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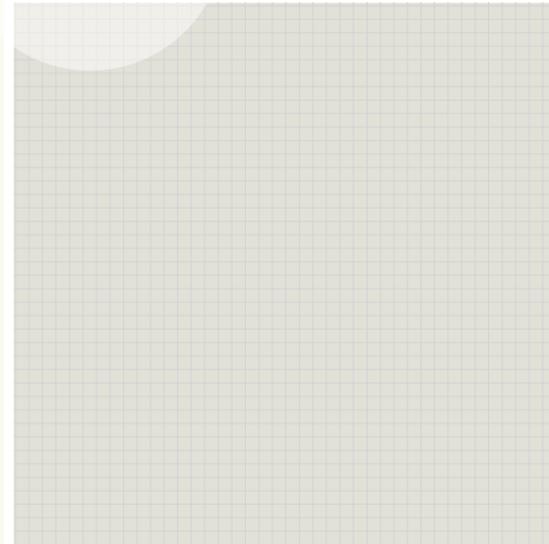
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We built a foundation for sustainable growth based on solid governance, preemptive risk management and transparent ethical practice while fulfilling our social responsibilities as a corporate citizen as part of our contribution to our environment and health along with our employees, suppliers and the local community.



# Governance

## Corporate Governance Principles

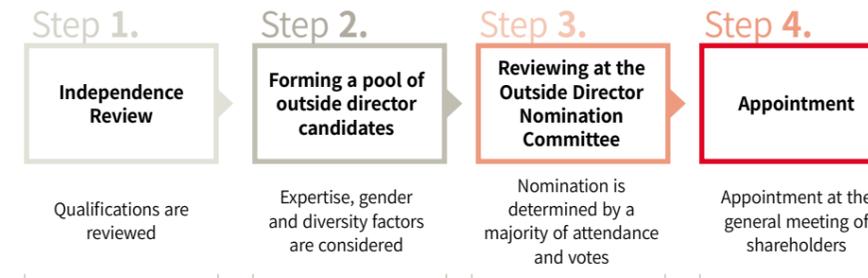
As a decision-making body of OCI, the Board of Directors protects the rights and interests of our shareholders and fulfills its responsibilities and obligations. The company ensures the independence of the board to review our business activities as well as economic, environmental and social issues, and supports making important corporate decisions. The board is authorized to appoint and dismiss Chief Executive Officers and has four committees under its authority: the Outside Director Nomination Committee, Audit Committee, Business Management Committee and Compensation Committee. The Audit Committee in particular is composed of only outside directors and oversees accounting and work processes. Meanwhile, our shareholders can propose agenda items at the general meeting of shareholders and have the rights to inquire and receive answers about agendas.

## Composition of Board of Directors

All directors are nominated by the Outside Director Nomination Committee and require approval by a majority based on the attendance of a majority of the board members, and are appointed at the general meeting of shareholders. The director serves a 3-year term or less, and the term is determined at the time of appointment. The chairman of the board is the Chief Executive Officer and the board is composed of 2 Inside Directors, 1 Non-Executive Director and 4 Independent Outside Directors.

Inside Directors	Outside Directors
<p><b>Woo Sug Baik</b></p> <ul style="list-style-type: none"> <li>• (Current) Vice Chairman &amp; CEO, OCI Co., Ltd.</li> <li>• (Current) Non-standing member, Office of Strategic R&amp;D Planning under the Ministry of Trade, Industry &amp; Energy</li> <li>• CEO, eTEC E&amp;C Limited</li> </ul> <hr/> <p><b>Woo Hyun Lee</b></p> <ul style="list-style-type: none"> <li>• (Current) President &amp; CEO, OCI Co., Ltd.</li> <li>• (Current) Non-standing vice chairman, Korea International Trade Association</li> <li>• (Current) Non-standing vice chairman, The Seoul Chamber of Commerce and Industry</li> </ul>	<p><b>Sang Seung Yi</b></p> <ul style="list-style-type: none"> <li>• (Current) Professor, Economics, Seoul National University</li> <li>• Associate Professor, Economics, Sogang University</li> <li>• Assistant Professor, Economics, Dartmouth College</li> </ul> <hr/> <p><b>Ki Pung Yoo</b></p> <ul style="list-style-type: none"> <li>• Professor, Chemical and Biomolecular Engineering, Sogang Graduate School of Management of Technology</li> <li>• 6th President, Accreditation Board for Engineering Education of Korea</li> <li>• 14th President of Sogang University</li> </ul> <hr/> <p><b>Boo Whan Han</b></p> <ul style="list-style-type: none"> <li>• (Current) Attorney at Law, Gangnam LLP</li> <li>• (Current) Outside director, Yesco Holdings Co., Ltd.</li> <li>• The 43rd Vice minister of Justice, prosecutor</li> </ul> <hr/> <p><b>Kyung Hwan Chang</b></p> <ul style="list-style-type: none"> <li>• Vice president/strategy managing director/CFO, Korean Air</li> <li>• Representative Director, KPMG Consulting Korea</li> <li>• Partner, KPMG US Audit</li> </ul>
Non-Executive Director	
<p><b>Sang Yeol Kim</b></p> <ul style="list-style-type: none"> <li>• Advisor, OCI Co., Ltd.</li> <li>• Vice chairman/inside director, OCI Co., Ltd.</li> <li>• Vice chairman, Korea Chamber of Commerce and Industry</li> <li>• Standing commissioner, Korea Trade Commission</li> </ul>	

## Outside Director Appointment Procedure



## Independence of the Board of Directors

In order to ensure the independence of outside directors, we set clear qualification requirements for them in compliance with the laws including the Commercial Act. To prevent conflict of interest, the members are not allowed to do business with any companies without prior approval of the Board of Directors or to become an employee with responsibilities or director of a competitor, and directors who are in conflict of interest are not permitted to exercise their voting rights. Meanwhile, we limit the number of positions that can be held simultaneously to two for the efficiency of the board.

Disqualifications in Outside Directors' Independence
<ol style="list-style-type: none"> <li>1 Directors, executive officers and employees engaging in commercial business of the Company or engaged in for the past two years</li> <li>2 In case the largest shareholder is a natural person, his or her spouse and a lineal ascendant or descendant</li> <li>3 In case the largest shareholder is a legal entity, its directors, auditors, executive officers and employees</li> <li>4 A spouse and a lineal ascendant or descendant of directors, auditors and executive officers</li> <li>5 Directors, auditors, executive officers and employees in the parent company or subsidiary of the Company</li> <li>6 Directors, auditors, executive officers and employees with key interests in transaction with the Company</li> <li>7 Directors, auditors, executive officers and employees in another company where the Company's Directors, auditors, executive officers and employees serve as directors and executive officers</li> </ol>

## Expertise of the Board of Directors

For more professional board operations, we appoint persons with extensive experience and knowledge in economics, chemical engineering, law and accounting as our outside directors. By taking into account their academic background and job experience, we ensure balance and diversity in our nomination and appointment process. We also make sure our outside directors are informed of important business matters and provided with necessary support for their responsibilities to help them make rational and balanced decisions.

# Governance

## Committees under the Board of Directors

The Audit Committee oversees the accounting and important business process and monitors corrective measures made based on the audit report, while the Outside Director Nomination Committee nominates candidates for the Board of Directors to the General Meeting of Shareholders. Meanwhile, the Business Management Committee, comprising two Inside Directors, one Non-Executive Director and one Outside Director, makes decisions on business matters delegated by the Board of Directors. Finally, the Compensation Committee reviews whether the board and management are compensated fairly and competitively and makes decisions on these issues.

### Committees under the Board of Directors

Committees	Inside Directors	Non-Executive Directors	Outside Directors
Outside Director Nomination Committee	Woo Hyun Lee		Sang Seung Yi, Ki Pung Yoo*, Boo Whan Han, Kyung Hwan Chang
Audit Committee	-		Sang Seung Yi*, Ki Pung Yoo, Boo Whan Han, Kyung Hwan Chang
Business Management Committee	Woo Sug Baik*, Woo Hyun Lee	Sang Yeol Kim	Ki Pung Yoo
Compensation Committee	Woo Sug Baik*		Sang Seung Yi, Boo Whan Han, Kyung Whan Chang

\* Committee Chairman

### Major Activities of the Committee under the BOD

Committees	Date	Key Agenda	Average Attendance Rate of 2017
Audit Committee	February 7, 2017	Three cases including the consent for the appointment of the internal audit manager, three items reported	100%
	February 28, 2017	Three cases including the approval of the 43rd Financial Statements & Consolidated Financial Statements	
	March 22, 2017	Appointing the Audit Committee Chairman	
	April 26, 2017	No case for discussion, three items reported	
	July 26, 2017	No case for discussion, four items reported	
	November 1, 2017	Appointing the Audit Committee Chairman, three items reported	
Compensation Committee	December 6, 2017	Two cases including the approval of the 2018 Audit Plan, two items reported	100%
	February 28, 2017	Approval of the remuneration cap for directors in 2017	
	March 22, 2017	Appointing the Compensation Committee Chairman	
	December 6, 2017	Payment of special retirement benefits	

## Independence of the Audit Committee

The Audit Committee is composed only of four outside directors and the chairman is appointed based on job experience and career. The committee is responsible for auditing the company's accounting and business operations, and has the authority to choose, replace or dismiss external auditors. The committee reviews matters that may affect the independence of external audits and provides the board with their opinions to ensure the independence of external audits.

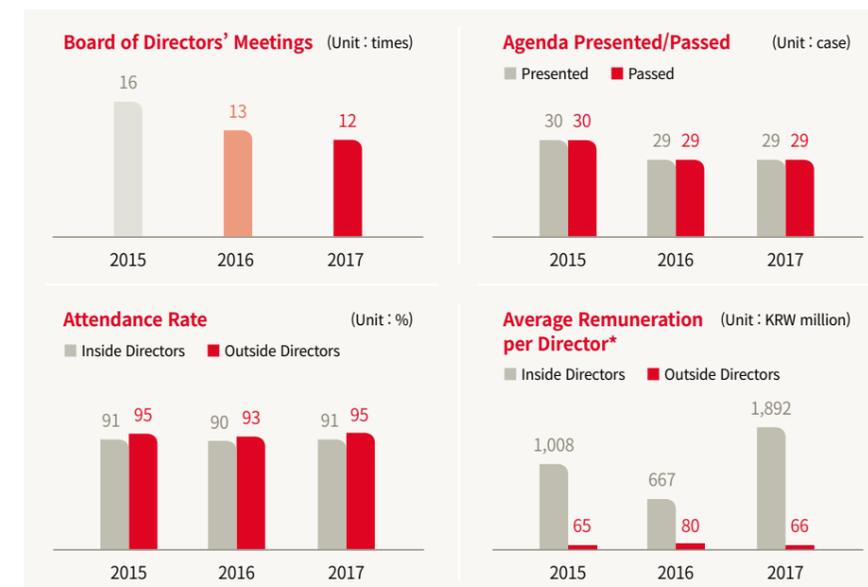
## Performance Evaluation of the Board of Directors

The performance of the Board of Directors and management is assessed through our internal evaluation process. Each year, we evaluate the level of expertise in technological innovation, business development and organizational operation, and the participation in the Board of Directors. The financial performance consisting of sales and operating profit as well as leadership, mid to long-term business projects and other managerial contributions are considered for its performance evaluation. In addition, non-financial indicators such as safety and health at workplaces, improvement of the environment, the safety and health management system, GHG emission reduction and social contribution are also reflected in the evaluation. We established the Compensation Committee under the Board of Directors to provide competitive compensation and incentives based on these results.

## Remuneration Policy for the Board of Directors

The remuneration cap for the board members is determined at the general meeting of shareholders upon review by the board. The remuneration cap set in the meeting was KRW 8 billion, and a total of KRW 3,981 million excluding retirement pay under the Employee Retirement Payment Policy was paid in 2017. The individual remuneration is disclosed through our business report if the amount is KRW 500 million or higher. The remuneration for directors consists of the base salary, bonus and incentive based on their responsibilities, job title and business performance.

### Board of Directors Operation Status



\* The total remuneration paid to inside and outside directors is divided by 5, which is the total number of directors as of December 31, 2017. (Total remuneration excluding retirement pay under the Employee Retirement Payment Policy)

# Risk Management

## Integrated Risk Management

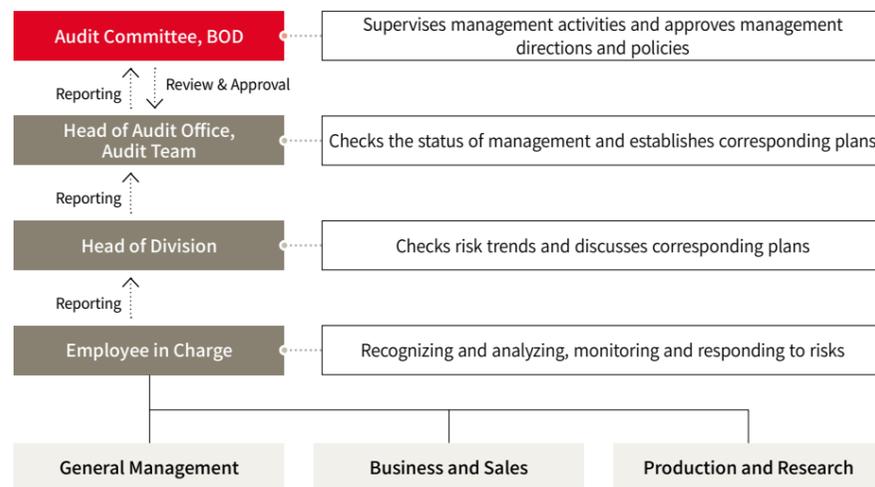
The global chemical and solar PV industries are facing various risks due to their fast-changing business environment. We are going to proactively identify and prevent financial and non-financial risks which have an influence on achieving our business goal, and establish plans to make sure that these risks are responded to in a timely and effective manner.

Specific Principles on Risk Management
<ol style="list-style-type: none"> <li>1 Clearly define risks aligned with OCI's business performance and organizational management</li> <li>2 Identify potential risk occurrences and impact based on scenario analysis by predefined risk</li> <li>3 Establish and periodically review counter measures for high impact risks</li> <li>4 Risk management culture and a regular and continuous reporting system</li> </ol>

## Management System

Each team uses a checklist to monitor their risk management status based on the integrated policy and detailed guidelines. As advised by the Audit Committee, monitoring is conducted twice a year and details are submitted in a report. The Audit Office reviews and manages the prevention plans as well as management processes and results on a regular basis. If necessary, the policy and activities are reported to the management and the Board of Directors for their review and approval.

## Organization for Risk Management



SPECIAL PAGE

# Tax Strategy

## Disclosure on Transfer Pricing and Tax Payment - Policy

We submit 1) Master File, 2) Local File and 3) Country by Country Report (CbCR) to local tax authorities in accordance with the disclosure regulations, "Transfer pricing and tax information documentation," as required by the BEPS Action Plan report. We ensure full compliance with local tax policies in our overseas legal entities, and identify and respond to risk factors to minimize tax risks in our business activities.

Master File	Local File	Country by Country Report
<ul style="list-style-type: none"> <li>• Group-wide legal ownership structure</li> <li>• Status of legal entities in each resident country</li> <li>• Profit-generating factors in major projects</li> <li>• Geographical market in major trading nations</li> <li>• Changes in the merger, spin-off and transaction structures</li> </ul>	<ul style="list-style-type: none"> <li>• Information on subsidiary control</li> <li>• Restructuring of subsidiary business</li> <li>• Specific related transactions</li> <li>• Internal transactions among entities writing local files</li> <li>• Comparison and review of financial statements among entities</li> </ul>	<ul style="list-style-type: none"> <li>• Country of tax jurisdiction</li> <li>• Sales per main profit source</li> <li>• Income tax on cash basis and accrual basis</li> <li>• Capital and capital composition</li> <li>• Major business activities</li> </ul>

## Disclosure on Transfer Pricing and Tax Payment - Activities

OCI analyzes and evaluates the risks in response to the BEPS Action Plan, and also implements specific counter plans. Our affiliate company in Vietnam submitted a new transfer pricing report form at the end of March 2018 according to the change in a relevant law in May 2017, and also supported to prepare the master file of the head office and CbCR. In this way, the Master File, Local File and CbCR (Country by Country Report) for 2017 will be submitted to the taxation authorities under local regulations of each country in which we operate our business. In addition, we disclose information related to transfer prices and tax payments through the financial statements and notes in the audit report, and ensure transparency and responsiveness to our stakeholders.

## Tax Payment by Country of Subsidiary under Consolidated Accounting (As of 2017, Unit : KRW million)

	U.S.	Vietnam	China	Korea	Japan
Sales Revenue	628,680	17,976	1,107,541	1,397,016	1,772
Amount of Tax Paid	1,721	169	1,681	18,689	27

\* The figure is the simple sum of the consolidated tax, tax payment by the country of subsidiary and the foreign tax paid directly



# Risk Management

## Identifying and Responding to Key Risk

We identify major risks across the business through environmental and social analysis, and categorize them into financial and non-financial risks. In order to respond effectively to these major risks, we established continuous monitoring and risk management plans by risk type.

## Reviewing New Risk

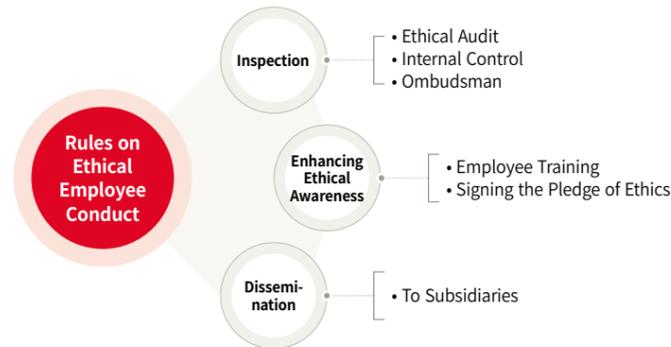
We also review new risks in addition to critical risks. As a movement to prevent community risk, we actively respond to the complaints raised by local residents to prevent conflicts with them and the suspension of operation. We also manage the raw material risk by monitoring the purchase schedule and the balance of demand and supply of key materials. Transportation and logistics risk will also be included in our risk management plan in the future.

	Types	Reasons for Selection	Impact	Response Measures
Financial Risk	<b>Foreign Exchange Risk</b>	Due to the high overseas sales ratio of 64% and payment in foreign currencies, the loss can occur with changes in foreign exchange rate.	<ul style="list-style-type: none"> <li>Loss of value of assets denominated in foreign currency due to the disadvantageous exchange rate fluctuation</li> <li>Poor export profitability and price competitiveness</li> </ul>	<ul style="list-style-type: none"> <li>Regular monitoring of exchange rates trend</li> <li>Currency forward contracts</li> </ul>
	<b>Credit Risk</b>	If the current rate of A0 (Korea Credit Rating, NICE Credit Rating) falls, the timely repayment may be uncertain as additional financing becomes difficult.	<ul style="list-style-type: none"> <li>Downgraded credit rating</li> <li>Hard to get corporate loans due to tightened bank loan screening</li> </ul>	<ul style="list-style-type: none"> <li>Preventing losses that might occur from failure to meet contractual obligations or deposits at financial institutions, based on the financial state and credit rating</li> </ul>
	<b>Liquidity Risk</b>	As of end of 2017, short-term borrowings account for 39.3% of total loans, with KRW 753.2 billion that need to be repaid within one year. It is essential to maintain a certain amount of reserve funds.	<ul style="list-style-type: none"> <li>Insolvency risk due to a lack of liquidity</li> <li>Loss due to an emergency sale of assets with lower value</li> </ul>	<ul style="list-style-type: none"> <li>Capability to repay financial liability through short- to long-term fund management plans and cash outflow analysis</li> </ul>
	<b>Interest Rate Risk</b>	Borrowings at floating interest rates are KRW 86.3 billion as of end of 2017.	<ul style="list-style-type: none"> <li>High interest due to unfavorable interest rates</li> <li>Lack of liquidity, leading to reduced investment and revenue</li> </ul>	<ul style="list-style-type: none"> <li>Balancing loans with an appropriate mix of variable and fixed rate</li> <li>Interest rate swaps</li> </ul>
	<b>Price Risk</b>	<ul style="list-style-type: none"> <li>The polysilicon price is highly volatile as its supply and demand change.</li> <li>The price of petrochemical products is correlated to the price of oil and naphtha.</li> </ul>	<ul style="list-style-type: none"> <li>Unpredictable profitability due to the fluctuations of raw material and product price</li> </ul>	<ul style="list-style-type: none"> <li>Optimal pricing structure by cost reduction activities, oil price monitoring or acquisition of overseas production facilities</li> </ul>
	<b>Capital Risk</b>	The capital procurement ratio is 29% as of the end of 2017, which implies uncertainty in reducing capital costs and optimizing the capital structure.	<ul style="list-style-type: none"> <li>Poor liquidity</li> </ul>	<ul style="list-style-type: none"> <li>Optimal capital structure based on the debt to equity ratio to save capital expenses</li> </ul>
Non-financial Risk	<b>Compliance Risk</b>	Three pending cases of major lawsuits as of now. Unfavorable rulings from regulatory bodies may have a negative impact on our business activities and financial structure.	<ul style="list-style-type: none"> <li>Administrative costs and damage compensation</li> <li>Damage to corporate reputation</li> </ul>	<ul style="list-style-type: none"> <li>Monitoring the legislation and amendment of laws affecting our business operation</li> <li>Regular and frequent checking of compliance with legal standards</li> </ul>
	<b>Environment and Safety Risk</b>	The risk of chemical gas leakage and local community's increasing demands in its environmental impact which affect corporate reputation.	<ul style="list-style-type: none"> <li>Administrative costs and damage compensation caused by safety accidents</li> <li>Significant impact on business operation e.g. conflict with the local community and damage to corporate reputation</li> </ul>	<ul style="list-style-type: none"> <li>An emergency response system by business site</li> <li>Safety training programs</li> </ul>
	<b>Climate Change Risk</b>	An increasing need for managing risks involving climate change and water resource in the green energy and chemical industries.	<ul style="list-style-type: none"> <li>Administrative cost due to a lack of carbon credit</li> <li>Poor productivity and price competitiveness</li> </ul>	<ul style="list-style-type: none"> <li>Managing climate change risk and carbon regulations</li> <li>Monitoring the emission trading market and regulatory authorities</li> </ul>
	<b>Information Security Risk</b>	An increasing demand for system upgrade and reinforced security measures for the protection of core technologies and IPR (Intellectual Property Rights).	<ul style="list-style-type: none"> <li>Financial loss due to the leak of core technology to competitors</li> </ul>	<ul style="list-style-type: none"> <li>Complying with the information security policy and management practices</li> <li>Upgrading document encryption and security system to prevent unauthorized release</li> </ul>
	<b>External Trading Risk</b>	Profitability issues due to the sale of subsidiaries needed for an improved financial structure or investment in new projects.	<ul style="list-style-type: none"> <li>Financial risk including declining sales</li> </ul>	<ul style="list-style-type: none"> <li>Minimizing risks through overseas business projects, consultation on M&amp;As and strategic support</li> </ul>
	<b>Human Resources Risk</b>	Demand for human resources in technological development and quality management for high value-added chemical products.	<ul style="list-style-type: none"> <li>Leakage of core technology and expertise to competitors due to failure to retain employees</li> </ul>	<ul style="list-style-type: none"> <li>Managing the talent retention rate to prevent information leakage</li> </ul>

# Ethics Management

## Ethical Management System

In order to build a foundation for sustainable growth through transparent practice and fair competition, we established 'Rules on Ethical Employee Behavior' in 2014 to set forth the standards and detailed guidelines for employee conduct. We also operate independent audit and internal control system, through which we can establish a fair culture and take the lead in practicing ethical management.



## Audit System

Our audit system is designed to identify and deal with ethical risks in our business sites and affiliates, consisting of biennial periodic audits, irregular audits planning on specific subjects, and audits on reports. Irregular audit themes include risk management reviews, customs refund reviews and corporate card usage reviews. In 2017, 11 audits were conducted, and 65 recommendations and 11 areas for improvement were identified. Any violations of ethical practice found through the audits were reflected in performance evaluations as well as promotions and compensation.

### Audits

(Unit : Number of times)

Type	2017
Periodic Audits	4
Audits Planning	5
Audits on Reports	2

### Internal Control System Process



## Internal Control System

Through a rigorous internal control system, our executive officers and teams in charge identify and take steps for unethical practices and errors in our accounting report that may have an impact on our business operation. The teams conduct in-depth analyses of the risks and report the results of assessment to the Board of Directors for review and approval on a semi-annual basis.

## Ombudsman System

We use the Ombudsman System as a reporting channel through which stakeholders can communicate about ethical practices with management. The information received through the channel and the identities of reporters are kept strictly confidential according to the security procedures. In 2017, we strengthened our monitoring system to protect the reporters and prevent their unfair disadvantages. We took necessary measures against two cases reported in 2017 through a fact-finding process and in-depth investigation to ensure transparency in our business practice.

### Cyber Ombudsman



[http://oci.co.kr/sub/popup/cyber\\_popup.asp](http://oci.co.kr/sub/popup/cyber_popup.asp)

## Compliance Program (CP)

We operate the Compliance Program (CP) to build fair and sustainable practice and mutual growth. With the compliance pledge and training, we internalize fair trade practice with our suppliers and raise responsibility among our employees. We also apply this program to our subsidiaries to promote fair practice on a corporate-wide level.

## Raise Ethical Awareness of Employees

We are raising our employees' ethical awareness through trainings and campaigns. By distributing work ethics guidelines and information, we encourage our employees to make ethical decisions. We also organize campaigns during the holidays to ensure compliance with the Code of Conduct by our employees, affiliates and suppliers. The guidelines are posted on the groupware bulletin boards of each affiliate, and the letter of request for cooperation is sent by email to our suppliers. In addition, new hires are required to participate in ethics training programs and sign the ethical pledge while managers are given trainings on anti-corruption on a regular basis to help them understand fair practice procedures and raise their ethical awareness.

### Ethical Awareness Training (Unit : persons)

Type	2015	2016	2017
Business Ethics Training	79	704	49
Diversity & Gender Equality Training	All Employees	All Employees	All Employees

## Strengthen Information Security and Protection

We protect our tangible and intangible assets and take various security measures on information assets generated during the business activities. In order to establish more consistent and effective security policies, the team who handles the information security designated security managers for each business site and team to promote coordination. The team sets up, operates and manages security systems to monitor compliance and minimize security breach.

## Security Improvement

Various security systems were implemented to protect internal information and prevent security breaches under our security policies while strict security measures are taken to protect the personal information of our employees and customers. We also ensure security compliance at our overseas business sites. Furthermore, we maintain close coordination with OCI Information & Communication Co., Ltd. in system operation and management.

## Training and Inspection

We conduct trainings regarding the purpose of security and the system for new and experienced hires. Advanced training programs are provided for those who have access to personal data. In 2017, we provided a monthly guide about company-wide PC security and information security systems and conducted a review of security while sharing the latest trends to promote the importance of security among our employees.

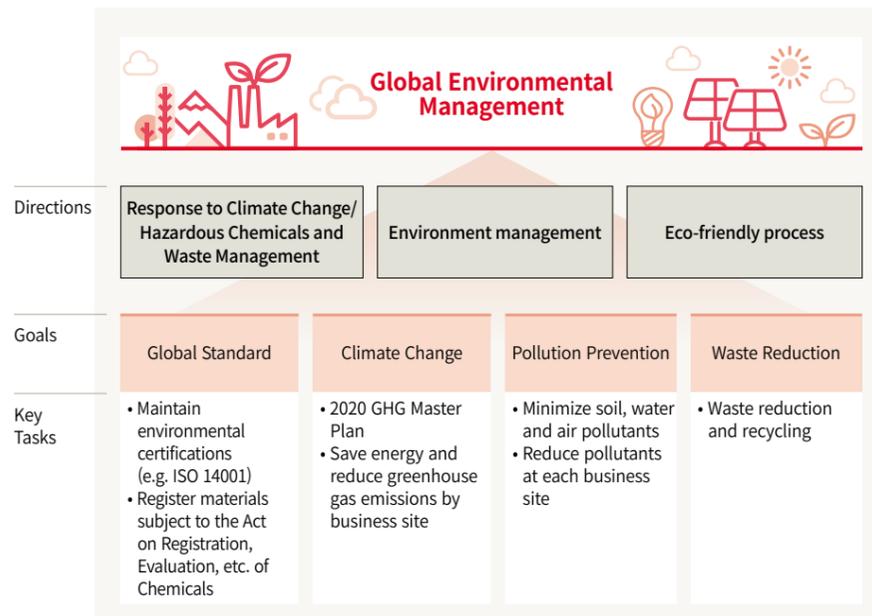
# Environmental Management

## Global Environmental Strategy

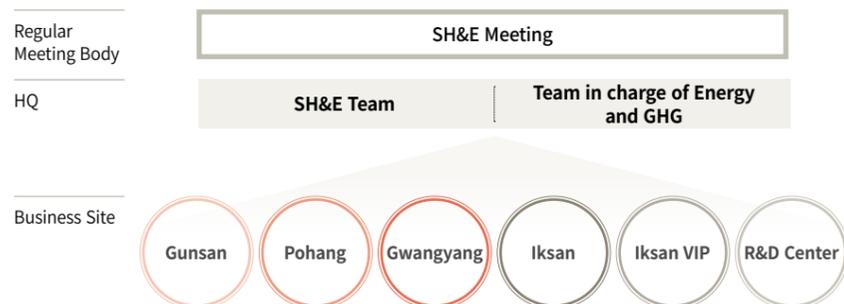
### Environmental Management System Certification

Business Site	System Certification
Gunsan	ISO 14001
Pohang	ISO 14001
Gwangyang	ISO 14001
Iksan	ISO 14001

We implement environmental strategies, which are on par with global standards in order to strengthen our leadership position in eco-friendly practices. Our SH&E Team that is in charge of corporate-wide environmental and safety management, manages our environmental practice and responds to issues in a consistent manner. We fulfill our environmental responsibilities at all of our business sites by establishing and revising the standard manuals and procedures, monitoring laws and regulations and providing safety culture programs. In addition, we maintain the ISO 14001 Certification for global environmental management and are committed to reducing the environmental impact of our business sites by enhancing the environmental management standards.



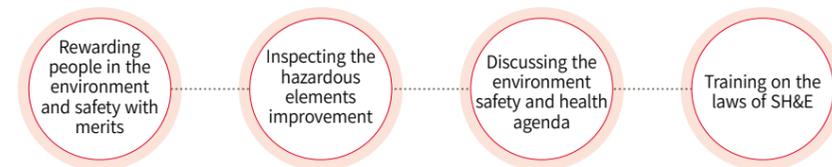
## SH&E Management Organization



## SH&E Meeting

We hold SH&E meetings that workers, shift team managers, department heads and safety directors of suppliers attend on a monthly basis at each business site. In the 2017 SH&E meeting, we discussed ways to respond to and manage environmental risks and important issues of our work environment while sharing information about the safety, health and environment of each business site.

### Key Topics in the 2017 SH&E Meeting



SH&E Meeting (Iksan)

## Environmental Management by Business Site

We set annual environmental management goals to reduce the impact of our production activities on the environment through the efficient operation of the environmental management system. We achieve the goals by systematically managing performance, and fulfill our environmental responsibilities as an eco-friendly company.

### 2017 Environmental Management Goals

Business Site	Goal	Performance
Gunsan	<ul style="list-style-type: none"> <li>Reduce wastewater in the RE sector by 5% from the previous year</li> <li>Reduce total waste by 5%</li> <li>Renovate outdated environmental facilities</li> </ul>	<ul style="list-style-type: none"> <li>Reduced wastewater in the RE sector by 6.4% (YoY)</li> <li>Reduced total waste by 15% (YoY)</li> <li>Replaced major environmental facilities (e.g. De-Nox Scrubber, A/C Filter)</li> </ul>
Pohang	<ul style="list-style-type: none"> <li>Zero complaints from stakeholders</li> <li>Continuous investment in environment and safety</li> </ul>	<ul style="list-style-type: none"> <li>Received no complaints from stakeholders</li> <li>Enhanced emissions monitoring by improving air pollutant TMS</li> <li>Reduced sulfur oxide emissions by improving desulfurization facilities</li> <li>Installed a leachate drainage system in waste storage facilities</li> </ul>
Gwangyang	<ul style="list-style-type: none"> <li>Reduce air and water pollutants</li> <li>Prevent soil contamination</li> <li>Reduce energy use</li> </ul>	<ul style="list-style-type: none"> <li>Replaced and digitized the outdated chimney TMS</li> <li>Paving for preventing pollution</li> <li>Replaced fluorescent lights with LED lamps</li> </ul>
Iksan	<ul style="list-style-type: none"> <li>Reduce wastewater pollution load rate by 5% compared to the last 2 years</li> </ul>	<ul style="list-style-type: none"> <li>Reduced the wastewater pollution load rate by 7.6% compared to the last 2 years</li> </ul>
Iksan VIP	<ul style="list-style-type: none"> <li>Reduce waste materials (wood pallet) disposal by 20%</li> </ul>	<ul style="list-style-type: none"> <li>Reduced waste materials (wood pallet) disposal by 35%</li> </ul>

# Environmental Management

## Reduce Environmental Impact

In order to achieve our environmental management goals in 2017, we managed our resources such as raw materials, packaging materials, water, pollutants and wastes that have an impact on our environment while improving the efficiency of resources and reducing the environmental impact around our business sites.

### Raw Material Management

<b>Pohang</b>	• Higher carbon black yield by improving operating condition in production process	Reduced FCC use by <b>1,292</b> MT
<b>Gwang-yang</b>	• Higher carbon black yield by improving operating condition in production process	Reduced FCC use by <b>1,361</b> MT
<b>Iksan</b>	• Save raw material cost by optimized mixture between LNG and Naphtha	Reduced LNG use by <b>41,034</b> Nm <sup>3</sup>
<b>Iksan VIP</b>	• Reduce material use by recycling and recovering the raw materials in process	Reduced raw material use by <b>24</b> MT

### Packaging Material Management

<b>Gwang-yang</b>	• Clean and recycle PVC BAGs	Reduced packaging materials use by <b>KRW 2,441</b> million
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### Water Consumption Management

<b>Pohang</b>	• Reduce industrial water consumption by recycling the water used in the air pollution prevention facilities	Reduced water consumption by <b>234,696</b> MT
<b>Iksan</b>	• Recycle wastewater at the K-3 hydrogen peroxide plant	Reduced water consumption by <b>10,779</b> MT

## Water Contamination Management

<b>Gunsan</b>	• Replace the charcoal adsorber in organic wastewater treatment facilities	Wastewater disposal <b>109,220</b> MT/year
<b>Pohang</b>	• Repair chemical wastewater treatment facility to secure its stable process capacity	Wastewater disposal <b>1,000</b> MT/day

## Air Pollution Management

<b>Gunsan</b>	• Replace De-Nox scrubbers in incinerators	Improved air pollution prevention facilities
<b>Pohang</b>	• Increase the capacity of desulfurization facilities by reinforcing its packing layer	Improved air pollution prevention facilities
<b>Gwang-yang</b>	• Digitize the air TMS facilities of cogeneration boilers	Improved air pollution prevention facilities

## Waste Management

<b>Gunsan</b>	• Install extra ceilings and walls in the waste storage areas • Reduce sludge during the RE process	Reduced waste by <b>6,563</b> MT
<b>Pohang</b>	• Add recyclable items through reclassification of waste materials	Reduced waste by <b>1,217</b> MT
<b>Gwang-yang</b>	• Recycle waste materials (e.g. waste carbon, waste synthetic resin, waste wood)	Reduced waste by <b>134</b> MT

## Soil Contamination Management

We regularly monitor the level of soil contamination by conducting a pollution inspection at business sites with specific pollution control facilities. In addition, we carry out a post-monitoring process for the sites where soil contamination recovery is already completed, and repair outdated oil tanks and renovate hazardous chemicals handling facilities in accordance with the Chemicals Control Act.

# Talent Management

## Human Resource Management System

Our human resource management system is designed to ensure that our employees can show their capabilities freely and receive reasonable compensation based on their performance. Based on superior welfare benefits and an open-minded corporate culture, we keep our employees satisfied and motivated and provide various training programs for personal and professional development.



New Hires Induction Program (CSR Activities)

## Attracting Top Talent

We recruit talented individuals who meet our core value and apply a strong job conformity process in our recruitment system. In 2017, we introduced a blind interview system where interviewers have no access to applicants' academic backgrounds. In addition, we are establishing a fair and transparent selection process through job-oriented evaluation such as job presentation and essay writing.

## OCI's Talent Model



## Local Workforce

Since 2014, we have employed local talent to promote mutual growth and boost the local economy. Our CEO and executives of local business sites communicate and share information about our recruitment with local students by organizing special lectures at local universities, and provide job experience for them. We have conducted job interviews at local business sites since 2016 and applied it to all of our business sites. This helps to reduce uncertainty in job allocation and to assign talent to the appropriate workplaces where they are needed.

## Fair Performance Evaluation and Compensation

Our performance evaluation system focuses on fair and transparent evaluation and compensation. To this end, we carry out organized goal management and talent development activities by operating a performance evaluation process consisting of initial goal setting, mid-term reviews and year-end evaluations. In addition, in order to ensure that individual goals are aligned with our business policy, we set detailed guidelines from the goal set-up phase. Meanwhile, supervisors provide feedback of evaluation results, and if there are any objections to the evaluation, employees can appeal and are reviewed for re-examination.

## Retiree Support Program

Since 2009, we have operated a retirement pension system to reduce the financial burden on our retirees. The present value of DB (Defined Benefit) liabilities as of December 31, 2017 is KRW 169.4 billion (consolidated) while the DC (Defined Contribution) retirement benefit expense is KRW 2.1 billion (consolidated).

## A Positive Work Environment

The workplace environment that ensures a healthy work-life balance is the driving force for creativity. We implemented a wide range of welfare programs to keep our employees healthy and motivated, and make sure that they can continue their career during childbirth and childcare through a family friendly system.

## Employee Welfare Benefit Programs

Category	Description	
Life Stability	School Expenses	• Employees who worked at least one year are provided with three years of tuition for children in high school and at most 24 semesters worth of tuition for university students
	Housing Funds	• Support for purchase and lease using the Intra-Company Labor Welfare Fund
	Emergency Funds	• For employees who need financial support using the Intra-Company Labor Welfare Fund
Healthy Life	Workplace Daycare Center	• For children of employees aged 1-3 (Gunsan business site)
	Group Insurance	• Cost of hospitalization up to KRW 10 million per year for employees and their spouses, KRW 5 million per year for children • Up to KRW 500 million in the case of death
	Health Check-ups	• Annual medical checkup • Special medical checkup for those exposed to a hazardous working environment • Health improvement plan through counseling with healthcare professionals • Sports facilities e.g. fitness center, soccer field, tennis court and table tennis court
Work-Life Balance	Self Development Plan	• Self-development expense for new hires
	Children's Science Camp	• Summer science camp for children since 2015



1. Open a daycare center (Gunsan)  
2. Summer science camp for employees' children

# Talent Management

## Organizational Culture

To improve our organizational culture, we have participated in the corporate culture analysis program established by the KCCI (Korea Chamber of Commerce and Industry) since 2015. Through the analysis, we gained valuable insight into changes in the culture, and measured the activities we engaged in for the effectiveness and goals achievement of our organization. Based on the results, we have established plans to improve the culture in various areas including sharing a clear vision and strategy, motivation and interaction among employees.

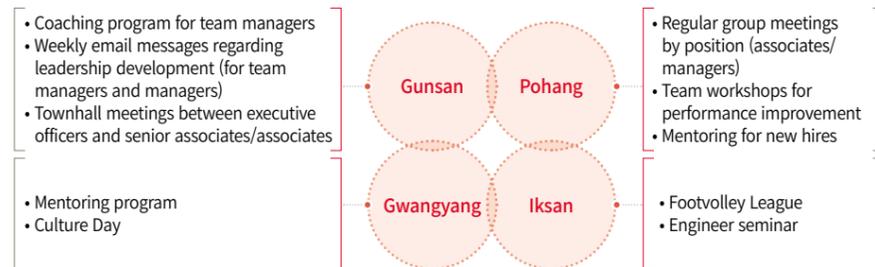
## Open Communication

We regularly hold a "Townhall Meeting" to provide a place for authentic communication between the CEO and employees and to share corporate philosophy and grievances at work. It began with managers in 2017 and grew into a direct communication channel between the CEO and all our employees. Meanwhile, the R&D Center holds MCM (Monthly Communication Meeting) every month to build teamwork, and business sites operate a communication channel specific to each site.



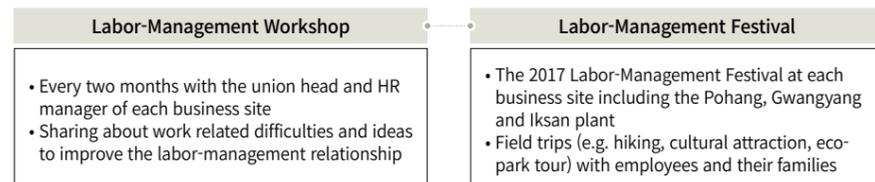
1. 2017 3rd R&D Awards\_25th MCM (R&D Center)  
2. Culture Day (Gwangyang)

### Communication Program



## Cooperative Labor-Management Culture

We regularly organize labor-management councils to share our business performance and discuss important labor-management issues such as employee welfare and the work environment. In addition, we keep our employees updated on any changes in our management in accordance with the Labor-Management Council Regulations. We are strengthening our labor-management relationship based on mutual understanding and trust.



Number of agendas at the Labor-Management Council

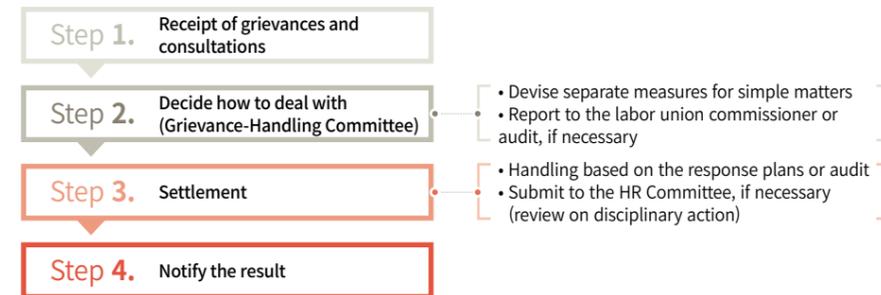


**83** items

## Grievance-Handling

We organized the Grievance-Handling Committee by business site to consult on the grievances about company life as well as personal concerns. After each counseling session, actions are actively taken within 10 days through various communication channels including email, phone, fax and post. The headquarters regularly holds a labor management workshop to expedite handling the grievances received through labor union channels. The Pohang Plant also regularly provides the "Outreach Grievance Handling Service" to listen to employee grievances on-site, and the results are shared on the website to raise awareness.

### Grievance-Handling Process



## Sexual Harassment Grievance-Handling

The "Good Work Place" is the system that handles and responds to sexual harassment claims in the workplace and takes necessary actions through strict investigation. We keep identities and claims strictly confidential to prevent any disadvantage or retaliation to the reporter.

## Human Rights for Employees and Suppliers

We respect the human rights of the employees of our suppliers as well as our employees while fulfilling our responsibilities to ensure their rights are protected throughout the business process. In accordance with the OCI Code of Ethics and OCI Human Rights Policy, we create a discrimination-free work environment and prevent unfair labor practices. We apply our human rights policy not only to our domestic and overseas employees but also to our suppliers to raise awareness in human rights issues. We monitor the safety and health practices and stable hiring environment of our suppliers' business sites, and also make sure that training and social responsibility programs are provided to them to manage human right risks in advance. We are going to expand our training programs to raise our employees' awareness and that of our suppliers and continue to seek ways to protect substantive human rights.

### Human Rights Policy



<http://oci.co.kr/sub/continuanace/ethical.asp>

\* OCI's human rights policy is also disclosed on page 82.

# Talent Management

## Employee Training (2017)



## Employee Competency Development

We organize our training programs with a focus on global competence, job performance and expertise to develop talents with creativity and find new business opportunities. From new hires to executive officers, we foster their talents and help them reach their full potential through Fundamental, Functional and Global programs by position.

### Competency Development Programs

 <b>Fundamental</b>	 <b>Functional</b>	 <b>Global</b>
<ul style="list-style-type: none"> <li>New Hires Induction Program &amp; OJT</li> <li>Mandatory program by position</li> </ul>	<ul style="list-style-type: none"> <li>OCI MBA</li> <li>Job professional training support</li> <li>Training conferences for engineers</li> </ul>	<ul style="list-style-type: none"> <li>Overseas dispatch</li> <li>Chinese course</li> <li>Expatriates training</li> </ul>

### New Hire Development

We offer programs to equip new employees with understanding of the company, professional knowledge in our business and products, work capability, as well as teamwork. New hires go through an intensive induction program followed by a 3-month project, where they improve their tasks and adapt to their jobs as quickly as possible. We also hold a first-year workshop to help them adapt to the workplace environment and reflect on their experiences.

### Leadership

We offer specialized training programs and opportunities for our employees to develop their career. The mandatory courses for each job level are designed to develop expertise and leadership skills, and the manager advanced programs are also provided to nurture managerial skills. Leadership assessment is conducted on managers and team managers to lay a foundation to enhance their leadership competencies. We foster next-generation leaders, recognizing the importance of employees as the basis for future growth.

### Global Experts

As more than half of our sales are generated overseas, we have extensive global talent development programs such as basic language courses, advanced job trainings and expatriates trainings. We provide language, cross-culture and communication trainings for new expatriates, while encouraging them to take the language and job trainings course after they are dispatched. 90 employees from six business sites completed business Chinese language programs at various levels in 2017. This helped our employees to improve their foreign language skills, cultural diversity and communication skills with local employees while serving as a foundation to expediting the acquisition and normalization of the polysilicon plant in Malaysia in 2017.

## Approaches for New Employee Development



Business Chinese Language Class

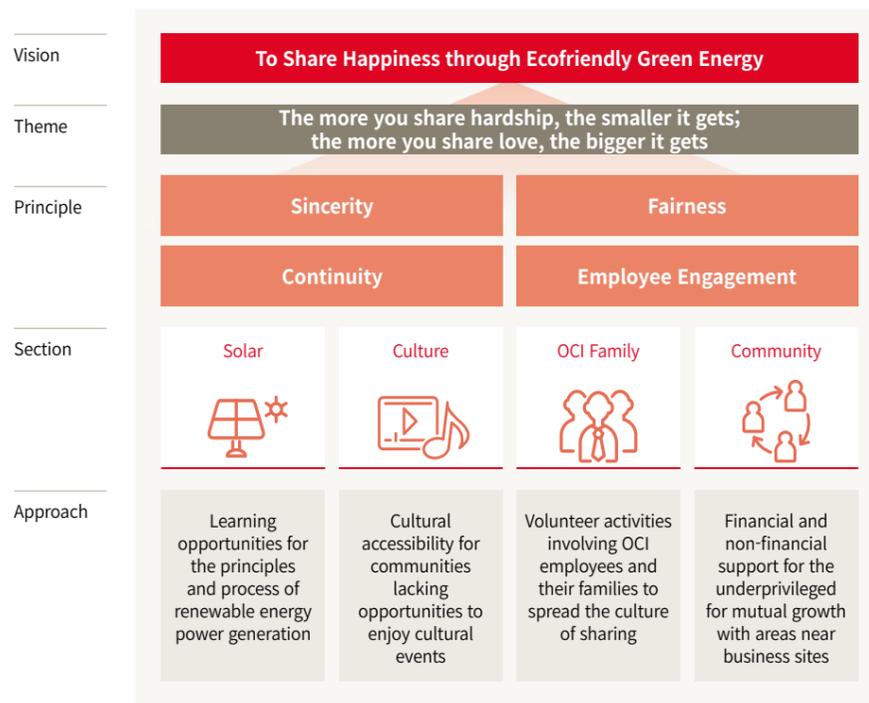
## Talent Development System

	Fundamental Course 	Functional Course 	Global Course 
<b>Executive</b>	New Executive Induction Executive Workshop	Executive Program	
<b>Team Manager</b> Principal Researcher	New Team Manager Induction Team Manager Workshop	Decision Making through Management Analysis OCI MBA	Overseas Dispatcher Program Business Chinese (Level 2-4) Foreign Language Intensive Course
<b>Manager</b> Senior Researcher	Manager Advanced Manager Essential	Manufacturing Cost Management Engineer Job Training	Job Training (External & E-Learning)
<b>Senior Associate</b> Researcher	Onboarding Program for New Joiners Induction Program & OJT	Junior Leader Advanced I & II Cost Accounting (Basic)	Business Chinese (Level 1)
<b>Associate</b> Associate Researcher	Induction Program & OJT 1-year Tenure Workshop	Analysis of Financial Statement Accounting Activity	

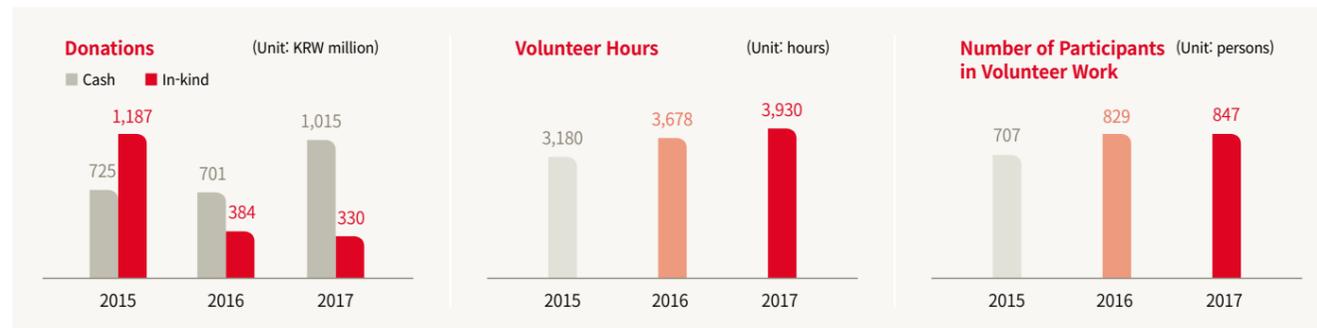
# Local Community

## Strategic Social Contribution

We fulfill our social responsibilities in four areas including “Solar,” “Culture,” “OCI Family,” and “Community” as part of our CSR vision of “To Share Happiness through Ecofriendly Green Energy.” We also engage in tailored social contribution activities in line with the needs of each local community where our HQ and business sites are located.



## Social Contribution



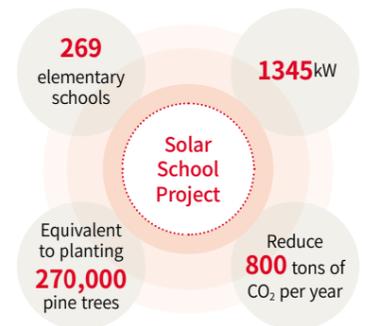
### Solar



## Solar School Project

The Solar School Project was launched in April 2011 to donate solar PV systems to a total of 300 elementary schools across Korea as part of our eco-friendly social contribution activities. In 2017, solar PV systems were installed at 20 elementary schools on Jeju Island, helping them improve their educational environment and save electricity costs. As of 2017, we have installed systems at 269 schools with a cumulative size of 1,345kW which is equivalent to planting 270,000 pine trees. We will continue to protect the natural environment and improve the educational environment for children as OCI's key social contribution.

### Solar School Project (Accumulated)



### Culture



## Bringing Modern Art to Life

Since in 2010, the OCI Museum of Art under the Songam Foundation has worked to nurture artists and expand the base of culture and arts. As part of this effort, “Daily Life’s Contemplation Touring Exhibition” is held on a biennial basis in the local communities where our business sites are located. Talented and passionate young artists are given opportunities to showcase their artworks while local residents are able to experience arts and culture. We will continue to explore cultural arts programs by improving accessibility to arts and culture for local communities and help young artists show their professional ability.



### OCI Family



## Guide running for visually impaired runners

Our history with The Visually Handicapped Marathon Club Korea (VMK) goes back to 2009, and OCI employees have been volunteering as guide runners for nine years. In April and September 2017, we participated in the “Ewoolim Marathon for the Visually Impaired” held in Yeouido as their guide runners. Our employees paired with participants by tying their hands together and completed 5km or 10km races, under the theme of “The more you share hardship, the smaller it gets; the more you share love, the bigger it gets.”



## Special Olympics

Since 2010, we have organized the “OCI Family Volunteer Group” consisting of our employees’ children to reduce social prejudice against people with developmental disabilities and promoted the Special Olympics. 15 children of our employees volunteered for the award ceremonies and various activities at “The 13th Special Olympics World Summer Games.”



# Local Community

## Community



### Local Community Service

All our business sites are committed to helping our local communities working with local NGOs and welfare facilities. “OCI Angel Campaign” was operated steadily since 2006 and encourages employees to donate through the “OCI Angel Fund” to which the company adds matching funds and to organize the “OCI Angel Volunteer Group” for volunteer activities. Through these activities, we are promoting a culture of sharing and strengthening our win-win cooperative relationship with our local communities.



The fund is raised to provide financial support for underprivileged members of the local community through voluntary donations from employees and matching funds from the company. KRW 1004 is credited to each account and employees can create as many accounts as they want.



Organized voluntarily by each business site, groups volunteer in activities such as donation of briquettes, kimchi and free meals to promote the value of sharing and mutual growth with the local community.

(The number 1004 and the word angel are homophones in Korean.)

## Social Contribution Activities for the Local Community

### • Headquarters



#### Volunteer Activities for People with Disabilities

Starting with the painting of murals as part of environmental cleanup efforts at the Seoul Northern Welfare Center for People with Disabilities in March 2017, we volunteered in a wide range of activities for the benefit of disabled individuals. Among the activities were cultural events, a marathon, programs that enable disabled individuals to experience various jobs, as well as the Ewoolim sports competition. In addition, we participated in the Special Olympics Games with our employees’ family members to raise awareness of people with disabilities and promote a culture of sharing.

### • R&D Center



#### Donation of Kimchi

Our R&D Center volunteers to make kimchi with social workers at the Dasarang Village, a welfare center providing care for 15 people with mental disabilities. In 2017, 14 employees volunteered for it and also donated through the Angel Donation Program. We will continue to raise awareness and volunteer to help the underprivileged people of our local community.

### • Gunsan Plant



#### Assistance for Fire Fighting & Donations

When a fire broke out in a house in Gaewon Village, Gunsan on July 21, 2017, the Gunsan Plant sent its own fire trucks to help suppress the fire with the Gunsan fire department, and prevented the fire from leading to a fatal accident. Afterward, we raised funds and donated daily necessities and electronic appliances for the residents affected by the fire. In this way, the Gunsan Plant is actively engaged in social contribution programs and solving local community issues.

### • Pohang Plant



#### Briquette Delivery to the Underprivileged Homes

The employees of the Pohang Plant delivered 2,000 briquettes for vulnerable social group in Cheongrim-dong. Meanwhile, the Pohang Plant has donated a development fund for Cheongrim Elementary School for decades, and also supports the local community with its OCI Angel Donation through a variety of means such as medical support, free meals for senior citizens and assistance to grandparents raising grandchildren.

### • Gwangyang Plant



#### Foster the Dreams of Children with Disabilities

The OCI Angel Volunteers at the Gwangyang Plant joined the “Fostering the Dreams of Children with Disabilities” campaign through which they donated 60 uniforms and money and participated in a communication program called “Forest Experience.” By directly participating in local community support programs, our employees learned the value of sharing and fulfilled social responsibility conveying our sincerity.

### • Iksan Plant



#### Donation to Senior Citizen Welfare Centers

The Iksan Plant donated goods to the welfare facilities for senior citizens toward the end of the year. Following the briquette delivery campaign in 2015 and 2016, we began social contribution activities that include firsthand support for those in need. We chose welfare facilities for senior citizens after gathering opinions from resident centers and employees, and donated goods they need.



# Supply Chain Management

## Mutual Growth with Suppliers

Under the strategic directions of “Visibility,” “Speed” and “Flexibility,” we manage win-win cooperative relationships with our suppliers to achieve mutual growth. It is our goal to create a sustainable supply chain eco-system by providing support and ensuring fair practices and active communication with suppliers. As of 2017, there are 1,056 suppliers we are working with and our total purchase amount is KRW 1,320 billion.



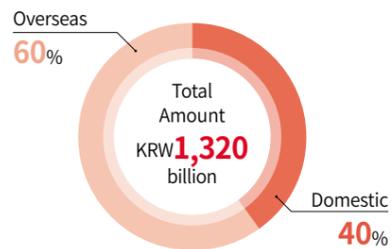
## Subcontract Management

We ensure full compliance with the four core practices set by the Fair Trade Commission for the promotion of a fair trade culture. We prevent unfair practices and support mutual growth with our suppliers through a fair transaction agreement, a subcontract management policy, a transparent selection process of suppliers and compliance management. In particular, we regularly organize training programs on the main details of subcontract laws, fair subcontract practice and the consequences of violating the law. We are going to further enhance our training programs for subsidiaries and overseas companies and monitor legal compliance by country as part of global fair trade compliance activities.

## Fair Trade Deliberation Committee

We organize the Fair Trade Deliberation Committee every month to promote fair and ethical practice with our suppliers, through which we monitor any violations of a fair trade policy. The committee activities are disclosed through the OCI e-procurement system as part of our efforts to build a fair and transparent work process.

### Purchase from Suppliers (2017)



## Network with Suppliers

We build partnerships with our suppliers through open communication. We hold a workshop every year to share our mutual growth policies and seek ways to gain competitive advantages while building trust with our suppliers. We discussed “the case studies on fair trade subcontract laws” and “promotion and marketing techniques for small businesses” in the 2017 meeting. In addition, we will take more initiatives in resolving the grievances of suppliers by providing a communication channel through the e-procurement system.

## Mutual Growth Activities

As part of our shared growth activities, we organized various support programs for our suppliers including technological cooperation and financial and management support. We will continue to promote win-win collaboration culture with our suppliers by consistently exploring programs for shared growth.

### 2017 Mutual Growth Program

	Areas	Contents
Technological Cooperation	Localization of Imported Components	• Through technological cooperation
	Mutual Growth Fund	• Low-interest loans for the financial stability of suppliers
Financial Support	Mutual Growth Payment System	• Supervises payment between main contractor and subcontractor and improves the cash payment ratio
	Training for the Employees of Suppliers	• Job and leadership programs to increase work efficiency
Management Support	Attending Job Fairs	• Contributes to resolving labor shortage through job fairs
	Consulting	• Provides consultation on management expertise, accounting, quality and productivity

# Supply Chain Management

## Integrated Management

We conduct a comprehensive analysis of new and existing suppliers and support necessary improvements based on results through a fair and transparent supply chain management process. This enables prevention of possible risks and ensures the sustainability of our supply chain by helping them strengthen their response to risks. In response to the changing global market environment, we plan to establish and develop a monitoring and information sharing system.

### Integrated Supply Chain Management Process



## Risk Management for Suppliers

In order to secure a supply system centered on competitive suppliers, we evaluate suppliers according to their risk management process. We help our suppliers to eliminate their risk based on the results, and lead them to improve sustainability by ensuring that they submit feedback reports on improved tasks.

### Risk Diagnosis

Risk factors associated with suppliers are determined from all aspects including the impact on material supply, reliability, performance, quality control and the cost of due diligence and analysis. We conduct on-site inspection by sorting suppliers that are potentially risky.

### On-Site Inspection

It is regularly conducted on new and existing suppliers. We assess their sustainability of overall management activities in terms of management, technology, quality, environment, safety and society. The inspection is carried out based on the result of their own self-assessment, which enables suppliers to examine themselves to improve the reliability of tasks and advance the effectiveness of execution.

## Key Indicators of On-Site Inspection

<b>Management</b> 	<ul style="list-style-type: none"> <li>Financial Stability</li> <li>Product Profitability</li> <li>Growth Potential</li> </ul>	<b>Environment &amp; Safety</b> 	<ul style="list-style-type: none"> <li>Environment &amp; Safety Organization</li> <li>Safety Inspection &amp; Training</li> <li>Hazardous Material Control</li> </ul>
<b>Technology</b> 	<ul style="list-style-type: none"> <li>R&amp;D Investment</li> <li>Cost Saving</li> <li>Employee Training</li> </ul>	<b>Human Resource</b> 	<ul style="list-style-type: none"> <li>Stable Employment Conditions</li> <li>Expertise and Competence Development</li> <li>Compliance with Employment Laws</li> </ul>
<b>Quality</b> 	<ul style="list-style-type: none"> <li>Autonomous Quality Review</li> <li>Setting Assessment Standards</li> <li>Material and Process Assessment</li> </ul>	<b>Society</b> 	<ul style="list-style-type: none"> <li>Disclosure of Changes in Management</li> <li>Social Contribution</li> <li>Award Winning</li> </ul>

## Improvement Activities

Based on the result of the on-site inspection, we identify areas of improvement and request improvement for subjects that may have a significant impact on the production process, such as the hazardous work environment of supplier's employees, quality management and hazardous materials management. In addition, we support plans for improvement and provide consultation for each sector while requesting submission of reports on the progress for improvement subjects. We also increase the scope of our risk management in supply chain. For example, we present opinions and recommendations in case the suppliers' level of social responsibility is deemed insufficient.

## Risk Prevention

We monitor the financial stability of our suppliers including defaults, administrative litigation and changes in credit rating using credit mailing service through credit rating agencies. We would like to minimize the impact of the risks on our business operation by keeping track of their business status and establishing a strategic response accordingly.

