INTERNATIONAL CYANIDE MANAGEMENT INSTITUTE

Cyanide Transportation Summary Audit Report

For the
International Cyanide Management Code

South America Supply Chain

28 March 2013
Name of Cyanide Supply Chain: South America Supply Chain
Name of Supply Chain Owner: Hyosung Corporation
Name of Supply Chain Operator: Hyosung Corporation
Name of Responsible Manager: Mr. Yo Han Lee / General Manager, Petrochemicals Team,
Trading Business Division, Hyosung Corporation
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Location detail and description of operation:
The head office of Hyosung Corporation is located in Seoul, Korea. In Hyosung Corporation, there are several business divisions as trading, heavy machinery, textile, chemistry and construction. Related to supplying the sodium cyanide, the main jobs of Petrochemicals Team in Trading Business Division are making agreement with mining companies, receiving customer orders, review of customer orders and arrangement of shipping. Those were conducted by Petrochemicals Team in Trading Business Division of Hyosung Corporation.

The Hyosung Corporation applied the South America Supply Chain as ICMC signatory. The South America Supply Chain includes the transportation of sodium cyanide from producer in Korea to Manzanillo, Ensenada and Guayamas ports in Mexico South America. According to the the sodium cyanide supply contracts with gold mining customers, the Hyosung Corporation is responsible for supplying sodium cyanide from producer in Korea to Manzanillo, Ensenada and Guayamas ports in Mexico. The customs clearance and transportation from those ports to gold mining sites in Mexico are controlled and implemented by customers. So the road transportation from Manzanillo, Ensenada and Guayamas ports to gold mining sites in Mexico is excluded in South America Supply Chain.

Currently the Hyosung Corporation export the sodium cyanide to gold mining customers only in Mexico South America. So now only the export to Mexico was included in South America Supply Chain. Hyosung Corporation has plans to extend their exports to several other countries in South America.

The road transportation company, railroad transportation company, rail terminals, shipping companies and ports were included in South America Supply Chain as below:
(1) Road transportation from sodium cyanide producer to Ulsan rail terminal: SAM IK Logistics Co., Ltd. in Korea
(2) Control of storage, loading and unloading in Ulsan rail terminal: SAM IK Logistics Co., Ltd. in Korea
   Overall management and supervision of Ulsan rail terminal: KOREA RAILROAD in Korea
(3) Railroad transportation from Ulsan rail terminal to Busan rail terminal: KOREA RAILROAD in Korea
(4) Control of storage, loading and unloading in Busan rail terminal: SAM IK Logistics Co., Ltd. in Korea
   Overall management and supervision of Busan rail terminal: KOREA RAILROAD in Korea
(5) Road transportation from Busan rail terminal to Busan port: SAM IK Logistics Co., Ltd. in Korea
(6) Control of storage yard in Busan port: Hapag-Lloyd and MSC
(7) Ocean transportation from Busan port in Korea to Manzanillo and Ensenada ports in Mexico South America: Hapag-Lloyd
(8) Ocean transportation from Busan port in Korea to Guayamas port in Mexico South America: MSC
(9) Control of storage in Manzanillo and Ensenada ports in Mexico: Hapag-Lloyd
(10) Control of storage in Guayamas port in Mexico: MSC
This operation is

X in full compliance
in substantial compliance *(see below) with the International Cyanide Management Code
not in compliance

with the International Cyanide Management Code.

Audit Company: 3Points Co., Ltd.
Audit Team Leader: Mr. Sang-Ho Ahn
E-mail: triplepoint@naver.com

Date(s) of Audit: 21, 22, 28, 31 January 2013

I attest that I meet the criteria for knowledge, experience and conflict of interest for Code Verification Audit Team Leader established by the International Cyanide Management Institute and that the audit team meet the applicable criteria established by the International Cyanide Management Institute for Code Verification Auditors.

I attest that this Summary Audit Report accurately describes the findings of the verification audit. I further attest that the verification audit was conducted in a professional manner in accordance with the International Cyanide Management Code Verification Protocol for Cyanide Transportation Operations and using standard and accepted practices for health, safety and environmental audits.

Hyosung Corporation

Name of Supply Chain Operator  Lead Auditor Signature  Date: 28 March 2013
Summary Audit Report

1. TRANSPORT : Transport cyanide in a manner that minimizes the potential for accidents and releases.

Transport Practice 1.1 : Select cyanide transport routes to minimize the potential for accidents and releases.

The operation is

☑ in full compliance with
☐ in substantial compliance
☐ not in compliance with

with Transport Practice 1.1

Summarize the basis for this Finding/Deficiencies Identified:
During June 2012 year, the Hyosung Corporation established supply chain organization and control procedure in which detail process for selection of sodium cyanide transportation routes and control methods were defined. According to their procedure, they considered overall transportation route from sodium cyanide producer to gold mining customers in Mexico South America. They identified several possible routes from sodium cyanide producer in Korea to Manzanillo, Ensenada and Guayamas ports in Mexico South America. They consider and evaluate the routes for such items as population density, infrastructure, prevalence of water, security, possibility of hijacking and cost effectiveness. And then they finally decided the transportation routes as below.

1) From cyanide producer TongSuh Petrochemical Co., Ltd. Ulsan plant to Ulsan rail terminal in Korea: Roadway transportation by truck
2) Ulsan rail terminal to Busan rail terminal in Korea: Railroad transportation by train
3) Busan rail terminal to Busan port: Roadway transportation by truck
4) Busan port in Korea to Manzanillo, Ensenada and Guayamas ports in Mexico South America: Ocean transportation by ship

The subcontractor evaluation process was defined in supply chain organization and control procedure. Such items as ICMC signatory or OHSAS18001 certification, history of accident, compliance of delivery, price and cooperation etc. were evaluated for sodium cyanide producer, road transportation company, railroad transportation company, rail terminals, shipping companies and ports. According to the procedure they evaluated and chose sodium cyanide transportation companies and shipping companies as below:

1) Roadway transportation from cyanide producer to Ulsan rail terminal: SAM IK Logistics Co., Ltd.
2) Railroad transportation from Ulsan rail terminal to Busan rail terminal: KOREA RAILROAD in Korea
3) Road transportation from Busan rail terminal to Busan port: SAM IK Logistics Co., Ltd. in Korea
4) Ocean transportation from Busan port in Korea to Manzanillo and Ensenada ports in Mexico South America: Hapag-Lloyd
5) Ocean transportation from Busan port in Korea to Guayamas port in Mexico South America: Hapag-Lloyd and MSC

Related to the sodium cyanide transportation of South America Supply Chain, the Hyosung Corporation considered such risks as spillage, contamination, humane exposure and hijacking. They decided the control methods for each segment in South America Supply Chain as below.
1) Road transportation company in Korea (SAM IK Logistics Co., Ltd.)
   (1) Periodic supplier evaluation by Hyosung Corporation Petrochemicals Team
   (2) Implementation & certification of ICMC by SAM IK Logistics Co., Ltd.

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2) Control of storage, loading and unloading in Ulsan and Busan rail terminals (SAM IK Logistics Co., Ltd. and KOREA RAILROAD)
   (1) Periodic supplier evaluation for SAM IK Logistics Co., Ltd by TongSuh Petrochemical Co., Ltd and Hyosung Corporation Petrochemicals Team
   (2) Implementation & certification of ICMC by SAM IK Logistics Co., Ltd.
   (3) Periodic due diligence investigation for rail terminals by Hyosung Corporation Petrochemicals Team

3) Railroad transportation company in Korea (KOREA RAILROAD)
   (1) Periodic route evaluation by Hyosung Corporation Petrochemicals Team
   (2) Periodic due diligence investigation by Hyosung Corporation Petrochemicals Team

4) Busan port in Korea (Hapag-Lloyd and MSC)
   The shipping companies rent the storage area in port from national port agency. And the shipping companies actually control the sodium cyanide storage yard in port.
   (1) Periodic route evaluation by Hyosung Corporation Petrochemicals Team
   (2) Periodic due diligence investigation by Hyosung Corporation Petrochemicals Team

5) Ocean transportation by shipping companies (Hapag-Lloyd and MSC)
   (1) Periodic route evaluation by Hyosung Corporation Petrochemicals Team
   (2) Periodic due diligence investigation by Hyosung Corporation Petrochemicals Team
   * Due to inability of consigner for shipping companies Hapag-Lloyd and MSC lead to ICMC implementation and certification

6) Manzanillo, Ensenada and Guaymas ports in Mexico South America (Hapag-Lloyd and MSC)
   The shipping companies rent the storage area in port from national port agency. And the shipping companies actually control the sodium cyanide storage yard in ports.
   (1) Periodic route evaluation by Hyosung Corporation Petrochemicals Team
   (2) Periodic due diligence investigation by Hyosung Corporation Petrochemicals Team
   * Due to inability of consigner for shipping companies Hapag-Lloyd and MSC lead to ICMC implementation and certification

According to the above control methods, the Hyosung Corporation have implemented the selection of ICMC certified producer & transportation company, supplier evaluation, route evaluation and due diligence investigation.

Hyosung Corporation established risk assessment and high risk control procedure in which hazard identification for sodium cyanide supply chain, risk assessment for identified hazards and high risk control were defined. According to the procedure, the Hyosung Corporation Petrochemicals Team have identified hazards and evaluated the risks for the South America Supply Chain. Below high risks were identified.
   1) Release of sodium cyanide powder to road, land and surface water during road and railroad transportation by transporters.
   2) Damage to sodium cyanide container and human contact in rail terminals and ports
   3) Release to sea water during ocean transportation by shipping company
   4) Robbery during road transportation, storage in rail terminals, ports and sea transportation.
   5) Taken away by criminal suspect during road and ocean transportation

According to supply chain organization and control procedure, the Hyosung Corporation should reevaluate the overall routes of South America Supply Chain every two year periodically. And if there are some changes related to routes, transporters, facilities and relevant legal requirements, they will reevaluate the routes non-periodically. As they completed the route evaluation during last year 2012 for South America Supply Chain, they will reevaluate the routes of South America Supply Chain in 2014 year.
Hyosung Corporation
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The process for getting feedback on route condition from each segment in South America Supply Chain was defined in supply chain organization and control procedure. According to the procedure, Hyosung Corporation Petrochemicals Team established communication channel and received information related to cyanide transportation routes from sodium cyanide producer, road and railroad transporters, rail terminals, shipping companies, ports and other sub-contractors. Recently there is no special issue from received information.

The Hyosung Corporation documented the measures to address risks in South America Supply Chain. They prepared and completed the control measures such as supplier evaluation, check the certification of ICMC by applicable subcontractor and due diligence investigation for KOREA RAILROAD, ports and shipping companies. And also they established emergency response plan for sodium cyanide release, robbery and taken away by criminal suspect. The communication channel with government body, safety agency, police, producer and transporter defined in emergency response plan.

When Hyosung Corporation selected the transportation route of South America Supply Chain and developed the control measures for high risk, they considered and reflected the comments from communities and stakeholders such as Ulsan government office, Busan local government office, Good Morning Hospital, DongKang Medical Center, sodium cyanide producer, road transporter, shipping companies, Korea Occupational Health and Safety Agency and local fire fighting agency. The Hyosung Corporation informed the sodium cyanide transportation and received some general comments. The Hyosung Corporation has delivered their sodium cyanide transportation and storage procedure, material safety data sheet and emergency response plan to above communities and stakeholders.

The Hyosung Corporation reviewed the overall route for South America Supply Chain. According to the review results, they decide that convoys and escorts are unnecessary from sodium cyanide producer TongSuh Petrochemical Co., Ltd. Ulsan plant in Korea to Manzanillo, Ensenada and Guayamas ports in Mexico South America as sodium cyanide production & road transportation by ICMC certified company, rail terminal control and railroad transportation by government subsidiary company and implementation of IMDG code by international shipping companies.

The Hyosung Corporation established emergency response plan for sodium cyanide release to land & water and human exposure. In the emergency response plan, role and mutual aid with sodium cyanide producer, transporter, ports, safety agency, police, fire fighting agency, hospital etc. were defined. They advised the emergency response plan to relevant bodies and delivered their sodium cyanide transportation and storage procedure, material safety data sheet. Those activities were also implemented ICMC signatories and certified transporters.

*Transport Practice 1.2 :* Ensure that personnel operating cyanide handling and transport equipment can perform their jobs with minimum risk to communities and the environment.

The operation is

- [X] in full compliance with Transport Practice 1.2
- [ ] in substantial compliance
- [ ] not in compliance with

*Summarize the basis for this Finding/Deficiencies Identified:*
According to supply chain organization and control procedure prepared by the Hyosung Corporation, they evaluated subcontractors during July 2012 year. During the subcontractor evaluation, they

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checked and confirmed that sodium cyanide transport subcontractors have used only trained, qualified and licensed operators. And also those transport subcontractors were ICMC signatories and certified already. And the Hyosung Corporation has prepared and communicated sodium cyanide transportation and storage procedure, material safety data sheet and emergency response plan to producer, transporters, ports and shipping companies to use for training, daily operation and emergency situation.

Transport Practice 1.3 : Ensure that transport equipment is suitable for the cyanide shipment.

The operation is

- [X] in full compliance with
- [ ] in substantial compliance
- [ ] not in compliance with

with Transport Practice 1.3

Summarize the basis for this Finding/Deficiencies Identified:
According to supply chain organization and control procedure, the Hyosung Corporation evaluated subcontractors during July 2012 year. During the subcontractor evaluation, they checked and confirmed that sodium cyanide transport subcontractors have used only equipment designed and maintained to operate within the designed capacity. During the due diligence investigation, they checked and confirmed that the rail terminals, railroad transportation company, ports and shipping companies have used suitable equipment. And also the Hyosung Corporation confirmed that transporters, ports and shipping company have preventive maintenance procedure to control the transport equipment. And container itself designated to prevent overloading.

Transport Practice 1.4 : Develop and implement a safety program for transport of cyanide.

The operation is

- [X] in full compliance with
- [ ] in substantial compliance
- [ ] not in compliance with

with Transport Practice 1.4

Summarize the basis for this Finding/Deficiencies Identified:
As the Hyosung Corporation is a trading company, they do not actually need the detail safety program for transport of sodium cyanide. During the subcontractor evaluation and due diligence investigation, they checked and confirmed that sodium cyanide transporters, ports and shipping companies developed and implemented the safety program. As a consigner, they requested to transporters for the compliance of local regulation, international standards and safety program. If the transporters violate the local regulation and international standards, they are not able to be registered as approved subcontractor to Hyosung Corporation.

Transport Practice 1.5 : Follow international standards for transportation of cyanide by sea and air.

The operation is

- [X] in full compliance with
- [ ] in substantial compliance
- [ ] not in compliance with

with Transport Practice 1.5

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Summarize the basis for this Finding/Deficiencies Identified:
As the Hyosung Corporation is trading company, they do not actually perform the transportation of cyanide by ocean. They evaluated shipping company according to supply chain organization and control procedure. They applied four evaluation items as compliance with IMDG Code, legal requirements and international standards, accident cases during ocean transportation, compliance of target delivery and cost of transportation. Considering the evaluation results, they selected Hapag-Lloyd and MSC as shipping companies for sodium cyanide transportation from Busan port in Korea to Manzanillo, Ensenada and Guaymas ports in Mexico South America. The Hyosung Corporation completed the due diligence investigation during October 2012 to January 2013 for the shipping companies. According to the due diligence investigation, the Hyosung Corporation confirmed that shipping companies were comply with IMDG Code. Transportation of sodium cyanide by air is not applicable at this point.

Transport Practice 1.6 : Track cyanide shipments to prevent losses during transport.

The operation is □ in full compliance with \[X\] in substantial compliance □ not in compliance with

Summarize the basis for this Finding/Deficiencies Identified:
As the Hyosung Corporation is trading company, they do not actually perform the transportation of cyanide. During the subcontractor evaluation, they checked and confirmed that the sodium cyanide transportation vehicles have pager, mobile phone and communication channel sheet in which telephone numbers of transportation companies, the producer, mining customers and emergency responders defined. And also during the subcontractor evaluation, they checked and confirmed that the transports periodically have tested the communication equipment. The Hyosung Corporation checked the overall routes of South America Supply Chain. And found no blackout area. And they requested to transporters to identify blackout area and alternative procedure to control the blackout area. Until now they have not received any identified blackout area from transporters.

The Hyosung Corporation has procedure to track the progress of cyanide shipments. And if needed, they tracked the progress of cyanide shipments by contact with sodium cyanide producer TongSuh Petrochemical Co., Ltd. Ulsan Plant and transporters as SAM IK Logistics Co., Ltd. and website check of shipping companies Hapag-Lloyd and MSC. And also during the subcontractor evaluation, they checked and evaluated the tracking of cyanide shipments by transporters.

As the Hyosung Corporation receive purchasing orders from customers as gold mining company, they review the delivery & quantity and input the orders in computer network system. They requested to sodium cyanide producer TongSuh Petrochemical Co., Ltd. Ulsan Plant to dispatch the amount of sodium cyanide and nominate the shipping company. The individual customer order including target delivery and amount, dispatched date and quantity of sodium cyanide from producer to shipping companies were registered in computer network system of Hyosung Corporation. And also the progress of ocean transportation by shipping companies can be checked for individual customer orders in web-site of Hapag-Lloyd and MSC. So the inventory control and custody documentation were properly implemented to prevent loss of sodium cyanide during transportation.

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2. INTERIM STORAGE : Design, construct and operate cyanide trans-shipping depots and interim storage sites to prevent releases and exposures.

Transport Practice 2.1 : Store cyanide in a manner that minimizes the potential for accidental releases.

The operation is □ in full compliance with X in substantial compliance □ not in compliance with

with Transport Practice 2.1

Summarize the basis for this Finding/Deficiencies Identified:
The Hyosung Corporation checked over all routes of South America Supply Chain and identified interim storage areas as below.
1) Ulsan rail terminal in Korea
2) Busan rail terminal in Korea
3) Busan port in Korea
4) Manzanillo, Ensenada and Guaymas ports in Mexico South America

The Ulsan rail terminal and Busan rail terminal are managed by KOREA RAILROAD one of the government subsidiary company in Korea. So the Hyosung Corporation Petrochemicals Team have conducted the due diligence investigation for those two rail terminals during 12-13 September 2012. The sodium cyanide storage areas are controlled by road transporter SAM IK Logistics Co., Ltd. And also loading and unloading works were performed by SAM IK Logistics Co., Ltd. The SAM IK Logistics Co., Ltd. was certified ICMC during 2010 year and complied with ICMC code requirements. Busan port in Korea and Manzanillo, Ensenada and Guaymas ports in Mexico are controlled by national port agency and interim storage areas are rent and controlled by shipping companies Hapag-Lloyd and MSC. They do their best the due diligence investigation for Busan port during 17-18 October 2012 and Manzanillo, Ensenada and Guaymas ports in Mexico during 03 and 16 January 2013. During the due diligence investigation, they found the interim storage areas were controlled properly in compliance with legal requirements and ICMC code requirements. But some minor nonconformity items issued during due diligence investigation, they requested corrective actions and confirmed the corrective action results from shipping companies and national port agency. And also they delivered their sodium cyanide transportation and storage procedure, material safety data sheet and emergency response plan to employees in ports, national port agency, interim storage areas and shipping companies.
3. EMERGENCY RESPONSE: Protect communities and the environment through the development of emergency response strategies and capabilities

Transport Practice 3.1: Prepare detailed emergency response plans for potential cyanide releases.

The operation is  
- X in full compliance with  
- □ in substantial compliance  
- □ not in compliance with  

with Transport Practice 3.1

Summarize the basis for this Finding/Deficiencies Identified:
The Hyosung Corporation established emergency response plan considering the possible emergency situations such as sodium cyanide release to road, land, surface water and sea water, robbery during transportation and interim storage and taken away by criminal suspect during transportation. The emergency response plan considered the solid sodium cyanide packaged in film & box and transported in container, transportation method, interim storage areas, infrastructure as road condition, ports and ocean transportation. In the emergency response plan, they defined what they should do, communication channel and relevant external responders such as sodium cyanide producer, transporters, shipping company, mining, safety agency, police and hospitals. Detail emergency response plans considering road transportation were already prepared by road transporter SAM IK Logistics Co., Ltd. and checked by Hyosung Corporation. The Hyosung Corporation checked that shipping companies Hapag-Lloyd and MSC issued commitment to comply with IMDG Code in which the emergency response plan required. For interim storage areas such as rail terminals and ports, they delivered the emergency response plan and MSDS of sodium cyanide in which handling and treatment for released sodium cyanide defined.

Transport Practice 3.2: Designate appropriate response personnel and commit necessary resources for emergency response.

The operation is  
- X in full compliance with  
- □ in substantial compliance  
- □ not in compliance with  

with Transport Practice 3.2

Summarize the basis for this Finding/Deficiencies Identified:
The Hyosung Corporation Petrochemicals Team have training plan in which the emergency trainings are scheduled two times in 2012 year. The manager and member of Petrochemicals Team participated the emergency response training by TongSuh Petrochemical Co., Ltd. Ulsan plant. And then they implemented the training for their team members for the emergency response plan and MSDS in June and July 2012. During the emergency response training, the communication channel, duties of relevant external agency and main activities of Petrochemical Team were introduced and training records were maintained.

In the emergency response plan prepared by Hyosung Corporation Petrochemicals Team, the roles and responsibilities of team leader, team member, other relevant team and external agency defined. And also in their emergency response plan and MSDS, the emergency response equipment such as shovel, sawdust, glove, mask etc. were defined.

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The road transportation company as SAM IK Logistics Co., Ltd. have trained their employee and vehicle operators as yearly training program. The Petrochemicals Team do not provide emergency response trainings directly to vehicle operator. Instead the Petrochemicals Team checked the implementation of emergency response training by road transportation companies during supplier evaluations. And also shipping companies Hapag-Lloyd and MSC have implemented training for their employee to comply with IMDG Code. For interim storage areas, they delivered their emergency response plan and MSDS of sodium cyanide in which handling and treatment for released sodium cyanide defined. For interim storage areas, the training or introduction with their emergency response plan and MSDS is enough for emergency situations in ports.

Transport Practice 3.3 : Develop procedures for internal and external emergency notification and reporting.

The operation is □ in full compliance with □ in substantial compliance □ not in compliance with with Transport Practice 3.3

Summarize the basis for this Finding/Deficiencies Identified:
The Hyosung Corporation prepared the emergency response plan appropriate to the overall emergency situations possibly expected in South America Supply Chain. In the emergency response plan, contact information as telephone number, relevant person name and address of sodium cyanide producer, road transporter, shipping companies, safety agency, fire fighting agency and hospital were defined. During September and December 2012 year, the emergency response plan was updated to include more contact information. According to their emergency response procedure, the emergency response plan was prepared including contact information, notification method, detail process as what Hyosung Corporation should do. According to emergency response procedure, the Hyosung Corporation should check the emergency response plan quarterly base and revise the contact information and detail process as needed. Current internal and external notification is prepared during June 2012 year and updated during September and December 2012 year to include the contact information of sodium cyanide manufacture, road transporter, shipping company, safety agency, fire fighting agency, hospital and local government office.

Transport Practice 3.4 : Develop procedures for remediation of releases that recognize the additional hazards of cyanide treatment chemicals.

The operation is □ in full compliance with □ in substantial compliance □ not in compliance with with Transport Practice 3.4

Summarize the basis for this Finding/Deficiencies Identified:
The Hyosung Corporation prepared the emergency response plan appropriate to over all emergency situations possibly expected South America Supply Chain. The remediation as recovery and protect for released sodium cyanide, decontamination of soil and water, control & disposal of wastes etc. were defined in the emergency response plan and MSDS. And also the prohibit of the use of sodium hypochlorite, ferrous sulfate and hydrogen peroxide to treat sodium cyanide that has been released into surface water was defined. The emergency response plan and MSDS were delivered to road transporter as SAM IK Logistics Co., Ltd., shipping companies Hapag-Lloyd, MSC, ports such as Busan port in Korea, Manzanillo, Ensenada and Guaymas ports in Mexico South America.

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Transport Practice 3.5: Periodically evaluate response procedures and capabilities and revise them as needed.

X in full compliance with

The operation is

☐ in substantial compliance
☐ not in compliance with

with Transport Practice 3.5

Summarize the basis for this Finding/Deficiencies Identified:
The Hyosung Corporation established emergency response procedure. According to the procedure, the emergency response plan shall be checked quarterly base and contact information updated as needed. During June 2012, the Petrochemical Team prepared emergency response plan. And also during September and December 2012 year, the emergency response plan was checked and updated to include the contact information of local government offices in Korea. According to the emergency response procedure, they shall do the mock emergency drill once per year. The mock emergency drill was implemented in their office during August 2012. They checked the overall process and adequacy of emergency response plan and recorded the results.
Summary Report of Due Diligence Investigations

1. Background of due diligence investigation

1) Inability as consigner for railroad transportation company, ports and shipping companies lead to ICMC implementation and certification

   The South America Supply Chain includes sodium cyanide road transporter, rail transportation company, ports and shipping companies as below.

   (1) Road transportation from sodium cyanide producer to Ulsan rail terminal: SAM IK Logistics Co., Ltd. in Korea

   (2) Control of storage, loading and unloading in Ulsan rail terminal: SAM IK Logistics Co., Ltd. in Korea

      Overall management and supervision of Ulsan rail terminal: KOREA RAILROAD in Korea

   (3) Rail transportation from Ulsan rail terminal to Busan rail terminal: KOREA RAILROAD in Korea

   (4) Control of storage, loading and unloading in Busan rail terminal: SAM IK Logistics Co., Ltd. in Korea

      Overall management and supervision of Busan rail terminal: KOREA RAILROAD in Korea

   (5) Road transportation from Busan rail terminal to Busan port: SAM IK Logistics Co., Ltd. in Korea

   (6) Control of storage in Busan port: Hapag-Lloyd and MSC

   (7) Ocean transportation from Busan port in Korea to Manzanillo and Ensenada ports in Mexico

      South America: Hapag-Lloyd

   (8) Ocean transportation from Busan port in Korea to Guayamas ports in Mexico South America: MSC

   (9) Control of storage in Manzanillo and Ensenada ports: Hapag-Lloyd

   (10) Control of storage in Guayamas port: MSC

As consigner the Hyosung Corporation Petrochemicals Team controls overall South America Supply Chain and will choose ICMC certified subcontractors or lead the ICMC implementation and certification to sodium cyanide manufacture, road transporters, rail transportation company, ports and shipping companies. So they successfully have chosen ICMC certified subcontractors as TongSuh Petrochemical Co., Ltd. and SAM IK Logistics Co., Ltd. However they can’t choose the ICMC certified rail terminals, railroad transportation company, ports and shipping companies. And also they can’t lead the rail terminals, rail transportation company, ports and shipping companies to ICMC implementation and certification due to their inability to affect change in the operating practices of those transportation facilities and companies. So the Hyosung Corporation Petrochemicals Team planned and implemented due diligence investigation for rail terminals, railroad transportation company, ports and shipping companies as required by ICMC.

2) Scope of due diligence investigation

   The rail terminals and railroad transportation in Korea was includes in South America Supply Chain. So the due diligence investigation was implemented for rail terminals and railroad transportation company. The shipping companies rent the storage area in port and actually controlled the sodium cyanide storage yard. So the due diligence investigations were implemented for shipping companies including such activities as control of storage yard in port, loading to ship and ocean transportation.
2. **Progress of due diligence investigation**

1) Development of checklist
   The Hyosung Corporation Petrochemicals Team reviewed the ICMC requirements, IMDG Code, South America Supply Chain, property of sodium cyanide and information from TongSuh Petrochemical Co., Ltd. And then have developed checklist for due diligence investigation applicable to the control of rail terminals, railroad transportation, sodium cyanide storage yard, loading to ship and ocean transportation.

2) Nomination of investigation team leader and member
   Considering the work experience and knowledge of ICMC, Mr. Yo Han Lee General Manager of Hyosung Corporation Petrochemicals Team nominated team leader and member for due diligence investigation as below.
   - Team Leader: Mr. Yo Han Lee (General Manager / Petrochemicals Team)
   - Team Member: Mr. Kwang Jin Kim (Assistant Manager / Petrochemicals Team)
   - Mr. Sung San Kim (Assistant Manager / Petrochemicals Team)

3) Scheduling of due diligence investigation
   They plan the due diligence investigation during September 2012 for rail terminals, railroad transportation company in Korea, October 2012 for shipping companies including the control of sodium cyanide storage yard in port in Korea and ocean transportation. And inform the plan to rail terminals, railroad transportation company and shipping companies with checklist. And also they plan the due diligence investigation during January 2013 for shipping companies to check the control of sodium cyanide interim storage yard in Manzanillo, Ensenada and Guayamas ports in Mexico South America.

4) Implementation of due diligence investigation
   The Hyosung Corporation Petrochemicals Team implemented due diligence investigation a planned during September 2012 to January 2013. They use the checklist and record the investigation results in checklist. After the investigation, they issued the completed checklist to rail terminals, railroad transportation company, shipping companies and requested corrective actions for some nonconformities. The Hyosung Corporation Petrochemicals Team checked the action results from rail terminals, railroad transportation company and shipping companies and confirmed that corrective actions were completed for nonconformities.

3. **Results of due diligence investigation**
   The Hyosung Corporation Petrochemicals Team have developed and used the checklist and record the investigation results in checklist as below.

1) **Ulsan rail terminal**
   (1) Activities
      Overall management and supervision of Ulsan rail terminal by KOREA RAILROAD
   (2) Due diligence investigation date
      12 Sep. 2012
   (3) Due diligence investigation team
      Team Leader - Mr. Yo Han Lee (General Manager / Petrochemicals Team)
      Team Member - Mr. Sung San Kim (Assistant Manager / Petrochemicals Team)
   (4) Due diligence investigation results and corrective action request
      The investigation team issued the checklist to KOREA RAILROAD Ulsan rail terminal and requested corrective actions for some minor nonconformities identified during due diligence investigation. And also the investigation team confirmed the corrective action results taken by KOREA RAILROAD Ulsan rail terminal.

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(5) Conclusion
According to the due diligence investigation results, the Hyosung Corporation
Petrochemicals Team concluded that the KOREA RAILROAD Ulsan rail terminal control
the sodium cyanide storage yard comply with ICMC and national legal requirements.

2) Railroad transportation
(1) Activities
Railroad transportation by KOREA RAILROAD
(2) Due diligence investigation date
12 Sep. 2012
(3) Due diligence investigation team
Team Leader - Mr. Yo Han Lee (General Manager / Petrochemicals Team)
Team Member - Mr. Sung San Kim (Assistant Manager / Petrochemicals Team)
(4) Due diligence investigation results and corrective action request
The investigation team issued the checklist to KOREA RAILROAD and requested corrective
actions for some minor nonconformities identified during due diligence investigation. And
also the investigation team confirmed the corrective action results taken by KOREA
RAILROAD.
(5) Conclusion
According to the due diligence investigation results, the Hyosung Corporation
Petrochemicals Team concluded that the KOREA RAILROAD control the railroad
transportation of sodium cyanide comply with ICMC and national legal requirements.

3) Busan rail terminal
(1) Activities
Overall management and supervision of Ulsan rail terminal by KOREA RAILROAD
(2) Due diligence investigation date
13 Sep. 2012
(3) Due diligence investigation team
Team Leader - Mr. Yo Han Lee (General Manager / Petrochemicals Team)
Team Member - Mr. Sung San Kim (Assistant Manager / Petrochemicals Team)
(4) Due diligence investigation results and corrective action request
The investigation team issued the checklist to KOREA RAILROAD Busan rail terminal and
requested corrective actions for some minor nonconformities identified during due diligence
investigation. And also the investigation team confirmed the corrective action results taken
by KOREA RAILROAD Busan rail terminal.
(5) Conclusion
According to the due diligence investigation results, the Hyosung Corporation
Petrochemicals concluded that the KOREA RAILROAD Busan rail terminal control the
sodium cyanide storage yard comply with ICMC and national legal requirements.

4) Busan port in Korea
(1) Activities
Control of storage yard in Busan port by ocean transportation company Hapag-Lloyd
(2) Due diligence investigation date
(3) Due diligence investigation team
Team Leader - Mr. Yo Han Lee (General Manager / Petrochemicals Team)
Team Member – Mr. Kwang Jin Kim (Assistant Manager / Petrochemicals Team)
Mr. Sung San Kim (Assistant Manager / Petrochemicals Team)
(4) Due diligence investigation results and corrective action request
The investigation team issued the checklist to Hapag-Lloyd and requested corrective actions for two minor nonconformities identified during due diligence investigation. And also the investigation team confirmed the corrective action results taken by Hapag-Lloyd. And also investigation team delivered the MSDS of sodium cyanide to the manager of Hapag-Lloyd.

(5) Conclusion
According to the due diligence investigation results, the Hyosung Corporation Petrochemicals Team concluded that the control the sodium cyanide storage yard in Busan port comply with ICMC and national legal requirements.

5) Busan port in Korea
(1) Activities
Control of storage yard in Busan port by ocean transportation company MSC
(2) Due diligence investigation date
18 Oct. 2012
(3) Due diligence investigation team
Team Leader - Mr. Yo Han Lee (General Manager / Petrochemicals Team)
Team Member – Mr. Kwang Jin Kim (Assistant Manager / Petrochemicals Team)
Mr. Sung San Kim (Assistant Manager / Petrochemicals Team)
(4) Due diligence investigation results
The investigation team have not found any nonconformity during the due diligence investigation for the MSC’s control of storage yard in Busan port. So they did not issue any corrective action request. Instead they delivered the MSDS of sodium cyanide to the manager of MSC.
(5) Conclusion
According to the due diligence investigation results, the Hyosung Corporation Petrochemicals Team concluded that the control the sodium cyanide storage yard in Busan port comply with ICMC and national legal requirements.

6) Ocean transportation
(1) Activities
Ocean transportation by Hapag-Lloyd
(2) Due diligence investigation date
(3) Due diligence investigation team
Team Leader - Mr. Yo Han Lee (General Manager / Petrochemicals Team)
Team Member - Mr. Kwang Jin Kim (Assistant Manager / Petrochemicals Team)
Mr. Sung San Kim (Assistant Manager / Petrochemicals Team)
(4) Due diligence investigation results and corrective action request
The investigation team issued the checklist to Hapag-Lloyd and requested corrective actions for two minor nonconformities identified during due diligence investigation. And also the investigation team confirmed the corrective action results taken by Hapag-Lloyd. And also investigation team delivered the MSDS of sodium cyanide to the manager of Hapag-Lloyd.
(5) Conclusion
According to the due diligence investigation results, the Hyosung Corporation Petrochemicals Team concluded that the Hapag-Lloyd's ocean transportation comply with ICMC and national legal requirements.
7) **Ocean transportation**
   
   (1) Activities
   Ocean transportation by MSC
   
   (2) Due diligence investigation date
   18 Oct. 2012
   
   (3) Due diligence investigation team
   Team Leader - Mr. Yo Han Lee (General Manager / Petrochemicals Team)
   Team Member - Mr. Kwang Jin Kim (Assistant Manager / Petrochemicals Team)
   Mr. Sung San Kim (Assistant Manager / Petrochemicals Team)
   
   (4) Due diligence investigation results
   The investigation team have not found any nonconformity during the due diligence investigation for the MSC’s ocean transportation. So they did not issue any corrective action request. Instead they delivered the MSDS of sodium cyanide to the manager of MSC.
   
   (5) Conclusion
   According to the due diligence investigation results, the Hyosung Corporation Petrochemicals Team concluded that the MSC’s ocean transportation comply with ICMC and national legal requirements.

8) **Manzanillo port in Mexico**
   
   (1) Activities
   Control of storage yard in Manzanillo port by ocean transportation company Hapag-Lloyd
   
   (2) Due diligence investigation date
   03 Jan. 2013
   
   (3) Due diligence investigation team
   Team Leader - Mr. Yo Han Lee (General Manager / Petrochemicals Team)
   Team Member - Mr. Sung San Kim (Assistant Manager / Petrochemicals Team)
   
   (4) Due diligence investigation results and corrective action request
   The investigation team issued the checklist to Hapag-Lloyd controlling the Manzanillo port and requested corrective actions for some minor nonconformities identified during due diligence investigation. And also the investigation team confirmed the corrective action results taken by Hapag-Lloyd.
   
   (5) Conclusion
   According to the due diligence investigation results, the Hyosung Corporation Petrochemicals Team concluded that the control the sodium cyanide storage yard in Manzanillo port comply with ICMC and national legal requirements.

9) **Ensenada port in Mexico**
   
   (1) Activities
   Control of storage yard in Ensenada port by ocean transportation company Hapag-Lloyd
   
   (2) Due diligence investigation date
   03 Jan. 2013
   
   (3) Due diligence investigation team
   Team Leader - Mr. Yo Han Lee (General Manager / Petrochemicals Team)
   Team Member - Mr. Sung San Kim (Assistant Manager / Petrochemicals Team)
   
   (4) Due diligence investigation results and corrective action request
   The investigation team issued the checklist to Hapag-Lloyd controlling the Ensenada port and requested corrective actions for some minor nonconformities identified during due diligence investigation. And also the investigation team confirmed the corrective action results taken by Hapag-Lloyd.

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Hyosung Corporation

Name of Supply Chain Operator

Lead Auditor Signature

28 March 2013

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(5) Conclusion
According to the due diligence investigation results, the Hyosung Corporation
Petrochemicals Team concluded that the control the sodium cyanide storage yard in
Ensenada port comply with ICMC and national legal requirements.

10) Guayamas port in Mexico
(1) Activities
Control of storage yard in Guayamas port by ocean transportation company MSC
(2) Due diligence investigation date
16 Jan. 2013
(3) Due diligence investigation team
Team Leader - Mr. Yo Han Lee (General Manager / Petrochemicals Team)
Team Member - Mr. Sung San Kim (Assistant Manager / Petrochemicals Team)
(4) Due diligence investigation results
The investigation team have not found any nonconformity during the due diligence
investigation for the MSC’s control of storage yard in Guayamas port in Mexico. So they did
not issue any corrective action request. Instead they delivered the MSDS of sodium cyanide
to the manager of MSC.
(5) Conclusion
According to the due diligence investigation results, the Hyosung Corporation
Petrochemicals Team concluded that the control the sodium cyanide storage yard in
Guayamas Port in Mexico comply with ICMC and national legal requirements.

4. Review of the due diligence investigation results by ICMC audit team
During the ICMC certification audit January 2013 year for South America Supply Chain, the
Auditor Mr. Sang-Ho Ahn reviewed the due diligence investigation process and results
implemented by Hyosung Corporation Petrochemicals Team. The due diligence investigations
included the control of rail terminals, railroad transportation, storage yard in ports and ocean
transportation. The Hyosung Corporation Petrochemicals Team implemented the due diligence
investigations comprehensively for rail terminals, railroad transportation, ports and ocean
transportation as below.
- Study and develop checklist applicable to sodium cyanide storage and transportation.
- Nominated competent personnel as due diligence investigation team leader and members.
- Implement due diligence investigation with checklists and record the results.
- Issue corrective actions for nonconformities identified during due diligence investigation.
- Checked corrective action results
The audit team finally concluded that the due diligence investigations for South America Supply
Chain implemented by Hyosung Corporation Petrochemicals Team were comply with ICMC
requirements.