemented to reach the emissions reduction goal, to improve energy efficiency, to increase the recycling rate and the reduction of waste and wastewater.

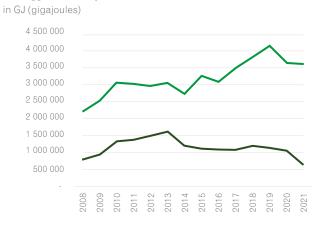
In 2021, the production volume increased by 17%.

### Energy

Energy consumption for infrastructure (heating, cooling, electricity, steam etc.) and for chemical processes:

The total energy consumption remained nearly the same as in the previous year (-0.5%), even though the production volume increased by 17 % in 2021. Direct energy consumption (combustion, incineration, processes, not renewable) could be reduced (-39.6%); it has been substituted by indirect energy (+15.2%; locally purchased electricity and steam).

#### **Energy consumption**



■ Indirect energy consumption ■ Direct energy consumption

	Unit	2018	2019	2020	2021 (Share)	Change (%)
Direct Energy	GJ	1'191'882	1'142'496	1'049'102	633'750 (17.4%)	-39.6
Indirect Energy	GJ	2'658'662	3'005'230	2'608'411	3'005'609 (82.6%)	15.2
Total Energy	GJ	3'850'544	4'147'726	3'657'513	3'639'359 (100%)	-0.5

#### **Examples of implemented measures**

**Panoli:** The installation of solar power led to electricity savings of 4.68 million kWh.

**Ulsan:** The solar power generation facility installed on the roof of the warehouse produced 30'200 kWh in 2021. **Panoli:** The share of renewable energy for the period 2020-2021 was 61.42 %, against 0% in 2019. Main reasons: solar energy, 90% reduction of use of natural gas (- 6.32 million m3), agro-waste steam boiler. **Maeam:** Advanced Process Control system for process optimization.

**Ulsan:** Power and steam BOM improvements trough installations and process optimizations.

**Suwon:** Successful adjustments of the air condenser resulted in electricity consumption reduction in 2021 compared to 2020.

### Emissions

Since 2008, SONGWON monitors emissions data and reports greenhouse gas and other air emissions on an annual basis according to internationally recognized standards.

Emissions data include the main up- and downstream activities.

#### Footprint 2021

(Tot. 170'139 tCO<sub>2</sub>-eq)



Excl. SOx, NOx, TSP (s. below)



SONGWON is participating in the Korean Government's target management system to reduce greenhouse gas emissions. The government defines quantified goals for each Korean plant.

**Panoli:** Greenhouse gas reduction in 2021 of 18'509 tCO2-eq by the use of carbon neutral fuel (agro-waste briquette) for steam generation, solar power, multiple-effect evaporator, condensate recovery system.

**Panoli:** CO, NOx, SOx are controlled by using automated advanced technology reciprocating grate design of Steam Boiler.

GHG	Unit	2018	2019	2020	2021	Change (%)
Scope 1: Direct	tCO2-eq	82'638	78'733	87'215	93'200	6.9
Scope 2: Indirect	tCO2-eq	69'842	71'991	71'447	76'939	7.7
Total	tCO2-eq	152'480	150'724	158'662	170'139	7.2

Absolute direct and indirect emissions increased compared to the previous year. Considering the increased production volume of 17%, they could be reduced. Emissions calculation is based on ETS, the South Korean cap and-trade program (KETS, Korea Emission Trading System). Participation for SONGWON is mandatory (threshold: company > 125,000 tCO2/year, installation > 25,000 tCO2/year).

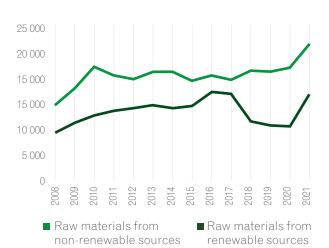
Other air emissions	Unit	2018	2019	2020	2021	Change (%)
NOx	tCO2-eq	32'775	33'546	40'094	39'467	-1.6
SOx	tCO2-eq	53	31	25	33	32
TSP	tCO2-eq	4'231	2'746	1'518	1'390	-8.4
Total	tCO2-eq	37'059	36'323	41'637	40'890	-1.8

### Raw Materials

SONGWON seeks to find opportunities to use raw materials from renewable sources. Most of the required raw materials are still non-renewables. Nonetheless, the share could be increased (+54%) up to 13'820 MT in 2021 (share of raw materials from renewable sources: 5.9%).

### **Used Raw Materials**

(in mt)



Raw Materials	Unit	2018	2019	2020	2021 (Share)	Change (%)
Raw materials from renewable sources	MT	9'613	9'110	8'976	13'820 (5.9%)	54.0
Raw materials from non-renewable sources	MT	179'893	178'694	185'122	221'669 (94,1%)	19.7
Total	МТ	189'506	187'804	194'098	235'489 (100%)	21.3

### Water

According to the onsite measurements, SONGWON's total water consumption increased by 8.8 % compared to 2020, mainly due to the increased production of intermediates.

Water consumption	Unit	2018	2019	2020	2021	Change (%)
Surface water	Liters	_	_	_	_	0
Ground water	Liters	66'213	65'844	58'467	53'238	-8.9
Rainwater	Liters	_	_			0
Municipal water	Liters	1'092'615	1'103'300	1'138'750	1'248'747	9.7
Total	Liters	1'158'828	1'169'144	1'197'217	1'301'985	8.8

All the water discharged by SONGWON's manufacturing facilities is internally treated and then conveyed to the central water treatment plants in the local municipalities. It is there that the organic content is reduced further and then released into the sea or discharged to a regional water treatment facility (e.g. as in Panoli, India).

Water withdrawal and water discharge have increased by 8.8 % resp. 5.6 % compared to 2020. COD concentration could be reduced by 31.8%.

Water discharge	Unit	2018	2019	2020	2021	Change (%)
Water withdrawal	MT	1,158,828	1,169,144	1,197,217	1,301,985	8.8
Water discharge	MT	700,529	716,202	694,885	734,060	5.6
Average COD	ppm	42	54	66	45	-31.8

### **Examples of implemented measures**

The amount of wastewater sludge is reduced by lowering the moisture content. A treatment of wastewater sludge allowed the switch from landfill to recycling.

In **Panoli**, a traditional multiple-effect evaporator is used to treat/transform liquid effluent to solid waste. Waste disposal is then carried out through a government approved disposal agency.

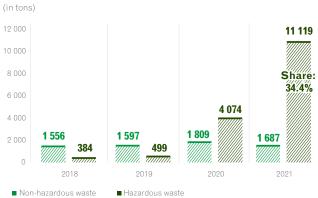
Panoli: In 2021, 66-million-liters of water was recycled by using the Zero Liquid Discharge System.

Suwon: Water consumption was reduced by 7.8% in 2021 compared to 2020 (measures implemented).

## Waste

This year, SONGWON's operations generated 32'568 tons of hazardous waste. Compared to 2020, the total of disposed hazardous waste increased by 1.4 %. The share of recycled waste could be increased significantly (+172.9 %).

#### Recycling



Hazardous Waste	Unit	2018	2019	2020	2021	Change (%)
Wastes incinerated off-site	Tons	18,831	15'223	15'595	520	-96.7
Wastes landfilled	Tons	1'646	5'097	6'434	3'641	-43.4
Recycling	Tons	384	499	4'074	11'119	172.9
Others	Tons	6'229	6'310	6'006	17'287	187.8
Total	Tons	27'090	27'129	32'109	32'568	1.4

Non-hazardous Waste	Unit	2018	2019	2020	2021	Change (%)
Recycling	Tons	1'556	1'597	1'809	1'687	-6.7
Landfill	Tons	2'879	605	275	418	52
Incineration off-site	Tons	646	694	601	603	0.3
Others	Tons	5	2	_	28	2'800
Total	Tons	5'086	2'898	2'685	2'736	1.9

6

### Significant spills

SONGWON has not had any spills (oil, fuel, waste, and chemicals) to record or report since 2008. The company also has none to record or required to report in 2021.

### Biodiversity

SONGWON takes into consideration preservation of biodiversity in the management of its sites. The Korean pine tree is a characteristic element of the SONGWON-logo. At the same time, the company does not own, lease or manage anything that is in, or near protected areas or areas of high biodiversity. Also, to the best of our knowledge, none of SONGWON's activities, products or services significantly impact biodiversity.

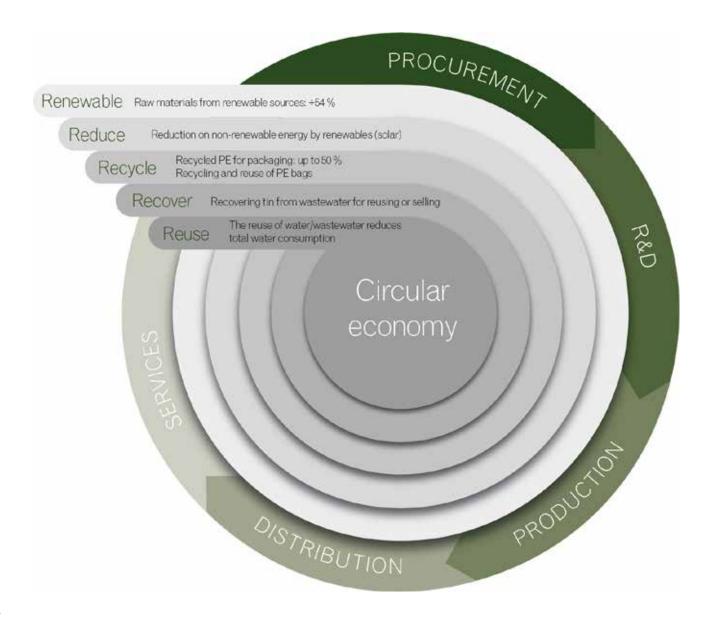
### **Examples of implemented measures**

**Panoli:** The implemented Zero Liquid Discharge System technology completely prevents wastewater from leaking into lakes, rivers or the sea. This helps to protect and enhance the biodiversity of water living species.

**Panoli:** Within the last two years, 1200 trees were planted at our plant premises to protect and enhance the biodiversity of birds, flying species. This measure also helps to reduce CO2 and increases oxygen in the atmosphere.

### Circular economy

SONGWON wants to assume its responsibility and role towards the environment and society by fostering a circular economy where sustainable solutions are at the forefront. Employees are encouraged to go beyond minimum standards when it comes to protecting the environment, including using recyclables and conserving energy resources. For example, the reuse of water or improved wastewater disposal led to a continuous decrease in water consumption per metric ton produced in the production processes.



## Compliance

Throughout 2021, SONGWON was in full compliance with all environmental rules and regulations and did not receive any fines.

## Society

### Customer Focus

In 2021, SONGWON placed great value on customer engagement and satisfaction. A high market volatility, unpredictable customer requests, short-term needs or demands marked this year. Important hurdles had to be taken (supply chains, raw materials), by fast decisions, a high level of agility and solution-oriented approaches. Customer relations have improved, thanks to permanently and actively engaging through communication, service and distribution networks. At the same time, SONGWON continued building an optimized pipeline of products, services and solutions that meet new customer requirements, putting an emphasis on sustainable production, usage or properties. SONGWON wants to keep the company a step ahead in the industry through high quality, constant improvement in cost position, and in product and process innovation.

## An exceptional situation in 2021 required extraordinary measures. Successfully, each department made significant efforts to ensure customer satisfaction.

### **Customer-focused performances in 2021**

### Commercial and Sales – The first and most important customer-interface

In 2021, SONGWON's sales increased by 11.9% thanks to:

- the functioning interface with the customers.
- the most important anticipation of customer expectations or requirements (given the special circumstances this year).
- an open, customer-focused communication to address gaps in the supply or possible help outs.
- managing allocation in times of shortage to ensure that customers have been supplied according to existing agreements.
- a successful collaboration for planning through the entire value chain.

The Business management procured an overview of the global supply- and demand situation, to ensure SONGWON's proper level of supply to the regions to meet all commitments.

### Procurement - Reliability and agility

The Procurement Team considers 2021 as a "memorable year", as availability (COVID-19, national lockdowns) and sourcing of raw materials (disrupted supply chains) represented important challenges. Thanks to proactive planning and agility, SONGWON met customers' needs.

- SONGWON helped out customers who had a shortage of raw materials.
- To improve Sustainability and reliability for a fast response, new criteria for suppliers have been implemented (in the geographic area of respective plants).

### Manufacturing

- SONGWON's operations were able to run production seamlessly and with no unplanned shutdowns, thus meeting the important increase in customers' demand.
- Despite COVID-19, all plants were in full operation throughout the year.
- Due to increased customer demand, installation of additional OPS capacities (One Pack Systems).

### Customer Service – Solution-oriented

- Despite the challenging environment and the less predictable demand situation, the main aim was to guarantee a high level of Customer Service, with a maximum adherence to customer delivery deadlines.
- Moreover, it was also a concern to prevent shutdowns of customers' plants.
- Successful transfer of the Service for customers in India from Switzerland to UAE.
- Ongoing optimization and standardization of customer processes.
- No complaints related to service or delivery received from customers.

## Our People Safe environment is a priority

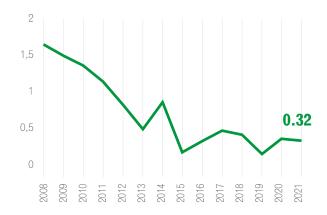
Providing safe and healthy work environments for all stakeholders is a priority. To SONGWON, a fundamental part of sustainable development and long-term planning consists in sharing knowledge and instruments across the organization to identify and withstand any potential health and safety risks. Regular assessments of the facilities and workplaces allow measures to be taken with the aim to continually optimize the safety standards. Monitoring systems, including physical installations as detectors, ensure a safe handling of chemical elements, products, processes, or technologies. Our employees actively engage in identifying and managing risks, as well as in finding ways to improve environment, health, and safety.

### Aiming for zero incident

SONGWON collates injury and illness rates annually. By sustained focus and continuous improvement since 2014, SONGWON reached a TCAR of 0.32% in 2021 (Total Case Accident Rate). This represents 5 cases of occupational incidents. The causes of the injuries were investigated, and measures implemented, as SONGWON sticks to the target of zero incidents.

### TCAR

(Total Case Accident Rate, in %)



### Despite COVID-19, the lost day rate remained at the very low level of 0.004%, as in the previous year.

This performance is due to the measures that have been continuously adjusted, according to/beyond the governmental requirements by the different states.

In addition to all initiatives to prevent the inflow and spread of COVID-19 – such as hygiene rules, masks, health-checks for all visitors, social distancing at any time, regular disinfection of all spaces, the measurement of body temperature and pulse, or by carrying out PCR-tests – SONGWON's managers cared for the employees' motivation by staying in close contact with the team-members, especially the ones in home-office.

Health and Safety	2020	2021
TCAR (Total Case Accident Rate), (%)	0.36	0.32
Lost day rate (%)	0.004	0.004
Fatalities	0	0
Plants/HQ undergoing regular health & safety assessments (%)	100	100
Total cases of non-compliance from health & safety assessments with governmental laws or regulations	0	0

# In Korea for example, the Ulsan plant was upgraded in the PSM new rating inspection, done by Korea Occupational Safety & Health Agency (KOSHA).

Other measures implemented in the 3 Korean plants:

- ongoing IEC (Integrated Environment Control).
- continuous self-inspection based on PSM & risk management plan in the 3 Korean plants.
- rating inspection from KOSHA in the Ulsan plant (based on PSM).
- installation of additional gas and leakage detectors & CCTV to prevent hazardous chemicals leakage in Maeam.
- construction of hazardous chemical storage warehouse at the Maeam plant.
- inspection and replacement of old equipment: e.g. the Suwon plant changed from normal insulation to non-combustible insulation; in Ulsan, roof renovation and lighting replacement.
- conducted regular safety walks and yearly health inspection in all plants.
- regular inspection of Chemical Control Act in all Korean plants, Ulsan, Maeam and Suwon.



# Diversity counts, inclusion matters.

At SONGWON, diversity is a feature of corporate culture. The 1,015 employees represent 36 nationalities. The functioning of the global company is ensured thanks to SONGWON's culture of respect and responsibility towards each other, and all stakeholders.

1,015 employees from 36 nationalities

### 3 1/2 h

newly hired nationalities in 2021

Policies and practices foster diversity, respect for human rights, offer equal opportunities and support non-discrimination. SONGWON's Core Values, Code of Conduct as well as the Whistleblower Policy serve to emphasize the importance placed on these attributes of the Corporate Culture:

- ethics trainings based on SONGWON's Code of Conduct.
- established Whistleblower Policy across the company.
- compliance and Code of Conduct training for new employees at their introduction, with a final exam on the LMS (Learning Management System); annual renewal of exam of the ethical standards on LMS.
- monitoring process in place to detect, and if necessary sanction any non-compliance.

25.4% of the new hires are women; Total women: 11.4%\*

65.3% of the employees are located in South-Korea, Japan, China

\*SONGWON operates in an industry (mainly manufacturing) that is generally very male-oriented.

# Emphasis on human rights

The international community - including the UN and OECD - call for extended corporate responsibility to encompass not only the human rights of individuals but also of the supply chains. Companies are asked to establish systems and policies that ensure prevention of human rights violations.

SONGWON publicly pledged the Code of Conduct to the protection of dignity and values of all stakeholders and has strengthened its human rights protection system to create a safe and healthy organizational culture for its employees, free from discrimination.

SONGWON supports international standards including Universal Declaration of Human Rights, Human Rights and Labour Principles of UN Global Compact (UNGC), UN Guiding Principles on Business and Human Rights (UNGP), International Labour Organization (ILO), and follows the laws of the countries we operate in.

As a global leader in the development, manufacture, and supply of specialty chemicals, SONGWON is committed and dedicated to advancing customers' interests and the industry. Driven by a pioneering spirit, we transform innovative ideas and continually move forward.

		2020	2021
	Tot. number of male/female employees (Head Count)	959/128	899/116
	Employees, male/female Asia	634/75	593/70
Diversity, region	Employees, male/female EMEA	291/39	272/35
	Employees, male /female Americas	34/14	34/11
	Number of nationalities	33	36
Diversity lavel	Members, male/female, Group Board level	6/0	6/0
Diversity, level	Members, male/female, Group Executive level (ECM)	5/1	3/1
	Full time, male/female	957/119	889/104
Full/part time	Part time, male/female	2/8	1/10
	Temporary, male/female	0/1	9/2
Bargaining agreements	Total employees covered by collective bargaining agreements (%)	4	4
Compliance	Cases of non-compliance	0	0

As in the past, also in 2021 there were no cases of discrimination, bribery, corruption, whistleblowing, child labor, nor of forced labor, or breaches of the Code of Conduct. SONGWON complies with governmental laws on working conditions (i. e. regular working hours, overtime hours, holidays, working environment).

# Recruitment, training and development

High level of competences, skills, fit with SONGWON's Corporate Culture, loyalty, flexibility, and reliability are the most important criteria for recruitment. Furthermore, SONGWON is involved in promoting training or education for employees at all levels. In 2021, due to Covid, most educational programs had to be interrupted, except for health and safety trainings. – So, this was the year to face and overcome challenges, namely the supply disruption (Covid, heavy snowstorm in the US, electricity interruption in China, blocked Suez Canal).

# The teams have demonstrated and delivered the proof, thanks to expertise and flexibility.

Management and HR have set priorities on improvements and the relaunch of companywide management systems:

- The new Performance Management System (PMS) will be launched in 2022
- Implementation of internal trainings on Learning Management System (LMS), including ethics training, HR policies, IT policies, payment security etc. The LMS-platform enables employees to access learning content from anywhere, at any time. Employees can also download the content and read it offline, take assessments and get certified.
- Some entity specific trainings took place: coaching training for motivation, internal functional trainings such as goal setting, ethics, HR policy, payment security, etc.
- In the reporting year, the TAD Department made specific trainings on safety aspects, testing equipment in their lab (TAD, Testing & Application Development).

The new performance review system allows for greater integration of corporate values. It has been completed and fully integrated into the global HR tool in 2021 and will be implemented in 2022. The aim is the harmonization of HR standards and procedures in the Group and adaptations of the entire performance management cycle.

### Local communities mean Responsibility

SONGWON's local communities consist of groups of interacting people (partners, suppliers, neighbours, employees, schools, universities etc.) sharing the local business environment. Intents, resources, needs, risks and a number of conditions – social values of safety, security e.g. – are existent and affect the identity and the degree of cohesiveness of a community.

SONGWON lives this responsibility and understands it also as a business imperative. For this reason, we are continually looking out for ways to offer SONGWON's support to local community projects (e.g. Ulsan Library). Offering our support to humanity in general has always been reflected in our company's core values, and those of our employees. For this reason, it is clear to everyone working at SONGWON that all of us have a responsibility to be active members of the communities in which we live and work.

# Supply Chain

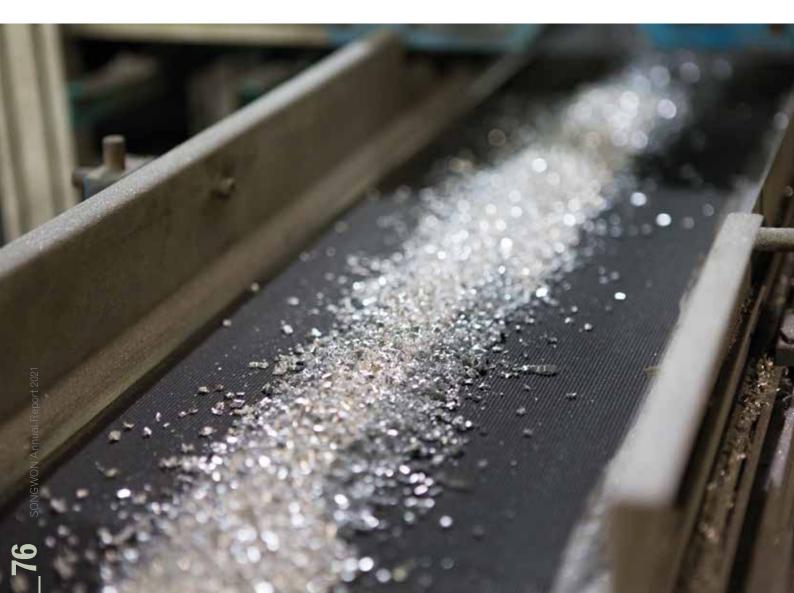
# Reliable Supply, a competitive advantage

As proved many times in 2021, a strong supply chain is essential to SONGWON meeting the increasingly dynamic needs of the customers. Ensuring that SONGWON can provide reliable supply and ontime delivery of high-quality, value-adding solutions is crucial to both our customers' operations and ultimately to securing their success in the market.

We have built an exceptional global and local network of responsible partners by seeking longterm relationships. We select suppliers on the basis of economic indicators, but also on good sustainability performance and competitiveness and the respective geographic area. The high reliability in 2021 could be ensured:

- by establishing a TFT (Task Force Team) to monitor the COVID-19 situation and delivery status in each region on a daily basis.
- by continuing to build up the safety stocks around the globe.
- maintaining close, daily communication with stakeholders (Sales, Business Management, Planning and Production etc.).

SONGWON's supply was able to constantly meet customer requests as well as the increased orders and production volumes in this challenging year.



# Sustainability Governance

At SONGWON, the purpose of the company is shifting to focus on long-term value creation, grounded in its commercial and societal values, including environmental responsibility. This shift creates important implications for the role and meaning of good governance.

# Board of Directors and Executive Committee

SONGWON's Board of Directors (6 Members) oversees the strategic direction of the Group and makes certain that sound governance procedures are in place.

The Board also supervises decisions made by the Executive Committee, the governing body responsible for decisions related to economic, environmental and social impacts as well as the identification and management of risks and opportunities.

## Optimization of Sustainability Governance

- Increasing the Board's knowledge and understanding of the relevant economic, environmental and social impacts of SONGWON's activities. For example, every year the business departments present and discuss their strategies and actions with the Board.
- Keeping updated about trends, new developments, or insights (Ratings, Standards, Benchmarking) through cooperation with Sustainability consultants in Korea and Europe.
- Enhancing the ability to monitor issues from an environmental, economic and social point-ofview through active involvement in associations or through certifications and labels.
- Supporting an active shift to a circular economy through collaborative partnerships and memberships with relevant associations (e.g. PCEP).
- Raising the emphasis on sustainability by appointing a Chief Sustainability Officer to ensure sustainability is firmly integrated into every part of SONGWON's global business.

SONGWON's Executive Committee comprises 4 members, holding key managerial positions in the Group: CEO, CFO, Leader Operations, Leader Group Commercial. The Executive Committee manages all SONGWON's day-to-day business while maintaining and ensuring good company-wide governance practices. As well as developing and implementing policies, the Committee is involved in the core decisions related to the Group's analysis of risks and opportunities, the overall strategy, including sustainability goals, implementation and reporting.

### Sustainability Governance Structure

Board of Directors (6 Members)	Meetings, presentations, content related to NFI and Sustainability (1)	Risks and Opportunities NFI*, Sustainability Strategy, Targets and Policies Ethics, Compliance Reporting
Executive	Meetings, presentations, content related to NFI and Sustainability (4)	Risks and Opportunities NFI, Sustainability Strategy, Targets and Policies Ethics, Compliance, Reporting
Committee, incl. CSO (4 Members)	Continuous Sustainability development, supervision, close cooperation with Business Units and Departments	Sustainability approach, Implementation, Sustainability reporting from the Divisions (incl. external consultants and experts)
Business Units and Departments	Continuous Sustainability development (targets, policies, implementation)	LCA (Life Cycle Assessment), Innovation, Sustainable procurement, Etc.

#### **Communication, Standards and Ratings**

## Risks and Opportunities

SONGWON's response to the volatile economic situation is to work on having the essential instruments in place such as the process for identifying, assessing and managing risks and opportunities (Board of Directors and Executive Committee).

In particular, evaluating exposure to climate-related risks and opportunities over a range of time horizons is fundamental for the transition to the low carbon economy intended by the Paris Agreement and UN SDGs.

### REGULATION (current or emerging)

- Carbon pricing mechanisms
- Enhanced emissions-reporting obligations
- Mandates on and regulation of existing
   products and services
- Waste pricing

### MARKET

- Changing customer behavior
- Sector/industry changes (e.g. automotive), new markets require new applications
- Uncertainty in market signals
- Increased cost of raw materials, supply chain
- Rise in risk-based pricing of insurance policies

### TECHNOLOGY

- Substitution of existing products and services with lower emissions options
- Necessary investments in new technologies
- Technologies to improve term duration of end products
- Technologies to extract products from waste/ transform waste into products
- Circular economy

### REPUTATION

- Shifts in consumer preferences
- Stigmatization of sector
- Increased stakeholder concern or feedback
- Company footprint

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We want our people to be proud of working for SONGWON, a company that has high standards of integrity and passionately protects its staff, assets and reputation.

# It's about acting in a responsible, ethical and law-abiding way to preserve the culture of responsibility to each other.

The **Code of Conduct** sets out business principles and how every SONGWON employee should apply them, in line with the company's core values and the professional, customer-focused culture. The Code is regularly updated.

The following areas are covered:

- 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
- Breach of the Code
- Communication

The year before, in 2020, SONGWON introduced a Whistle-blower Policy as part of the commitment to a culture of good corporate practice.

# IT-Security

A policy for IT-Security is in place to ensure a security standard for all entities. IT security is governed via both, Group IT (Group level) and local IT (entity level). Today's most important measures consist in increasing end-users' awareness regarding IT security, a clear, implemented Guidance and professional support from IT security experts (external data center are providing infrastructure services).

#### 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	No cases

No enquiries, reports or complaints were received in the period under review. There were also no cases of human rights violations, bribery, discrimination or other violations of personal rights. There were no lawsuits or fines as a result of anti-competitive practice, in relation to products and services or due to non-compliance with environmental laws and regulations.

# SUSTAINABILITY REPORTING STANDARD

This report has been prepared in accordance with the GRI Standards: Core option.



SONGWON'S Sustainability Reporting 2021 consists of the Report (pages 53 to 79) and the following GRI Content Index. It takes into account the reporting principles (GRI 101):

### Reporting principles for defining report content

- Stakeholder engagement
- Sustainability context
- Materiality
- Completeness

# Principles for defining report quality

- Accuracy
- BalanceClarity
- Comparability
- Reliability
- Timeliness
- Imeliness

For the GRI Content Index Service, GRI Services reviewed that the GRI content index is clearly presented and the references for all disclosures included align with the appropriate sections in the body of the report.

# GRI Content Index

GRI Standard	Disclosure	Pages, Direct Answers, Omissions

GRI 101: Foundation 2016 [GRI 101 does not include any disclosures]

#### **Organizational Profile**

	102-1	Name of the organization	14
	102-2	Activities, brands, products, and services	17-19
	102-3	Location of headquarters	14, 16
	102-4	Location of operations	15-16
	102-5	Ownership and legal form	15
	102-6	Markets served	16-18
GRI 102:	102-7	Scale of the organization	2-3
General Disclosures 2016	102-8	Information on employees and other workers	47-51, 71-75
	102-9	Supply chain	33-34, 76
	102-10	Significant changes to the organization and its supply chain	33-34, 76
	102-11	Precautionary Principle or approach	23-25, 78
	102-12	External initiatives	53-62
	102-13	Membership of associations	62, 190

#### Strategy

	102-14	Statement from senior decision-maker	4-6, 53-62
GRI 102: General Disclosures 2016	102-15	Key impacts, risks and opportunities	Materiality, risks and opp., UN SDG's; 23-25, 56, 60-61, 78

#### **Ethics and integrity**

	102-16	Values, principles, standards, and norms of behavior	14, 51, 79, 86-91
GRI 102: General Disclosures 2016	102-17	Mechanisms for advice and concerns about ethics	Code of Conduct, Whistleblower, Gover- nance/Compliance; 73-74, 77, 79, 88-89

#### Governance

GRI 102: General Disclosures 2016	102-18	Governance structure	7-8, 77, 87-88
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#### Stakeholder engagement

GRI 102: General Disclosures 2016	102-40	List of stakeholder groups	56
	102-41	Collective bargaining agreements	74
	102-42	Indentifying and selecting stakeholders	55-56
	102-43	Approach to stakeholder engagement	55-56
	102-44	Key topics and concerns raised	55-56, 60-61, 79, 88-89, 91

#### **Reporting practice**

	102-45	Entities included in the consolidated financial statements	106-107
	102-46	Defining report content and topic Boundaries	80, 191
	102-47	List of material topics	56
	102-48	Restatement of information	191
	102-49	Changes in reporting	191
GRI 102:	102-50	Reporting period	191
General Disclosures 2016	102-51	Date of most recent report	191
	102-52	Reporting cycle	191
	102-53	Contact point for questions regarding the report	194
	102-54	Claims of reporting in accordance with the GRI Standards	80, 191
	102-55	GRI content index	80-84
	102-56	External assurance	191

#### **Material Topics**

GRI Standard	Disclosure	Description	Pages, Direct Answers, Omissions
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#### Economic Standards: 200 Series

Economic	Performance
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GRI 103: Management Approach 2016	103-1, 103-2, 103-3	Management Approach	53-55, 61, 80
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	2-4, 100-101, 138-139, 155- 156, 163, 177-179, 181-182
	201-3	Defined benefit plan obligations and other retirement plans	158-162

#### **Anti-corruption**

GRI 103: Management Approach 2016	103-1, 103-2, 103-3	Management Approach	79, 89
GRI 205: Anti-corruption 2016	205-1	Operations assessed for risks related to corruption	Code of Conduct, Governance Ethics and Compliance; 51, 79, 88- 89
	205-2	Communication and training about anticorruption policies and procedures	Employee, Governance; 51, 77, 79, 88-89

#### Anti-competitive Behavior

GRI 103: Management Approach 2016	103-1, 103-2, 103-3	Management Approach	79, 88-89
GRI 206: Anti-competitive Behavior 2016	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Code of Conduct, Governance; 79, 88-89

#### **Environmental Standards: 300 Series**

#### **Materials**

GRI 103: Management Approach 2016	103-1, 103-2, 103-3	Management Approach	61, 63, 65
GRI 301: Materials 2016	301-1	Materials used by weight or volume	Renewable non-renwable raw materials; 65

#### Energy

GRI 103: Management Approach 2016	103-1, 103-2, 103-3	Management Approach	61, 63
GRI 302: Energy 2016	302-1	Energy consumption within the organization	63

#### Water and Effluents

GRI 103: Management Approach 2016	103-1, 103-2, 103-3	Management Approach	61, 63, 66
GRI 303 : Water and Effluents 2018	303-1	Interactions with water as a shared resource	Water use; 66
	303-2	Management of water discharge- related impacts	Water discharge, withdrawal; 66

#### **Biodiversity**

GRI 103: Management Approach 2016	103-1, 103-2, 103-3	Management Approach	68
GRI 304: Biodiversity 2016	304-1	Operational sites owned, leased, managed in or adjacent to protected areas and areas of high biodiversity value outside protected areas	None; 68
	304-2	Significant impacts of activities, products and services on biodiversity	68
	304-3	Habitats protected or restored	68
	304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	None; 68

#### Emissions

GRI 103: Management Approach 2016	103-1, 103-2, 103-3	Management Approach	61, 63-64
GRI 305: Emissions 2016	305-1	Direct GHG emissions	64
	305-2	Indirect GHG emissions	64
	305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	64

#### **Environmental Compliance**

GRI 103: Management Approach 2016	103-1, 103-2, 103-3	Management Approach	91
GRI 307: Environmental Compliance 2016	307-1	Non-compliance with environmental laws and regulations	None; Governance; 79

#### Social Standards: 400 Series

#### Employment

GRI 103: Management Approach 2016	103-1, 103-2, 103-3	Management Approach	47-51, 61
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	49
	401-3	Parental leave	49

#### **Occupational Health and Safety**

-			
	103-1	Explanation of the material topic and its Boundary	61, 71-72
GRI 103: Management Approach 2016	103-2	The management approach and its components	71-72
	103-3	Evaluation of the management approach	62, 71-72
	403-1	Occupational health and safety management system	71-72
	403-2	Hazard identification, risk assessment and incident investigation	71-72
	403-3	Occupational health services	71
	403-4	Worker participation, consultation, and communication on occupational health and safety	71-72
GRI 403: Occupational Health and Safety 2018	403-5	Worker training on occupational health and safety	100%; 71-72
	403-6	Promotion of worker health	71
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	71-72
	403-8	Workers covered by an occupational health and safety management system	100 %; 71-72
	403-9	Work-related injuries	71
	403-10	Work-related ill health	71

#### **Diversity and Equal Opportunity**

GRI 103: Management Approach 2016		Management Approach	73, 88	
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	49-50, 73, 88	

#### **Non-discrimination**

GRI 103: Management Approach 2016	103-1, 103-2, 103-3	Management Approach	79
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	None; Governance; 79

#### Human Rights Assessment

GRI 103: Management Approach 2016	103-1, 103-2, 103-3	Management Approach	73, 79, 89
GRI 412: Human Rights Assessment 2016	412-2	Employee training on human rights policies or procedures	Code of Conduct; Governance; 79, 89

#### Local Communities

GRI 103: Management Approach 2016	103-1, 103-2, 103-3	Management Approach	75
GRI 413: Local Communities 2016		Operations with local community engagement, impact assessments and development programmes	75

#### Socioeconomic Compliance

GRI 103: Management Approach 2016	103-1, 103-2, 103-3	Management Approach	79
GRI 419: Socioeconomic Compliance 2016	419-1	Non-compliance with laws and regulations in the social and economic area	None; 79

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# Corporate Governance

Corporate Governance

# Corporate Governance

## Committed to accountability

Sound and accountable corporate governance forms the basis for responsible management and is key to SONGWON's long-term business success. Since SONGWON's foundation, we have been committed to applying high levels of transparency and accountability.

Exercising responsible corporate governance ensures that we remain well-placed to serve the needs of our stakeholders while delivering long-term value to our shareholders. It also contributes to SONGWON's positive reputation as an industry leader that operates according to recognized ethical principles in compliance with our legal obligations and an organization that makes a valuable contribution to the communities in which we do business.

Our priority is to provide clear visibility on the Group's financial and business performance in order to gain as well as maintain the confidence of SONGWON's investors, customers, employees and other stakeholders, and to meet our targets. We aim to build and maintain valuable win-win relationships with all of our customers, partners, investors and stakeholders and seek to ensure that SONGWON's performance is always guided by integrity.

At the center of SONGWON's approach to corporate governance are our core values: passion, credibility, entrepreneurship, expertise and accessibility. SONGWON's leadership is driven by these values and applies them to daily decision-making as well as to setting long-term objectives and developing strategic vision for the organization.

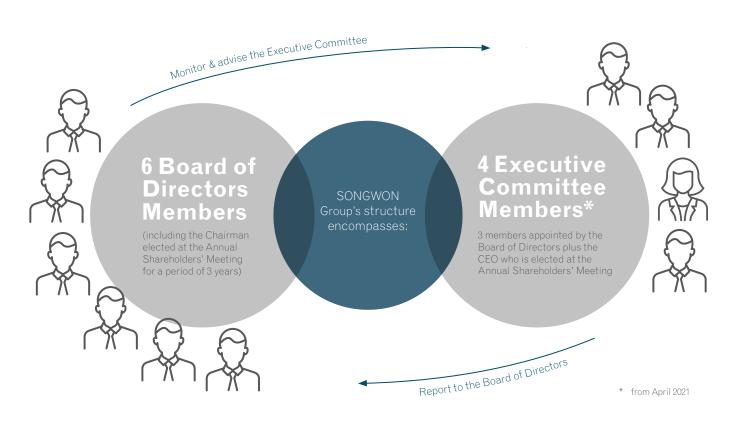
For us at SONGWON, corporate governance is not only a matter for our governing bodies. It is embedded throughout SONGWON and practiced by our dedicated team of talented individuals. Our people measure their contribution to SONGWON's overall success not just on the basis of business growth, but by how well they are able to meet the high standards of accountability and create value for all of our stakeholders.

In all of our daily activities, each member of SONGWON's global team places the highest priority on acting in line with responsible corporate governance. We have a clear framework for decision making and accountability across our business which also provides guidance on the standards of behavior we expect of ourselves, each other and of our partners. Policies aimed at reinforcing the principles of an 'open, fair and clean' corporate culture throughout the organization are continually being implemented or optimized by the Executive Committee and approved by the Board. SONGWON's already existing policies and procedures for monitoring potential risks, together with the implementation of the \*ICFR process, have already further strengthened the Group's ability to identify potential risks. The management's goal is to mitigate risk, by maintaining consistent standards and responsible business practices across the SONGWON Industrial Group. In order to fulfill the requirements set out by ICFR, SONGWON has a whistleblower policy which is a part of the CFA (Controlling, Finance & Administration) manual. Maintaining this corporate policy at SONGWON is the responsibility of Global HR.

### Annual Shareholders' Meeting

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 focusing on the annual report and financial accounts, the meeting also offers shareholders the opportunity to put forth any questions they may have relating to the meeting's agenda. According to the mechanisms for shareholders provided by Korean law, it is a requirement for company directors to organize a shareholders' meeting and to propose resolutions submitted by the shareholders.

This year, SONGWON's Annual General Meeting took place on March 19, 2021 at SONGWON's Headquarters in Ulsan, Korea. During this meeting, the Annual Report for the financial year 2020 was adopted, as well as the proposal for the distribution of profits.



# 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 3 non-executive members, which is equivalent to 4 internal directors and 2 external directors as per Korean regulations.

During the year, Board members usually attend 4 face-to-face meetings but due to the ongoing COVID-19 pandemic, 4 virtual meetings took place via video call in 2021. Whenever it is required, virtual ad hoc meetings are also organized.

• SONGWON's Executive Committee comprises 4 members, all of whom hold key managerial positions in the Group. Usually, the Executive Committee would meet personally once every quarter, arrange regular tele and video conferences as well as communicate via email. In 2021, the Committee conducted its meetings virtually on a monthly basis.

The Executive Committee manages all 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 including the allocation of resources, investments and HR issues, with the exception of specific decisions reserved

under the Korean Company Act for the Board. The Executive Committee is also responsible for handling any instances which relate to the Korean Company Act and should any arise, it prepares the required proposals for submission to the Board for final approval.

 At SONGWON, the responsibilities attributed to the Chairman of Board and CEO are separated. All the responsibilities concerning business operations decisions lie with the Executive Committee and the decision-making process related to SONGWON's strategy and investment is handled by the Board. Having this clear division of responsibilities between the Board and Executive Committee strengthens the Group's corporate governance by ensuring greater transparency, controls and accountability. In keeping with its tradition of continuous improvement, SONGWON's leadership always seeks to implement the Board's activities with a defined scope of responsibility that clearly differs from those of the Executive Committee.

The Executive Committee is the governing body that is responsible for making decisions relating to economic, environmental and social impacts as well as identifying and managing risks and opportunities. Overseeing the strategic direction of the Group and ensuring that solid governance procedures are in place, the Board supervises the decisions made by SONGWON's Executive Committee. The Board established an Audit Committee\* and an HR Committee to support the Executive Committee optimize the overseeing of the activities within these 2 key areas. The Directors (excl. the executive members) proposed to the Shareholders for election are chosen based on criteria like their impartiality, performance history, ethical behavior as well as leadership and expertise.

These criteria help to ensure the diversity of the Board with individuals of different backgrounds, who can share different perspectives. In 2021, the Board of Directors comprised individuals representing 3 different nationalities with experience from many industries. Each year, the Board of Directors evaluates the outcomes of the decisions and the actions it has taken to assess their effectiveness and value for SONGWON.

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

The Chairman of the Board is an Executive Director who is elected at SONGWON's Annual Shareholders' Meeting. The CEO serves as Chair of the Executive Committee and exercises ongoing control of the Group. The CEO manages according to the Board of Directors instructions, and 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 (incl. departure arrangements), remuneration is aligned with the company's performance overall and takes into account the social, economic and environmental results.

## External auditors

Every 3<sup>rd</sup> year at the Annual Shareholders' Meeting, the auditors for SONGWON are elected for a period of 3 years. SONGWON's current auditors are Ernst & Young. To guarantee that they are constantly up-to-date and well-informed about relevant issues concerning the accounts, reporting procedures and management of the Group's assets, both the Board and the Executive Committee work closely with the auditors.

### Corporate governance framework

Our Vision and Mission statements reflect SONGWON's commitment to maintaining integrity and ethical standards across our global operations.

At SONGWON, we understand that successfully establishing an open, fair and clean corporate culture requires us to encourage open and fair communication at all levels. We know that corporate culture is what determines people's behavior within an organization and that it is based on the approach to corporate governance. For this reason, making sure that all of SONGWON's employees are also kept up-to-date and well-informed is important to us.

We make sure that all SONGWON employees know about the organization's operations, activities and strategic aims but more specifically that each individual clearly understands the guiding principles of ethical business conduct. SONGWON's Board and upper management make it a priority to regularly communicate the importance of responsible behavior and also to ensuring that ethical business conduct is always at the forefront of our day-to-day activities.

To support this, both SONGWON's Vision and Mission statements are clearly communicated to all employees and also released publicly to our stakeholders worldwide. A complete set of policies relating to all SONGWON's business activities has also been established. Readily accessible to every employee, the policies outline our dedication to high ethical standards and our compliance with the applicable laws in the areas and regions we operate.

SONGWON's Code of Conduct has been actively introduced, updated and promoted across the whole organization through internal communication and trainings. Available to download from SONGWON's website, the Code clearly explains the behavior expected at SONGWON and reflects our business ethics, operations, core values and overall culture.

Every employee receives a copy of SONGWON's Code of Conduct when they are hired and their knowledge is tested each year to ensure the guidelines remain fresh in their minds. It provides essential guidance to employees on how to apply the basic principles aligned with SONGWON's core values and our safe, honest, trustworthy, professional, customer focused culture. It also offers practical advice on how to comply with laws and regulations, including how to interact with colleagues as well as SONGWON's customers and communities.



SONGWON's Board of Directors

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. With a strong monitoring process in place, the company makes sure that if the Code is breached in any way, it can be easily detected and dealt with quickly. In 2021, there were no reported breaches of the Code of Conduct. At SONGWON, a lot of effort that goes into ensuring that the Code of Conduct is constantly in keeping with internationally agreed standards.

SONGWON's leadership believes in fostering a collaborative approach to management where each individual, including top management is easily approachable, always open to engaging in dialogue and ready to advise and provide their guidance. Right across the organization, questions and even discussions are both welcome and encouraged. With openness and clarity, the management seeks to create an environment where people are treated fairly and encouraged to contribute. Although no punishment culture exists at SONGWON, every employee is very aware of the zero tolerance for any breach of standards or any improper, unethical behavior. SONGWON's whistleblower policy and framework provides all SONGWON stakeholders with a method of reporting (also anonymously) any actual or suspected misconduct within the organization. The policy also protects whistleblowers from any repercussion or breaches of their confidentiality. All concerns reported are treated with the utmost discretion and handled as swiftly as possible to ensure that issues are resolved quickly or appropriate changes within the organization are implemented.

No whistleblower claims were reported in 2021 and no incidents occurred which breached SONGWON's principles (e.g. corruption, anti-trust or discrimination). However, if an incidence 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. In 2021, SONGWON also had no significant monetary or non-monetary fines for non-compliance with laws and regulations to report.

### Internal control

A fundamental aspect of SONGWON's corporate culture is internal control. The company continually seeks to strengthen and improve its Internal Control Systems (ICS) for monitoring all of the Group's activities. By doing so, SONGWON makes sure that its rules of business engagement related to external legislation and regulations as well as the established internal guidelines and control documentation are diligently adhered to.

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 desired opportunities at the same time. The Group is organized to meet the requirements for effective internal control. To enable us to achieve true and fair consolidated financial reporting, the Group also has the necessary financial and business reporting systems in place which are important instruments of control.

Each month, using well-established procedures, internal group reports are compiled and then presented in a document which includes extensive analysis.

A number of people from various Group departments and company levels are involved in working on the quarterly and annual accounts. The management team, the Executive Committee and the Board of Directors carefully review the summarized results and approve them.

In case of a conflict of interest, the governing body member concerned will abstain from voting on the issues relating to the conflict of interest to make sure that the highest levels of corporate governance are always upheld. SONGWON is not aware of any conflicts of interest arising in 2021, or of any which could have occurred during the year.

At SONGWON, we are fully aware that any form of corruption can have a severe impact on sustainable economic and social development and in particular, detrimentally affect poorer communities. As SONGWON's operations continue to expand, we know that it is highly likely for SONGWON to be more exposed to regions and environments where corruption is well-known to exist. For this reason, SONGWON is updating its policies and processes and remains open and responsive to improvements that stakeholders and authorities may propose and consider as necessary.

# To optimize corporate governance, SONGWON:



continually ensures that there is strong interaction and efficient communication between the Board and middle management.



regularly increases the Board's knowledge and understanding of the relevant impacts of SONGWON's activities. For example, each business and function is invited to present and discuss their strategies and actions with the Board.



arranges Town Hall meetings to support as well as improve engagement between employees at all levels and top management. These meetings are an opportunity for the CEO to share information on SONGWON's financial results, business activities and strategy and also enable 'guest speakers' to provide detailed overviews on specific business areas. All SONGWON's employees are invited to attend and also encouraged to ask questions and voice any concerns.



assesses the quality of the Town Hall meetings to identify improvement areas and follows up on issues or concerns raised by employees.



focuses on improving and reinforcing the Internal Control Systems at all levels and at each Group entity.



continues to be actively involved in various associations and organizations to increase its ability to monitor key issues (incl. social, economic and environmental), identify possible risks and opportunities and ensure that SONGWON is always in a position to act accordingly at an early stage.



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## INTRODUCTION TO THE CONSOLIDATED FINANCIAL STATEMENTS

On the following pages (98 – 188), consolidated financial statements for the year 2021 are presented. The financial statements disclosed are prepared according to the Korean International Financial Reporting Standards ("K-IFRS") and represent the statements submitted for approval to the Annual General Shareholders' Meeting on March 18, 2022 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 (95-97).

## INDEPENDENT AUDITOR'S REPORT



Ernst & Young Han Young 2-4F,6-8F,Taeyoung Building, 111, Yeouigongwon-ro, Yeongdeungpo-gu, Seoul 07241 Korea

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#### Independent auditor's report

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, 2021 and 2020, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Korean International Financial Reporting Standards ("KIFRS").

#### **Basis for opinion**

We conducted our audits in accordance with Korean Auditing Standards ("KGAAS"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audits 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 audits 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 matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were 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 these matters.

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

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

- We performed an analytical procedure by comparing the Group's significant intragroup sales and purchases as well as related receivables and payables of the current reporting period to prior reporting period.
- We assessed the consistency of the major intragroup sales, purchases and related balances that are subject to elimination by comparing to the input data used in the consolidation system.
- We reviewed whether all intragroup sales and purchases aggregated during the consolidation closing process were eliminated.



# 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 KGAAS 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 KGAAS, 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.

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

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 Kim, Doo-Bong.

Ernst Joung Han Joung

February 25, 2022

This audit report is effective as of February 25, 2022, the independent auditor's report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the auditor's report date 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.

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# CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of December 31, 2021 and 2020

Assata	Nistas	<b>2021</b> Million KRW	2020 Million KRW
Assets Non-current assets	Notes	487,268	478,975
Property, plant and equipment	6.3.2, 7, 26, 27	424,301	426,212
Right-of-use assets	6.3.2, 8	17,901	19,757
Investment properties	6.3.2, 9, 26, 27	3,467	3,483
Intangible assets	6.3.2, 10, 11, 26	9,650	7,757
Investments accounted for using the equity method	1.2.3, 12	6,466	5,912
Other non-current assets	21	6,028	245
Other non-current financial assets	13, 25, 32	12,068	9,889
Deferred tax assets	29	7,387	5,720
Current assets		628,381	412,167
Inventories	14, 26	335,880	192,057
Trade and other receivables	15, 25.2, 32	179,720	133,691
Income tax receivables		308	446
Other current assets	16	13,584	9,172
Other current financial assets	13, 25	1,145	4,017
Cash and cash equivalents	17, 25.2	97,744	72,784
Total assets		1,115,649	891,142
Equity and liabilities			
Equity		543,254	463,497
Non-controlling interests		_	4,788
Equity attributable to owners of the parent		543,254	458,709
Issued capital	18.1	12,000	12,000
Capital surplus	18.2	20,482	22,359
Reserves	18.3	28,623	28,335
Retained earnings	18.3	483,732	405,105
Other components of equity	18.4	-1,583	-9,090
Non-current liabilities		128,396	134,523
Bonds, interest-bearing loans and borrowings	19, 25, 27	60,502	59,647
Pension liability	21	5,945	13,865
Other long-term employee-related liabilities	22	8,544	7,431
Non-current lease liabilities	8, 25	15,454	16,143
Other non-current financial liabilities	23, 25	1	940
Other non-current liabilities		428	446
Deferred tax liabilities	29	37,522	36,051
Current liabilities		443,999	293,122
Interest-bearing loans and borrowings	19, 25, 26, 27	235,311	158,940
Trade and other payables	24, 25, 32	173,266	114,614
Current lease liabilities	8, 25	2,480	2,429
Other current financial liabilities	23, 25	689	2,521
Other current liabilities	20	4,043	3,064
Income tax payable		28,210	11,554
Total liabilities		572,395	427,645
Total equity and liabilities		1,115,649	891,142

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of December 31, 2021 and 2020 (see note 2.3)

	2021	2020
Assets	Thousand USD	Thousand USD
Non-current assets	409,935	402,958
Property, plant and equipment	356,961	358,569
Right-of-use assets	15,060	16,621
Investment properties	2,917	2,930
Intangible assets	8,118	6,526
Investments accounted for using the equity method	5,440	4,974
Other non-current assets	5,071	206
Other non-current financial assets	10,153	8,320
Deferred tax assets	6,215	4,812
Current assets	528,651	346,752
Inventories	282,573	161,576
Trade and other receivables	151,197	112,473
Income tax receivables	259	375
Other current assets	11,428	7,716
Other current financial assets	963	3,379
Cash and cash equivalents	82,231	61,233
Total assets	938,586	749,710
Equity and liabilities		
Equity	457,034	389,936
Non-controlling interests	_	4,028
Equity attributable to owners of the parent	457,034	385,908
Issued capital	10,096	10,096
Capital surplus	17,231	18,810
Reserves	24,079	23,837
Retained earnings	406,960	340,812
Other components of equity	-1,332	-7,647
Non-current liabilities	108,018	113,174
Bonds, interest-bearing loans and borrowings	50,900	50,181
Pension liability	5,001	11,665
Other long-term employee-related liabilities	7,188	6,252
Non-current lease liabilities	13,001	13,581
Other non-current financial liabilities	1	791
Other non-current liabilities	360	375
Deferred tax liabilities	31,567	30,329
Current liabilities	373,534	246,600
Interest-bearing loans and borrowings	197,965	133,715
Trade and other payables	145,767	96,424
Current lease liabilities	2,086	2,043
Other current financial liabilities	580	2,120
Other current liabilities	3,403	2,578
Income tax payable	23,733	9,720
Total liabilities	481,552	359,774
Total equity and liabilities	938,586	749,710

# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

for the years ended December 31, 2021 and 2020

		2021	2020
	Notes	Million KRW	Million KRW
Sales	6.1, 6.2, 32	998,190	807,768
Cost of sales	28.5, 32	-753,165	-643,795
Gross profit		245,025	163,973
Selling and administration costs	28.2, 28.5, 32	-139,311	-95,963
Operating profit		105,714	68,010
Other income	28.3	6,038	3,712
Other expenses	28.4	-7,233	-9,897
Share of result from investments accounted for using the equity method	12	1,103	1,064
Finance income	28.6	27,863	23,002
Finance expenses	28.7	-32,301	-34,734
Profit before tax		101,184	51,157
Income tax expenses	29	-29,975	-22,792
Profit for the period		71,209	28,365
Other comprehensive income, net of taxes			
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		7,863	-5,398
Losses on valuation of interest rate swaps	18.4	1,182	-210
Exchange differences on translation of foreign operations	18.4	6,681	-5,188
Net other comprehensive income not to be reclassified to profit or loss		9,270	9,489
Losses on valuation of financial assets at FVOCI	18.4	-252	-318
Re-measurement gain on defined benefit plans	18.4, 21	9,522	9,807
Total other comprehensive income, net of taxes		17,133	4,091
Total comprehensive income		88,342	32,456
Profit for the period attributable to:			
Owners of the parent	30	72,273	27,453
Non-controlling interests		-1,064	912
Profit for the period		71,209	28,365
Total comprehensive income attributable to:			
Owners of the parent		89,302	31,654
Non-controlling interests		-960	802
Total comprehensive income		88,342	32,456
Earnings per share		KRW	KRW
Basic / diluted, profit for the period attributable to ordinary equity holders of the parent	30	3,011	1,144

# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

for the years ended December 31, 2021 and 2020 (see note 2.3)

	2021	2020
	Thousand USD	Thousand USD
Sales	839,769	679,569
Cost of sales	-633,632	-541,620
Gross profit	206,137	137,949
Selling and administration costs	-117,201	-80,733
Operating profit	88,936	57,216
Other income	5,080	3,123
Other expenses	-6,084	-8,326
Share of result from investments accounted for using the equity method	928	895
Finance income	23,441	19,351
Finance expenses	-27,175	-29,221
Profit before tax	85,126	43,038
Income tax expenses	-25,218	-19,175
Profit for the period	59,908	23,863
Other comprehensive income, net of taxes		
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	6,614	-4,541
Losses on valuation of interest rate swaps	994	-177
Exchange differences on translation of foreign operations	5,620	-4,364
Net other comprehensive income not to be reclassified to profit or loss	7,799	7,983
Losses on valuation of financial assets at FVOCI	-212	-268
Re-measurement gain on defined benefit plans	8,011	8,251
Total other comprehensive income, net of taxes	14,413	3,442
Total comprehensive income	74,321	27,305
Profit for the period attributable to:		
Owners of the parent	60,803	23,096
Non-controlling interests	-895	767
Profit for the period	59,908	23,863
Total comprehensive income attributable to:		
Owners of the parent	75,129	26,630
Non-controlling interests	-808	675
Total comprehensive income	74,321	27,305
Earnings per share	USD	USD
Basic / diluted, profit for the period attributable to ordinary equity holders of the parent	2.53	0.96

# CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

for the years ended December 31, 2020 and 2021

	Attributable to owners of the parent									
					Other cor	nponents	ofequity			
	Issued capital	Capital surplus	Reserves	Retained earnings	Cash flow hedge reserve	Fair value reserve of financial assets at FVOCI	Foreign currency translation reserve	Total	Non-controlling interests	Total equity
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KR W
As of January 1, 2020	12,000	22,359	27,975	371,805	-997	-44	-2,443	430,655	3,986	434,641
Profit for the period	_	_	_	27,453		_	_	27,453	912	28,365
Other comprehensive income	_	_	_	9,807	-210	-318	-5,078	4,201	-110	4,091
Total comprehensive income	-	-	-	37,260	-210	-318	-5,078	31,654	802	32,456
Dividends	-	-	_	-3,600	_	_	-	-3,600	_	-3,600
Appropriation to reserves	_	-	360	-360	-	-	_	-	_	-
As of December 31, 2020	12,000	22,359	28,335	405,105	-1,207	-362	-7,521	458,709	4,788	463,497
As of January 1, 2021	12,000	22,359	28,335	405,105	-1,207	-362	-7,521	458,709	4,788	463,497
Profit for the period Other comprehensive	_	-	_	72,273	_	_	_	72,273	-1,064	71,209
income	-	-	_	9,522	1,182	-252	6,577	17,029	104	17,133
Total comprehensive income	-	-		81,795	1,182	-252	6,577	89,302	-960	88,342
Dividends	-	-	_	-2,880	_	_	_	-2,880	_	-2,880
Appropriation to reserves	_	-	288	-288	-	-	_	_	-	_
Change in non-controlling interest due to interest increase	_	-1,877	_	_	_	_	_	-1,877	-1,230	-3,107
Change in non-controlling interest due to disposal of subsidiary*	_	_	_	_	_	_	_	_	-2,598	-2,598
As of December 31, 2021	12,000	20,482	28,623	483,732	-25	-614	-944	543,254	-	543,254

# CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

for the years ended December 31, 2020 and 2021 (see note 2.3)

	Attributable to owners of the parent									
					Other cor	nponents	ofequity			
	Issued capital	<b>C</b> apital surplus	Reserves	Retained earnings	Cash flow hedge reserve	Fair value reserve of financial assets at FVOCI	Foreign currency translation reserve	Total	Non-controlling interests	Total equity
	Thous. USD	Thous. USD	Thous. USD	Thous. USD	Thous. USD	Thous. USD	Thous. USD	Thous. USD	Thous. USD	Thous. USD
As of January 1, 2020	10,096	18,810	23,534	312,797	-839	-37	-2,055	362,306	3,354	365,660
Profit for the period	_	_	_	23,096	_	_	_	23,096	767	23,863
Other comprehensive income	_	_	_	8,251	-177	-268	-4,271	3,535	-93	3,442
Total comprehensive income	-	-	-	31,347	-177	-268	-4,271	26,631	674	27,305
Dividends	-	-	-	-3,029	-	_	-	-3,029	_	-3,029
Appropriation to reserves	_	-	303	-303	-	-	_	-	-	-
As of December 31, 2020	10,096	18,810	23,837	340,812	-1,016	-305	-6,326	385,908	4,028	389,936
As of January 1, 2021	10,096	18,810	23,837	340,812	-1,016	-305	-6,326	385,908	4,028	389,936
Profit for the period	-	_	_	60,803	-	-	_	60,803	-895	59,908
Other comprehensive income	-	-	_	8,011	994	-212	5,533	14,326	87	14,413
Total comprehensive income	-	-		68,814	994	-212	5,533	75,129	-808	74,321
Dividends	-	-	-	-2,424	-	-	-	-2,424	-	-2,424
Appropriation to reserves	-	-	242	-242	-	-	-	_	-	-
Change in non- controlling interest due to interest increase	_	-1,579	_	_	_	_	_	-1,579	-1,035	-2,614
Change in non- controlling interest due to disposal of subsidiary	_	_	_	_	-	_	_	_	-2,185	-2,185
As of December 31, 2021	10,096	17,231	24,079	406,960	-22	-517	-793	457,034	-	457,034

# CONSOLIDATED STATEMENTS OF CASH FLOWS

for the years ended December 31, 2021 and 2020

		2021	2020
	Notes	Million KRW	Million KRW
Profit for the period		71,209	28,365
Total adjustments	31	81,365	84,068
Changes in operating assets and liabilities	31	-155,285	-3,856
Interest received		247	229
Payments of income tax		-15,833	-32,387
Net cash flow from operating activities		-18,297	76,419
Proceeds from sale of property, plant and equipment	7, 31	438	107
Proceeds from sale of intangible assets	10, 31	2,196	_
Purchases of property, plant and equipment	7	-24,296	-21,227
Purchases of intangible assets	10	-2,270	-874
Dividends received from investments using equity method	12	519	519
Disposal of subsidiary, net of cash disposed	5	5,584	_
Decrease / (increase) in other financial assets, net		973	-5,078
Net cash flow from investing activities		-16,856	-26,553
Proceeds from borrowings	31	666,819	344,396
Repayments of borrowings	31	-589,361	-369,239
Payment of lease liabilities		-3,461	-3,554
Decrease in other financial liabilities, net	31	-1,242	-1,589
Interest paid	31	-5,254	-5,851
Acquisition of additional interest in subsidiary	1.2.1	-3,107	_
Dividends paid	18	-2,880	-3,600
Net cash flow from financing activities	18	61,514	-39,437
Increase in cash and cash equivalents		26,361	10,429
Net foreign exchange differences		-1,401	-777
Cash and cash equivalents as of January 1	17	72,784	63,132
Cash and cash equivalents as of December 31	17	97,744	72,784

# CONSOLIDATED STATEMENTS OF CASH FLOWS

for the years ended December 31, 2021 and 2020 (see note 2.3)

	2021	2020
	Thousand USD	Thousand USD
Profit for the period	59,908	23,863
Total adjustments	68,452	70,726
Changes in operating assets and liabilities	-130,640	-3,244
Interest received	208	193
Payments of income tax	-13,320	-27,247
Net cash flow from operating activities	-15,392	64,291
Proceeds from sale of property, plant and equipment	368	90
Proceeds from sale of intangible assets	1,847	_
Purchases of property, plant and equipment	-20,440	-17,858
Purchases of intangible assets	-1,910	-735
Dividends received from investments using equity method	437	437
Disposal of subsidiary, net of cash disposed	4,698	_
Decrease / (increase) in other financial assets, net	819	-4,272
Net cash flow from investing activities	-14,181	-22,338
Proceeds from borrowings	560,990	289,738
Repayments of borrowings	-495,825	-310,638
Payment of lease liabilities	-2,912	-2,990
Decrease in other financial liabilities, net	-1,045	-1,337
Interest paid	-4,420	-4,922
Acquisition of additional interest in subsidiary	-2,614	_
Dividends paid	-2,423	-3,029
Net cash flow from financing activities	51,751	-33,178
Increase in cash and cash equivalents	22,178	8,775
Net foreign exchange differences	-1,180	-655
Cash and cash equivalents as of January 1	61,233	53,112
Cash and cash equivalents as of December 31	82,231	61,233

## 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, 2021, the scope of consolidation for the consolidated financial statements encompasses 14 entities (2020: 14 entities). Additionally, one entity is classified as a joint venture (2020: one entity) and accounted for using the equity method.

During the twelve months of 2021, the following changes in the legal structure of the Group and in scope of consolidation took place:

- Establishment of a new distribution entity in China, Songwon International-Qingdao Co., Ltd. in April 2021.
- Sale of 72% interest in Qingdao Long Fortune Songwon Chemical Co. Ltd effective as of April 30, 2021. Therefore, the Group's control in Qingdao Long Fortune Songwon Chemical Co. Ltd. ceased and the entity was deconsolidated (refer to note 5. for further details).
- Acquisition of an additional 18.5% interest in Songwon Polysys Additives-Sole Proprietorship LLC effective as of March 23, 2021. Therefore, the Group's interest in Songwon Polysys Additives-Sole Proprietorship LLC, which had already been fully consolidated as of April 1, 2014, increased from 81.5% to 100% for a consideration of 2.75 Million USD (3,107 Million KRW).

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.

		C	<b>2021</b> December 31	C	2020 December 31
Consolidated entities	Location	Status	Interest	Status	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%	-	-
Qingdao Long Fortune Songwon Chemical Co., Ltd.*	China	_	_	Subsidiary	72%
Songwon International Middle East FZE	UAE	Subsidiary	100%	Subsidiary	100%
Songwon Polysys Additives-Sole Proprietorship LLC	UAE	Subsidiary	100%	Subsidiary	81.5%

#### Entities 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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\*refer to note 5 for further details

#### 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
<b>2021</b> as of December 31	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Songwon International – Japan K.K.	49,060	36,729	12,331	95,047	1,504	1,504
Songwon Specialty Chemicals-India Pvt. Ltd.	50,735	10,916	39,819	30,152	5,836	5,944
Songwon International – Americas Inc.	109,679	76,476	33,203	212,348	5,347	5,347
Songwon International AG	104,526	75,276	29,250	270,572	18,611	19,117
Songwon Group Holding AG	127,741	4,318	123,423	-	11,736	11,736
Songwon Management AG	22,387	19,545	2,842	-	-1,196	4,523
Songwon-ATG GmbH	7,817	3,713	4,104	8,894	301	301
Songwon Europe GmbH	162	15	147	1,336	33	33
Songwon Chemicals GmbH	139	4	135	1,145	26	26
Songwon Trading GmbH	113	4	109	942	17	17
Songwon International – Qingdao Co., Ltd.	13,847	9,462	4,385	15,333	690	690
Songwon International – Middle East FZE	10,165	7,149	3,016	22,957	1,579	1,579
Songwon Polysys Additives – Sole Proprietorship LLC	34,788	14,504	20,284	24,903	406	406
2020 as of December 31						
Songwon International - Japan K.K.	30,884	19,843	11,041	76,840	1,305	1,305
Songwon Specialty Chemicals-India Pvt. Ltd.	42,405	10,351	32,054	24,786	5,461	5,447
Songwon International - Americas Inc.	71,271	43,810	27,461	178,366	3,734	3,734
Songwon International AG	67,826	52,026	15,800	223,502	6,622	6,525
Songwon Group Holding AG	125,665	2,628	123,037	-	10,803	10,803
Songwon Management AG	22,289	23,248	-959	-	280	-665
Songwon-ATG GmbH	8,186	3,810	4,376	7,969	-4,656	-4,656
Songwon Europe GmbH	130	16	114	1,386	37	37
Songwon Chemicals GmbH	142	34	108	1,415	38	38
Songwon Trading GmbH	274	183	91	956	21	21
Qingdao Long Fortune Songwon Chemical Co., Ltd.	20,423	7,441	12,982	30,091	2,226	2,226
Songwon International – Middle East FZE	5,153	3,546	1,607	19,208	430	430
Songwon Polysys Additives – Sole Proprietorship LLC	26,919	18,172	8,747	25,897	1,441	1,441

## 1.2.3 INTEREST IN JOINT VENTURES

The Group has a 30% interest in Songwon Baifu Chemicals (Tangshan) Co., Ltd., classified as a jointly controlled entity which 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:

	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
Statement of financial position	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	2,987	12,062	9,003	908	1,264	76	94	19,707	5,912
December 31, 2020	2,987	12,062	9,003	908	1,264	76	94	19,707	5,912
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	1,803	10,744	12,954	1,670	2,056	58	89	21,553	6,466
December 31, 2021	1,803	10,744	12,954	1,670	2,056	58	89	21,553	6,466

	Revenue	Depreciation & Amortization	Interest income	Interest expense	Profit before tax	Income tax expenses	Profit for the period	Other comp. income	Total comp. income
Statement of comprehensive 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.	24,239	-141	5	-9	4,783	-1,238	3,545	67	3,612
December 31, 2020	24,239	-141	5	-9	4,783	-1,238	3,545	67	3,612
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	31,813	-163	23	-6	4,944	-1,269	3,675	-100	3,575
December 31, 2021	31,813	-163	23	-6	4,944	-1,269	3,675	-100	3,575

The investment in the joint venture is accounted for as using the equity method. The joint venture is continuing its operations as of December 31, 2021, and its reporting period is the same as that of the Group. In 2021, dividends of 519 Million KRW were received from Songwon Baifu Chemicals (Tangshan) Co., Ltd. (2020: 519 Million KRW), refer to note 12.

## 1.2.4 NON-CONTROLLING INTERESTS

The Group acquired an additional 18.5% interest in Songwon Polysys Additives-Sole Proprietorship LLC as of March 23, 2021 and increased its shareholding to 100%. In addition, the sale of the 72% interest in Qingdao Long Fortune Songwon Chemical Co. Ltd., effective April 30, 2021, led to loss of control in Qingdao Long Fortune Songwon Chemical Co. Ltd. and the entity was deconsolidated (refer to note 5). As at December 31, 2021, the Group disposed all of its non-controlling interests. The net loss attributable to the non-controlling interests for the year 2021 amounted to 1,064 Million KRW (net gain 2020: 912 Million KRW). Summarized cash flow information of the partly owned subsidiaries as of December 31, 2020, is as follows:

	2020 Million KRW
Operating cash flow	5,069
Investing cash flow	-113
Financing cash flow	-4,662
Net cash flow	294



# 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

# 2.1 BASIS OF PREPARATION

The Group prepares statutory financial statements in the Korean language in accordance with Korean International Financial Reporting Standards (K-IFRS) 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. In the event of any differences in the interpretation of the consolidated 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, 2021. 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 1,188.65 KRW to 1 USD, the exchange rate in effect on December 31, 2021. 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 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 significant 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 significant 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 nonmonetary 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 significant 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	18-60 years
Structures	10-40 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 the 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 8).

#### 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 25.3.3).

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.

• Significant judgement 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 judgement 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 significant 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 2021, 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 are 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 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 service in combination with the sales of goods. The services can be provided by others and are not significantly 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 accounting policies of financial assets in the 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 significant 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 in order 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 market place (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 in 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 to hold 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 K-IFRS 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 to 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 significantly 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 significantly 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 impairment of financial assets are also provided in the sections:

- significant 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 significant 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 significant 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 regional 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 significant 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 K-IFRS 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 K-IFRS 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 25.

#### 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 actually 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 expense. 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 25.1.1) and currency and interest rate swaps (note 25.1.2).

#### 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 which had been terminated early. The Group applied cash flow hedge accounting for interest rate swap contracts (note 25.1.3).

#### 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 significant 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 significant to the fair value measurement is directly or indirectly observable.
- Level 3—Valuation techniques for which the lowest level input that is significant 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 significant 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 valuation of significant assets, such as AFS financial assets, and significant 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 which are required to be remeasured or re-assessed 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 instalments.

## 2.21 CHANGES IN DISCLOSURE AND PRESENTATION

In the 2<sup>nd</sup> quarter of 2021, a decision was made to change the structure of SONGWON's internal organization in a manner which has caused the composition of the reportable segments to change. Chemicals used in the coatings industry have been reclassified from Division Performance Chemicals to Division Industrial Chemicals. As a result of this reclassification, the segment information for the twelve months ended December 31, 2020 (comparable period), have been restated. For the twelve months ended December 31, 2020, the sales for Division Industrial Chemicals increased by 29,114 Million KRW (Division Performance Chemicals: sales decreased by 29,114 Million KRW). The operating profit of Division Industrial Chemicals for the twelve months ended December 31, 2020, decreased by 3,121 Million KRW (Division Performance Chemicals: operating profit increased by 3,121 Million KRW). The changes in disclosure have had no impact on the consolidated statements of financial position and the consolidated statements of comprehensive income.

## 2.22 RESTATEMENT OF PRIOR YEAR FIGURES IN CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The Group applied certain standards and amendments for the first-time, which are effective for annual periods beginning on or after January 1, 2021 (unless otherwise stated). The Group has not adopted early any other standard, interpretation or amendment that has been issued but is not yet effective.

Interest Rate Benchmark Reform – Phase 2: Amendments to K-IFRS 1109, K-IFRS 1039, K-IFRS 1107, K-IFRS 1104 and K-IFRS 1116

The amendments provide temporary relief which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest;
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued;
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

## COVID-19-Related Rent Concessions beyond June 30, 2021 Amendments to K-IFRS 1116

On May 28, 2020, the IASB issued COVID-19-Related Rent Concessions - amendment to K-IFRS 1116 Leases. The amendments provide relief to lessees from applying K-IFRS 1116 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under K-IFRS 1116, if the change were not a lease modification.

The amendment was intended to apply until June 30, 2021, but as the impact of the COVID-19 pandemic is continuing, the IASB extended the period of application of the practical expedient on March 31, 2021 to June 30, 2022. The amendment applies to annual reporting periods beginning on or after April 1, 2021. However, the Group has not received COVID-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

## 3. SIGNIFICANT 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 significant risk of causing a material adjustment to the carrying amounts of the asset of the carrying amounts of assets and liabilities within the next financial year, are described below.

#### Notes Description Nature of estimation

7, 8, 9, **Impairment of** Impairment exists when the carrying value of an asset or cash-generating unit exceeds its non-financial 10, 11 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 assets / aoodwill 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 significant future investments that will enhance the asset's 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.

- 21, 22 **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.
- 29.1, Income tax / deferred tax assets
   29.2 Income tax / deferred tax assets
   29.2 The Group applies significant judgement 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. Significant 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.

25.2 **Fair value of financial instruments** Where the fair value of financial assets and financial liabilities recorded in the statement 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.

25.3.3 Leases – determination of lease term and incremental borrowing rate 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 judgement 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 significant 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 significant leasehold improvements or significant customization to the leased asset).

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.



# 4. 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.

## Classification of Liabilities as Current or Non-current – Amendments to K-IFRS 1001

The amendments to paragraphs 69 to 76 of K-IFRS 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;
- 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.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

The amendments are not expected to have a material impact on the Group.

#### Reference to the Conceptual Framework – Amendments to K-IFRS 1103

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of K-IFRS 1103 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of K-IFRS 1037 or K-IFRS 2121 Levies, if incurred separately. At the same time, the Board decided to clarify existing guidance in K-IFRS 1103 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

The amendments are not expected to have a material impact on the Group.

### Property, Plant and Equipment: Proceeds before Intended Use – Amendments to K-IFRS 1016

Property, Plant and Equipment – Proceeds before Intended Use has been issued, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

## Onerous Contracts – Costs of Fulfilling a Contract – Amendments to K-IFRS 1037

Amendments to K-IFRS 1037 have been issued to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

# K-IFRS 1101 *First-time Adoption of International Financial Reporting Standards* – Subsidiary as a first-time adopter

The amendment permits a subsidiary that elects to apply paragraph D16(a) of K-IFRS 1101 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to K-IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of K-IFRS 1101.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

The amendment is not expected to have a material impact on the Group.

# K-IFRS 1109 *Financial Instruments* – Fees in the '10 per cent' test for derecognition of financial liabilities

An amendment to K-IFRS 1109 has been issued. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

## Definition of Accounting Estimates – Amendments to K-IFRS 1008

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Group.

### Disclosure of Accounting Policies – Amendments to K-IFRS 1001

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to K-IFRS 1001 are applicable for annual periods beginning on or after January 1, 2023 with earlier application permitted.

The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

# Narrowing the scope of the initial recognition exception of deferred income taxes – Amendments to KIFRS 1012

The amendments narrowed the scope of the initial recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary difference, thus to resolve accounting diversity in the recognizing of deferred tax assets and liabilities.

Paragraphs 15 and 24 (initial recognition exemption of deferred income taxes) of KIFRS 1012 were amended to include an additional condition (3) where a deferred tax asset and liability shall be recognized for a temporary difference that arises on initial recognition of an asset or liability in a single transaction if that transaction give rise to equal amounts of taxable and deductible temporary differences.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

# 5. SALE OF A SUBSIDIARY

The Group sold its 72% interest in Qingdao Long Fortune Songwon Chemical Co. Ltd. with the effective date April 30, 2021. The financial information for the period to the date of disposal is set out below.

## 5.1 FINANCIAL PERFORMANCE AND CASH FLOW INFORMATION

The financial performance and cash flow information of Qingdao Long Fortune Songwon Chemical Co. Ltd. presented in the tables below are for the four months ended April 30, 2021, and the year ended December 31, 2020:

	2021	2020
	YTD April 30	Financial year
Description	Million KRW	Million KRW
Sales	13,482	30,091
Cost os sales	-11,691	-25,191
Gross profit	1,791	4,900
Selling and administration costs	-1,082	-2,656
Operating profit	709	2,244
Other income	194	591
Osther expenses	-992	-48
Finance income	77	444
Finance expenses	-42	-249
(Loss)/profit before tax	-54	2,982
Income tax expenses	-125	-756
(Loss)/profit before tax	-179	2,226
	0004	0000

	2021	2020
	YTD April 30	Financial year
	Million KRW	Million KRW
Net cash flow from operating activities	-2,066	1,729
Net cash flow from investing activities	49	-3
Net cash flow from financing activities	-138	-116
Net (decrease)/increase in cash generated by the subsidiary	-2,155	1,610

The net of cash disposed from the sale of 72% interest in Qingdao Long fortune Songwon Chemical Co. Ltd. with effective date April 30, 2021, is as follows:

	<b>2021</b> As of April 30
	Million KRW
Cash and cash equivalents of subsidiary	-1,524
Total consideration received from sale of subsidiary	7,108
Disposal of a subsidiaty, net of cash disposed	5,584

## 5.2 DETAILS ON SALE OF SUBSIDIARY

The net impairment losses resulting from the sale of 72% interest in Qingdao Long fortune Songwon Chemical Co. Ltd. (SWDM-CN) of 2,378 Million KRW have been recognized as "Other expenses" within the interim condensed consolidated statements of comprehensive income for the year ended December 31, 2021:

	2021
	Million KRW
Impairment losses from revaluation of SWDM-CN as of March 31, 2021	-3,331
Reversal of 28% impairment losses allocated to non-controlling interests	953
Net impairment losses from sale of 72% interest in SWDM-CN	-2,378

The total consideration received from the sale of 72% interest in Qingdao Long fortune Songwon Chemical Co. Ltd. was derived as follows:

	2021
	As of April 30
Description	Million KRW
Property, plant and equipment	70
Right-of-use assets	588
Inventories	928
Trade and other receivables	8,512
Cash and cash equivalents	1,524
Other non-current and current assets	201
Total asstes	11,823
Non-current lease liabilities	-734
Trade and other payables	-907
Other non-current and current liabilities	-476
Total Liabilities	-2,117
Net assets of subsidiary	9,706
Non-controlling interests of 28%	-2,598
Total consideration received from sale of 72% interest	7,108

# 6. 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. In the second quarter of 2021, a decision was made to change the structure of SONGWON's internal organization in a manner that caused the composition of the reportable segments to change. Chemicals used in the coatings industry have been reclassified from Division Performance Chemicals to Division Industrial Chemicals (refer to note 2.21 for further details):

#### • 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.

# 6.1. 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.

	2021	2020	2021	2020	2021	2020
	Industrial (	Chemicals	Performanc	e Chemicals	To	tal
Description	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Sales	735,654	613,593	262,536	194,175	998,190	807,768
Operating profit	95,621	67,347	10,093	663	105,714	68,010

# 6.2 REVENUE FROM CONTRACTS WITH CUSTOMERS

	2021	2020	2021	2020	2021	2020
	Industrial (	Chemicals	Performanc	e Chemicals	То	tal
Description	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Sales of goods	734,175	612,085	261,766	193,698	995,941	805,783
Sales of services	1,479	1,508	770	477	2,249	1,985
Total sales	735,654	613,593	262,536	194,175	998,190	807,768

## 6.3. GEOGRAPHIC INFORMATION

## 6.3.1. 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.

	2021	2020
	Million KRW	Million KRW
Korea	212,843	164,250
Rest of Asia	281,754	232,039
Europe	230,546	180,259
North and South America	211,418	176,936
Australia	4,503	2,198
Middle East and Africa	57,126	52,086
Total sales	998,190	807,768

The Group has no customer who accounts for more than 10% of the Group's total sales during the reporting periods.

## 6.3.2. NON-CURRENT ASSETS

Non-current assets information presented below consists of property, plant and equipment, right-of-use assets, investment properties and intangible assets.

	2021	2020
	Million KRW	Million KRW
Korea	389,764	389,584
Rest of Asia	27,268	28,988
Europe	8,164	8,869
North and South America	10,851	11,193
Middle East and Africa	19,272	18,575
Total	455,319	457,209

# 7. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Structures	Machinery	Other	Construction in progress	Total
Acquisition cost	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
As of January 1, 2020	149,550	88,362	63,805	494,049	47,400	14,251	857,417
Additions	_	100	111	1,002	688	21,011	22,912
Disposals	_	-27	-549	-20,775	-2,084	-	-23,435
Reclassifications	_	4,330	2,622	17,104	526	-24,582	_
Net exchange differences	_	-1,485	_	-2,091	-252	-40	-3,868
As of December 31, 2020	149,550	91,280	65,989	489,289	46,278	10,640	853,026
As of January 1, 2021	149,550	91,280	65,989	489,289	46,278	10,640	853,026
Additions	_	1	339	1,883	297	25,801	28,321
Disposals	-44	-158	-1,186	-9,172	-2,046	_	-12,606
Reclassifications	150	474	6,714	13,752	228	-21,318	-
Disposal of subsidiary*	-	_	_	-464	-75	-48	-587
Net exchange differences	_	1,780	_	2,518	344	52	4,694
As of December 31, 2021	149,656	93,377	71,856	497,806	45,026	15,127	872,848

#### Accumulated depreciation and impairment

As of January 1, 2020	-	-25,585	-40,213	-315,033	-37,134	-	-417,965
Depreciation charge	_	-2,533	-2,993	-23,088	-2,432	—	-31,046
Disposals	_	12	543	19,087	1,870	_	21,512
Impairment	_	-1	_	-49	-5	_	-55
Net exchange differences	-	203	_	413	124	_	740
As of January 1, 2021	-	-27,904	-42,663	-318,670	-37,577	—	-426,814
Depreciation charge	_	-2,548	-3,047	-22,510	-2,249	_	-30,354
Disposals	_	60	1,034	7,287	1,999	_	10,380
Impairment	_	_	_	-931	-62	-49	-1,042
Disposal of subsidiary*	_	_	_	395	74	48	517
Net exchange differences	-	-283	_	-749	-205	1	-1,236
As of December 31, 2021	-	-30,675	-44,676	-335,178	-38,020	-	-448,547

#### Net book value

As of December 31, 2021	149,656	62,703	27,180	162,628	7,007	15,127	424,301
As of December 31, 2020	149,550	63,376	23,326	170,619	8,701	10,640	426,212

\*refer to note 5 for further details

During the year ending 2021, there were impairment losses of property, plant and equipment within Qingdao Long Fortune Songwon Chemical Co., Ltd., occurred during the ordinary course of business (828 Million KRW, not related to the COVID-19 pandemic) and impairment losses related to the sale of 72% interest in Qingdao Long Fortune Songwon Chemical Co., Ltd. of 175 Million KRW totaling 1,003 Million KRW. Additional impairment losses of 39 Million KRW have been recognized within Songwon International-Americas Inc., occurred during the ordinary course of business and not related to the COVID-19 pandemic (2020: impairment losses of 55 Million KRW within Songwon Specialty Chemicals-India Pvt. Ltd. occurred in the ordinary course of business).

Non-cash acquisition of property, plant and equipment during the year ending 2021 amounted to 4,025 Million KRW (2020: 1,685 Million KRW) and accounts payables relating to non-cash transactions amounted to 9,104 Million KRW as at year ending 2021 (2020: 5,078 Million KRW).

### Capitalized borrowing costs

Borrowing costs, which are directly attributable to the acquisition or production of a qualified asset, are capitalized as part of the cost of that asset. As at year end 2021, borrowing costs of 94 Million KRW have been capitalized (2020: no borrowing costs capitalized).

#### 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 26). For contractual commitments to purchase property, plant and equipment refer to note 26.3.

# 8. 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-us	e assets		
	buildings	structures	machinery	other	Total
Acquisition cost	Million KRW				
As of January 1, 2020	21,273	1,144	84	977	23,478
Additions	117	_	1,067	347	1,531
Disposals	-28	-144	_	-310	-482
Modification of contract	349	526	81	2	958
Net exchange differences	-537	-1	-129	-2	-669
As of December 31, 2020	21,174	1,525	1,103	1,014	24,816
As of January 1, 2021	21,174	1,525	1,103	1,014	24,816
Additions	982	_	-	133	1,115
Disposals	-262	_	-	-184	-446
Modification of contract	-193	653	47	67	574
Disposal of subsidiary*	-2,293	_	-	-	-2,293
Net exchange differences	1,296	-	85	47	1,428
As of December 31, 2021	20,704	2,178	1,235	1,077	25,194
Accumulated depreciation					
As of January 1, 2020	-1,616	-658	-58	-346	-2,678
Depreciation charge	-1,751	-638	-151	-399	-2,939
Disposals	28	144	_	247	419
Net exchange differences	123	-	14	2	139
As of December 31, 2020	-3,216	-1,152	-195	-496	-5,059
As of January 1, 2021	-3,216	-1,152	-195	-496	-5,059
Depreciation charge	-1,620	-578	-148	-330	-2,676
Disposals	262	_	-	184	446
Impairment	-1,454	_	-	-	-1,454
Disposal of subsidiary*	1,705	_	_	_	1,705
Net exchange differences	-207	-1	-21	-26	-255
As of December 31, 2021	-4,530	-1,731	-364	-668	-7,293

#### Net book value

As of December 31, 2021	16,174	447	871	409	17,901
As of December 31, 2020	17,958	373	908	518	19,757

\*refer to note 5 for further details

In 2021, impairment losses of 1,454 Million KRW have been recognized in relation to the sale of 72% interest in Qingdao Long Fortune Songwon Chemical Co., Ltd. (2020: no impairment). Further, the Group recognized rent expenses from short-term leases of 134 Million KRW (2020: 282 Million KRW), leases of low-value assets of 82 Million KRW (2020: 71 Million KRW) and variable lease payments of 452 Million KRW (2020: 620 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:

	2021	2020
Description	Million KRW	Million KRW
As of January 1	18,572	19,523
Additions	1,115	1,531
Modifications	574	958
Net exchange differences	499	-628
Accretion of interest	635	742
Payments	-3,461	-3,554
As of December 31	17,934	18,572

The maturity analysis of lease liabilities is disclosed in note 25.3.3.

# 9. INVESTMENT PROPERTIES

	Land	Buildings	Structures	Total
Acquisition cost	Million KRW	Million KRW	Million KRW	Million KRW
As of January 1, 2020	3,280	509	29	3,818
Disposals	_	—	-29	-29
Net exchange differences	_	-2	_	-2
As of December 31, 2020	3,280	507	-	3,787
Disposals	_	—	_	—
Net exchange differences	-	-3	-	-3
As of December 31, 2021	3,280	504	-	3,784

#### Accumulated depreciation

As of January 1, 2020	_	-292	-24	-316
Depreciation charge	_	-14	-1	-15
Disposals	_	-	25	25
Net exchange differences	_	2	-	2
As of December 31, 2020	_	-304	—	-304
Depreciation charge	_	-15	-	-15
Disposals	_	-	-	-
Net exchange differences	_	2	-	2
As of December 31, 2021	_	-317	—	-317

#### Net book value

As of December 31, 2021	3,280	187	_	3,467
As of December 31, 2020	3,280	203	_	3,483

Investment properties are stated at cost less any accumulated depreciation and impairment losses, if any. The same useful lives have been applied for property, plant and equipment.

	2021	2020
Description	Million KRW	Million KRW
Rental income	17	17
Operational expenses	-39	-53

The Company owns an office building in Busan which is subleased. The fair value of the office building amounts to 7,950 Million KRW as of December 31, 2021. In addition, Songwon International - Japan K.K. owns an object which is subleased. The fair value of the building and land is 25 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 valuation technique of the fair value hierarchy.

During the current year, the Company did not dispose of any investment properties (2020: disposed investment properties comprising structures which led to a loss of 4 Million KRW).

Disclosure of pledged assets can be found in note 27.

## 10. INTANGIBLE ASSETS

	Industrial rights	Software	Memberships	Goodwill	Construction in progress	Total
Acquisition cost	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
As of January 1, 2020	6,036	2,846	831	43,075	98	52,886
Additions	_	124	_	_	749	873
Disposals	-181	-172	_	_	_	-353
Reclassifications	177	_	_	_	-177	-
Net exchange differences	_	-27	_	-1,959	_	-1,986
As of December 31, 2020	6,032	2,771	831	41,116	670	51,420
As of January 1, 2021	6,032	2,771	831	41,116	670	51,420
Additions	2	214	-	-	2,054	2,270
Disposals	-1	-4	-	-	_	-5
Reclassifications	610	_	_	_	-610	-
Net exchange differences	-	77	-	2,922	-	2,999
As of December 31, 2021	6,643	3,058	831	44,038	2,114	56,684

#### Accumulated amortization and impairment

As of January 1, 2020	-2,686	-2,586	-	-32,983	-	-38,255
Amortization charge	-575	-115	_	_	_	-690
Disposals	181	172	-	-	_	353
Impairment	-22	-	-	-6,889	-1	-6,912
Reclassifications	-1	-	-	-	1	—
Net exchange differences	-	35	-	1,806	-	1,841
As of December 31, 2020	-3,103	-2,494	-	-38,066	-	-43,663

As of January 1, 2021	-3,103	-2,494	-	-38,066	-	-43,663
Amortization charge	-500	-114	-	-	-	-614
Disposals	1	4	-	-	-	5
Net exchange differences	-	-69	-	-2,693	-	-2,762
As of December 31, 2021	-3,602	-2,673	—	-40,759	_	-47,034

#### Net book value

As of December 31, 2021	3,041	385	831	3,279	2,114	9,650
As of December 31, 2020	2,929	277	831	3,050	670	7,757

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 2021, the Group did not recognized any impairment loss on intangible assets (financial year 2020: impairment loss on industrial rights of 23 Million KRW).

The 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 11. The goodwill items consist of items acquired in a business combination. In the financial years 2021 and 2020, no business combination took place that led to a recognition of goodwill.

### 10.1 DETAILS OF INDIVIDUALLY SIGNIFICANT INTANGIBLE ASSETS

Description	Remark	<b>2021</b> December 31 Million KRW	2020 December 31 Million KRW	<b>R</b> emaining life
				_
Industrial rights	REACH	2,705	2,508	6.8
Industrial rights	1330 Technology	475	388	4
Membership	New Seoul Country	778	778	Indefinite
Goodwill	Acquisition of Business SeQuent Scientific Limited	3,279	3,050	Indefinite
Construction-in-progress	D-365	1,365	_	n/a
Construction-in-progress	REACH	749	670	n/a
Significant intangible asse	ts total	9,351	7,394	

### 11. IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLES WITH INDEFINITE USEFUL LIFE

# 11.1. 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 acquired from the acquisition of Songwon Group Holding AG (former: Songwon International AG), Songwon-ATG GmbH, Songwon Polysys Additives-Sole Proprietorship LLC, were allocated to the Group's CGU comprising the acquired entities and the parent company, which correspond almost to the entire Group. The goodwill related to the 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 is as follows:

Description	<b>2021</b> December 31 Million KRW	2020 December 31 Million KRW
Goodwill of Songwon Specialty Chemicals-India Pvt. Ltd., India (SWDM-IN)	3,279	3,050
Goodwill of the rest of the Group (main CGU)	-	6,889
Memberships with indefinite useful lives of the rest of the Group (main CGU)	831	831
Total tested goodwill and intangible assets with indefinite useful lives	4,110	10,770

The Group performed its annual impairment test in December 2021 and 2020. 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, 2021, the recoverable amount of the CGU of Songwon Specialty Chemicals – India Pvt. Ltd., India amounts to 56,939 Million KRW or 3,565 Million INR (2020: 73,794 Million KRW or 4,967 Million INR) and exceeded the carrying amount of the respective CGU.

After goodwill impairment recognition, allocation details of goodwill and intangible assets with indefinite useful lives to the CGU are as follows:

Description	<b>2021</b> December 31 Million KRW	2020 December 31 Million KRW
Goodwill of Songwon Specialty Chemicals-India Pvt. Ltd., India (SWDM-IN)	3,279	3,050
Goodwill of the rest of the Group (main CGU)	-	_
Memberships with indefinite useful lives of the rest of the Group (main CGU)	831	831
Total tested goodwill and intangible assets with indefinite useful lives	4,110	3,881

#### MEMBERSHIPS WITH INDEFINITE USEFUL LIVES OF THE REST OF THE GROUP

There was no impairment loss recognized in the financial year 2021 and 2020, according to the impairment test on memberships with indefinite useful lives.

### 11.2. 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 is estimated on the basis of the Budget 2022 and the Business Plan 2022 – 2026, respectively, 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 6.50% (2020: 6.50%) and a small cap premium of 3.21% (2020: 3.16%) 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	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 yield 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 amount of the main CGU	2020
Average annual growth	3.61%
Pre-tax WACC	11.72%
Post-tax WACC	9.40%
Long-term growth rate	1.77%

The parameters for the determination of the recoverable amount of the main CGU for 2021 are no longer shown because it was written off in 2020.

Parameters for the determination of the recoverable CGU amount of SWDM-IN	2021	2020
Average annual growth	4.88%	6.97%
Pre-tax WACC	15.53%	15.17%
Post-tax WACC	11.57%	11.88%
Long-term growth rate	3.05%	3.06%

The following changes in key assumptions in 2021 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	0.00%
Pre-tax WACC	22.47%
Post-tax WACC	16.23%
Long-term growth rate	0.00%

# 12. INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

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
2020	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	5,347	-519	1,064	20	5,912
Total	5,347	-519	1,064	20	5,912
2021					
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	5,912	-519	1,103	-30	6,466
Total	5,912	-519	1,103	-30	6,466

### 13. OTHER FINANCIAL ASSETS

		<b>2021</b> December 31		2020 December 31
	Non-current	Current	Non-current	Current
Description	Million KRW	Million KRW	Million KRW	Million KRW
Financial instruments at amortized cost (bank deposit)	349	408	420	1,913
Financial instrument at FVtPL	9,530	-	8,210	1,570
Derivative assets at FVtPL (note 25)	505	25	_	33
Equity instrument at FVOCI	102	-	429	-
Guarantee and other deposits at amortized cost	1,582	712	830	501
Total	12,068	1,145	9,889	4,017

As of December 31, 2021 and 2020, financial instruments at amortized cost (bank deposit) include restricted cash of 7 Million KRW.

### 13.1 EQUITY INSTRUMENTS AT FVOCI

Details of equity instruments at FVOCI as of December 31, 2021 and 2020 are as follows:

	<b>2021</b> December 31					De	2020 cember 31	
	Number of shares	% to equity	Cost	Fair value	Number of shares	% to equity	Cost	Fair value
Description			Million KRW	Million KRW			Million KRW	Million KRW
Ulsan Broadcasting Corporation	180,000	3.00%	900	102	180,000	3.00%	900	429
Total			900	102			900	429

Investments in equity instruments that do not have a quoted market price in an active market are measured using an appropriate valuation technique.

### 14. INVENTORIES

	<b>2021</b> December 31	2020 December 31
Description	Million KRW	Million KRW
Raw materials and supplies	83,529	34,532
Work in progress	2,374	1,171
Finished and semi-finished goods	177,085	114,625
Goods in transit	70,978	39,758
Consignment stocks	1,914	1,971
Total inventories at the lower of cost and net realizable value	335,880	192,057

For the year ended 2021, impairment losses of 749 Million KRW have been recognized in relation to the sale of 72% interest in Qingdao Long Fortune Songwon Chemical Co., Ltd. (2020: no impairment recognized). As of December 31, 2021, inventory allowance balance amounted to 5,129 Million KRW for raw materials, work in progress, finished and semi-finished goods (December 31, 2020: 3,991 Million KRW). The Group recognized inventory allowance expenses of 2,021 Million KRW in the financial year 2021 (financial year 2020: 475 Million KRW).

### 15. TRADE AND OTHER RECEIVABLES

	<b>2021</b> December 31	2020 December 31
Description	Million KRW	Million KRW
Trade and notes receivables	179,814	133,057
Allowances for trade and notes receivables	-1,269	-1,249
Trade and notes receivables (related parties)	-	49
Other accounts receivables	1,164	1,827
Allowances for other accounts receivables	-26	-34
Accrued income	37	41
Total	179,720	133,691

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, 2020	-1,491
Charge for the period	-815
Utilized	-
Unused amounts reversed	1,023
December 31, 2020	-1,283
January 1, 2021	-1,283
Charge for the period	-353
Utilized	66
Unused amounts reversed	275
December 31, 2021	-1,295

The ageing analysis of trade and other receivables is as follows:

			Days past due			
	Total	Current	≤ <b>90</b>	91-120	121-180	> 180
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
December 31, 2021	181,015	169,676	10,773	_	-	566
December 31, 2020	134,974	126,727	7,058	167	8	1,014

Refer to note 25.3.2 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 receivable that are not derecognized at the end of the financial year amounts to 55,531 Million KRW (2020: 47,616 Million KRW). The total amount of deposits received was carried in the financial statements under interest-bearing loans and borrowings.

### 16. OTHER CURRENT ASSETS

Other current assets as of December 31, 2021 and 2020, consist of the following:

	<b>2021</b> December 31	2020 December 31
Description	Million KRW	Million KRW
Advance payments	1,273	1,157
Prepaid expenses	5,322	3,775
VAT refundables	6,989	4,240
Total	13,584	9,172

### 17. CASH AND CASH EQUIVALENTS

	<b>2021</b> December 31	2020 December 31
Description	Million KRW	Million KRW
Cash on hand	52	53
Bank accounts	89,727	69,627
Time deposits (< 3 months)	7,965	3,104
Total	97,744	72,784

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.

### 18. ISSUED CAPITAL AND RESERVES

### 18.1 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, 2021 and 2020, the Company issued 24,000,000 shares of common stocks outstanding with a carrying value of 12,000 Million KRW.

### 18.2 CAPITAL SURPLUS

As of December 31, 2021 and 2020, the Group's capital surplus is composed of the following:

	2021	2020
	December 31	December 31
Description	Million KRW	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	-2,002
Total	20,482	22,359

### 18.3 RESERVES

	2021	2020
	December 31	December 31
Description	Million KRW	Million KRW
Legal reserve	2,808	2,520
Asset revaluation surplus	25,815	25,815
Total	28,623	28,335

#### 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 19, 2021 amounted to 288 Million KRW (2020: 360 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, 2021 and 2020, 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 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:

	2021	2020
Description	December 31	December 31
Subject to the year	2020	2019
Dividends on ordinary shares in KRW	2,880,000,000	3,600,000,000
Number of shares	24,000,000	24,000,000
Dividends per share in KRW	120	150

### 18.4 ACCUMULATED OTHER COMPREHENSIVE INCOME

Accumulated other comprehensive income, net of tax, as of December 31, 2021 and 2020, is composed of the following:

	<b>2021</b> December 31	2020 December 31
Description	Million KRW	Million KRW
Re-measurement of defined benefit plans	-16,935	-26,457
OCI recognized within retained earnings	-16,935	-26,457
Cash flow hedge reserve	-25	-1,207
Fair value reserve of financial assets at FVOCI	-614	-362
Foreign currency translation reserve	-944	-7,662
Share of foreign currency translation reserve associated with non-controlling interests	-	141
OCI recognized within other components of equity	-1,583	-9,090

Details of other comprehensive income for the year ended December 31, 2020 and 2019, are as follows:

	2021	2020
Description	Million KRW	Million KRW
Pre-tax amounts		
Losses on valuation of interest rate swaps	1,534	-275
Losses on valuation of financial assets at FVOCI	-326	-413
Exchange differences on translation of foreign operations	6,681	-5,188
Re-measurement gains on defined benefit plans	11,568	13,101
Pre-tax amounts total	19,457	7,225
Tax effects		
Gains on valuation of interest rate swaps	-352	65
Gains on valuation of financial assets at FVOCI	74	95
Re-measurement losses on defined benefit plans	-2,046	-3,294
Tax effects total	-2,324	-3,134
Net amounts		
Losses on valuation of interest rate swaps	1,182	-210
Losses on valuation of financial assets at FVOCI	-252	-318
Exchange differences on translation of foreign operations	6,681	-5,188
Re-measurement gains on defined benefit plans	9,522	9,807
Net amounts total	17,133	4,091

# 19. BONDS, INTEREST-BEARING LOANS AND BORROWINGS

	2021	2020
	December 31	December 31
Description	Million KRW	Million KRW
Corporate bonds	54,832	_
Long-term borrowings	5,670	59,647
Non-current interest-bearing loans and borrowings	60,502	59,647
Current portion of long-term borrowings	1,780	8,780
Short-term borrowings	233,531	150,160
Current interest-bearing loans and borrowings	235,311	158,940
Total	295,813	218,587

Details of corporate bonds which the Group entered in the form of a private placement bond and floating rate note (FRN) as of December 31, 2021 are as follows (December 31, 2020: none):

					<b>2021</b> December 31
Contractual party	Form	Contract amount	Carrying amount Million KRW	Maturity dates	Interest rate
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	28,832	17.09.2021 - 13.09.2024	3M Libor +0.8%
Total			54,832		

Details of long-term borrowings as of December 31, 2021 and 2020, are as follows:

		Maturity	Annual interest rate	<b>2021</b> December 31	2020 December 31
Banks	Description	date	(%)	Million KRW	Million KRW
Woori Bank	General Loan	08.05.2024	3MCD+1.43	_	29,700
Busan Bank	General Loan	08.05.2024	6M Base rate +1.39	2,950	4,130
Hana Bank	General Loan	08.05.2024	3MCD+1.70	_	28,050
Kyongnam Bank	General Loan	08.05.2024	12MBBR+1.32	4,500	5,100
Pan Gulf Holding Company W.L.L.	General Loan	31.12.2022	2.25	-	1,447
Subtotal				7,450	68,427
Less current portion				-1,780	-8,780
Non-current portion				5,670	59,647

Details of short-term borrowings as of December 31, 2021 and 2020, are as follows:

			<b>2021</b> December 31	2020 December 31
Banks	Description	Annual interest	Million KRW	Million KRW
Dallins	Description	rate (%)		
Woori Bank	Trade Ioan	0.75~3.62	46,810	16,203
Hana Bank	Trade loan	0.82~1.47	13,868	6,729
Korea Development Bank	General & trade loan	0.35~2.65	103,122	79,800
Busan Bank	General & trade loan	2.52~2.63	15,000	11,295
Kyongnam Bank	General & trade loan	1.06~2.82	14,731	15,589
NH Bank	General Ioan	2.33~2.65	30,000	20,000
KB Bank	General Ioan	2.83	10,000	-
KEB Abu Dhabi	General Ioan	1.62	-	544
Subtotal			233,531	150,160



### 20. EMISSION RIGHTS AND EMISSION LIABILITIES

Details of annual quantity of allocated emission allowances as of December 31, 2021, 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):

	2020*		2021		2022	
	Quantity	Book value	Quantity	Book value	Quantity	Book value
Beginning	12,996	_	23,735	375	_	_
Allocation	122,199	_	138,875	_	138,875	_
Allocation cancelled	-436	_	_	_	_	-
Additional allocation	14,320	_	_	_	_	-
Purchase	22,366	375	_	_	_	-
Delivery to government	-147,710	_	_	_	_	-
Carryforward	-23,735	-375	_	_	-	-
Ending	_	_	162,610	375	138,875	-

\*Emission rights 2020 approved by government during 2021.

	2023		2024		2025	
	Quantity	Book value	Quantity	Book value	Quantity	Book value
Beginning	_	_	_	_	_	_
Allocation	138,875	_	137,574	-	137,574	-
Ending	138,875	-	137,574	—	137,574	-

There are no emission rights provided as collateral as of December 31, 2021.

Changes in emission liabilities included in other current liabilities during the current and prior reporting period are as follows (in Million KRW):

	2021	2020
As of January 1	725	512
Increase	14	668
Decrease	-725	-455
As of December 31	14	725

Allocated greenhouse gas emissions free of charge in 2021 were 138,875 KAU.

Estimated greenhouse gas emissions in 2021 were 163,000 KAU (2020: 150,051 KAU).

### 21. PENSION LIABILITY

Pension plan	<b>2021</b> Million KRW	2020 Million KRW
Net defined benefit liability (incl. in pension liability)	5,945	13,865
Korean	-	2,290
Swiss	5,907	11,568
Indian	38	7
Net defined benefit asset (incl. in other non-current assets)	6,017	—
Korean	6,017	-

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.

# 21.1 DEFINED BENEFIT OBLIGATION

Changes in the defined benefit obligation:

	Korean plan Million KRW	<b>Swiss plan</b> Million KRW	<b>Indian plan</b> Million KRW	<b>Total</b> Million KRW
Defined benefit obligation as of January 1, 2020	85,678	43,140	228	129,046
Pension cost charged to profit or loss				
Service costs	6,900	1,906	24	8,830
Interest	2,421	111	16	2,548
Sub-total included in profit or loss	9,321	2,017	40	11,378
Benefits paid	-2,016	-2,730	-5	-4,751
Re-measurement gains / (losses) in OCI				
Actuarial changes arising from changes in demographic assumptions	4,287	_	-2	4,285
Actuarial changes arising from changes in financial assumptions	-19,590	331	7	-19,252
Experience adjustments	302	-426	3	-121
Sub-total included in OCI	-15,001	-95	8	-15,088
Employee contributions	_	981	-	981
Plan amendment	_	-2,043	-	-2,043
Exchange differences	_	1,494	-20	1,474
Defined benefit obligation as of December 31, 2020	77,982	42,764	251	120,997
Pension cost charged to profit or loss				
Service costs	5,637	1,987	27	7,651
Interest	2,321	67	17	2,405
Sub-total included in profit or loss	7,958	2,054	44	10,056
Benefits paid	-5,903	-8,229	-32	-14,164
Re-measurement gains / (losses) in OCI				
Actuarial changes arising from changes in demographic assumptions	_	-1,220	2	-1,218
Actuarial changes arising from changes in financial assumptions	-4,162	-865	29	-4,998
Experience adjustments	-1,097	-3,737	79	-4,755
Sub-total included in OCI	-5,259	-5,822	110	-10,971
Employee contributions	_	900	_	900
Exchange differences	_	2,118	20	2,138
Defined benefit obligation as of December 31, 2021	74,778	33,785	393	108,956
Weighted average duration 2020 (years)	11.10	16.91	8.88	
Weighted average duration 2021 (years)	11.60	14.10	7.40	

### 21.2 PLAN ASSETS

Changes in the fair value of plan assets:

	<b>Korean plan</b> Million KRW	<b>Swiss plan</b> Million KRW	<b>Indian plan</b> Million KRW	<b>Total</b> Million KRW
Plan assets as of January 1, 2020	66,823	31,743	228	98,794
Pension cost charged to profit or loss				
Interest	1,874	86	14	1,974
Administration expenses	-131	-18	-	-149
Sub-total included in profit or loss	1,743	68	14	1,825
Benefits paid	-1,982	-2,730	-5	-4,717
Re-measurement gains / (losses) in OCI				
Return on plan assets (excluding amounts included in interest expenses)	-892	-1,091	-4	-1,987
Sub-total included in OCI	-892	-1,091	-4	-1,987
Employer contributions	10,000	1,142	34	11,176
Employee contributions	_	981	-	981
Exchange differences	_	1,083	-23	1,060
Plan assets as of December 31, 2020	75,692	31,196	244	107,132
Pension cost charged to profit or loss				
Interest	2,251	49	15	2,315
Administration expenses	-122	-16	_	-318
Sub-total included in profit or loss	2,129	33	15	2,177
Benefits paid	-6,187	-8,229	-32	-14,448
Re-measurement gains / (losses) in OCI				
Return on plan assets (excluding amounts included in interest expenses)	-839	1,433	3	597
Sub-total included in OCI	-839	1,433	3	597
Employer contributions	10,000	1,062	105	11,167
Employee contributions	_	900	_	900
Exchange differences	_	1,483	20	1,503
Plan assets as of December 31, 2021	80,795	27,878	355	109,028

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 at December 31, 2021 and 2020 is as follows:

	ŀ	Korean plan S		Swiss plan		Indian plan
Structure of plan assets:	2021	2020	2021	2020	2021	2020
Equity	_	_	35%	34%	_	_
Debt instruments	_	_	25%	24%	_	_
Real estate	_	_	19%	20%	_	_
Investment funds	95%	86%	_	_	100%	100%
Alternative investments	_	_	20%	21%	_	_
Cash and cash equivalent	5%	14%	1%	1%	_	_
Total	100%	100%	100%	100%	100%	100%

The category equity, debt instruments, real estate and alternative investments are quoted or daily traded with exception of cash and cash equivalent. With only a few exceptions, there is no active market for plan assets in investment funds.

# 21.3 NET PENSION LIABILITY/ASSET

Changes in the net defined benefit liability are as follows:

	<b>Korean plan</b> Million KRW	<b>Swiss plan</b> Million KRW	<b>Indian plan</b> Million KRW	<b>Total</b> Million KRW
Net defined benefit liability as of January 1, 2020	-18,855	-11,397	-	-30,252
Pension cost charged to profit or loss				
Service costs	-6,900	-1,906	-24	-8,830
Administration expenses	-131	-18	_	-149
Net interests	-547	-25	-2	-574
Sub-total included in profit or loss	-7,578	-1,949	-26	-9,553
Benefits paid	34	_	_	34
Re-measurement gains / (losses) in OCI				
Actuarial changes arising from changes in demographic assumptions	-4,287	-	2	-4,285
Actuarial changes arising from changes in financial assumptions	19,590	-331	-7	19,252
Return on plan assets (excluding amounts included in interest expenses)	-892	-1,091	-4	-1,987
Experience adjustments	-302	426	-3	121
Sub-total included in OCI	14,109	-996	-12	13,101
Employer contributions	10,000	1,142	34	11,176
Employee contributions	-	_	_	_
Plan amendment	-	2,043	_	2,043
Exchange differences	-	-411	-3	-414
Net defined benefit liability as of December 31, 2020	-2,290	-11,568	-7	-13,865
Pension cost charged to profit or loss				
Service costs	-5,637	-1,987	-27	-7,651
Administration expenses	-122	-16	-	-138
Net interests	-70	-18	-2	-90
Sub-total included in profit or loss	-5,829	-2,021	-29	-7,879
Benefits paid	-284	_	_	-284
Re-measurement gains / (losses) in OCI				
Actuarial changes arising from changes in demographic assumptions	_	1,220	-2	1,218
Actuarial changes arising from changes in financial assumptions	4,162	865	-29	4,998
Return on plan assets (excluding amounts included in interest expenses)	-839	1,433	3	597
Experience adjustments	1,097	3,737	-79	4,755
Sub-total included in OCI	4,420	7,255	-107	11,568
Employer contributions	10,000	1,062	105	11,167
Employee contributions	_	-	_	-
Exchange differences		-635		-635
Net defined benefit asset as of December 31, 2021	6,017	-	-	6,017
Net defined benefit liability as of December 31, 2021	-	-5,907	-38	-5,945

The re-measurement gains recognized in the statements of other comprehensive income were gains of 9,522 Million KRW (2020: gains of 9,807 Million KRW), net of tax. The total amount as of December 31, 2021, of accumulated losses included in retained earnings is -16,935 Million KRW (2020: accumulated losses of -26,457 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		
	2021	2020	2021	2020	
Discount rate			December 31	December 31	
Korean plan	3.05%	2.90%	3.58%	3.05%	
Swiss plan	0.35%	0.15%	0.35%	0.15%	
Indian plan	6.50%	6.80%	6.50%	6.20%	
Future salary increases					
Korean plan	3.80%	5.60%	3.75%	3.80%	
Swiss plan	1.75%	1.50%	1.75%	1.50%	
Indian plan	7.00%	5.00%	7.00%	5.00%	

A quantitative sensitivity analysis for significant assumptions as of December 31, 2021, is as follows:

	Sensitivity level	Impact on defined benefit obligation
Discount rate	Change	Million KRW
Korean plan	+1.00%	7,156
Rorean plan	-1.00%	-8,554
Swiss plan	+0.25%	-1,164
Swiss plan	-0.25%	1,242
Indian plan	+1.00%	375
mulan plan	-1.00%	412
Salary increase		
Korean plan	+1.00%	-7,325
Rorean plan	-1.00%	8,610
Swige plan	+0.25%	114
Swiss plan	-0.25%	-111
Indian plan	+1.00%	412
ווטומוו µומוו	-1.00%	375

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.

### 22. OTHER LONG-TERM EMPLOYEE-RELATED LIABILITIES

Other long-term employee-related liabilities consist of the following:

	2021	2020
	December 31	December 31
Description	Million KRW	Million KRW
Other long-term employee benefits – Korea	4,911	4,630
Other long-term employee benefits – Others	765	671
Share-based payment-related liability	2,868	2,130
Total other long-term employee-related liabilities	8,544	7,431

### 22.1 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 that 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, 2020	3,334
Current service costs	364
Interest costs	86
Re-measurement gains	1,149
Total payment	-303
As of December 31, 2020	4,630
Current service costs	468
Interest costs	131
Re-measurement losses	-58
Total payment	-260
As of December 31, 2021	4,911

	2021	2020
Description	December 31	December 31
Discount rate	3.46%	3.01%
Compensation increase	2.00%	3.80%
Compensation per day for vacation	KRW 101,760 - 222,480	KRW 101,760 - 222,480
Rate of increase in gold price	6.25%	5.68%
Gold price per 3.75 grams	302,000	261,000

# 22.2 OTHER LONG-TERM EMPLOYEE BENEFITS - OTHERS

The remaining other long-term employee benefits refer to legally established termination benefits of subsidiaries located in United Arab Emirates of 612 Million KRW (as of December 31, 2020: 527 Million KRW) and expenses for the defined contribution plan of Songwon Specialty Chemicals India Pvt. Ltd. of 153 Million KRW (as of December 31, 2020: 144 Million KRW).

# 22.3 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 to 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, 2021 and 2020, was estimated using the following assumptions:

Description	2021	2020
Dividend yield	0.70%	0.88%
Expected volatility	45.00%	45.00%
Risk-free interest rate	1.70%	1.67%
Weighted average expected life of share options (years)	3.2	4.1
Model used	Binomial tree	Binomial tree

The carrying amount of the liability relating to the LTIP on December 31, 2021 amounts to 2,868 Million KRW (December 31, 2020: 2,130 Million KRW) and the corresponding number of share options vested as of December 31, 2021 and 2020 is 188,126 and 207,714, respectively.

The expenses for employee services received during the year 2021, recognized in the statements of comprehensive income, amounted to 1,255 Million KRW (2020: 355 Million KRW). There were no cancellations and modifications to the awards during the years 2021 and 2020.

### 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:

		2021		2020
Description	Number	KRW	Number	KRW
Outstanding as of January 1	551,676	17,468	449,451	17,780
Granted during the year	109,513	15,950	126,850	15,508
Forfeited during the year	-102,350	19,492	-11,625	16,776
Exercised during the year	-87,750	12,763	-13,000	9,739
Outstanding as of December 31	471,089	17,552	551,676	17,468
Exercisable as of December 31	188,126	17,334	207,714	14,640

The weighted average of remaining contractual life for the share options, outstanding as of December 31, 2021, was 4.0 years (December 31, 2020: 5.0 years). The weighted average fair value of options granted during the reporting period was 9,732 KRW (2020: 6,114 KRW).

The exercise price for options outstanding at the end of the reporting period ranges from 8,120 KRW – 27,000 KRW (2020: 8,120 KRW – 27,000 KRW).

### 23. OTHER FINANCIAL LIABILITIES

Other financial liabilities as of December 31, 2021 and 2020, are as follows:

		<b>2021</b> December 31		2020 December 31
Description	Non-current Million KRW	<b>Current</b> Million KRW	Non-current Million KRW	<b>Current</b> Million KRW
Derivative liabilities (note 25)	-	249	901	741
Deposits	1	-	39	1,360
Accrued interest expenses	-	440	_	420
Total	1	689	940	2,521

### 24. TRADE AND OTHER PAYABLES

	<b>2021</b> December 31	2020 December 31
Description	Million KRW	Million KRW
Trade payables	116,139	71,279
Trade payables (related parties)	1,145	917
Other accounts payables	30,636	19,542
Other accounts payables (related parties)	7	6
Withholdings	1,501	1,857
Accrued expenses	23,826	20,996
Guarantee deposits	12	17
Total	173,266	114,614

Trade and other payables do not bear interest and usually become due within 30-60 days.

### 25. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS

### 25.1 DERIVATIVES FINANCIAL INSTRUMENTS

	<b>2021</b> December 31		2020 December 31	
	Assets	Liabilities	Assets	Liabilities
Description	Millior	n KRW	Millior	n KRW
Forward exchange contracts (current portion)	25	38	33	75
Interest rate swaps (current portion)	-	33	_	666
Interest rate swaps (non-current portion)	-	_	_	901
Currency and interest rate swaps (current portion)	-	178	_	-
Currency and interest rate swaps (non-current portion)	505	-	-	-
Total	530	249	33	1,642

### 25.1.1 FORWARD EXCHANGE CONTRACTS

Details of forward exchange contracts which 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, 2021 and 2020 are as follows:

#### 2021

December 31

Contractual party	Position	Contract amount	Maturity dates	Contractual exchange rate (KRW)
Citibank Korea	sell	JPY 264,000,000	28.01.2022~30.06.2022	10.8210
Citibank Korea	sell	EUR 7,200,000	28.01.2022~30.06.2022	1,371.00~1,383.50
Woori Bank	sell	JPY 264,000,000	28.01.2022~30.06.2022	10.6210
Woori Bank	sell	EUR 10,800,000	28.01.2022~30.06.2022	1,365.00~1,378.00

2020 December 31

Contractual party	Position	Contract amount	Maturity dates	Contractual exchange rate (KRW)
Citibank Korea	sell	EUR 5,490,000	19.01.2021~28.06.2021	1,330.00~1,343.00
Woori Bank	sell	EUR 3,570,000	29.01.2021~26.02.2021	1,331.10~1,334.00
Woori Bank	sell	JPY 720,000,000	19.01.2021~21.06.2021	10.9950~11.0230

### 25.1.2 CURRENCY AND INTEREST RATE SWAPS

The Group is 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 19). To hedge these risks, the Group has entered into the following currency and interest rate swaps (CRS) as of December 31, 2021 and the details are as follows (December 31, 2020: none):

<b>2021</b> December 31 <b>Contractual party</b>	Target	Contract amount	Interest exchange condition	Contract date	Maturity date
Hongkong Woori	Corporate bond	Receipt: 24,500 TUSD	3M Libor +0.8%	17.09.2021	12.00.0004
Investment	(foreign currency FRN)	Payment: 28,643 MKRW	Fixed 1.96%	17.09.2021	13.09.2024

### 25.1.3 INTEREST RATE SWAPS

As of December 31, 2021, the Group has entered into the following interest rate swap contracts to hedge the risk in floating interest rate:

<b>2021</b> December 31 <b>Description</b>	Interest rate swap contract
Contract date	17.12.2021
Maturity date	19.12.2022
Contract amount	10,000 Million KRW
Fixed interest rate	3.62%
Floating interest rate	3MCD+1.72%

The balances included in accumulated other comprehensive income are -25 Million KRW (expenses) as of December 31, 2021 and -1,207 Million KRW (expenses) as of December 31, 2020, respectively (refer to note 18.4), net of income tax.

Due to the early repayment of the hedged long-term interest-bearing loans and borrowings in September 2021, the Group discontinued hedge accounting and terminated the existing interest rate swaps. The termination of the interest rate swaps resulted in a recycling of accumulated net losses of 527 Million KRW from OCI to P&L and a gain on derivative transactions of 58 Million KRW.

2020 December 31 <b>Description</b>	Bonds contract	Interest rate swap contract
Contract date	08.05.2019	08.05.2019
Maturity date	08.05.2024	08.05.2024
Contract amount	36,000 Million KRW	36,000 Million KRW
Fixed interest rate	n/a	3.47%
Floating interest rate	3MCD+1.43%	3MCD+1.43%
Contract date	08.05.2019	08.05.2019
Maturity date	08.05.2024	08.05.2024
Contract amount	34,000 Million KRW	34,000 Million KRW
Fixed interest rate	n/a	3.52%
Floating interest rate	3MCD+1.70%	3MCD+1.70%

### 25.2 FAIR VALUES

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments that are carried in the financial statements.

		Non-current	Current	Non-current	Currer
Description		Million KRW	Million KRW	Million KRW	Million KRV
Financial assets at amortize	ed cost				
Other financial assets		1,931	1,120	1,931	1,12
Trade and other receivab	les	_	179,720	_	179,72
Cash and cash equivalen	ts	-	97,744	_	97,74
Total financial assets at am	ortized cost	1,931	278,584	1,931	278,58
Financial assets at FVOCI					
Other financial assets		102	-	102	
Total financial assets at FVC	DCI	102	-	102	
Financial assets at FVtPL					
Forward exchange contra	icts	_	25	_	2
Currency and interest rat	e swaps	505	-	505	
Other financial assets		9,530	-	9,530	
Total financial assets at FVt	PL	10,035	25	10,035	2
al financial assets		12,068	278,609	12,068	278,60

	i mancial nabinties at amortized cost				
	Other financial liabilities	1	440	1	440
	Lease liabilities	15,454	2,480	15,454	2,480
	Trade and other payables	—	173,266	_	173,266
	Interest-bearing loans and borrowings	60,502	235,311	60,502	235,311
lies	Total financial liabilities at amortized cost	75,957	411,497	75,957	411,497
llabill	Financial liabilities at FVOCI				
a	Interest rate swaps	_	33	-	33
nanc	Total financial liabilities at FVOCI	—	33	—	33
	Financial liabilities at FVtPL				
	Forward exchange contracts	-	38	-	38
	Currency and interest rate swaps	—	178	-	178
	Total financial liabilities at FVtPL	—	216	_	216

411,746

Total financial liabilities

	2020 December 31	Carrying	amount	Fair value	
		Non-current	Current	Non-current	Current
	Description	Million KRW	Million KRW	Million KRW	Million KRW
	Financial assets at amortized cost				
	Other financial assets	1,250	2,414	1,250	2,414
	Trade and other receivables		133,691	-	133,691
(0)	Cash and cash equivalents	_	72,784	-	72,784
Financial assets	Total financial assets at amortized cost	1,250	208,889	1,250	208,889
al as	Financial assets at FVOCI				
JCI	Other financial assets	429	-	429	_
inar	Total financial assets at FVOCI	429	-	429	-
ш	Financial assets at FVtPL				
	Forward exchange contracts	-	33	-	33
	Other financial assets	8,210	1,570	8,210	1,570
	Total financial assets at FVtPL	8,210	1,603	8,210	1,603
Tota	l financial assets	9,889	210,492	9,889	210,492
	Financial liabilities at amortized cost				
	Other financial liabilities	39	1,780	39	1,780
	Lease liabilities	16,143	2,429	16,143	2,429
	Trade and other payables		114,614		114,614
es	Interest-bearing loans and borrowings	59,647	158,940	59,647	158,940
illiti	Total financial liabilities at amortized cost	75,829	277,763	75,829	277,763
Financial liabilities					
a	Financial liabilities at FVOCI	001	000	001	000
anc	Interest rate swaps	901 <i>901</i>	666 666	901 <i>901</i>	666
Fina	Total financial liabilities at FVOCI	901	000	901	666
-	Financial liabilities at FVtPL				
	Forward exchange contracts	_	75	_	75
	Total financial liabilities at FVtPL	-	75	-	75
Tota	l financial liabilities	76,730	278,504	76,730	278,504

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 25.2.1).

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### 25.2.1 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 significant effect on the recorded fair value are observable either directly or indirectly
Level 3	Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

As of December 31, 2021 and 2020, the Group held the following financial instruments carried at fair value on the statements of financial position:

		December 31, 2021	Level 1	Level 2	Level 3
		Million KRW	Million KRW	Million KRW	Million KRW
	Derivatives				
	Forward exchange contracts	25	_	25	_
ets	Currency and interest rate swaps	505		505	_
assets	Total derivatives	530	-	530	-
Financial	Debt instruments				
nal	Exchange traded fund at FVtPL	9,530	_	9,530	_
ΪĒ	Total debt instruments	9,530	_	9,530	-
	Equity instruments				
	Equity instruments at FVOCI	102	_	_	102
	Total equity instruments	102	-	-	102
	Total financial assets	10,162	—	10,060	102
	Derivatives				
cial	Forward exchange contracts	38	_	38	_
Financial liabilities	Interest rate swaps	33	_	33	_
Fin liat	Currency and interest rate swaps	178	-	178	_
	Total derivatives	249	-	249	-
	Total financial liabilities	249	-	249	-

		December 31, 2020	Level 1	Level 2	Level 3
		Million KRW	Million KRW	Million KRW	Million KRW
	Derivatives				
ots	Forward exchange contracts	33	_	33	_
assets	Total derivatives	33	—	33	-
Financial a	Debt instruments				
ano	Exchange traded fund at FVtPL	9,780	-	9,780	_
Ein	Total debt instruments	9,780	-	9,780	-
	Equity instruments				
	Equity instruments at FVOCI	429	_	-	429
	Total equity instruments	429	_	-	429
	Total financial assets	10,242	_	9,813	429
cial	Derivatives				
Financia liabilitie:	Forward exchange contracts	75	_	75	_
Fin liak	Interest rate swaps	1,567	_	1,567	_

During the reporting periods ended December 31, 2021 and 2020, 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 25.2) the carrying amounts are reasonable approximations of fair values and are measured using Level 3 measurement methods, except for cash and cash equivalents.

### 25.3 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.

### 25.3.1 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, 2021 and 2020.

#### 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 interestbearing loans and borrowings with floating interest rates, which exposes the Group to cash flows 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 the 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:

	<b>Increase / (decrease)</b> in %	<b>Effect on profit before tax</b> Million KRW
December 31, 2021	1.00	-1,013
	-1.00	1,013
December 31, 2020	1.00	-984
	-1.00	984

#### 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 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 through 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 to 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, 2021 and 2020, are as follows:

		<b>2021</b> December 31		2020 December 31
Currency	<b>10% increase</b> Million KRW	<b>10% decrease</b> Million KRW	<b>10% increase</b> Million KRW	<b>10% decrease</b> Million KRW
USD	2,380	-2,380	4,365	-4,365
EUR	1,418	-1,418	198	-198
JPY	2,783	-2,783	762	-762
CHF	272	-272	174	-174
AED	-225	225	-221	221
INR	209	-209	261	-261
Total	6,837	-6,837	5,539	-5,539

The Group's exposure to foreign currency changes for all other currencies is not material.

### 25.3.2 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 relationship only with the customers with high credit rating assessed by credit assessment, considering their financial position, past experience 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 insignificant 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 25.2.

The Group is also exposed to the 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 the financial institutions with high credit ratings.

### 25.3.3 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 own strategy and plans which consider the maturity of financial instruments and expected operating cash flows and include the policy to map out the maturity of financial assets and liabilities.

In addition, the Group maintains credit facilities with the banks including overdraft to respond to an unexpected shortage in liquidity. In response to 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 maturity profile of the Group's financial liabilities and lease liabilities, excluding financial derivative instruments, based on contractual undiscounted payments as of December 31, 2021 and 2020, are as follows:

	Less than a month	1 to 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
<b>2021</b> December 31	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Interest-bearing loans and borrowings	23,834	33,581	177,896	60,502	-	295,813
Trade and other payables	146,162	26,776	328	_	-	173,266
Lease liabilities	269	545	2,211	7,899	10,206	21,130
Other financial liabilities	320	96	24	1	-	441
Total	170,585	60,998	180,459	68,402	10,206	490,650
	Less than a month	1 to 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
2020 December 31			0.00.00			<b>Total</b> Million KRW
2020	<b>a month</b> Million	<b>months</b> Million	months Million	<b>years</b> Million	<b>years</b> Million	Million
December 31	<b>a month</b> Million KRW	<b>months</b> Million KRW	months Million KRW	<b>years</b> Million KRW	<b>years</b> Million	Million KRW
December 31 Interest-bearing loans and borrowings	<b>a month</b> Million KRW 5,963	months Million KRW 92,503	months Million KRW 60,474	<b>years</b> Million KRW	<b>years</b> Million	Million KRW 218,587
December 31 Interest-bearing loans and borrowings Trade and other payables	<b>a month</b> Million KRW 5,963 92,967	<b>months</b> Million KRW 92,503 20,598	<b>months</b> Million KRW 60,474 1,049	years Million KRW 59,647	years Million KRW –	Million KRW 218,587 114,614

### 25.3.4 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 Group level the debt ratio is reviewed regularly. The debt-equity ratio as of December 31, 2021 and 2020, is 105% and 92%, respectively.

On a monthly basis, all subsidiaries have to report key performance indicators, which also include capital management information.

### 26. COMMITMENTS AND CONTINGENCIES

### 26.1 CONTINGENT LIABILITY

There are no current proceedings of lawsuits, claims, investigations and negotiations in relation to the product liability, mercantile law, environmental protection, health and safety etc., which could have a significant impact on the business operations and on the Group's consolidated financial position or income. Contingent liabilities in the Group are related to tax appeals of 235 Million KRW (2020: 439 Million KRW) and a customer complaint concerning the quality of a SONGWON product. The assessed damage was valued at 600,000 EUR. Further investigations are being carried however it was considered improbable in the fiscal year under review that there would be an outflow of economic resources relating to the contingent liability.

# 26.2 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, 2021 and 2020 are as follows:

	2021	2020
	December 31	December 31
Description	Million KRW	Million KRW
Short-term lease commitments		
Within one year	-6	-80
Total short-term lease commitments	-6	-80
Low-value lease commitments		
Within one year	-70	-63
After one year but not more than five years	-121	-141
Total low-value lease commitments	-191	-204
Total	-197	-284

# 26.3 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, 2021, the Group entered into commitments to purchase property, plant and equipment, as well as raw materials amounting to 4,244 Million KRW (December 31, 2020: 1,624 Million KRW).

Details of the Group's available short-term credit line facilities (excluding general loans) as of December 31, 2021, are as follows:

Description	Currency	Credit limit	Used	Unused
USANCE and L/C for import	Thousand USD	24,500	14,055	10,445
D/A and D/D	Thousand USD	95,800	42,851	52,949
D/A and D/P	Million KRW	22,000	4,731	17,269
Secured loan of credit sales	Million KRW	9,000	6,995	2,005
Other foreign currency guarantees	Thousand USD	14,410	5,730	8,680
Bond issuance payment guarantee	Thousand USD	24,990	24,990	-
Dond issuance payment guarantee	Million KRW	26,000	26,000	-
	Total Million KRW	57,000	37,726	19,274
	Total Thousand USD	159,700	87,626	72,074

### 27. ASSETS PLEDGED AS COLLATERAL AND GUARANTEES

Details of property, plant and equipment and investment property pledged by the Group as collateral for interestbearing loans and borrowings as of December 31, 2021 and 2020, presented in the maximum pledge amount, are as follows:

			2021	2020
Pledged to	Pledged assets		December 31	December 31
<b>Property, plant and e</b> (Joint collateral in conn	<b>quipment</b> ection 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
(Collateral for other tha Woori Bank	n long-term loan) Land, buildings and machinery	Million KRW	120,000	120,000
(Collateral for other tha	quipment and investment property n long-term loan)			
Hana Bank	Land, buildings and machinery	Million KRW	60,000	60,000
Korea Development Bank	Land, buildings, investment properties and machinery	Million KRW	57,000	57,000
Busan Bank	Land, buildings and machinery	Thousand USD	24,000	24,000
Totol		Million KRW	285,000	285,000
Total		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, 2021 and 2020.

In the first quarter 2021, the payment guarantees provided by Jongho Park, the Chairman of the Board of Directors of the Group, in connection with the Group's borrowings, have been completely released by Korean banks (December 31, 2020: 10,800 Million KRW).

### 28. OPERATING PROFIT AND OTHER INCOME / EXPENSES

### 28.1 RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses of 7,375 Million KRW (2020: 7,618 Million KRW) are recorded in the income statement. Development expenses are not capitalized because the conditions for capitalization have not been met.

### 28.2 SELLING AND ADMINISTRATION EXPENSES

	2021	2020
Description	Million KRW	Million KRW
Sales-related costs	-68,138	-26,109
Personnel expenses	-52,253	-49,672
Travelling and entertainment	-2,348	-2,782
Depreciation and amortization	-2,369	-2,670
Administration expenses	-10,135	-10,165
IT expenses	-3,036	-3,223
Others	-1,032	-1,342
Total	-139,311	-95,963

Presentation of selling and administration expenses has been revised to disclose IT expenses separately from other expenses due to its materiality. As at December 31, 2020, expenses of administrative nature amounting to 1,243 Million KRW were reclassified from other expenses to administration expenses and personnel expenses of 182 Million KRW from travel and entertainment to personnel expenses.

### 28.3 OTHER INCOME

	2021	2020
Description	Million KRW	Million KRW
Fee income	120	132
Income resulting from government grants received	911	1,971
Miscellaneous income	1,682	1,292
Gains on disposal of property, plant and equipment	269	33
Gains on disposal of intangible assets	2,196	-
R&D sales income	843	267
Rental income	17	17
Total	6,038	3,712

### 28.4 OTHER EXPENSES

	2021	2020
Description	Million KRW	Million KRW
Miscellaneous expenses	-1,882	-1,081
Losses on disposal of property, plant and equipment	-2,058	-1,849
Impairment of tangible assets	-1,042	-55
Impairment of right-of-use asset	-1,454	-
Impairment of inventory	-749	-
Impairment of other non-current assets	-48	-
Impairment of goodwill	-	-6,889
Impairment of other intangible assets	-	-23
Total	-7,233	-9,897

# 28.5 EXPENSES CLASSIFIED BY NATURE

	2021	2020
Description	Million KRW	Million KRW
Purchased material	-555,695	-450,314
Freight and logistic costs	-65,871	-24,290
Energy costs	-43,612	-38,539
Personnel expenses	-128,288	-126,487
Depreciation and amortization	-35,138	-34,057
Other expenses	-71,105	-75,968
Total	-899,709	-749,655
Thereof recorded in cost of sales	-753,165	-643,795
Thereof recorded in selling and administration costs	-139,311	-95,963
Thereof recorded in other expenses	-7,233	-9,897
Total	-899,709	-749,655

# 28.6 FINANCE INCOME

	2021	2020
Description	Million KRW	Million KRW
Gains on foreign exchange transactions	14,491	17,125
Gains on foreign exchange translations	11,397	4,670
Gains on derivative transactions	1,364	730
Gains on valuation of derivatives	352	33
Gain on disposal of financial assets FVtPL	-	228
Interest on loans and receivables	259	216
Total finance income	27,863	23,002

### 28.7 FINANCE EXPENSES

	2021	2020
Description	Million KRW	Million KRW
Interest on borrowings	-5,874	-6,668
Total interest expenses	-5,874	-6,668
Losses on foreign exchange transactions	-13,145	-21,161
Losses on foreign exchange translations	-12,338	-4,734
Losses on derivative transactions	-689	-1,755
Losses on valuation of derivatives	-38	-75
Bank charges	-217	-341
Total finance expenses	-32,301	-34,734

# 28.8 NET GAINS AND LOSSES OF FINANCIAL INSTRUMENT CLASSES

	2021	2020
Description	Million KRW	Million KRW
Financial assets at amortized cost	6,907	-5,450
Financial assets at FVOCI	929	-529
Financial assets at FVtPL	1,027	-765
Financial liabilities at amortized cost	-12,117	-5,101
Financial liabilities at FVtPL	-38	-75
Total net gains and losses of the classes of financial instruments	-3,292	-11,920
Net gains / (losses) of financial instruments recognized in the consolidated statement of comprehensive income		
Finance expense*	-32,084	-34,393
Finance income	27,863	23,002
Total	-4,221	-11,391
Net gains / (losses) of financial instruments recognized in the consolidated statement of other comprehensive income		
Financial assets at FVOCI	929	-529

\*excluding bank charges

Total

### 29. INCOME TAX EXPENSES

The major components of income tax expense in the statements of comprehensive income are as follows:

### 29.1 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	2021	2020
Description	Million KRW	Million KRW
Current income tax charge	-33,685	-20,688
Adjustments in respect of current income tax of previous year	1,113	-8,128
Deferred income taxes related to changes of temporary differences, net	8,661	7,528
Deferred income taxes related to tax loss carry forwards	96	99
Deferred income taxes related to changes in tax rate	-3,836	1,531
Deferred income taxes recognized directly in other comprehensive income	-2,324	-3,134
Income tax expenses	-29,975	-22,792

	2021	2020
Description	Million KRW	Million KRW
Accounting profit before income taxes	101,184	51,157
At parent company's statutory income tax rate of 23.65% (2020: 22.92%)	-23,929	-11,726
(Increase) / decrease in income tax expenses resulting from:		
Adjustments in respect of current income tax of previous years	1,113	-8,128
Non-temporary differences	-487	-573
Tax credits	274	2,879
Non-deductible expenses / (non-taxable income)	-29	-32
Tax audit	-	-4,587
Effect of different tax rates in tax jurisdiction	-6,888	-533
Others	-29	-92
At the effective income tax rate 29,62% (2020: 44.55%)	-29,975	-22,792

In August 2019, the Korean National Tax Service started with the tax audit for FY 2015-2017 within the parent company Songwon Industrial Co., Ltd. As per year end 2019, 1,350 Million KRW were recognized for the known tax risks resulting from this tax audit. In October 2020, the tax authority issued the final invoices with the total amount of 10,499 Million KRW related to the investment valuation in course of the changes in the legal structure of the Group of 6,815 Million KRW, Group cost recharge of Global Business Unit services of 2,729 Million KRW and other minor issues of 955 Million KRW for the period inspected. After the tax assessment result recognition and reversal of the tax risk provision of 1,350 Million KRW as well as the deferred tax liability of 4,562 Million KRW recorded on timing difference resulting from the investment valuation, the net impact of the tax audit on the financial year 2020 was 4,587 Million KRW.

# 29.2 DEFERRED TAX

Deferred tax relates to the following:

	Consolidated statements of financial position		Consolidated of comprehen	
	2021	2020	2021	2020
	December 31	December 31	December 31	December 31
Description	Million KRW	Million KRW	Million KRW	Million KRW
Net pension obligation	864	1,606	1,304	159
Other long-term employment benefits	1,400	1,265	135	330
Trade receivables	176	152	24	17
Inventories	2,237	1,709	528	-399
Fixed assets	-9,488	-9,820	332	828
Right-of-use assets	_	-	-	244
Gain on revaluation of land	-27,396	-27,474	78	-167
Other non-current financial assets	-279	-225	-54	-238
Other current financial assets	227	55	98	-16
Other current assets	1,186	905	281	904
Other non-current financial liabilities	-101	-170	69	93
Current lease liabilities	294	240	54	-13
Other current financial liabilities	546	716	-170	-889
Other current liabilities	210	195	15	-54
Intangible assets	60	150	-90	692
Loss on interest swaps	8	360	-	_
Loss available for offsetting against future taxable income	195	99	96	99
Investments in subsidiaries	-274	-94	-180	4,539
Translation difference	-	_	77	-105
Deferred tax income			2,597	6,024
Net deferred tax liabilities	-30,135	-30,331		

### Reflected in the statements of financial positions as follows:

Deferred tax assets	7,387	5,720
Deferred tax liabilities	-37,522	-36,051

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:

	2021	2020
Description	Million KRW	Million KRW
Opening balance as of January 1	-30,331	-33,326
Deferred tax recognized in statements of comprehensive income	2,597	6,024
Deferred tax recognized in other comprehensive income (note 18.4)	-2,324	-3,134
Translation differences	-77	105
Closing balance as of December 31	-30,135	-30,331

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, 2021 and 2020, were recognized.

	2021	2020
Description	Million KRW	Million KRW
Temporary differences related to investments in subsidiaries	7,979	7,633
Total	7,979	7,633

Expected timing of expiration of recognized tax loss carry forwards and tax credit carry forwards, as of December 31, 2021 and 2020, are as follows:

	Recognized defe	<b>Recognized</b> deferred tax assets		
<b>2021</b> December 31	Tax loss carry forwards Million KRW	Tax credit carry forwards Million KRW		
less 1 year	-	-		
1-5 years	-	-		
5 years and later	195	-		
Total	195	-		

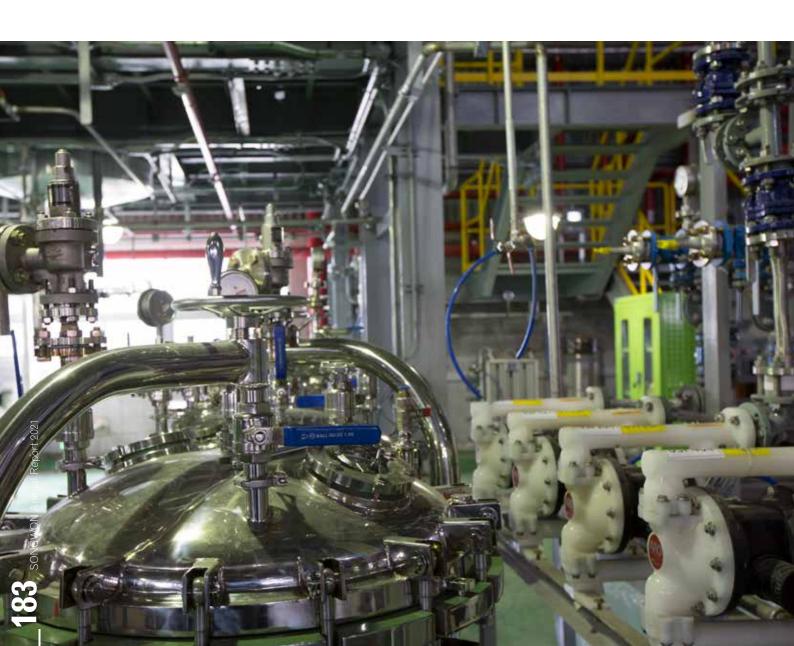
	Recognized defe	Recognized deferred tax assets		
2020 December 31	Tax loss carry forwards Million KRW	Tax credit carry forwards Million KRW		
less 1 year	-	-		
1-5 years	-	-		
5 years and later	-	971		
Total	-	971		

# 30. 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 2021 and 2020, 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:

	2021	2020
Description	KRW	KRW
Net profit attributable to ordinary equity holders of the parent	72,272,884,671	27,453,027,290
Weighted average number of ordinary shares	24,000,000	24,000,000
Earnings per share (basic / diluted)	3,011	1,144



# 31. 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 flow 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, 2021 and 2020, are as follows:

		2021	2020
Description	Notes	Million KRW	Million KRW
Adjustments			
Depreciation of property, plant and equipment	7	30,354	31,046
Depreciation of right-of-use assets	8	2,676	2,939
Depreciation of investment properties	9	15	15
Amortization of intangible assets	10	614	690
Impairment of tangible assets	7	1,042	55
Impairment of right-of-use assets	8	1,454	_
Impairment of intangible assets	10	-	6,912
Impairment of non-current financial assets		9	5
Impairment of other non-current assets		48	_
Impairment of inventories	14	749	_
Losses on disposals of property, plant and equipment, net	7	1,788	1,816
Gain on disposal of intangible assets, net	28.3	-2,196	_
Share of result from investments accounted using the equity method	12	-1,103	-1,064
Share-based compensation expenses		1,255	355
Pension costs	22.3	7,879	9,553
Other long-term employee benefits expenses	21.3	635	1,749
Finance income	22.1, 22.2	-7,270	-12,069
Finance expenses		13,441	19,274
Income tax expenses	29.1	29,975	22,792
Total		81,365	84,068

	2021	2020
Description	Million KRW	Million KRW
Changes in operating assets and liabilities		
Trade receivables	-52,508	-12,268
Other receivables	147	3,493
Other current assets	-4,309	-2,023
Other current financial assets	10	28
Inventories	-141,262	3,546
Trade payables	43,597	21,787
Other payables	9,406	-5,964
Other current financial liabilities	-178	275
Other current liabilities	1,371	946
Pension liabilities	-10,617	-13,366
Other long-term employee benefits	-942	-310
Total	-155,285	-3,856

Changes in liabilities arising from financing activities for the years ended December 31, 2021 and 2020, 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, 2020	171,200	73,094	4,870
Cash flows	-20,710	-4,133	-1,589
Foreign exchange movement	-330	-534	-393
Net losses on valuation of financial liabilities	-	_	573
Reclassification	8,780	-8,780	_
As of December 31, 2020	158,940	59,647	3,461
Cash flows	79,579	-2,121	-1,242
Foreign exchange movement	-906	674	-1,468
Net losses on valuation of financial liabilities	_	_	-61
Reclassification	-2,302	2,302	_
As of December 31, 2021	235,311	60,502	690

# 32. 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 32.5)	A company that has significant influence on the Group
Kyungshin Industrial Co., Ltd.	Korea	Other (refer to note 32.5)	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:

		2021	2020
Related party	Description	Million KRW	Million KRW
Songwon Moolsan Co., Ltd.	Selling and administration costs	-79	-66
Songwon Baifu Chemicals	Sales	-	264
(Tangshan) Co., Ltd.	Cost of sales	-16,728	-13,045
	Sales	-	264
Total	Cost of sales	-16,728	-13,045
	Selling and administration costs	-79	-66

Deleted acet	Description	<b>2021</b> December 31	2020 December 31
Related party	Description	Million KRW	Million KRW
Songwon Moolsan Co., Ltd.	Other non-current financial assets	33	24
	Trade and other payables	7	6
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	Trade and other receivables	-	49
	Trade and other payables	1,145	917
Total	Other non-current financial assets	33	24
	Trade and other receivables	-	49
	Trade and other payables	1,152	923

## 32.1 THE ULTIMATE PARENT

Songwon Industrial Co., Ltd. is the ultimate parent based and listed in Korea.

# 32.2 TERMS AND CONDITIONS OF TRANSACTIONS WITH RELATED PARTIES

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances 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, 2021, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (December 31, 2020: none). This assessment is undertaken periodically by examining the financial position of the related party and the market in which the related party operates.

## 32.3 TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

During the financial year 2021, no other transactions with key management personnel than those disclosed in note 27 and 32.4 took place.

# 32.4 COMPENSATION OF KEY MANAGEMENT PERSONNEL OF THE GROUP

	2021	2020
Description	Million KRW	Million KRW
Short-term employee benefits	9,934	12,862
Post-employment benefits	777	692
Other long-term benefits	540	672
Share based payments	297	92
Termination benefits	528	_
Total compensation paid to key management personnel	12,076	14,318

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.

# 32.5 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.

## 33. IMPACT OF GLOBAL ECONOMIC SITUATION ON CONSOLIDATED FINANCIAL STATEMENTS

During the financial year 2021, the global economy was greatly impacted by the COVID-19 pandemic: the countries imposed travel bans, people have been placed with quarantine measures and global supply chains were disrupted due to factory shutdowns. The Group closely monitors the global situation and assesses the future impact of the COVID-19 pandemic on the consolidated financial statements on a regular basis. For the financial year 2021, 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, 2021, no indications of impairment have been identified and accordingly, no impairment has been recognized on property, plant and equipment and intangible assets due to the COVID-19 outbreak.

### 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 K-IFRS 1109, the Group reassessed past events, current conditions and forecasts of future economic conditions. For the financial year 2021, the Group identified the changes in risk indicators considering the nature of risk such as 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 an increase in the allowance on ECL by 43 Million KRW in the consolidated financial statements for the twelve months ended December 31, 2021.

# 34. EVENTS AFTER THE REPORTING PERIOD

The consolidated financial statements for the year ended December 31, 2021, were approved by the Board of Directors of the parent company on January 28, 2022.

Otherwise, no significant events occurred during the period from the statement of financial position date, up to the date upon which the annual consolidated financial statements were issued.



# SONGWON's Memberships

### ALIA

Asian Lubricants Industry Association www.asianlubricants.org

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

### 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

### KOEEA

Korea Energy Engineers Association www.koeea.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

### 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

Publishing this comprehensive report each year and disclosing our operational, social and environmental and financial performance, reaffirms our commitment to providing our stakeholders with a transparent account of the challenges and opportunities facing SONGWON, our industry and the regions and communities across the world where we operate and do business.

This is SONGWON Industrial Group's 11<sup>th</sup> Annual Report. It contains a detailed overview of our economic, environmental and social performance in FY 2021 (January 1<sup>st</sup> to December 31<sup>st</sup>) and replaces the SONGWON Annual Report 2020, which was published in March 2021. Unless otherwise specified, the latest report includes updates to the previous report that reflect data through end-of-year 2021.

### Reporting scope

In this Annual Report, we share information on SONGWON management's approach, strategy, performance and the progress made in 2021 related to the Group's material topics. The material topics covered in the report focus on the key areas of corporate governance, economic, environment, labor practices, human rights, society and product responsibility.

The topics featured in this Annual Report were identified using a broad review and consultation process and reflect the concerns and views gathered throughout the year via direct and indirect engagement with all of SONGWON Industrial Group's stakeholders (among them, employees, customers, suppliers, partners and SONGWON's Senior Management etc.) Further information on the Group's materiality topics, the review and stakeholder engagement processes can be found on page 56 of this year's report. All the data which has been compiled for this report has been carefully measured according to industry standard measurement methods, unless stated otherwise. In 2021, there were no significant changes in the reporting period, scope, boundary or measurement methods which have been applied or included in the report.

The boundary for this report is defined by the structure of the SONGWON Industrial Group and the countries in which it operates, unless otherwise specifically stated. Any restatements regarding the content of previous reports have been disclosed separately.

## Reporting standards

This report has been prepared in accordance with the GRI Standards: Core option. The GRI Standards are the world's most widely used sustainability reporting standards and represent global reporting best practices for a range of economic, environmental, social and corporate governance topics.

SONGWON Industrial Group does not currently engage an external agency or organization to audit its GRI responses.

For more information on the indicators that are relevant to SONGWON's business operations, see the GRI Content Index on pages 80-84.



# Forward-looking statements

SONGWON's Annual Report 2021 contains forwardlooking 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 which 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 forwardlooking information and statements contained within this report.

These statements may be identified by words such as 'anticipate', 'assume', 'believe', 'could' 'expect', 'foresee', '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 forwardlooking 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.

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