

# HYUNDAI CONSTRUCTION EQUIPMENT INTEGRATED REPORT

2021



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## 2020 HIGHLIGHT

### Developing a hydrogen forklift

Hyundai Construction Equipment (HCE), Hyundai Motor Company and Hyundai Mobis successfully developed a hydrogen fuel cell forklift in September 2020 after signing an MOU for the joint development of hydrogen-powered construction equipment in February 2020. This medium/large-sized hydrogen forklift with up to 5 tons of a lift capacity can operate for 5 consecutive hours when fully charged. The test operation of the newly developed vehicle is projected in regulation-free special zones including Ulsan and hydrogen cities. Based on the results from a demonstration project, we will devise the following projects designed to use hydrogen forklifts at ports, airports, logistics centers, etc. and further explore a variety of ways to make inroads into the overseas markets.



### Earning an A Rating from Korea Corporate Governance Service

HCE was rated an A grade in the overall ESG performances by the Korea Corporate Governance Service in 2020. Upon an evaluation, the company was recognized for good environmental management, outstanding social responsibility management and governance. The company will continue to commit to social value creation by reinforcing the management system of environment, social responsibilities and governance in the coming years.



### Winning the SaMoTer Innovation Award at Italy's Trade Fair

In February 2020, HCE won the SaMoTer Innovation Award at a trade exhibition held in Italy. Having been hosted from 1964, the SaMoTer exhibition is an international construction equipment trade fair. HCE's award-winning wheel loader with a model name of HL960A is equipped with an eco-friendly, highly efficient engine meeting the Stage V standards, the tightened EU's restrictions on emissions. It also has the Advanced Around View Monitoring (AAVM) camera system along with a rear radar for higher stability and visibility. With this award expected to raise product reliability in the Europe market, HCE will expand into a global market through constant technological innovation.



# 01

# BUSINESS OVERVIEW

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# Greetings



**KI YOUNG KONG**  
President & CEO  
Hyundai Construction Equipment Co., LTD

## HCE is poised to speed up our efforts to develop technologies and move forward with a new business scheme by employing profitability-centric sales strategies.

Amid the unprecedented challenges from the COVID-19 outbreak, HCE expended painstaking efforts in order to survive from the ongoing pandemic. Aiming to turn this crisis into an opportunity, we invested total KRW 77 billion in building the Technology Innovation Center intended for quality innovation, and began to fully operate the Global Advanced Quality Center to upgrade the quality competitiveness of new models

In addition, we continued an investment and collaboration in order to pursue ground-breaking technology innovation leading to the development of smart products such as an autonomous excavator and an unmanned forklift along with eco-friendly machinery including hydrogen fuel cell equipment equipment and a battery-type electric excavator.

As 2021 may witness a demand recovery and growth in China and other advanced economies, the company plans to speed up our efforts towards technology development and a new business project by employing profitability-centric sales strategies.

The extraordinary events driven by the COVID-19 pandemic will shape economic and social changes that we have never experienced to date.

These multi-faceted, novel changes bring new business opportunities and a desperate need to transform the existing industry.

Accommodating new realities, HCE will steadily create new growth engines by moving from the typical machinery manufacturing industry into new eco-friendly and diversified power sectors. At the same time, we will never neglect to strengthen the fundamental capabilities related with quality and sales. Further, HCE will make the utmost efforts to create social values by focusing on the sustainable management system that encompasses financial values, environmental & social responsibilities and governance.

## Mission

### Hyundai Spirit

HCE firmly believes there is no challenge too great for us to meet with our dauntlessness and unwavering drive backed up by the infinite potential, no matter how impossible it may seem at the moment. It is the philosophy of the founder Chung Ju-yung and the ground spirit of Hyundai Group.



#### Creative Wisdom

Wisdom to seek novelty and innovation to meet the needs of customers and our society



#### Strong Determination

Attitude to take bold adventures with a strong sense of mastery



#### Unwavering Drive

Power to achieve goals with a strong spirit and indomitable will

## Management Vision

## Management Philosophy

- A **Respected Corporation** with Advanced Technologies and High-Quality Products
- A **Trusted Corporation** with Fair and Transparent Management
- An **Admired Corporation** with Social Contribution

We have five management philosophies in place that must be shared and practiced by all personnel to fulfill our corporate social responsibility.



**1** Enhancing Corporate Value Through Sustainable Growth



**2** Upholding Fair and Transparent Business Practices



**3** Pursuing Safe and Environmentally Friendly Business Practices



**4** Promoting Strong Labor-Management Relations Built on Mutual Respect and Trust



**5** Demonstrating Our Commitment to Global Corporate Citizenship

## Business Policy

### 2021 Slogan

Global Management Centered on Customer Value & Technologies

### 2021 Business Guidelines

- 1** Enhancing Profitability
- 2** Strengthening the Global Competitiveness of Sales
- 3** Client-Centric Products Development & Quality Innovation
- 4** Building an Organizational Culture with an Emphasis on Implementation

## Business Overview

HCE is a comprehensive construction equipment maker that provides a wide array of construction equipment and industrial vehicles, including excavators, wheel loaders, backhoe loaders, material handling equipment, and skid steer loaders. We have been recognized for excellence in the global market by supplying high-quality products through some 504 dealerships in 140 countries and overseas affiliates in the US, Europe, India, and China, among others. We continue to strengthen our brand power by offering products boasting ergonomic designs and advanced technologies while also developing tailored models for different regions and supplying budget models produced at local production plants located in each region.

### Construction Equipment

We manufacture and sell machinery used for excavating, transporting, and crushing in large-scale infrastructure projects, such as roads and buildings, of various sectors including mining, agriculture, and forestry. Flagship products include medium and large excavators and wheel loaders

### Industrial Vehicles

We also manufacture and sell vehicles broadly used in various industries, including logistics, distribution, shipbuilding, steel, automotive, and chemical. Flagship products include forklifts, tows, and transport vehicles

## 2020 Achievements

Due to the COVID-19 shock, HCE posted KRW 2.6175 trillion in sales on a consolidated basis in 2020 as market demand contracted in the global construction machinery industry. Despite unfavorable overseas market conditions, the company built the Technology Innovation Center while developing new technologies based on various collaboration and investments in hydrogen-powered forklifts, 5G-based unmanned forklifts, etc. with the aim to enhance business competitiveness.

## 2021 Outlook and Targets

With the global economy having bottomed out and showing signs of a recovery, HCE set a business target of KRW 2.7512 in sales for full 2021. The company will strive to achieve the target through global management centering on customer value and technologies.

## Growth Strategies

In 2021, HCE plans to perform business through global management centering on customer value and technologies.

### To strengthen the Global Competitiveness of Sales

- Developing and fostering outstanding dealers
- Redoubling sales capacity by innovating the distribution network
- Strengthening the functions of product marketing, product planning and product support
- Securing optimal cost structures by advancing S&OP, optimizing designs and expanding global sourcing

### Client-Centric Products Development & Quality Innovation

- Improving vehicle dependability and initial quality
- Raising customer reliability through the enhanced advance verification of products

### To build an Organizational Culture with an Emphasis on Implementation

- Upgrading the performance management system linked with targets
- Speeding up implementation through smart working environments

## Financial Highlights

Category	Unit	2018	2019	2020
Total Revenue		32,339	28,521	26,175
Product Types	Construction Equipment	25,305	21,367	19,945
	Industrial Vehicles	4,655	4,770	3,833
	Parts, etc.	2,379	2,384	2,397
Operating Profit	KRW 100M	2,087	1,578	916
Net Profit		1,411	509	85
Total equity		31,265	31,881	33,559
Total Liability		15,583	16,109	17,683
Total Assets		15,682	15,771	15,875
Debt Ratio		99.37	102.14	111.39
Net Debt-to-Equity Ratio [(loans - deposits)/total equity * 100]	%	30.57	46.66	25.29
Operating Margin		6.5	5.5	3.5
Return on Assets (net profit/total assets * 100)		4.5	1.6	0.25
Credit Rating <sup>1</sup>	Grade	A- (Stable)	A- (Stable)	A- (Stable)

<sup>1</sup> Rated by NICE Investors Service, Korea Investors Service and Korea Ratings

## Value Distribution to Stakeholders

Category	Means of Distribution	Unit	2018	2019	2020
Partner companies	Raw material procurement		36,973	21,107	11,924
Employees	Salary and benefits		1,775	1,703	1,870
Shareholders and investors	Dividend	KRW 100M	164	-	-
	Interest expenses		291	388	357
Government	Corporate taxes		354	196	7
Local Community	Donations		19	29	34

## Main Products

HCE is a global manufacturer of comprehensive construction equipment that provides a wide array of construction equipment and industrial vehicles including excavators, wheel loaders, backhoe loaders, forklifts and skid steer loaders.

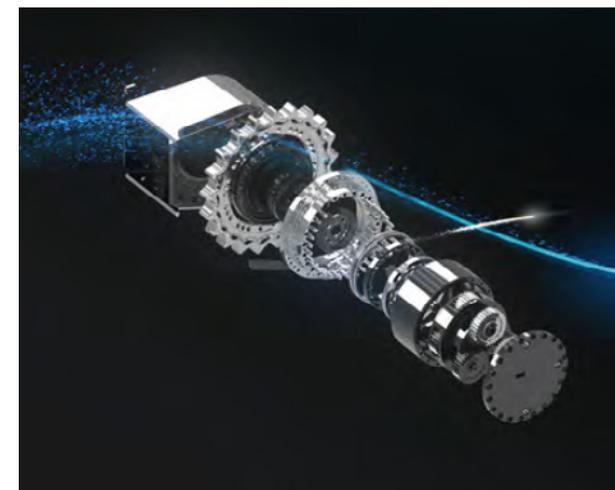
### CONSTRUCTION EQUIPMENT



### MATERIAL HANDLING



### PARTS



### TECHNOLOGIES



## Construction Equipment: Main Product Lineup

### Excavator

Crawler excavators: 11 to 120 tons  
 Wheel excavators: 5.5 to 21 tons  
 Mini excavators: 1 to 8.0 ton



### Wheel Loader

10 to 32 tons



### Backhoe Loader

H940S  
 H940S-4WS  
 H940C



### Skid Steer Loader

HSL650-7A  
 HSL850-7A  
 HL370, 390  
 HSL550-7



### Roller

Single rollers: 7 to 14 tons  
 Tandem rollers: 2.5 to 3 tons



### Special Equipment

Telescopic dippers: 22 to 38 tons  
 Handlers: 22 to 48 tons  
 Demolition excavators: 38 to 90 tons



### Attachment

HDB S Series  
 HDB Series



## Construction Equipment: Flagship Product

### 2D Machine Guidance System

HCE's 2D Machine Guidance System is a state-of-the-art system that enables users to check surveying information on a real-time basis through sensors and monitors mounted on the equipment. By carrying out or supporting the essential surveying tasks at civil engineering sites, it contributes to the excellent work efficiency and productivity.



### HX220AL: The 22-ton HX220AL crawler excavator is an up-to-date machine built on the STAGE V engine platform.

HX220AL greatly helps improve work efficiency, packed with new technologies, such as hydraulic control, combined with enhanced features, such as superior fuel efficiency and improved driver's task control due to advanced machine controls. The EPFC (electric positive flow control) results in the improvement of fuel efficiency and controllability by a flow reduction technique for excavator operations. Also, the auto safety lock prevents the unintended operation/start of the excavator which improves safety. The eco guidance indicates an 'inefficient operation' status to prevent fuel consumption by improper working habits as displayed on the machine cluster.



## Construction Equipment: Key Technologies

HYUNDAI CONNECT is the ICT brand name of HCE, committed to maximizing the value of your business by connecting people, machines and worksites through technologies.

- The demand for smart construction solutions to increase productivity and enhance safety is on the rise, as ICT and AI technologies continue to evolve at construction sites.
- Smart construction solutions consist of drone surveying, worksite management, intelligent construction, and we are focusing on creating an ecosystem, making construction equipment intelligent, and developing technologies for sensing the surrounding environments and troubleshooting, in collaboration with specialized companies.
- Hi ASSIST, an intelligent operator assistance system that enhances productivity, and Hi DETECT, which provides a full spectrum view of the equipment's surroundings, were launched in 2019 and are being applied to products released on a wider scope of markets including Korea, Oceania and Europe.

### HiMATE

- Hi MATE is a cloud-based telematics service that remotely controls equipment, and the Hi Mate mobile app has recently been developed.
- This advanced fault-diagnosis and repair service of HCE combines with a failure prediction technology to take the necessary steps before the user recognizes the need.



### HiASSIST

- Guiding and/or automatically controlling tasks by recognizing the location of the equipment
- Increasing productivity (by 20% to 40%)
- Minimizing unnecessary surveying tasks
- The system is evolving into an autonomous unmanned technology.



### HiDETECT

- Detecting surrounding environments and a warning for hazards
- Preventing safety; accidents at worksites
- Protecting workers and assets
- The technology is evolving into an active safety function featuring a combination of AI recognition and control technologies.



## Industrial Vehicle: Main Product Lineup

### IC Truck

Diesel engine forklifts: 1.5 to 30 tons  
LPG engine forklifts: 1.5 to 7 tons



### Electric Truck

1 to 5 tons



### Reach Truck

1.3 to 3 tons



### Order Picker

1 ton, 1.3 tons



### Tow Tractor

1.5 to 4 tons



### Electric Pallet Truck & Stacker

Electric pallet trucks: 1.5 to 3 tons  
Electric stackers: 1 to 2 tons



### Manual Hand Pallet Truck

2 to 3 tons



### Attachment



## Industrial Vehicle: Flagship Products

### Autonomous Forklift

This HCE-developed autonomous forklift features self-driving and remote controllability, equipped with a vehicle control system that uses 2D laser scanners to recognize the surrounding environments and detect obstacles, effectively responding to unexpected situations. As for the repeated, routinized loading-unloading processes, a significant improvement in the productivity was unlikely when conventionally carried out by a manned forklift at logistics sites because of the restrictions experienced by the operator, such as the continued anxiety to stay safe, the limitations of productivity improvement due to accumulated fatigue, and the limited length of time that one can work straight. With HCE's RS010A-9, however, enhanced economics and productivity beyond imagination can become a reality at your worksite.

This unmanned forklift can shorten the cycle of logistics processes by automating tasks, while making the efficient use of inventory space. Moving along the pre-planned paths, it also helps reduce the risk of accidents at worksites



## Industrial Vehicle: Key Technologies

### AUTONOMOUS FORKLIFT

The HCE-developed autonomous forklift features self-driving and remote controllability, equipped with a vehicle control system that uses 2D laser scanners to recognize the surrounding environments and detect obstacles, effectively responding to unexpected situations



- Operation Software(WMS)
- Autonomous control system(ACC)
- Highly accurate sensor (less than 10mm, 5deg)

### HiMATE

With our forklift management system HiFLEET incorporated into HiMATE, an integrated solution for managing a variety of vehicles is now available, which is capable of the remote management of industrial vehicles in addition to construction equipment and the management of drivers.



- Driver Management
- Vehicle Management
- Maintenance Management



The Li-ION battery supports fast charging and enables the long continuous hours of work on a single charge, resulting in greater productivity and cost savings.



- Fast charge & High safety
- Easy maintenance & Long life cycle
- Cost savings

## Parts: Main Product Lineup (Hyundai Core Motion)

### Travel Motor

Excavators: 14 to 50 tons



### Swing Motor

Crawler excavators: 14 to 50 tons



### MCV

Excavators: 14 to 33 tons



### Transmission

IC trucks: 1.5 to 10 tons



### Drive Axle

IC trucks: 1.5 to 10 tons



### Hydraulic Cylinder

Excavators: 214~1,820mm Stroke  
Wheel loaders: 510~863mm Stroke  
Forklifts: 40~3,739mm Stroke



### Spare Parts

Parts for the maintenance of HCE equipment



# Global Network

HCE's consolidated subsidiaries (11 entities) are engaged in manufacturing and selling excavators, wheel loaders, forklifts, etc.

## Consolidated Entities

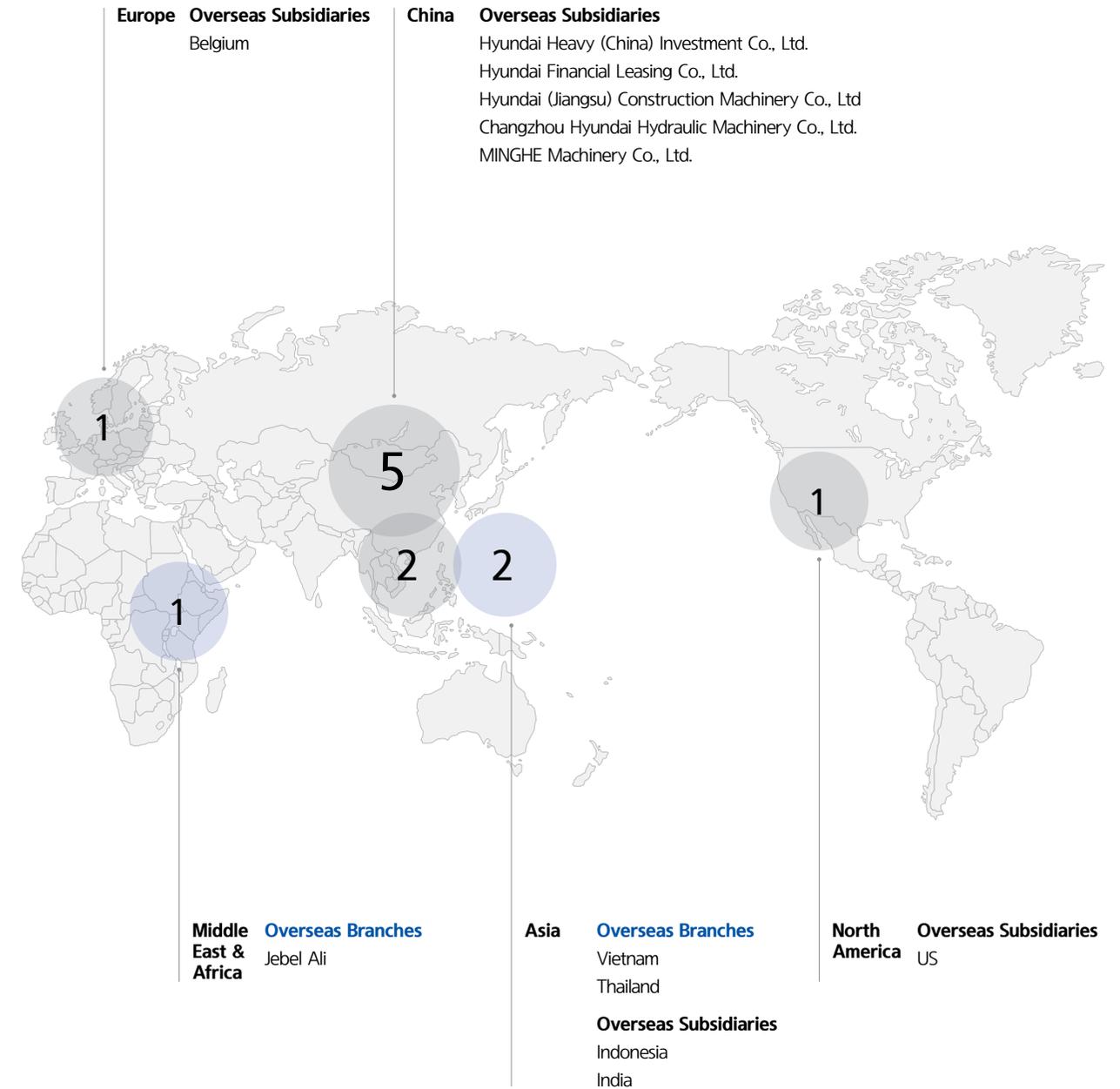
(Unit: KRW 1M)

Entity Name	Foundation Date	Location	Main Business	2020 Total Assets
Hyundai Core Motion Co., Ltd.	2019.04.03	Korea	Supply of genuine spare parts of construction equipment and manufacture of hydraulic components	310,023
Hyundai Construction Equipment Americas., Inc.	1991.11.08	US	Sale of construction equipment and machinery	198,211
Hyundai Construction Equipment Europe N.V.	1995.02.07	Belgium	Sale of construction equipment and machinery	173,901
Hyundai Construction Equipment India Private Ltd.	2007.06.18	India	Manufacture and sale of construction equipment and machinery	176,950
PT. Hyundai Construction Equipment Asia	2008.04.22	Indonesia	Import and wholesale of construction equipment	2,280
Hyundai Heavy (China) Investment Co., Ltd.	2006.06.01	China	Holding company	394,574
Hyundai Financial Leasing Co., Ltd.	2007.04.25	China	Financial leasing and other financial services	360,858
Hyundai (Jiangsu) Construction Machinery Co., Ltd.	1995.01.25	China	Manufacture and sale of construction equipment and machinery	324,688
Changzhou Hyundai Hydraulic Machinery Co., Ltd.	2007.01.01	China	Manufacture and sale of hydraulic cylinders	43,367
Changzhou Hyundai Hydraulic Machinery Co., Ltd.	2010.05.31	China	Wind power generation business	11,203
MINGHE Machinery Co., Ltd.	2011.12.14	China	Manufacture and sale of construction equipment and machinery	12,597

## Overseas Branches and Corporations

Overseas Branches **3**

Overseas Subsidiaries **9**



# Value Chain

HCE generates value using their outstanding resources and expertise. Each of the six categories of capital invested in our business activities plays a key role in creating economic, environmental and social outputs, which we distribute to stakeholders via each business model built on our management philosophy and visions.

## Input

### Financial Capital

- No. of subsidiaries : 11(1 domestic & 10 overseas)
- Market capitalization : KRW 645.2 billion (2020 closing price)
- Management information disclosure via shareholders' meetings and IR news

### Manufacture Capital

- Annual construction capacity: 56,590 units (excavators, forklifts, wheel loaders, etc.)
- PP&E: KRW. billion
- Major plant & equipment investments in 2020 : KRW 54.4 billion

### Intellectual Capital

- New technologies to further strengthen competitiveness in the market, reinforced R&D capacity, etc.
- 2020 R&D expenses (relative to revenue) : KRW 61.5 billion (3.1%)
- No. of R&D personnel (relative to total personnel) : 339 (25%)

### Human Capital

- Total headcount (male/female, inclusive of fixed-term contract workers) : 1,240/117
- No. of labor union members (membership rate relative to those with rights to join): 51 (93.0%)

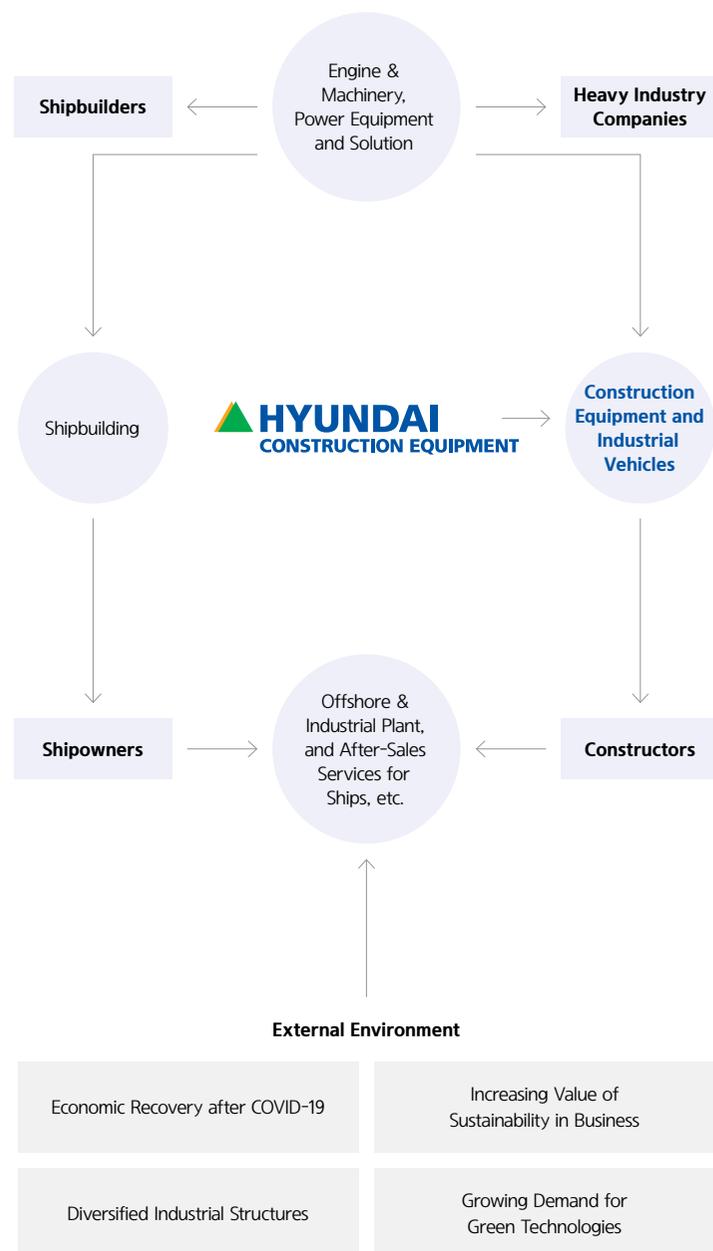
### Social Relations Capital

- General shareholders' meeting for the enhanced value of stakeholders and the exercise of their rights
- After-sales service for customers
- Group Shared Development Committee, social contributions, etc.
- HHI Group 1% Nanum Foundation

### Environmental Capital

- Certified to ISO 14001
- Environmentally friendly policies such as GHG reduction and green procurement
- Annual energy consumption : 271TJ

## Business Activities



## Output

### Financial Capital

- Revenue : KRW 2. 6175 trillion
- Operating profit : KRW 91.6 billion
- Credit rating : A-(corporate bond rating)
- Return on Assets (ROA) : 0.25%

### Manufacture Capital

- Construction Equipment : 22,062 units
- Industrial Vehicle : 10,160 units

### Intellectual Capital

- No. of intellectual property rights held
  - patent (model utility right) (domestic/overseas) : 177 cases/11 cases
  - trademark right (domestic) : 4 cases/5 cases
- No. of products registered as MOTIE's World Class Products : 3

### Human Capital

- No. of personnel who completed job-specific Specialists training : 236
- Rate of personnel remaining at work over a year after parental leave (male/female) : 33%/100%
- Training time per employee : 18 hours
- Cumulative no. of medals achieved at WorldSkills Competition : 1
- Cumulative no. of personnel with Master Craftsmanship qualification : 48

### Social Relations Capital

- Market share (Construction Equipment/Industrial Vehicle) : 1.2%/1.0%
  - \* Yellow Table (International Construction's survey, in terms of revenue in construction equipment)
  - \* Modern Material Handling's survey (in terms of revenue in industrial vehicle)
- Shared Growth Fund raised : KRW 10 billion
- Total volunteering time : 1,970 hours

### Environmental Capital

- GHG emissions : 14,753tCO<sub>2</sub>e
- Waste discharge (general/designated) : 780 tons/231 tons
- Waste recycling rate : 71%
- Wastewater discharge : 5,038 tons
- No. of violations of environmental laws/regulations : 0

## Outcome

### Shareholders and Investors

- Promoting shareholder value and protecting their rights
- Adopting an electronic voting system (March 2021)

### Customers

- Delivering products and services that satisfy customer needs
- First delivery of a smart excavator that employs a machine control system allowing for semi-autonomous operation (February 2021)

### Partner Companies

- Helping our partner companies improve their financial soundness and competitiveness
- Offering training courses to improve job capacity of partner companies' employees (401)
- Operating the Shared Growth Fun(KRW 25 billion)
- Early payment (KRW 51.5 billion)

### Employees

- Boosting the growth of employees and the company via learning & development programs
- Programs to foster convergence talents
- Programs to foster job-specific specialists
- Programs to nurture global talents

### Local Communities

- Facilitating the development of local communities through social contribution
- 'One Company, One Village' Campaign
- Providing construction equipment for flood restoration areas
- Signing the agreement for blood donations to become a life-sharing corporation

### Industries

- Fulfilling climate change and environmental responsibility in line with national and international requirements, and minimizing the impacts on the environment

# 02

# SUSTAINABILITY PERFORMANCE

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# Sustainable Management Strategy

HCE actively pursues corporate value enhancement through continual growth. The company creates shared values in a wide range of areas including but not limited to economy, environment and society based on its well-organized sustainable management activities. Under the three major operational policies as seen below, we plan and perform various activities for each category and continuously disclose key achievements to stakeholders.

## Sustainable Management System

We operate an efficient and sustainable management system by assigning professionals and departments to each sustainability initiative. Relevant departments perform comprehensive management for activities planning, execution, assessment and company-wide strategic planning. Collected information is utilized to plan and execute new sustainability initiatives and is also used for integrated reporting.

### Mission

**We create and share economic, environmental and social values through the systematic management of sustainability**

### Operational Policy

Transparent Disclosure	Systematic Performance Management	Continuous Improvement
<ul style="list-style-type: none"> <li>Operating communication channels customized to stakeholders</li> <li>Disclosing sustainable management activities and achievements</li> </ul>	<ul style="list-style-type: none"> <li>Following up on each area of sustainable management activities and performance under the five management philosophies</li> </ul>	<ul style="list-style-type: none"> <li>Conducting a multidimensional analysis of sustainable management activities and performance</li> <li>Addressing shortcomings and enhancing strengths</li> </ul>

### Management Philosophy

Upgrading corporate value through continuous growth	Upholding Fair and Transparent Business Practices	Pursuing Safe and Environmentally Friendly Business Practices	Promoting Strong Labor-Management Relations Built on Mutual Respect and Trust	Demonstrating Our Commitment to Global Corporate Citizenship
Securing core capability to drive future growth Implementing flexible business management and global business system	Supporting open and fair competition in accordance with free market economy Promoting sound and transparent corporate governance structure	Creating a pleasant and safe work environment Environmentally friendly production activities and technology development	Fostering a vibrant organizational culture based on trust and participation Performing all duties and responsibilities to enhance corporate competitiveness	Contributing to mankind prosperity by creating social values Promoting the culture and welfare of local communities

### Direction

### Stakeholders

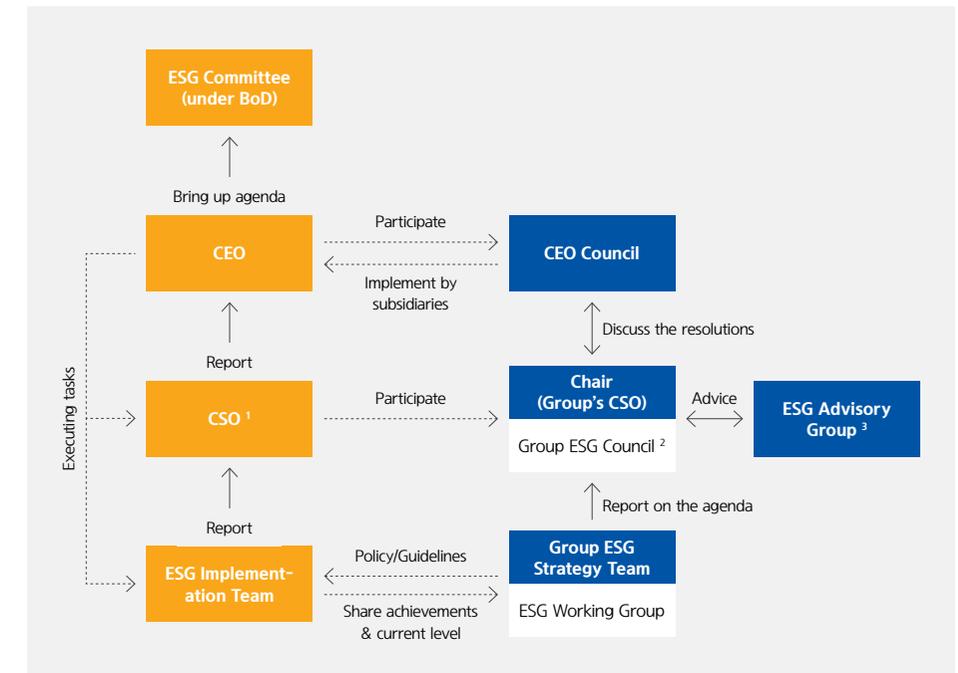
Customers, Employees, Partner companies, Shareholders	Customers, Employees, Partner companies, Industries	Employees, Local communities	Employees, Partner companies	Partner companies, Employees, Local communities
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# ESG Promotion System

## Establishment of a Group ESG Governance System

### ESG Promotion System (Subsidiaries)

### ESG Promotion System (Group)



- 1 CSO: Chief Sustainability Officer
- 2 Consists of CSOs of subsidiaries
- 3 Consists of outside experts for each ESG section

## Group ESG Issue Sharing & Policy Decision-making System

### Process

### Key Content

<b>1 Report on the Agenda</b>	Report ESG agenda and key issues for Group
<b>2 Deliberation of the Agenda</b>	Discuss on ESG agenda deliberation and counterplan for issues
<b>3 Advise</b>	Advise from outside expertise on the ESG agenda and other matters
<b>4 CEO Council</b>	Discuss on policy decisions and review on the implementation plan for subsidiaries
<b>5 Execute Tasks</b>	Execute tasks and manage achievements of ESG departments for subsidiaries

## Communication with Stakeholders

Customers, shareholders and investors, partner companies, local communities, industries and our employees are the key stakeholders that influence and are influenced by HCE across all management activities. HCE operates various communication channels for these stakeholders' participation in sustainable management.



# UN SDGs

The UN Sustainable Development Goals (SDGs) set forth a universal call to action for the period from 2016 to 2030 to achieve sustainable development on a global scale. Achieving the goals requires efforts and cooperation throughout our society, and the role of a company in this context is to create a growth engine and Innovations for economic development and job creation.

Key SDGs	Targets
 <p>Ensure healthy lives and well-being for all ages</p>	3.4 Prevent and treat non-communicable diseases and promote mental health and well-being.
	3.8 Achieve universal health coverage, access to quality essential healthcare services and access to safe, effective, quality and affordable essential medicines and vaccines for all.
	3.9 Reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination.
 <p>Ensure inclusive and equitable quality education and lifelong learning opportunities for all.</p>	4.4 Increase the number of youth and adults who have relevant skills including technical and vocational skills for employment, decent jobs and entrepreneurship.
	4.5 Eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, indigenous peoples and children in vulnerable situations.
 <p>Ensure availability and sustainable management of water and sanitation for all.</p>	6.3 Reduce untreated wastewater and improve water quality by reducing pollution, minimizing the release of hazardous chemicals and increasing water recycling.
 <p>Ensure access to affordable, reliable, sustainable and modern energy for all.</p>	7.2 Increase the share of renewable energy in the global energy mix.
	7.3 Double the global rate of improvement in energy efficiency.
 <p>Promote sustained, inclusive, sustainable economic growth, full and productive employment and decent work for all.</p>	8.2 Achieve higher levels of economic productivity through the diversification of industries including high-value-added ones, technological upgrading and innovation.
	8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation and encourage the formalization and growth of micro, small/mid-sized enterprises including through access to financial services.
	8.5 Achieve full and productive employment and decent work for all women and men, and equal pay for the work of equal value.
	8.6 Reduce the proportion of youth not in employment, education or training.
	8.7 Prohibit forced and child labor.
 <p>Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.</p>	9.4 Increase resource-use efficiency and adopt clean and environmentally sound technologies.

By aligning its management direction with SDGs, a company can not only create a new business model but also evolve into a sustainable entity. HCE works on strategies for the Group's mid/long-term growth by identifying key global trends through the UN SDGs. Of the 17 goals, our focus mainly lies with 9 goals (3, 4, 6-10, 12, and 16) and 23 targets, as we strive to contribute to implementing this blueprint to achieve a better and more sustainable future for all.

## HCE's Contribution to Achieving SDGs

- Supporting medical expenses and checkups for the healthy lives of personnel, supporting the treatment costs of heart diseases/incurable diseases for employees and their families, Supporting the medical expenses of occupational diseases
- Running an in-house oriental clinic to prevent musculoskeletal disorders and , rehabilitation exercise programs, operating health promotion centers on work sites and appointing health managers,
- Financially supporting the preventive management of overseas endemics

- Providing training to overseas dealers and operating a global online technical training system

- Managing wastewater discharge in compliance with internal environmental regulations tightened more strongly than legal standards, Minimizing wastewater discharge through preemptive management of wastewater sources, Regularly checking the quality of treated water

- Developing hydrogen fuel cell construction equipment
- Reducing energy consumption by using high-efficiency LES lights and motion-sensing lights

- Achieving higher levels of economic productivity and creating jobs through expansion in high-value-added sectors using an integrated global information system and smart construction solutions
- Creating quality jobs through employment
- Implementing a fair and objective performance evaluation & compensation system growth
- Providing educational and financial service for shared growth with partner companies
- Creating a roadmap for human rights management at a Group level

- Developing environmentally friendly construction equipment including hydrogen fuel cell construction equipment
- Increasing resource efficiency through developing excavators with a higher fuel efficiency

 <p>Reduce inequality within and among countries.</p>	10.4	Adopt policies, especially fiscal, wage and social protection policies and progressively achieve greater equality.
	12.2	Achieve sustainable management and the efficient use of natural resources.
 <p>Ensure sustainable consumption and production patterns.</p>	12.4	Achieve the environmentally sound management of chemicals and all wastes throughout their life cycle and significantly reduce their release to air, water and soil.
	12.5	Reduce waste generation through prevention, reduction, recycling and reuse.
	12.6	Encourage companies to adopt sustainable practices and to integrate sustainability information into their reporting cycle.
	16.3	Promote the rule of law at the national and international levels and ensure equal access to justice for all.
 <p>Manage and protect marine and coastal ecosystems to avoid significant adverse impacts and take action for their restoration in order to achieve healthy and productive oceans.</p>	16.5	Reduce corruption and bribery in all their forms.
	16.6	Develop effective, accountable and transparent institutions at all levels.
	16.7	Ensure responsive, inclusive participatory and representative decision-making at all levels.

<ul style="list-style-type: none"> <li>· Caring for the underprivileged, pursuing co-prosperity with local communities, and promoting independence for future generations</li> </ul>
<ul style="list-style-type: none"> <li>· Acquiring an international certification for an environmental management system</li> <li>· Installing prevention facilities, providing an education program for environmental managers, minimizing pollutant emissions by periodically checking on emission concentrations</li> <li>· Making recycle bins for recyclables to reduce wastes</li> <li>· Replacing hazardous chemicals and regularly inspecting facilities</li> </ul>
<ul style="list-style-type: none"> <li>· Implementing transparent and responsible management by valuing compliance and business ethics</li> <li>· Implementing a reasonable governance structure to maintain checks and balances</li> <li>· Pursuing inclusive management activities by engaging various stakeholders in management including active communication with the labor union</li> </ul>

# Materiality Assessment

Each year, to select the core topics of the annual integrated report, HCE conducts a materiality assessment regarding stakeholders' interests, improvements and business impact levels on corporate activities. The assessment of 2020 identified a pool of 29 topics in light of the global reporting standards such as the GRI Standards, the UN SDGs, various social issues and sustainable management information within the same industries. The identified issues are classified into core, top and general topics by levels of public attention and business impact.

The report discloses HCE's management approach to and key performance relating to the core topics, and when deemed necessary for continuity with the past reports and/or the complete disclosure of information regarding value creation, also discloses those relating to the top and general topics.

## Assessment Process

HCE annually conducts a materiality assessment to select sustainability topics. Critical topics to us are determined in consideration of business impacts and stakeholders' interest.

<b>Step 1 Identify Sustainable Management Topics</b>	Identified 29 sustainability topics pools by reviewing the external environment surrounding KSOE and its shipbuilding subsidiaries. <ul style="list-style-type: none"> <li>· ESG Disclosure and Assessment Initiative Requirements (GRI Standards, SASB, TCFD, MSCI, UNGC, SDGs, and ISO26000)</li> <li>· Sustainability topics addressed in the same industry</li> <li>· Sustainability topics covered in the media</li> </ul>
<b>Step 2 Assess Public Interest</b>	<ul style="list-style-type: none"> <li>· Analyzed global guidelines for sustainability (GRI Standards, UN SDGs)</li> <li>· Analyzed external media exposure on the economic, environmental and social issues of KSOE, HMD, HHI, and HSHI (6,663 issues)</li> <li>· Issues reported in the same industry</li> <li>· Conducted a survey on stakeholders' interest(March 2021)</li> </ul>
<b>Step 3 Assess Business Impact</b>	<ul style="list-style-type: none"> <li>· Analyzed the internal board agenda and CEO message</li> <li>· Surveyed stakeholders, including KSOE and its shipbuilding subsidiaries' employees, on business impact.(March 2021)</li> </ul>
<b>Step 4 Verify Effectiveness</b>	Selected 8 topics with a high level of business impact and stakeholder interest, and received the final approval from the ESG Committee, the highest decision-making body on sustainability issues, under the BOD.

## Assessment Result

As a result of the assessment, a total of 8 topics were selected. This report covers our reactive activities, performance, plans and future directions to facilitate the stakeholders' understanding.

Material Topics	Topic Boundary	GRI	Ranking by Category	
			by Public Interest	by Business Impact
1 Pursuing environmental management by developing more environmentally friendly technologies	Internally: R&D, production Externally: local communities	GRI 302-5	1	7
2 Creating corporate value through changes and innovation	Internally: all companies Externally: local communities	GRI 201-1,3 GRI 202-1	2	8
3 Expanding (R&D) and securing new technologies	Internally: R&D Externally: related institution	N/A	5	3
4 Creating a safe workplaces and raising safety awareness	Internally: production Externally: partner companies	GRI 403-1,2,3,4	3	9
5 Improving product/service quality and enhancing customer satisfaction	Internally: R&D, production Externally: customer, partner companies	GRI 416-1,2	11	2
6 Compliance management and business ethics (Transparent disclosure of management information)	Internally: R&D, procurement, production, sales, marketing	GRI 102-16,17 GRI 205-1~3	12	1
7 Ensuring sound governance	Internally: all companies Externally: shareholders, investors	GRI 102-18~39	15	5
8 Diversifying business and exploring new opportunities	Internally: all companies	N/A	8	14

## Materiality Assessment Matrix

### Core Topics

- 1 Pursuing environmental management by developing more environmentally friendly technologies
- 2 Creating corporate value through changes and innovation
- 3 Expanding (R&D) and securing new technologies
- 4 Creating a safe workplace and raising safety awareness
- 5 Improving product/service quality and enhancing customer satisfaction
- 6 Compliance management and business ethics (Transparent disclosure of management information)
- 7 Ensuring sound governance
- 8 Diversifying business and exploring new opportunities

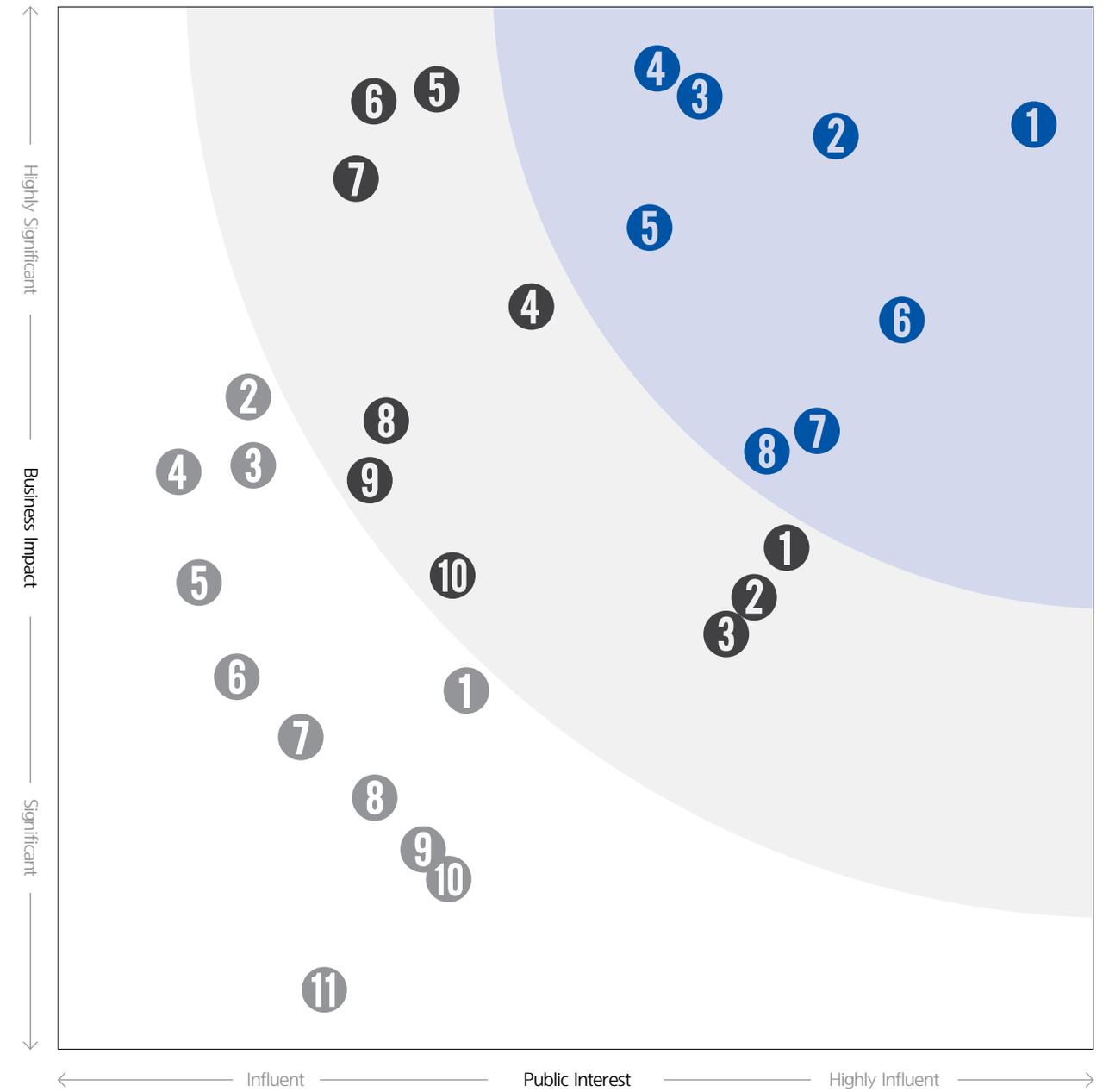
### Top Topics

- 1 Reducing waste and pollutant emissions
- 2 Operating an integrated risk management system
- 3 Addressing climate change issues including GHG emissions control
- 4 Respecting the human rights of all personnel
- 5 Improving material and energy efficiency
- 6 Enhancing job security and promoting sound labor-management relations
- 7 Building and operating resource circulation, reuse and recycling framework
- 8 Reinforcing the competencies of personnel (HRD)
- 9 Reducing the adverse environmental impacts of the partner companies
- 10 Enhancing a fair trade system

### General Topics

- 1 Promoting shared growth with partner companies
- 2 Attracting and retaining talent
- 3 Social contribution activities
- 4 Contributing to the co-prosperity of local communities
- 5 Respecting the human/labor rights of partner companies' personnel
- 6 Improving the quality of life for all personnel, through a better welfare system
- 7 Ensuring diversity and inclusion
- 8 Ensuring sound governance
- 9 Ensuring information security including through protecting confidential and personal information
- 10 Communication with the stakeholders
- 11 Ensuring the fair distribution of earnings

● Core Topics ● Top Topics ● General Topics



# Enhancing Corporate Value Through Sustainable Growth

Creating new growth engines through continual change and innovation is crucial to sustainable growth in the fast-paced global business environment. HCE will enhance corporate and shareholder value and deliver customer satisfaction by identifying quality and technology as top priorities.

- 39 R&D
- 42 Quality Management

## R&D

HCE has been laying the foundation to grow into a top tier manufacturer by developing new models with a competitive advantage and preemptively securing new technologies. The company is devoted to obtaining a greater perfection of products ahead of the release of new models by leveraging the new test infrastructure and virtual verification technologies of the Technology Innovation Center built in the second half of 2020. Also, we continue to invest in both green technology and smart technology in order to develop a future growth engine.

## Management System

Vision

“Triple S (Simple, Safe, Sustainable)”  
Providing simple-to-use products & services, and further safe, sustainable customer value

Mission

Achieving a successful shift into a C&L-Solution Provider<sup>1</sup> and e-Power leadership

Strategies & Directions

Offer safe, efficient solutions optimized for construction and logistics.

Provide UX<sup>2</sup> experience based on intuitive AI and Connected features.

Take the lead in developing green technologies based on batteries and hydrogen.

2020 Achievements

Development of tailored models for different regions  
Advanced development of eco-friendly and smart technologies  
Completion of Yongin Technology Innovation Center and Gunsan Durability Center

2021 Initiatives

To develop high quality equipment that meets local regulations on safety and environment

To develop mini electric models in addition to the advanced development of hydrogen-powered excavators

To build intelligent and autonomous technologies

To advance a reliability infrastructure and expand headquarters facilities to verify new technologies

<sup>1</sup> Construction & Logistics Solution Provider  
<sup>2</sup> User Experience

## R&D Governance

Executive in charge (rank)

· Chief Technology Officer (Executive Vice President)

Decision-making body

· Product Development Planning Deliberative Council (Gate Review)

Responsible organizations

**Product Development Center**  
· Design & development of our construction equipment and the related core parts, development of hydraulic systems

**Reliability Assessment Center**  
· Performance test of the finished vehicles manufactured/sold by HCE, durability test of equipment, environmental test, reliability test of parts, research on test technology

**Advanced Technology Center**  
· Research on base technologies such as structure, vibration/noise dynamics, thermal fluid related to construction equipment, advanced development of eco-friendly equipment including hydrogen/batteries, development of ICT platforms, research on automotive electronics and mechatronics technologies, development of designs

## R&D Achievements

### Roll-out of New Construction Equipment

HCE released the 10 new models of the excavator and wheel loader that satisfy the New European Stage V Emissions Standards in 2020, as it did in 2019, in developed countries in Europe, North America, etc. In the emerging market to which we have directly exported our products, we rolled out the 5 new next-generation excavator models, and we also unveiled a total of 12 improved models in Korea (3 models), China (7 models), and India (2 models) where production hubs are located, enhancing our product competitiveness and lineup.

### Development of the Advanced Design of Next-Generation Medium and Large Excavator

HCE has completed our advanced design for the cabin and exterior of a next-generation medium and large excavator which will be released in phase after 2024. The inside of the cabin to which the new and innovative convenience and design, and Ergonomics are applied will help raise customers' perceived quality of the new model, while the exterior is improved to reflect HCE's design philosophy. Moreover, we've also verified the cabin's safety, comfort, and convenience in advance through a CAE-based virtual verification. The new product design will provide customers with a differentiated value.



### Commercialization of 2D MG System for Excavators

HCE released the MC (Machine Control) system that supports automatic or semi-automatic leveling work by equipping it with the 2D MG (Machine Guidance, a real-time measurement guidance system)-based electronic control valve block and a dedicated controller. In a semi-automatic breaking mode, a driver can break the ground with one hand as the system controls the boom and bucket at the pace of the left lever of the driver, while the automatic breaking mode enables breaking work without the driver's control by using its automated optimal arm pattern control. This system can make drivers more convenient and minimize the rework as it secures consistent leveling quality.



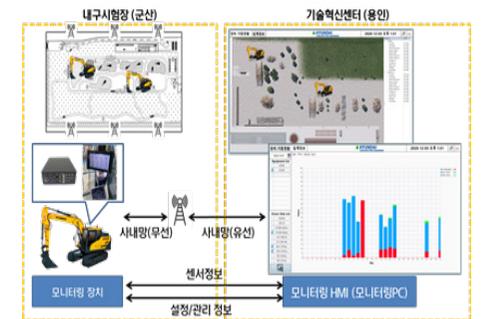
### Building a Smart Factory

For the excavator & wheel loader factories in Ulsan and the industrial vehicle factory in Gunsan, HCE completed the establishment of a smart factory in which information and communication technology (ICT) is applied to all processes including production, assembly, materials, and test. The Real-Time Locating System (RTLS) using smart tags is applied to secure real-time visibility, and a kiosk-type display enables workers to browse the production plan and work operation sheets (WOS). Through the assembly torque real-time management system, HCE makes sure that abnormal works such as insufficient torques, over torques, etc. are not passed through the process, and we also manage the history of parts and material using the standard QR codes and barcodes. In addition, with tablet PCs and mobile devices, HCE performs tests and manages issues through the system until the identified ones are completely solved.



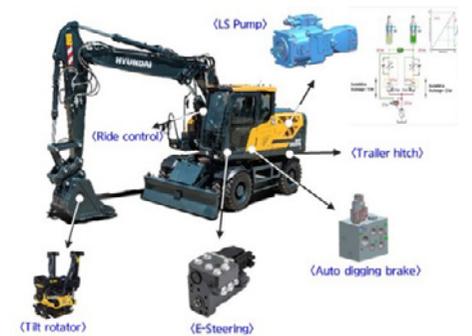
### Development of Durability Test Data Monitoring

To raise the efficiency of durability tests, HCE created an environment in which the operation data on the standard durability tests conducted in a durability test site in Gunsan can be monitored. As soon as the information on sensors (GPS, pressure, acceleration, etc.) is stored in the monitoring devices which are installed in equipment, workers can check the calculated operation data on the monitor at the same time. Besides, using the wireless network, workers in Yongin Technology Innovation Center can monitor the equipment operation status in real-time. HCE is planning to develop and apply indicators that can monitor the excavator durability test operation data (figure out whether it is working/driving and load factor, etc.) in 2021.



### Application of a New Hydraulic Control System for Wheel Excavators and the Development of a Convenience Function

The electronic load sensing system, a new hydraulic control system is applied to wheel excavators and a variety of new options are developed to improve the convenience of workers. The electronic load sensing system can help secure excellent operation performance for various operation equipment installations. Also, the auto brake system that provides working brakes are automatically controlled according to the speed of a vehicle without the workers operating brake pedals during work, the electronic steering and FNR (for moving in the forward/backward) system using joysticks, the tilt rotator, ride control, and the trailer hitch functions make workers more conveniently work on site.



# Quality Management

HCE continues to perform the quality management activities towards perfect quality centering on markets and customers. The company is making company-wide utmost efforts to achieve advanced quality by actively reflecting market needs from the developing stage of a new model. In addition, we maximize customer value and satisfaction by operating the process to promptly improve customers' complaints.

## Management System

Vision	Advancing product quality through company-wide engagement			
Quality Policies	<b>Reinforcing the global QMS</b>	<b>Improving durability</b>	<b>Achieving advanced product quality</b>	<b>Upgrading the quality management of partner companies</b>
2020 Achievements	<ul style="list-style-type: none"> <li>Analyzing breakdowns and making improvement efforts in a global perspective</li> </ul>	<ul style="list-style-type: none"> <li>Enhancing durability audit of parts and equipment</li> </ul>	<ul style="list-style-type: none"> <li>Advancing new model development processes</li> <li>Building infrastructure to verify advanced product quality</li> </ul>	<ul style="list-style-type: none"> <li>Tightening verification of the parts developed by partner companies</li> <li>Reducing the development processes of equipment and outsourced parts</li> </ul>
2021 Initiatives	<ul style="list-style-type: none"> <li>To analyze and manage quality at a global level</li> <li>To preemptively resolve overseas quality problems</li> </ul>	<ul style="list-style-type: none"> <li>To develop and operate new dependability indicators</li> <li>To secure the consistent quality of polymer materials</li> <li>To tighten verification of automotive electronics</li> </ul>	<ul style="list-style-type: none"> <li>To level up a verification system of finished equipment</li> <li>To help overseas entities' APQP to take root</li> </ul>	<ul style="list-style-type: none"> <li>To closely manage partner companies with the worst initial breakdowns</li> <li>To introduce and operate a quality audit system</li> <li>To inspect the manufacturing processes of the major secondary partner companies</li> </ul>

## Governance of Quality Management

Management system	<ul style="list-style-type: none"> <li>Certification to ISO9001 (QMS)</li> </ul>
Responsible organization	<ul style="list-style-type: none"> <li>Quality Dept.: Quality management command center for domestic and overseas entities</li> </ul>
Executive in charge	<ul style="list-style-type: none"> <li>Head of Quality Dept.</li> </ul>
Quality management indicator	<ul style="list-style-type: none"> <li>Initial quality index improvement</li> <li>Durability index improvement</li> </ul>

# Major Activities and Achievements

## Quality Training

Since 2018, HCE has operated TTC (Technical Training Center) to offer systematic training that will enhance competencies of each level. TTC trainings have enhanced the job competency of employees by providing courses specialized for each job such as advanced product quality, partner companies' quality, field quality, etc. Our trainings enhanced the competency of both new hires and existing employees and helped all employees become experts in their own fields.

## Management of Quality Failure Cost

For a systematic management of quality failure costs, HCE has assigned accountability in line with attributability and conducted target management. In addition, we increased the quality level continuously while decreasing failure costs by identifying problems from the multi-sided failure costs analysis by factory or model and aligning those problems with the follow-up measures.

## Market Quality Management

HCE uses two quality indices for its products: the number of on-site equipment breakdowns that occurred within the first six months (up to 200 hours of operation) after sales and that within 12 months after sales, to follow up on the initial quality and long-term durability of its equipment. Starting from 2020, we quantitatively assess product quality by developing new dependability indicators of DQ2 and DQ3 intended for after one year of purchase in order to improve vehicle dependability and analyzing the worst cases. Also, after collecting customer claims and VOC applications in a various manner, we select quality agenda through internal processes for company-wide prompt improvement actions.

## New Model Development Process

Aiming to achieve perfect quality verification at the stage of developing new models, HCE improves product planning, design, and field testing, and we also newly established a Global Advancement Quality Center. We are leading the innovation in the quality of new model development as we make improvements for issues identified during the Proto/Pilot stage in the Global Advancement Quality Center as well as potential issues.

## Q-Standard Activities

As sales are made in more and more areas around the world, the need for developing equipment that can satisfy the requirement of various customers has been increased. That is why HCE defines test criteria and standards for verifying equipment whose durability is enhanced, taking into account various user environments. Through periodic inspection on equipment that passed durability tests, HCE assesses the processes from the development to design and the durability effectiveness of equipment and parts of vehicles, maximizing customer satisfaction by developing global user-oriented optimal equipment that considers unfavorable conditions.

## Management of Quality Improvement by Factory

HCE promotes tailored quality improvement activities for each factory. We also strive to raise the quality by tracking and managing all processes from identifying issues and making improvements for them through the participation of all departments of our company including development, procurement, and production departments. With the management and analysis of the quality of markets, processes, and parts in all factories and periodic meetings to discuss and make improvements for current issues, HCE pursues quality stabilization.

## Enhancement of Global Quality Management

HCE operates the Global Quality Management System (GQMS) to achieve the satisfaction of customers at home and abroad and create customer values. First, we realize an integrated standard global quality system by establishing the GQMS and improve product quality and customer satisfaction through real-time quality analysis and customer claim analysis. Also, we do our best to provide customers with better value by preemptively addressing quality issues through management and analysis of quality indexes by entity and region.

## Reinforcement of Quality Infrastructure

HCE has newly established the Global Advanced Quality Center and the Quality Assurance Center in an effort to enhance preliminary product verification and improve quality. Through these centers, we strengthen the preliminary verification of developed equipment and parts, the analysis of field parts with failure, and the quality management of mass-produced products. With such continued effort to sure more quality-related infrastructure, HCE internalizes the capability of analysis and skills of parts and equipment through measurement-based assessment and verification, and continuously improves the product durability quality.

# Upholding Fair and Transparent Business Practices

HCE aims to be the most transparent company, rather than the largest one. By upholding sound ethical practices and compliance, we will work to create a market environment that contributes to the growth of all our stakeholders and the sustainability of our society.

- 45 Compliance Management
- 48 Business Ethics
- 54 Risk Management
- 56 Greater Management Transparency

## Compliance Management

HCE is committed to raising the awareness of ethical and lawful conduct and complying with all the applicable laws and regulations by ensuring that the compliance guidelines are embedded in all our business activities. To guide compliance management, the Compliance Programs (CP) covering education, consulting, etc. related to fair trading are in operation. We engage in compliance activities with the aim of building effective compliance monitoring mechanisms and a compliance management culture, meet the social requirements for corporate roles and ultimately reach sustainable growth.

### Management System

Vision

Socially Responsible Management & Sustainable Growth

Objective

Establishment and promotion of the compliance culture through risk identification & assessment and audit & training

2020 Achievements

- Appointing compliance officers, establishing a solid compliance system through active training and activities
- Improving subcontracting procedures and enhancing training opportunities
- Providing intensive support to cultivate a compliance system
- Establishing and circulating checklists for subcontracting, fair trade, and anti-corruption
- Discovering and spreading the best compliance practices

2021 Initiatives

- |  |  |
|--|--|
| To improve a compliance management system  | To promote a compliance culture  |
| <ul style="list-style-type: none"> <li>· Establishing a solid compliance system through active training and the activities of compliance officers</li> <li>· Enhancing compliance training opportunities in subcontracting laws, regulations, etc.</li> <li>· Distributing compliance handbooks</li> </ul> | <ul style="list-style-type: none"> <li>· Increasing support to cultivate a compliance system</li> <li>· Requiring executives and those in charge to sign a pledge to protect partner companies' technological materials</li> <li>· Complying with environmental laws and regulations and spreading them</li> </ul> |

### Governance of Compliance Management

BoD/CEO

- Confirming compliance plans and setting directions
- Discussing and deciding compliance-related agenda

Compliance officer

- Establishing/amending compliance standards and rules
- Operating compliance education and training programs
- Performing compliance audits

On-site compliance officer/on-site compliance organization

- Organization name: Legal Team
- Training on compliance systems and related laws and regulations for compliance staff, compliance audit
- Managing Scope: HCE and its subsidiaries

## BoD Reporting

<b>Category</b>	Compliance Audit Reporting
<b>Frequency</b>	Annual
<b>Content</b>	Corporate compliance audit results
<b>2020 Agenda</b>	<ul style="list-style-type: none"> <li>· Implementing compliance risk assessments (Jan. 13, 2020-Mar. 20, 2020)</li> <li>· Introducing compliance programs</li> <li>· Appointing compliance officers by department/team (Jun. 26, 2020)</li> <li>· Conducting online compliance audits/education programs</li> <li>· Offering education programs on laws regarding subcontracting, anti-corruption, fair trading and illegal dispatching</li> <li>· Distributing compliance handbooks</li> <li>· Issuing the Compliance Newsletter</li> </ul>

## Activities and Achievements in Compliance Control and Fair Trade

### Providing Compliance Education Programs

HCE offers regular compliance education programs for all employees. The company has been also raising awareness on compliance management through additional programs for departments with higher risks of compliance violations. Besides, we issue compliance newsletters on the intranet on an ad-hoc basis to educate employees regarding compliance management in an effort to alleviate the risks of compliance violations that may arise during the course of business.

### Inspecting and Reviewing Compliance with Legal Requirements Regarding Anti-Corruption and Financial Sanctions

HCE implements a pre-approval system and legal reviews based on the guidelines on compliance with anti-corruption laws and regulations to cultivate a clean and fair management culture and prevent legal risks. In addition, we carry out auditing activities according to the guideline on compliance with legal requirements on financial sanctions to effectively prevent risks at home and abroad. We adopted the guidelines on compliance with anti-corruption laws and regulations in 2018, and the guideline on compliance with the legal requirements on financial sanctions in 2019, both of which are now in operation.

### Compliance Risk Assessments

To accurately understand the content and level of the compliance risks, HCE conducts risk assessments for all departments and utilizes the results for system improvement, training, and inspections in order to enhance the effectiveness of compliance.

### Appointment of the Compliance Officers and the Distribution of the Compliance Handbooks, Checklists and Manuals

HCE maintains a high standard of the compliance system that compliance officers appointed by BoD run with the support of the compliance staff. They distribute handbooks, checklists, and manuals that employees can refer to during their work to prevent compliance risks, and frequently update the materials when needed. In 2020, amendments were made to the 'Abuse of a market-dominant position' and 'Unfair trade practices' sections of the Fair Trade Compliance handbook.

### Monitoring the Implementation of the Fair Trade Compliance Program

HCE newly introduced the Fair Trade Compliance Program in 2020, faithfully conducting the related training and inspections with the support of KSOE's Compliance Team. The company performs the site inspections into departments that have direct business contracts with the subcontractors to review the process and systems of the awarding contracts and issuing the written requests for technical documents. The Compliance Program is properly operated in accordance with the Program requirements such as on-site training for the relevant departments and senior manager training.

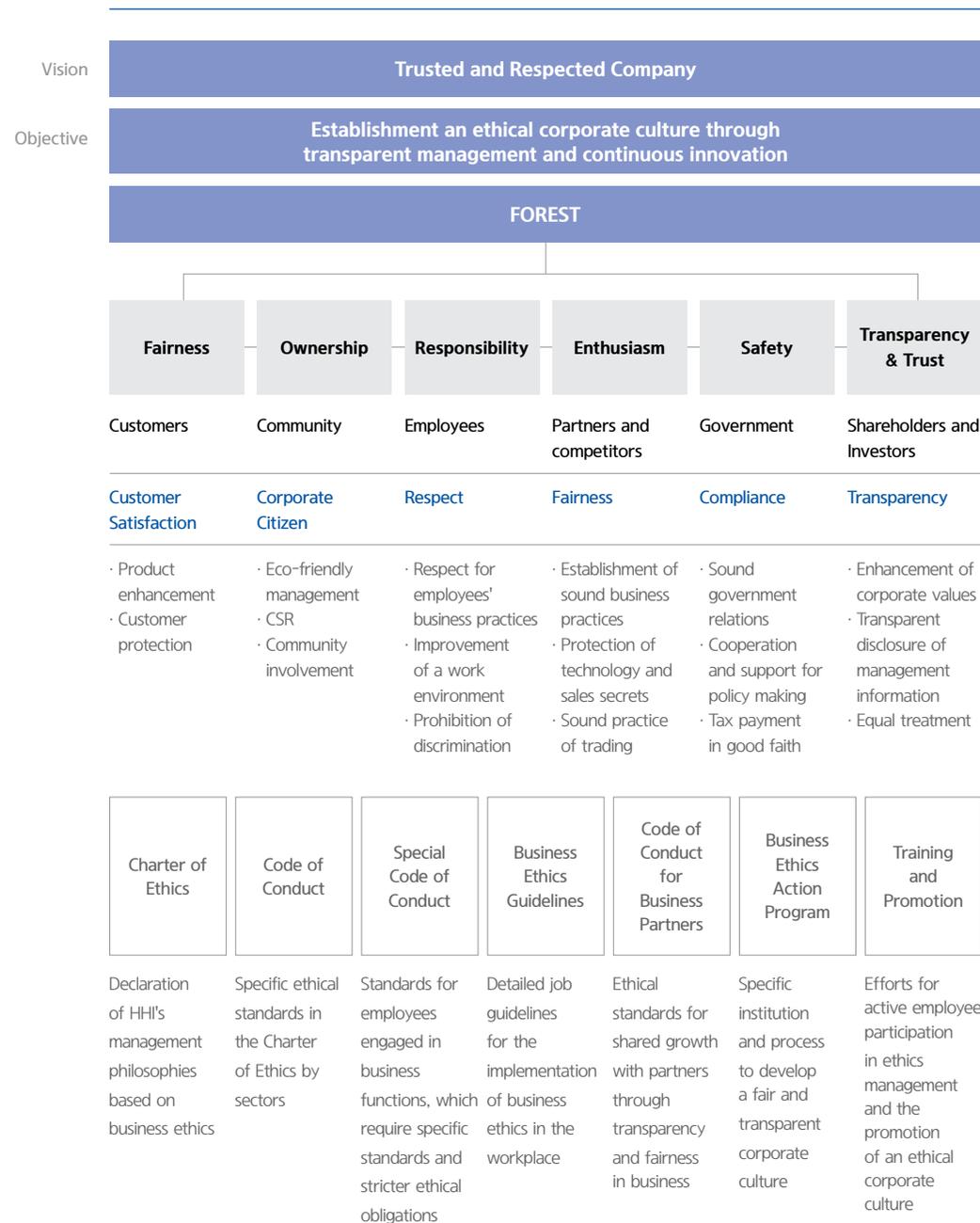
### Major Amendments

2017	Subcontracting section of Fair Trade Compliance Handbook amended (group-wide)
2020	Abuse of the market-dominant position & Unfair trade practices sections of the Fair Trade Compliance Handbook amended (group-wide)

# Business Ethics

Hyundai Heavy Industries (HHI) Group endeavors to further mature its presence as a 'trusted corporation' and 'respected corporation' by seeking the transparent management and consistent innovation amid rapidly changing circumstances. We will put forth our best efforts to become a corporate that customer and partner companies wish to trade with, one that investors wish to invest in, one that employees wish to work at, and one that fulfills its responsibility for the nation and communities.

## Management System



Category	2021 Initiatives
Clean Notice System	· Self-production of the campaign video, promotion of the mobile YouTube channel, in-house broadcasting, etc.
Business ethics homepage	· Application of the Chinese version, promotion of business ethics targeting local employees, and activation of reporting
Business ethics practice program	· Increasing convenience in self-check for employees business ethics compliance (new mobile version) · Encouraging online submission of the Business Ethics pledge and interest report
Online training content	· Developing/expanding non-face-to-face educational content due to COVID-19 · Provision of the business ethics training materials for overseas (local) recruits

## Governance of Business Ethics

Function/Position	Responsibility
CEO	· Setting directions and plans of ethics management
Audit Committee	· Evaluating audit performance and following up on corrective actions: ensuring the auditor's expertise and independence
Business Ethics Team	· Operating ethical management systems: providing business ethics trainings and programs: inspecting ethics violations: monitoring and preventing ethics risks: monitoring business ethics practices constantly

## Charter of Ethics

Since ethics regulations for procurement position were established in 1994, HHI Group has practiced and expanded its ethics program by amending the business ethics regulations and providing an online ethics violation reporting on the platform and training courses. In October 2005, we declared our Charter of Ethics which proclaims our ethical management philosophy, and have worked to make it fundamental to the way we do business.

### Charter of Ethics of HHI Group

We pursue to be a respected and trusted company that positively contributes to its customers, shareholders and society with the Hyundai Spirit. To achieve this goal, we hereby establish this Charter of Ethics, which defines our standards of conduct to follow in accomplishing faithfully our original role and social responsibilities as a corporate entity and we declare that we shall comply with this Charter of Ethics.

- 1 We shall be an ethical company that abides by all domestic and international laws and regulations through fair and transparent management practices.
- 2 We shall achieve customer satisfaction by meeting their needs and expectations.
- 3 We shall pursue maximizing the shareholder's value through fair and efficient management.
- 4 We shall work to fulfill our social responsibilities and duties as a member of our community, and contribute to the development of our nation and society.
- 5 We shall work to create a transparent and clean corporate culture through fair competition and trading practices.
- 6 We shall pursue to be a company with the highest quality human resources that offers equal opportunities to our employees in a safe and comfortable working environment.

## Materialization of Business Ethics

HHI Group has enacted the Code of Conduct, an elaboration of the Charter of Ethics by each job, and Business Ethics Guidelines, detailed job guidelines for the implementation of business ethics in the workplace. We are also regularly making revisions to reflect the changes of the environment such as related laws and regulations and social perception to enhance their effectiveness. We guide all the employees to comply with the business ethics regulations through promotional activities and internal audits.

### Employees

#### Code of Conduct

- Enforced on October 4, 2005
- 2nd revision on July 1, 2019
- 3rd revision on April 1, 2020 (clause on human rights respect and protection added)
- Criterion for action and evaluation

#### Special Code of Conduct

- Enforced on May 2, 2007
- Additional duties of employees engaged in six jobs requiring higher integrity and morality (procurement, HR, sales, finance/accounting, engineering and IT)

#### Business Ethics Guidelines

- Enforced on January 1, 2002
- 8th revision on July 1, 2020 (clause on employee practice ethics to prevent workplace harassment)
- Business process standards for understanding and practicing business ethics policies

### Partner companies

#### Code of Conduct for Partner Companies

- Enforced on October 4, 2005
- 3rd revision on December 1, 2019
- Duties applied to the personnel of HHI Group's partner companies

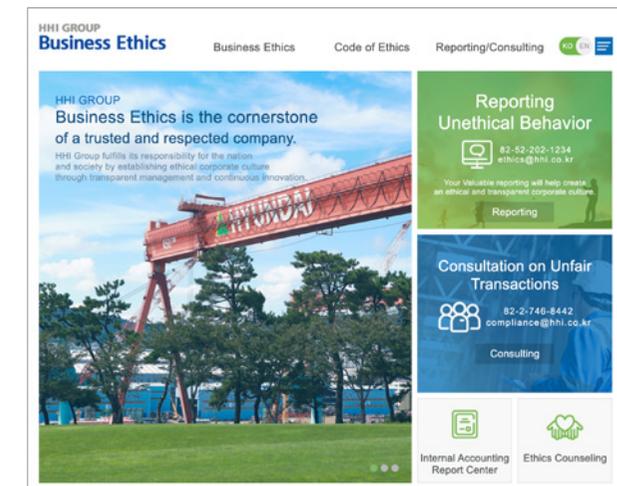
## Major Activities & Achievements

### Integrated Group Website

www.ethics.hhigroup.kr



In July 2018, the Group's integrated business ethics website opened to introduce the Group's business ethics practices and raise the ethics awareness of employees. Information on the Ethical Management System, Ethics Charter, Code of Ethics, and Guidelines for Practice of Work Ethics is available on the company website. The Guidelines for Practice of Work Ethics state that we comply with the laws and regulations related to fair trade and protection of SMEs, reject unfair and unlawful trade practices, and provide the standards for bans on bribery and anti-corruption. Through the Ethical Management System, it is easy to report on unethical behaviors and receive advice on unfair trade with vendors. The website provides a 'subcontractor hotline' through which partner companies can request consultation on subcontracting or unfair trades, a channel for filing complaints or reporting on corruption such as accounting fraud, and a channel for ethics counseling .



### Annual Business Ethics Confirmation

HHI Group's employees and its partner companies are required to submit an annual Business Ethics Confirmation (according to the internal regulations), to pledge their commitment to understanding the relevant regulations and abiding by corporate policies and guidelines. The pledge requires compliance with ethics regulations and the anti- corruption law to avoid unfair trades, corruption, illegal solicitation and graft as prohibited by laws and regulations.

## Major Activities & Achievements

**Conflicts of Interest Reporting** When a possible conflict of interest is identified, the employee in question is obligated to report the issue in advance to prevent an unfair result and establish a transparent trade practice. All employees of HHI Group and its partner companies are obligated to submit this conflict-of-interest report every year.

**Ethics Violation Reporting and Whistle Blower Protection** The Group's integrated business ethics website provides a 24/7 online service to report violations to the ethics regulations or the relevant acts including illegally accepting gratuities or entertainment, obtaining unjust gains using their position or authority and abusing authority. Reports can also be submitted by phone, fax, email or post. We guarantee anonymity to protect the whistleblower's identity and reward them in accordance with our reward guidelines. In 2020, a total of 7 cases were filed and identified as complaints related with customer dissatisfaction. After the cases were settled by the relevant departments, their results were reported.

**Business Ethics Self-Monitoring and Risk Management** Employees annually review the level of their own business ethics through self-monitoring to find areas to be improved and enhance the understanding of business ethics. Also, the company is taking measures to improve vulnerable processes by conducting the real-time monitoring of business ethics and analyze unethical conduct and risks in advance.

**On-Site Hearings of Business Ethics** HHI Group holds field sessions to hear from employees and partner companies and diagnose and improve the level of ethics compliance. To this end, we assess how business ethics are implemented in the field and conduct additional reviews on the items requiring further improvements.

**Business Ethics Training and Promotion** HHI Group annually runs classroom training courses and online courses on business ethics. The materials are presented in formats such as animated movies, etc. to raise the understanding of employees and encourage their commitment. The training provides a case study of various unethical issues including anti-corruption, discrimination, etc. and a Q&A session designed to induce a sense of sympathy. To embed business ethics throughout the company, we mandate business ethics courses to all new hires and managers. Such training helps new hires understand HHI Group's Charter of Ethics and related policy while helping managers make all their business decisions based on ethical judgment. Moreover, we work to introduce our ethical management system a council with our partner companies. The Ethics Management Team also works to spread ethics management over partner companies by visiting them to provide the related training.

**Clean Notice System** Prior to the major national holidays every year, we send out letters to our partner companies asking not to provide any gifts to our employees. We advise our partner companies to report any bribery demands including attempts to our Business Ethics Team. When an employee unavoidably receives gifts from the stakeholder, we guide them to return the gifts via our designated courier or donate to charities.

**Support for Ethics Management in Partner Companies** HHI Group supports partner companies in their establishment of a business ethics culture. We have implemented the Code of Conduct for Partner Companies since 2005 to embed a clean and transparent business practice. The Code of Conduct for Partner Companies stipulated obligations such as transparent and fair business practices with partner companies and compliance with the related laws and regulations, placing a ban on giving monetary benefits, graft and treatment to employees. Additional support to partner companies include support for the establishment of business ethics regulations and practice programs, the provision of group training for the introduction of ethics management and the provision of promotional materials.

# Risk Management

For sustainable growth, HCE preemptively identifies and manages any internal and external risks that may occur in the course of business operation. To this end, HCE established a systematic management system for financial and non-financial risk by reflecting the characteristics of the construction machinery industry.

## Risk Governance

CEO	· Determining the risk management plans and direction
Audit Committee	· Supervising the major risks and deliberating and resolving agenda
Financial Analysis Team	· Company-wide risk management and quarterly inspection · Reporting high-risk factors to the chief executives

## Financial Risk Management

### Internal Accounting Control System

HCE established and revised the regulation on internal accounting control, and thoroughly operates this internal accounting control system through a dedicated organization that manages and operates it. With this system, we effectively manage financial risks by enhancing the effectiveness of internal control, securing transparency and reliability in accounting, etc. Also, the dedicated organization for internal accounting control, which is supported by the Audit Committee, has its independence as the Audit Committee and has the right to consent to the appointment and dismissal of the person in charge of the team, and HCE also supports the Committee so that it can manage and supervise financial risks in an effective and efficient way.

### Financial Risk

To manage credit risk and liquidity risk, HCE manages and finances the funds pursuant to the regulation on Fund Management and Financing. And we manage the stability of the payment collection by setting the criteria for the collection of account receivables in accordance with the regulation on money collection.

### Foreign Exchange Risk

As there are always uncertainties from the external factors/variables, HCE established the regulations and bylaws on foreign exchange risk management in order to minimize the risks from changes in the won-dollar exchange rate, and we also manage the foreign exchange risk through the Foreign Exchange Risk Management Committee.

# Non-Financial Risk Management

## Human Rights Risk

In an aim to protect the dignity of various persons concerned including our employees, customers, and stockholders, HCE carries out education courses to improve awareness on the disabled and training on sexual harassment prevention, etc..

## Supply Chain Risk

HCE strives to grow together with our partner companies as partners for sustainable management. To manage risks facing an ever-changing business environment, we operate an electronic bid system through the operation of a global procurement information system, and we objectively figure out the financial solvency of partner companies by using the self-evaluation results of partner companies conducted when we select and manage partner companies, management evaluation from inspections by visiting (if necessary), quality assessment, financial evaluation, and assessment data from external evaluation firms.

## Greater Management Transparency

HCE is committed to building an advanced corporate governance structure that ensures the Board of Directors' right to an independent and transparent decision making. The company enhanced the convenience in exercising the voting rights by adopting an electronic voting system in March 2021. Equipped with the balances and checks by the BoD committees such as the Audit Committee, our governance structure will enhance the value of stakeholders such as the corporate itself and shareholders.

## Operation and Composition of BoD

Aiming to ensure sound corporate governance and transparent management, HCE established the Articles of Incorporation stipulating that more than half of the BoD members must consist of outside directors. Its BoD has 3 subcommittees: Audit Committee, Outside Director Recommendation Committee and ESG Committee expanded and reorganized from the 'Internal Trade Committee' on April 26, 2021. The BoD has the authority to vote on matters mandated from the shareholders' meeting, matters related to the basic principles of corporate operation and other crucial resolutions. The BoD also has the rights to appoint the CEO and the Chairman of the Board as well as the responsibilities to oversee the duties of executives.

(As of April 26, 2021)

Category	Name	Gender	Specialized Area	Main Responsibilities	Main Career	Appointment Date	No. of Terms
Internal director (CEO)	Kong Ki Young	Male	Management, Policy making	· Chair of BoD · Overall management · Outside Director Recommendation Committee	· Current) CEO of HCE · Former) Head of Construction Equipment Business Division, HHI	Mar. 23, 2020 (initially in 2017)	2
Internal director	Song Myung Joon	Male	Finance, Planning	· Overall finance	· Current) Head of Finance, HHI Holdings · Former) Head of Finance Team, HHI	Mar. 23, 2021 (initially in 2018)	1
	Sohn Sung Kyu	Male	Management, Accounting	· Chair of the Audit Committee · Outside Director Recommendation Committee · ESG Committee	· Current) Professor of Accounting at Yonsei University · Former) President of Korean Accounting Association	Mar. 26, 2019 (initially in 2017)	1
Outside director	Shin Pill Chong	Male	Laws, Policy making	· Chair of the Outside Director Recommendation Committee · Audit Committee · ESG Committee	· Current) Attorney at Law Firm Pyuncheon	Mar. 23, 2020 (initially in 2017)	1
	Park Soon-ae	Female	Administration, Policy making	· Chair of ESG Committee · Audit Committee · Outside Director Recommendation Committee	· Current) Professor of Graduate School of Public Administration, Seoul National University · Current) President of Korean Association For Public Administration.	Mar. 23, 2021	-

## BoD Subcommittee

Audit Committee	<ul style="list-style-type: none"> <li>· Oversight of the executives' implementation of duties, access to material and information required for audits</li> <li>· Review of internal audit results and plans</li> </ul>
Outside Director Recommendation Committee	<ul style="list-style-type: none"> <li>· Recommendation of the outside director candidates qualified to help to achieve business goals</li> </ul>
ESG Committee	<ul style="list-style-type: none"> <li>· Discussion on ESG strategic directions, plans and implementation-related issues</li> <li>· Discussion on developing ESG capacity</li> <li>· Discussion on corporate social responsibilities</li> </ul>

## BoD Meetings

In 2020, HCE held a total of 7 BoD meetings, where 34 agenda items were passed. Attendance rate of the outside directors is 95.2%.

Date	Agenda Items
Feb. 4, 2020	4 items including quarterly reporting on compliance with environmental regulations
Feb. 19, 2020	3 items including reporting on the operation assessment of an internal accounting system
Mar. 23, 2020	4 items including the appointment of the BoD chair and designation of the sequencing of the candidates for an acting chair in case of a chair's absence or incapacity
Apr. 27, 2020	5 items including quarterly reporting on the issues related with EPA's emission regulations
Jul. 29, 2020	8 items including quarterly reporting on compliance with environmental regulations
Oct. 29, 2020	2 items including reporting on the sales performance of 3Q 2020
Dec. 9, 2020	8 items including quarterly reporting on compliance with environmental regulations

## Appointment and Assessment of Outside Directors

We comply with the Commercial Act's requirements for outside director appointment, and our outside directors are not a related party to the major shareholders, executives or affiliated companies. All BoD members comply with the Commercial Act, the Monopoly Regulation and Fair Trade Act, etc. to prevent a conflict of interests among companies. BoD members consist of professionals with expertise in each job function with the aim to pursue the diversity and professionalism of directors. We allow for no limits based on age, gender, educational or regional backgrounds in appointing or evaluating the BoD members.

## Enhancement of the BoD's Expertise

We provide training programs for the outside directors to fulfill their duties and responsibilities. In 2020, the company invited lecturers from Samil PWC, an accounting firm to give a training course covering the analysis of changing financial environments and the operating trend of the Audit Committee, the roles and responsibilities of the Audit Committee, COVID-19 related the precautions for financial reporting controls and assessment & implementation strategies of a consolidated internal accounting management system in the efforts to enhance the Audit Committee members' expertise. We will continue to offer professional specialized programs in 2021 by inviting the external professional organizations.

## Remuneration of the BoD Members

The ceiling of the remuneration of BoD members is decided by the resolution of the Annual General Shareholders' Meeting to ensure transparency and justification. The 2020 annual remuneration ceiling for directors approved by the General Shareholders' Meeting was KRW 2.6 billion. In case the annual amount exceeds KRW 500 million, the payment statement discloses the total number of the paid directors and the total amount on the annual report .

## Shareholders and Dividend Policy

The number of the outstanding shares of HCE, a company listed in the securities market, as of the end of 2020 is 19,700,793 of which 33.12% is held by HHI Holdings. The dividend payment or its amount is decided by considering the business conditions. If the dividend payout is deemed necessary, we decide on whether and how much the dividend will be paid based on the internal dividend policy (Paid in case a dividend payout ratio is 30% or higher against the net profit on the Consolidated Statements of Comprehensive Income). If we decided to pay dividends, then we disclose the resolution of the dividend payment while announcing it to shareholders and sending them a dividends notice.

Category	Names of Shareholders	No. of Shares (주)	Proportions (%) <sup>1</sup>
Shareholder with over 5%	HHI Holdings	6,524,628	33.12%
	NPS	1,263,881	6.42%
Others	Treasury shares	643,797	3.27%
	ESOP	545,588	2.77%
	Minority shareholders	11,268,108	57.20%

<sup>1</sup> No. of issued shares as of December 31, 2020

# Pursuing Safe and Environmentally Friendly Business Practices

HUYNDAI Construction Equipment strives to reduce the risk of workplace accidents, improve worker safety and health, and further minimize the environmental impact of its business operations.

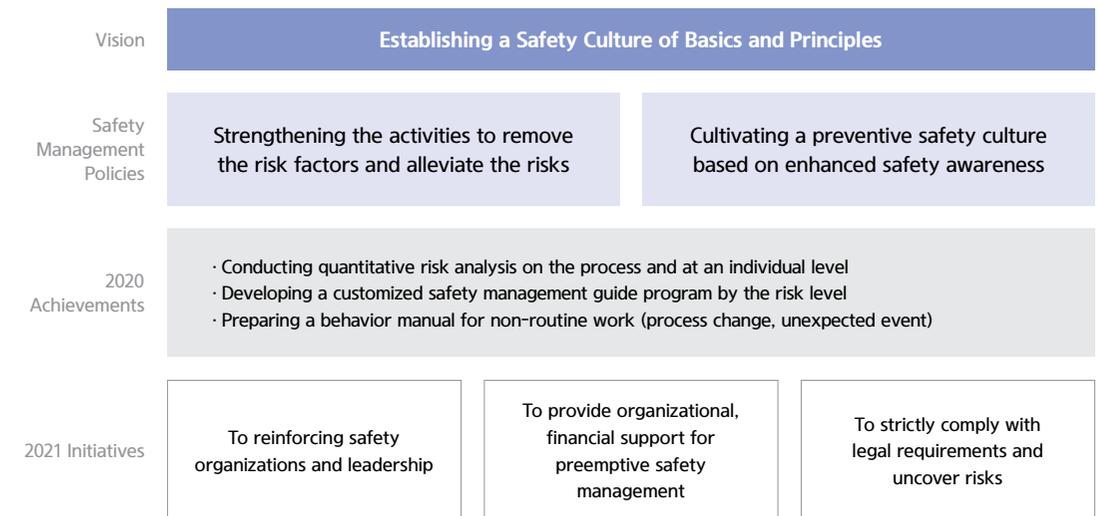
- 61 Safety Management
- 64 Health Management
- 66 Environmental Management

## Safety Management

HCE has pursued various activities to build a safety culture linked with strict principles and responsibility based on the global standards ISO 45001. The company is also establishing a safety and health management system focused on the participation and prevention. The management has shown constant interest and commitment to safety by conducting company-wide safety & prevention meetings and on-site inspection. We also focus on establishing an autonomous safety culture where all workers voluntarily participate in risk assessment and Tool Box Meetings (TBMs). As safety-related legal requirements including the Occupational Safety and Health Act have been recently tightened, the company is taking steps for improvement activities by devising comprehensive safety management measures focusing on increased safety investments for compliance & risk management, maintenance of the various safety systems, reinforced safety organizations & leadership.

## Management System

HCE created a database covering a comprehensive range from accident cases to safety training through the HiSEs (Hyundai integrated health, Safety and Environment system). The HiSE is accredited to ISO 45001 and operated under the safety management principles of the plan-do-check-act. HCE pursues a participation-based safety culture through risk assessment with employees and the Industrial Health & Safety Committee composed of labor and management representatives. It is focusing its energy on strengthening the roles and functions of supervisors at production lines where responsible safety management is required. All employees can access the database via various platforms (PC, mobile, etc.) to check information in real time.



### Reinforcing Safety Organizations and Leadership

We plan to strengthen safety leadership responsible for the worksite safety by expanding company-wide safety organizations, increasing safety personnel and appointing supervisors from the upper management by worksite. In addition, the company will largely increase the budget, facilities and personnel for the purpose of raising the efficacy of safety and health measures.

**Organizational, Financial Support for Preemptive Safety Management**

We will take the steps to correct the deficiencies of our safety systems by devising comprehensive measures to improve safety management. Besides, the company will develop a HSE permit management system, an on-line statutory compulsory education system to prevent legal violations driven by omitting items or personnel. Lastly, in order to raise the employees' safety awareness, we will implement safety campaigns for accident prevention and safety rewards events, both of which help to cultivate a safety culture of engagement.

**Strictly complying with legal requirements and uncovering risks**

We plan to seek a safety inspection and consultation from outside professional organizations in order to correctly understand the recently revised laws and regulations, and thoroughly comply with the tightened legal requirements. Also, we will actively provide external professional training to enhance the capacity of safety and health personnel. With the aim of establishing an effective compliance management system, the company is projected to draw up work manuals intended for compliance after analyzing the requirements of the individual laws and regulations by type and article.

**Compliance with Safety Regulations**

The company has been performing the process to verify the conformity with safety regulations by sales region at the development stage of new models in addition to the related accreditation or the declaration of conformity.

Domestic	According to the enforcement decrees of the Construction Machinery Management Act and ISO, our construction equipment is certified to the relevant standards
Overseas	The certification process is carried out in compliance with the Machinery Directive (2006/42/EC) and ISO while our equipment is exported to Europe through CE marking and the Declaration of Conformity (DoC). We have been monitoring the safety regulations of other countries to develop equipment accommodating the individual legal requirements

※ Declaration of Conformity (EC DoC): Included in an operator's manual, this document declares the product's conformity with the safety requirements related to EN474, noise, electromagnetic waves, vibrations, etc.

**Safety Management Governance**

Management system	· Accredited to the Occupational Health and Safety Assessment System (ISO 45001)
Executive in charge (rank)	· Chief supervisor of safety and health management (Executive Vice President)
Decision-making body (meeting frequency)	· Industrial Health & Safety Committee (5 representatives each from the management and the labor union) (quarterly)
Dedicated organization	· Safety & Environment Team: Safety control tower for domestic/overseas corporations · Safety and health management supervisors appointed for individual worksites (5 persons from the upper management) · Safety promoter at each department, safety manager separately assigned at partner companies
Company-wide safety performance indicator	· Accident rate (accidental industrial injuries)

**Certification Status of Worksites**

Category	Worksite	Expiration Date
ISO 45001	Ulsan factory of HCE	April 4, 2023
	Gunsan factory of HCE	
	Yongin Technology Innovation Center	

**Main Activities and Achievements**

**Achievements of Safety Management**

Though we made proactive efforts to lower the accident-driven disasters to 2 cases or less and establish an engagement type of risk assessment in 2020, we regrettably had 4 cases, more than our target. However, we made satisfactory achievements in promoting the workers' safety awareness and removing on-site unsafety factors by performing 5 safety campaigns intended to prevent accidents and 14 special safety inspections along with 118 improvement actions powered by the management's leading participation and interest.

**Preventive Measures for Injury & Property Damage Accidents.**

Considering the frequent cases of injury and property damage accidents, we hold discussion sessions by position class in order to identify the causes of accidents and come up with improvement measures. Designating the focus periods of time to manage safety and accidents in spring and before & after holiday seasons, the company conducted safety campaigns and awareness- raising activities.

**Performing Activities to Remove and Alleviate Risk Factors**

In line with the activities to reduce the hazardous risk factors, the company conducts the inspection of cranes, pressure vessels and other dangerous machinery in compliance with the legal standards. In addition, the efforts to remove on-site risk factors include safety checkups of the management and a weekly safety inspection.

**Reinforcing the Integrated Control Center Operation Capabilities**

We operate the Integrated Control Center to enable real-time communication, respond swiftly to any disaster or emergency, and protect business sites and neighboring areas. Emergency drills are conducted based on fire and oil spill scenarios in accordance with the Group-wide response manual for natural disasters such as typhoons and earthquakes. In addition to the joint drill with Ulsan Dong-bu Fire Station conducted in October 2020, we ran an oil spill response drill in November 2020 considering the large use of oil in processes.

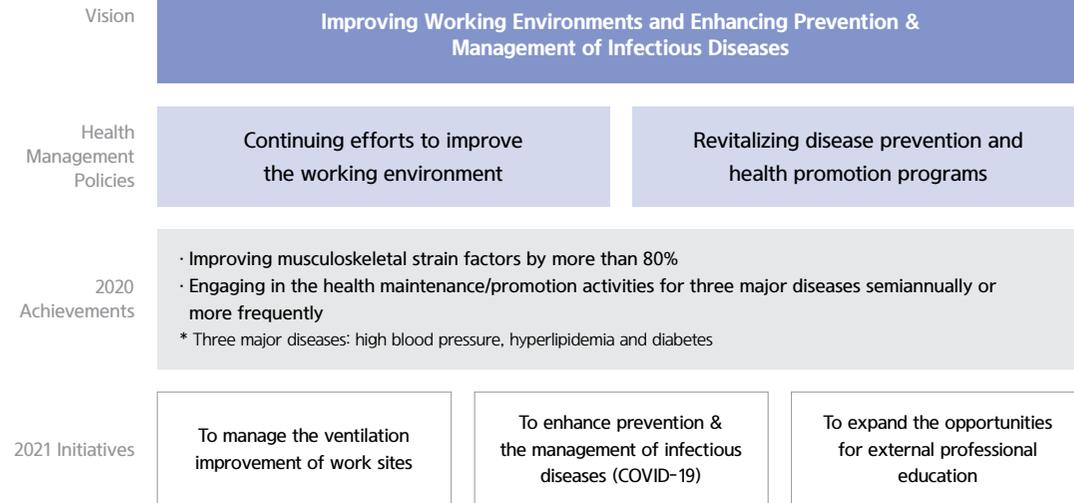
**Implementation of a Safety Incentive Program**

In order to raise employees' safety awareness and motivate active engagement in safety activities, we award a variety of safety rewards. (total amount of KRW 179. 82 million awarded in 2020). In 2021, the company is scheduled to increase the reward amount by 30% from the previous year to enhance employees' participation in safety activities

# Health Management

HCE focuses on preventive health management with the aim of establishing a healthy workplace. It is continuing its efforts to strengthen the management of hazardous substances by work process and improve the working environment. Employees are provided with medical checkups and strengthened follow-up care based on the checkup results such as the adjustment of working hours, exercise, nutrition management, and health counseling so that they can stay healthy in a comfortable working environment.

## Management System



### Managing Ventilation Improvement of the Work Sites

By newly installing and improving local exhaust ventilation systems and general industrial ventilation systems, we attempt to improve the indoor air quality in factory buildings, which contributes to building a clean working environment and further, preventing occupational diseases.

### Enhancing Prevention and the Management of Infectious Diseases (COVID-19)

Through constant promotion and preventive measures, we guide all workers to complying with preventive regulations and a prevention & control manual. When there are the suspected cases of the COVID-19, suspected employees will be immediately supported to undergo a test and self-isolate in order to thoroughly prevent exposures to COVID-19 and it's spread within the workplace.

### Growing Opportunities for External Professional Education

We continue to offer employees educational programs on health promotion, MSDS and other health issues. The company is expanding the opportunities for professional courses on a survey of musculoskeletal strain factors and how to write a hazard & risk prevention plan, etc by inviting outside experts, which helps to promote health-related interest and the safety managers' capacity of individual departments.

## Key Support and Facilities

### Medical Examination and Expense Support System

We provide a medical examination (general/special) every year to promote the health of employees and their families. Comprehensive medical testing is also offered to long-serving and senior employees as well as those with the suspected general diseases along with the customized follow-ups as needed. We also support the medical expenses of an employee or his or her family members with heart disease and incurable diseases (cancers/leukemia), and provide health allowances for employees suffering occupational diseases.

### Health Promotion Centers

There are health promotion centers at worksites, which are jointly operated by Group affiliates to improve employee health and help the injured recover quickly. The centers are equipped with a clinic, a health care center, a physical therapy room, and a rehabilitation center. We focus on providing qualified medical care in a timely manner by operating medical offices under the control of occupational health nurses.

### Oriental Medical Clinic

We operate an in-house oriental medical clinic with 20 beds under a business agreement with the College of Oriental Medicine, Dong-Eui University, to prevent musculoskeletal diseases. At the clinic, two attending Korean medicine doctors and two nurses treat employees with musculoskeletal pains such as backache and shoulder discomfort with acupuncture, moxibustion and cupping.

### Support for Endemic Disease Prevention

We support the expenses of the vaccination and preventive medicine against endemic diseases like yellow fever and malaria for overseas business trips or dispatch.

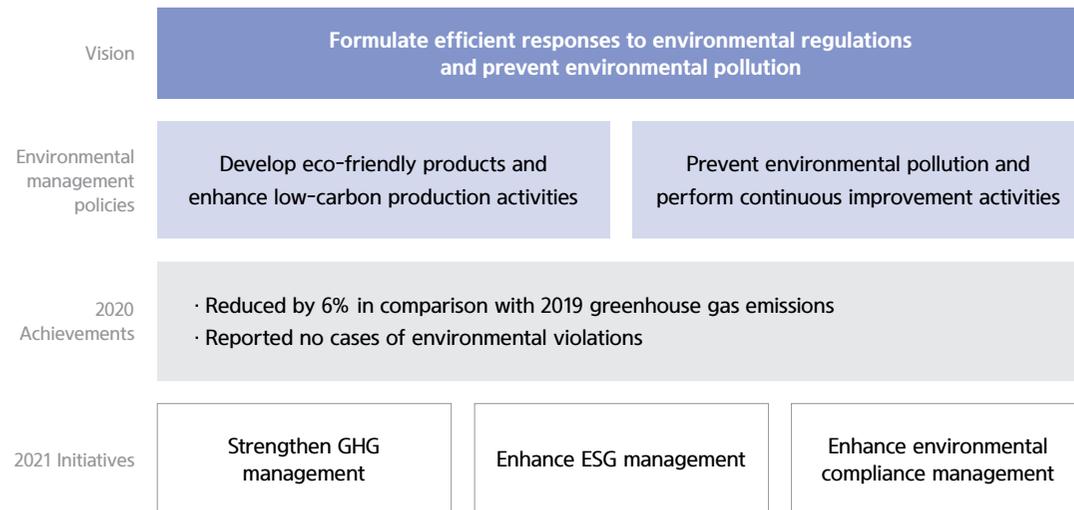
### Preventive Support of COVID-19

In order to prevent and control the COVID-19 pandemic, we provide facial masks and hand sanitizers for all employees and thermometers for individual departments while installing face-recognition thermal monitoring systems at crucial places to the daily monitor personnel's body temperature. Besides, the company is making every effort to preemptively control the COVID-19 by disinfecting work sites biweekly through specialized agencies in addition to conducting self disinfection on an ad-hoc basis.

# Environmental Management

HCE has been designated as a corporation subject to the government's GHG Target Management Scheme (formerly Emissions Trading Scheme) since 2021 after continuous efforts to reduce GHG emissions. As part of the management activities handling climate change risks and opportunities, we reduce energy consumption through the process improvement, invest in air pollution prevention facilities to reduce waste emissions, and cut down on waste incineration through the strengthened waste separation. We are also stepping up our effort to develop low-carbon eco-friendly products such as hydrogen excavators. We will also enhance ESG management by obtaining CDP(Carbon Disclosure Project) scores scheduled to be conducted in 2021.

## Management System



### Establishing Low-Carbon Eco-Friendly System through GHG management

The transition to the Target Management System by reducing greenhouse gas emissions can greatly reduce the cost risk that may be caused by carbon trading. It is also expected that our efforts to join CDP (Carbon Disclosure Project) and achieve scores will ensure GHG transparency while promoting the image and reliability of the company.

### Sustainable Pollution Prevention Activities and Enhancing ESG Management

In order to improve environmental management indicators, we have expanded the certification scope of ISO 14001 to all worksites (Gunsan, Technology Innovation Center), and included obtaining CDP scores as an initiative to achieve the improvement.

### Enhancing Environmental Compliance Management

We plan to improve a company-wide interest in the environment by enhancing training programs such as pollutant reduction activities for the field application and implementing countermeasures to handle new and revised regulations in addition to the existing basic training.

# Environmental Management Governance

Management system	· Accredited to the international certification for the environmental management system (ISO 14001:2015)
Executive in charge (position)	· Chief of the Manufacturing Division (Executive Vice President)
Decision-making body (meeting frequency)	· Safety and Environment Committee (monthly)
Dedicated organization	· Safety & Environment Team: Safety control tower for domestic/overseas corporations · HSE promoter at each department
Company-wide safety performance indicator	· Amount of GHG emissions reduction · No. of violations of the environmental laws/regulations

# International Certification of the Environmental Management System



## Worksite Certification Status

Category	Worksite	Certificate Expiration Date
ISO 45001	HCE(Ltd) Ulsan Factory	Apr.04.2023
	HCE(Ltd) Gunsan Factory	
	HCE(Ltd) Yongin Technology Innovation Center	

## Response to Climate Change

### Energy Management System

In a response to global climate change, HCE is committed to reducing GHG emissions. In line with its energy-saving activities, the company has reduced energy consumption by switching to energy efficient LED lights (costing about KRW 147 million) and encouraging autonomous energy savings by familiarizing on-site workers with energy-conserving behaviors.

### GHG Management System

Shifting from the Emissions Trading Scheme (ETS) participant, HCE has been participating in the Target Management System from 2021. The company is taking the necessary steps to largely reduce the risk caused by GHG emissions and transparently disclose emission data through the HHI's Greenhouse Gas Management System (HGMS) for the enhanced systematic management and the additional verification of the scope 3 category by the 3rd party agency.

### Response to GHG Emissions Trading Scheme

HCE is replacing all light bulbs in plants with LED lights to reduce electricity consumption, which is the main source of the GHG emissions. A total of 345,600kW of electricity was saved by replacing 625 bulbs in 2018 and 640 bulbs in 2019. The company is also making electricity conservation efforts a way of life such as cutting off the standby equipment power supply and turning off the lights when not in use.

- LED replacement: 640 bulbs (2019)
- Replacement of the bathroom sensor lights: 40 facilities (2019)
- Cutting off the standby power (continued)

## Minimizing the Environmental Impact of the Business Establishments

### Reduction Activities in Raw Material Consumption and Achievements

We use the electrostatic spray guns to reduce paint usage. The gun works by creating an electrostatic field between the object and the paint. The grounded object is positively charged in order to attract the negatively charged paint molecules to its surface. Electrostatic paint application can reduce paint usage by about 40% versus the conventional method and actually helped reduce our usage by roughly 580KL in 2019.

### Control Activities of Air Pollutants and Achievements

HCE constantly strives to reduce air pollutant emissions. The company is expected to largely reduce emissions by installing regenerative thermal oxidizers (RTOs) for the efficient removal of Volatile Organic Compounds (VOCs). Our additional efforts to minimize the emissions include replacing burners in boilers with low NOx ones for a reduction in nitrogen oxides, and regular inspection for compliance with the legal standards. We are also operating a vehicle that circles around the site to absorb dust and regularly replacing pre-filters at the prevention facilities. When the company is required to take emergency actions to lower the level of fine dust, it reduces the processes and mobile combustion.

### Control Activities of Wastewater & Water Pollutants and Achievements

Wastewater released from HCE's worksites is legitimately treated in the wastewater treatment plant within the site and by the outsourced vendors and is sent to the sewage treatment plant. Wastewater control efforts are focused on minimizing the amount of wastewater discharge based on source-management. Wastewater generated mostly from car washing and painting facilities is processed at the company's in-house effluent treatment plant, in which water quality is monitored regularly to lower the risk of the environmental pollution.

### Waste Reduction Activities and Achievements

Waste generated from the production sites and office-based activities is divided into general and designated waste, which is legitimately treated by outsourced waste disposal service providers. We have made/operated recycling boxes to enhance the recycling rate for waste paper and scrap metals. Other efforts are also being made to comply with waste-related laws and regulations through regular training and increase the resource recirculation. The plastics, cans, bottles and wastepaper from production sites and office-based activities are collected separately and sold to a recycling company to minimize the amount of waste requiring incineration and increase the amount of recycled materials. In line with these recycling efforts, the company is promoting the activities of separate waste collection through constant inspection.

### Chemical Management Activities and Achievements

We have established and operated a complete chemical management system throughout the entire process of chemical handling from storage to disposal in order to prevent accidents caused by chemical leaks both inside and outside the worksite including local communities. We also make it mandatory to place Material Safety Data Sheet (MSDS) on site and continue to develop harmless substitute materials. In particular, we perform legitimate inspections on equipment and facilities handling hazardous chemicals on a regular basis (once every 2 years) including frequent checks and provide regular training for persons in charge.

### On-Site Regular Environment Inspection

For the effectual operation of the environmental facilities (air discharge, pollution prevention, wastewater discharge, soil pollution-causing facilities, and facilities handling hazardous chemicals, etc.), we conduct monthly on-site inspections according to the major target list and thoroughly manage the facilities that may cause law violations and accidents. We continue to check for environmental blind spots to detect wastewater spills and hazardous substance leaks in the worksites ensuring no leakage in and outside the worksites.

## Eco-Friendly R&D Activities

Conventional diesel-based equipment emits pollutants not only carbon but also large amounts of toxic substances such as SOx, NOx, and fine dust. HCE is committed to developing eco-friendly construction equipment to deal with such environmental problems. In December 2020, the 'Future Energy Technology Team' was established and has developed various eco-friendly technologies in charge of the advanced research on environmentally-friendly construction equipment.

In 2019, we self-developed a 1.8-ton electric compact excavator and displayed our concept equipment at CONEXPO (Las Vegas, USA) held in March 2020. Based on this technology, we started developing electric compact excavators for mass production and will release them in 2023. In addition, we are also conducting advanced development to expand electrification to compact-class equipment.



R18E Electric Excavator (CONEXPO 2020)

We signed the 'joint-development of the hydrogen fuel cell' with Hyundai Motor Group in February 2020 and began to develop hydrogen-powered excavators and forklifts. Developing 14-ton hydrogen excavators has been designated as a national project with a launch date of April 2025.

Eco-friendly technology development includes developing a new energy source to replace fossil-based combustion engines and enhancing the energy efficiency of conventional non-fossil fuel sources (batteries). As part of its eco-friendly technology development activities, the industrial vehicle division of HCE is developing high-power energy sources that can completely replace the conventional-engine forklifts by enhancing the energy efficiency of electric forklifts with lead and lithium batteries. From 2018 to 2021, we have applied for three patents in an effort to increase energy efficiency and develop high-power



Agreement on the hydrogen forklifts demonstration project of Ulsan Hydrogen City (Feb.26.) (City of Ulsan/Hyundai Construction Equipment/Hyundai Motor/Hyundai Mobis/Hyundai Glovis/KOCETI/Ulsan TP)

energy sources. We have also developed an electric forklift with high-powered hydrogen fuel cells and will continue to expand products by applying the technology. In particular, we are planning to deploy the world's first medium-sized 5-ton hydrogen forklift, which was developed in cooperation with Hyundai Mobis and Hyundai Motor in 2020, for the demonstration project of Ulsan Hydrogen Industrial City in 2021.

## Major Activities and Achievements

### Environmental Investment Activities and Achievements

As environmental regulations have been enforced, including the Total Air Pollution Load Management System implemented nationwide, HCE mobilized large-scale facility investments. In order to reduce nitrogen oxides (NOx), which is the cause of fine dust, we replaced the existing boilers with low-NOx equipment for all worksites to maintain a regulation-exempt position under the Total Air Pollution Load Management System. We also expect that a considerable amount of pollutant emissions will be reduced by implementing and operating a high-efficient RTO to cut down VOCs(Volatile Organic Compounds). In addition, we are continuously investing in facilities to respond to changing environmental regulations.

Major Investment Item	Total Investment Amount (100 million KRW)
RTO	30.3
Replacement with Low-NOx boilers	1.4

### On-Site Regular Inspection

HCE conducted scenario-based emergency simulations and drills to respond to actual environmental accidents such as oil spills. Under the scenario of diesel leakage during the oil tank filling process, response teams conducted a drill exercise according to the scenario and carried out joint training with the fire department and evacuation drills.

### Environment Management Training

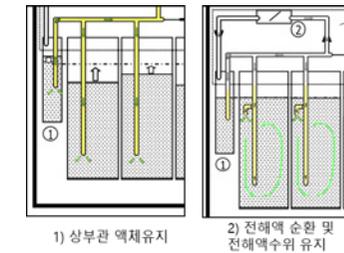
HCE conducts emergency response training by developing scenario-based drills such as oil spills, fire outbreaks, joint fire drills with the fire department, and wastewater treatment facility accidents. Each scenario is based on a specific emergency case, for example, diesel leakage during the oil tank filling process, joint disaster prevention training with the fire station in case of fire, and the breakdown of wastewater treatment facilities resulting from natural disasters or chemical leakages. In particular, approximately 300 employees attend the fire drill every year, increasing participation in emergency response training.

### Environmental Cleanup Activities

We participate in stream cleaning activities led by Ulsan City and Dong-gu Office on a quarterly basis to take part in environmental preservation activities with the local communities. We also conduct local environmental patrol activities on a weekly basis to inspect the stench generated at worksites during the summer season and check the river conditions that may be affected in the rainy season. As local residents, government officers, and corporate environmental managers participate in such activities, we take these opportunities to enhance our corporate image and share business-related information with them.

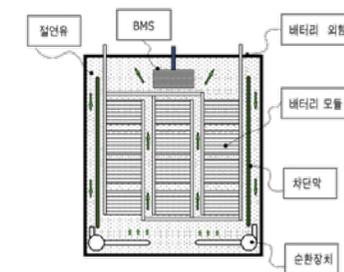
## Green Technology Patents

**Patent application number : 10-2018-0166588;**  
**A battery system and a work machine that includes the battery system**



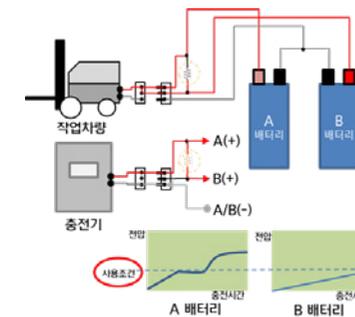
· Extends battery life by managing the electrolyte level of lead-acid batteries.

**Patent application number : 10-2019-0012829;**  
**A battery system and a work machine that includes the battery system**



· Extends battery life by controlling the temperature of lithium batteries.

**Patent registration number: 10-2219920;**  
**A battery control device and industrial vehicles mounted with the device**



· A hybrid battery capable of using regenerative energy that is generated and then efficiently stored while an electric forklift is operating  
 · Its typical Insufficient power problem can be addressed by combining it with a high power battery

# Promoting Strong Labor-Management Relations Built on Mutual Respect and Trust

HCE establishes a high-trust corporate culture through continuous communication. It aims to build a cooperative labor-management relationship based on respect for all stakeholders, including employees.

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## Human Rights Management

HCE respects the dignity and human rights of all stakeholders in direct and indirect relationships and aims to implement human rights management based on such efforts.

### Management System

Vision

Realizing a society that embraces diversity and respects all stakeholders

Objective

Establishing of the human rights management system and spread a culture of respecting human rights

Strategy

Protecting the human rights of employees

Respect for diversity and non-discrimination

Supply chain human rights protection policy

Conflict minerals Non-use Policy

### Policies and Progress

#### Grievance Handling System

Running the Grievance Handling Program is mandatory in KSOE and its shipbuilding subsidiaries: each affiliate should appoint at least two responsible committee members (from management and labor). The appointed members check and review the details and facts in relation to the grievances they received, regardless of the sector or field. Based on the review result(s), a disciplinary action is taken and necessary assistance is provided to the victim.

STEP 1

#### Receipt of a grievance

- Receive all grievances related to the company from employees or external stakeholders
- Grievance reception desk: Employee representative body, intranet, hotline, offline, etc.
- Meetings for each position held at least once a quarter: Managers, production managers, production team leaders, personnel without titles, etc.

STEP 2

#### Check/review the grievance

- Receipt and Review by Grievance Handling Committee
  - Check details and facts
  - Listen to the victim's wishes
  - Review the action plan according to the checked details

STEP 3

#### Notify the review result

- Notify the review results and listen to the victim's opinions
- \* Re-examine the measures to be taken when the victim is dissatisfied with the review result.

STEP 4

#### End of grievance handling

- Training, disciplinary action against violators, provision of necessary help, infrastructure improvement, and policy/procedural improvement related to grievance handling, as needed
- Establish and reflect the improvement measures to prevent the recurrence of the same issue

**Grievance Handling Process**

HCE receives grievances from employees through various online/offline channels to remedy any violation of human rights. If the risk of violation is identified, the company pursues improvement in related areas to protect the employees' human rights. In 2019, there was no case of discrimination based on nationality, age, gender, academic background, etc. reported through the four channels including the employee representative body.

Channels	Type of grievance	Grievance handling rate (no. of cases handled/received)
Employee representative body	Wage/benefits, institution/system, organizational culture, work hours, infrastructure, environmental safety, etc.	100%(22/22)
Intranet	HR/compensation/education, general affairs/welfare, business, safety-health, IT, etc.	100%(33/33)
Hotline	Workplace bullying, etc.	100%(1/1)
Offline	Grievance	Grievances reported through dialogue with the management at each department or personal counseling are not tallied as they are immediately processed upon reporting or delivered to the department in charge.

**Supply Chain Human Rights Protection Policy**

HCE has complied with the Code of Conduct it enacted for suppliers to ensure that its suppliers protect the human rights of every worker and treat their workers with dignity and respect.

<b>Voluntary employment</b>	<ul style="list-style-type: none"> <li>Maintain reasonable employment according to the labor contract</li> <li>Prohibit use of unethical or exploitative labor</li> </ul>
<b>Children and young workers</b>	<ul style="list-style-type: none"> <li>No child labor is allowed</li> <li>There is a need to establish a procedure to verify the age of workers</li> </ul>
<b>Working hours management</b>	<ul style="list-style-type: none"> <li>Control the maximum working hours based on local laws</li> <li>Allow at least one paid day off every 7 days</li> </ul>
<b>Wages and benefits</b>	<ul style="list-style-type: none"> <li>Pay the minimum wage, overtime pay and statutory allowances according to the local laws</li> <li>Run the welfare benefits system to provide a pleasant work environment and improve the quality of life</li> </ul>
<b>Humane treatment</b>	<ul style="list-style-type: none"> <li>Prohibit any harsh and inhumane treatment or threat</li> <li>Respect workers' privacy and provide appropriate confidentiality measures to protect personal information</li> </ul>
<b>Prohibition of discrimination and harassment</b>	<ul style="list-style-type: none"> <li>Ban harassment in the workplace (take appropriate measures upon request of the victim)</li> <li>Prohibit discrimination/harassment based on race, color, gender, gender identity, disability, etc.</li> </ul>
<b>Endorsement of freedom of association</b>	<ul style="list-style-type: none"> <li>Endorse the right to form and join a labor union</li> <li>Create an environment for communication with the management and sharing of concerns</li> </ul>

**Conflict Minerals Non-use Policy**

HCE strives to fulfill its corporate responsibility and control over the non-use of conflict minerals. The company has recently conducted surveys among its partner companies on the use of responsible minerals, and now is in the stage of preparing a declaration on the non-use of conflict minerals. Trade in minerals or raw materials that may cause environmental or human rights issues in conflict (high-risk) countries such as Indonesia and Africa is strictly prohibited. As we respect the recommendations made by the international organizations to prevent social and environmental problems caused by mineral mining, we actively participate in responsible mineral procurement activities as well.

(OECD Due Diligence, Five-Step Framework for Risk-Based Due Diligence in the Mineral Supply Chain)

<b>Step 1</b>	Establish a policy for the use of responsible minerals, and structure internal management to support the supply chain due diligence.
<b>Step 2</b>	Identify the scope of risk assessment in the supply chain, and assess the risks in the supply chain by creating a supply chain diagram.
<b>Step 3</b>	Re-evaluate the identified risks, and establish and implement the measures for improvement and risk reduction.
<b>Step 4</b>	Carry out the independent third-party audit of the supply chain due diligence at the identified points in the supply chain.
<b>Step 5</b>	Monitor the results of due diligence within the supply chain and disclose the status of responsible mineral purchases, including the integrated reports.

**Collective Agreements for Implementation of Human Rights Management**

**Article 59. Parental leave**

- In accordance with the Equal Employment Opportunity and Work-Family Balance Assistance Act, the company allows parental leave if requested, and the parental leave period shall be included in the number of years of service.
- The company shall not give any disadvantages to or unfairly treat union members in terms of the wages or promotions on the grounds of parental leave.
- The wages during parental leave shall be in accordance with the relevant laws and regulations.
- An eligible union member may apply for a reduction in working hours instead of parental leave.
- Other details shall be governed by the relevant laws.

**Article 60. Prevention of sexual harassment in the workplace and prohibition of violence**

- In accordance with Article 12 of the Equal Employment Opportunity and Work-Family Balance Assistance Act, any form of sexual harassment by employers, superiors, and/or workers is prohibited in the workplace. In the event of sexual harassment or sexual assault, the company shall investigate the case, if requested by the victim or the union that has obtained the consent of the victim. The offender shall be referred to the disciplinary committee.
- In order to prevent sexual harassment and sexual violence in the workplace, the company shall provide training on prevention of sexual harassment in accordance with Article 13 of the Equal Employment Opportunity and Work-Family Balance Assistance Act.

**Article 61. Honorary Employment Equality Supervisor**

- In accordance with Article 24 of the Equal Employment Opportunity and Work-Family Balance Assistance Act, an Honorary Employment Equality Supervisor shall be appointed.
- A person recommended by both the company and the labor union shall be requested to be appointed as the Honorary Employment Equality Supervisor.
- A separate counseling room shall be set up for the activities of the Honorary Employment Equality Supervisor. The hours required to complete the necessary education or training or the hours required for counseling shall be paid for.

**Code of Conduct**  
**(Protection of human rights of employees; respect for diversity; prohibition of discrimination, etc.)**

**Article 6.**  
**Responsibility Towards Employees**

- **Respect for Employees**
  - We shall recognize all Employees' inherent value and respect their individual rights and dignity.
  - We shall create a work environment where all Employees feel dignity and pride in their work performance.
  - To prevent sexual harassment and bullying within the workplace, we shall provide appropriate educational training for all Employees.
- **Equal Treatment**
  - We shall provide all Employees with an equal opportunity to develop their talents and allocate tasks impartially based on their capability.
  - We shall not discriminate all Employees based on gender, nationality, religion, academic background, hometown, age and/or any other factors that are not related to their duty.
- **Human Resources Development**
  - We shall respect our Employees' autonomy and creativity and support their self-development.
  - We shall establish a system necessary to carry all our Employees' duty and personal development and also provide an environment where it can be executed.
- **Safe Working Environment**
  - We shall make our best endeavors to prevent accidents at work and shall ensure all Employees work in a clean and safe working environment.
  - We shall hold regular health and safety inspection of our facilities and provide regular safety training to all Employees in order to secure all Employees' safety at work.

**Article 7.**  
**Employees' Basic Ethics**

- **Prevention of Sexual Harassment and Bullying in the Workplace**
  - All Employees shall recognize the illegality of sexual harassment and bullying at work, which discouraging the victims' working motivation and lower their productivity. All Employees shall not commit any acts which are bullied and sexually harassed in nature.
  - All Employees shall put in the effort to prevent infringing on human rights. All Employees shall actively participate in prevention activities to eradicate sexual harassment and workplace bullying.

**Article 8.**  
**Respect and Protection of Human Rights**

- **Respect for Human Rights**
  - Company and employees shall respect the dignity and human rights of its members as well as its suppliers, business partners, and all the interested parties in the community, and shall practice human rights management based on this principle.
- **Duties to Protect and Respect the Human Rights**
  - We set up the strategies and policies of human rights management in order to respect the human rights of all the interested parties and to prevent any infringement, and share this with all the relevant parties. In particular, we try to protect the general principles of human rights including the following cases.
    - We support and observe the basic principles of protection and respect of human rights implemented by the relevant labor laws in each county, the United Nations Universal Human Rights Declaration and its substantive guidelines, and the Fundamental Rights and Principles of the International Labor Organization Declarations.
    - We prohibit any form of child labor and forced labor based on our support for the United Nations Universal Human Rights Declaration.
    - We give everyone a fair and equal chances not to be discriminated on the grounds of race, nationality, gender, educational background, religion, age, disability status, birth place, marital status, gender identity, and so on.
    - We protect and observe motherhood and children and provide healthy and safe working conditions.
    - We observe all the relevant labor laws, respect the autonomy in the management of our suppliers and business partners, and try to spread human rights management to them.

- **Human Rights Due Diligence**
  - We take the appropriate measures to establish the strategies and policies of human rights management including but not limited to the following.
    - We evaluate the effect and risk on human rights.
    - We perform necessary due diligence to implement human rights management.
    - We establish the appropriate plans to listen to the opinions of our members and all the interested parties.
    - We take corrective measures and announce the result.

## Labor-Management Relations

HCE strives to establish sound business ethics and advanced labor-management relations rooted in the related laws and regulations. We understand each company's labor union is an important partner to the management and endeavor to promote cooperative growth between the labor and the management based on mutual respect and trust.

## Labor-Management Council, Collective Bargaining and Labor Dispute Regulations

For better working conditions, we renew collective bargaining agreements biennially after the spin-off in 2017 and have wage negotiations annually. Labor-Management Council meetings are also held on a quarterly basis to discuss how to improve employees' working conditions and welfare.

<b>2021 Initiative</b>	<ul style="list-style-type: none"> <li>· Establishing an organizational culture of co-prosperity based on communication and cooperation</li> <li>· Driving CSR activities as a community-friendly company through labor-management cooperation</li> </ul>
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## Major Activities and Achievements

### Management Status Briefing

HCE holds regular management status briefings to build a consensus on the need to overcome the crisis and improve competitiveness as well as to foster an ownership mentality in employees. Last year, amid significantly unfavorable business environments driven by the COVID-19 pandemic, we wisely rode out the crisis through communication with employees. Under the collective bargaining agreement, the company is obliged to inform the labor union of major management changes with different deadlines by case. For example, it is required to notify the union members of any partial or a complete spin-off, transfer and the merger of the business at least 40 days before such changes take effect.

### Publication of Newsletters

HCE publishes 'HCE News' on a regular basis to deliver company news and employees' stories. These newsletters serve as the central hub for information and communication.

### Company Events

HCE organizes company events (an athletics day, family events) each year to promote communication and harmony among all employees. However, the COVID-19 halted all group events beginning from last year. When concerns around the virus recede, the company will continue to strengthen ties with employees through various events.

## Major Activities and Achievements

### Expanding a Communication Culture

By hosting a variety of small group meetings, the company is making efforts to identify employees' complaints and grievances. Following that, we swiftly proceed with the items resolved through official consultations including labor-management council meetings.

### Labor-Management Relations Training

We provide labor-management relations training to help employees understand the importance of sound labor-management relations and reinforce communicative capabilities. The training also focuses on promoting communication and strengthening the leadership of managers to establish a healthy corporate culture, which is required to establish win-win labor-management relations.

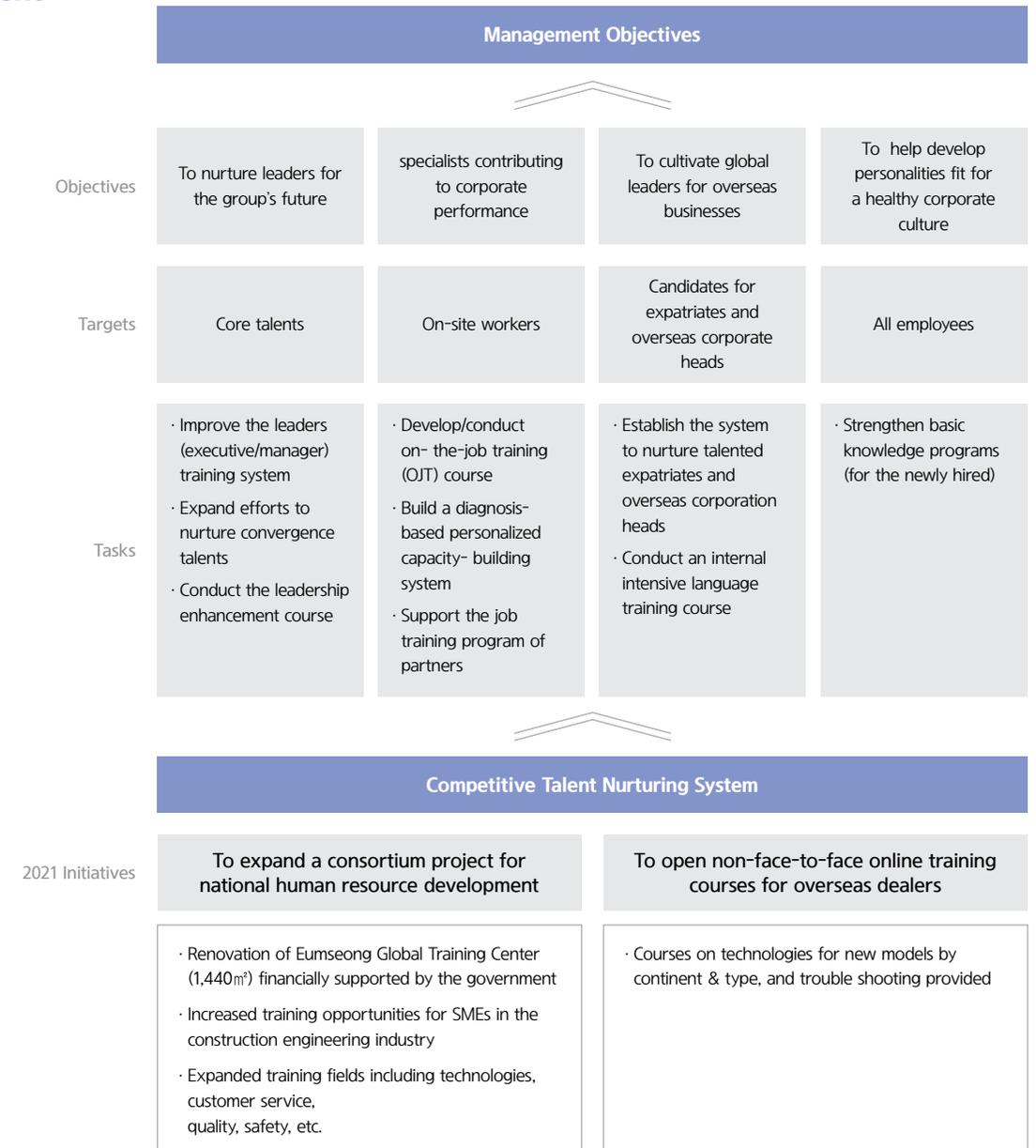
### Reinforcing a Family-Friendly Welfare Regime

In order to enhance employees' welfare, we operate various welfare programs. Among them, a newly built family-friendly welfare system draws plenty of attention from employees while raising their level of satisfaction with the company and the corporate image in their homes. Starting from January 2021, the company has been providing around KRW 300,000 worth of baby goods for the employees' childbirth in addition to a set of school items for their children entering an elementary school. We will continue to run a variety of family events and programs to boost our employees' pride in the company.

## Learning & Development

Aiming to achieve a competitive edge and business goals through employee competency enhancement, HCE focuses on nurturing next-generation leaders, convergence talents, job-specific specialists and global talents. While emphasizing the importance of continuous self-development, the company provides opportunities to improve the job-related capabilities for employees at the group and affiliate levels. Though COVID-19 forced our education and training programs to be downsized in 2020, we will rejuvenate them with the ease of social distancing restrictions later on. The company is also seeking for measures to reinforce non-face-to-face training in preparation for lingering pandemic impacts.

## Management System



## Training Programs

HCE focuses on strengthening the employees' capability by actively participating in HHI Group's common capacity building and talent nurturing programs. The company is also providing strategic training for successors to positions and outstanding personnel. The programs are as follows.

### Leadership Development Program

We offer a leadership program consisting of several stages. The program includes training for not only current leaders, but also next-generation leaders. In 2021, the company will set the future directions to foster leaders through a diagnosis of domestic & overseas organizations and leadership consulting.

### Nurturing Convergence Talents

We have expanded the program to nurture convergence talents with consilience competency and business insights. The program helps talented employees with humanities/economics majors to learn manufacturing/engineering basics and machinery engineers to understand mechatronics based on electricity basics. Starting from 2021, the company will link this convergence talent courses with the job rotation system for high-potential employees to build a talent nurturing system

### Fostering DT Talents

This year, HCE set a major training goal of fostering Digital Technology (DT) talents. To this end, the company is planning to hire executives from IT giants and introducing online DT training programs that are now in operation at the Group within the first half of this year. In addition, we included DT/IT courses in the main curriculum of our leadership program in order to incorporate the DT trend into our education system.

### Reorganization of Job Training Mechanisms

We plan to transform our job training system that is too complicated to apply into a job roadmap. The job roadmap will be designed to show a specific capacity required for individual duties, the skills necessary to build the capacity and the relevant training courses at a glance. Furthermore, we will offer special courses on the topics of higher importance by nurturing in-house job-specific lecturers and inviting outside experts.

### Early Onboarding of New Joiners

As new hires recruitment was temporarily suspended in 2020, the relevant training was not carried out, and HCE is now preparing an early onboarding training for new joiners to be hired in 2021, under the name of the "Onboarding Training." For the onboarding training, HCE prepares a guideline for a corporate life for new joiners, which contain R&R and the workflow of each organization, will carry out product briefing and equipment handling training for about 2 nights 3 days for new hires to experience and get the hang of the HCE product to raise their work engagement, and will provide mentoring programs for about 3-6 months.

### Nurturing of Global Talents

Nurturing programs consist of expatriate training for the candidates of the expatriate roles and a pool of expatriates and language training for general employees. The expatriate training will be carried out by the group training division, which will help expatriates to adapt to the work in advance by providing intensive language courses through off-the-job training, and education sessions by local experts and returned expats, covering the local life and culture education. For the language training for general employees, HCE provides a variety of training through the group cyber education center, which includes telephone English, the AI-based English course (provided by external educational institutions), financial support for external language education courses, intensive language training with the invited in-house native-speaker instructors, etc.

### Retirement Planning

By applying the enhanced Act on the Prohibition of Age Discrimination in Employment and Elderly Employment Promotion, HCE is participating in the retirement planning consulting and reemployment assistant programs organized by the group education division. We define employees aged over 50 as targets for these programs and encourage them to take part in them if needed. And as the retirement planning consulting scheduled for employees with less than 2 years to their retirement was postponed due to the severe COVID-19 pandemic in 2020, and the consulting was provided only to those who didn't complete the program out of the retired, the consulting will be carried out to the relevant employees during the first half of 2021.

### Support for Training Opportunities

To reinforce the competencies of personnel, HCE provides all employees and executives with training opportunities that guarantee reinstatement. HCE selects talented employees to give them the opportunities to obtain a master's or doctorate degrees from top universities at home and abroad and provides financial assistant to the core talents selected from each division so that they can continue self-development to obtain job-related certificates. Also, we have a system to support those who study abroad at general graduate school while working.

## Detailed Curriculum for Each Training Program

Rank	Required for New Roles	Fostering Leaders	Nurturing Convergence Talents	Job Expertise Program	Nurturing Global Talents	Others
Executives	New executives	HLC V	Special lecture for executives, special lectures in the Seoul Metropolitan Area			
Senior Officer (Technical Master)		HLC IV	Leadership development program	Newly appointed Head of Department	· Collective specialist training · On-job vocational training	· Language training for candidates of expatriate roles and overseas corporation heads · Training to support retirement planning
Senior Officer (Senior Technician)		HLC III HLC II M/B		Newly appointed Team Leader	· Engineering education for humanities/business graduates · Electricity-machinery cross-training · Business administration training for engineers	· Night-time vocational training · Consortium training · OJT at the overseas business locations
Officer (Technician)		HLC I J/B M/B			· Online training · Book reading program	
New Hires	Second-year follow-up training	M/B				
	Mentoring	Jr. M/B				
New Hires	Onboarding training for new/experienced employees and meister high school graduates					

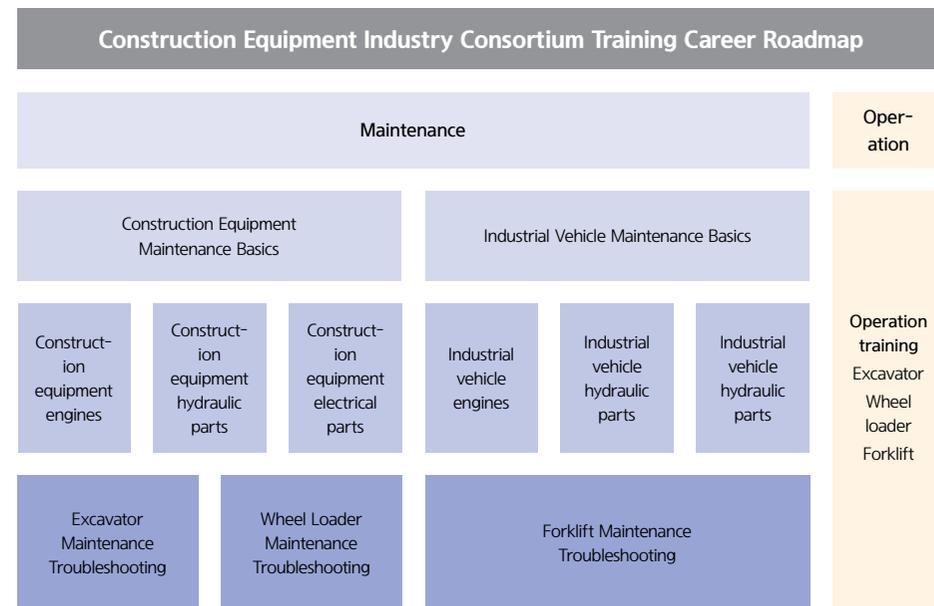
## Enhancing the Technological Capabilities of SMEs in the Construction Equipment Industry and Partner Companies

HCE, selected as a joint training center for the Consortium for the HRD Ability Magnified Program (CHAMP) in June 2020, established an infrastructure for technology education and a systemic technology education program. In addition, we organized dedicated personnel for enhancing the competitiveness of partner companies as well as employees, and provide partner companies with government-certified practical technology training so that they can strengthen their technological capabilities. HCE also expands learning opportunities for every employee by offering more than 100 technical educational content through HETA, a global online platform that enables access to learning anytime and anywhere.

## First Approved for the Consortium for the HRD Ability Magnified Program (CHAMP) in the Same Industry

In June 2020, HCE entered the CHAMP organized by the Ministry of Employment and Labor for the first time in the construction equipment industry and was approved by the examiners consisting of HRD experts for our 14 programs related to maintenance and the operation of construction equipment. In particular, the programs were recognized for their excellence, therefore, HCE received financial assistance for the remodeling of lecture building (1,084m<sup>2</sup> including 3 lecture halls and lounge, etc.) in the Global Training Center in Eumsung, and we are ready to provide the best technical courses to trainees as the training center is upgraded with the latest equipment and educational devices.

※ What is CHAMP?  
CHAMP, Consortium for the HRD Ability Magnified Program, is a project to provide training courses to employees of the SMEs in the construction machinery industry using HCE's educational infrastructure (facilities, equipment, instructors), with an aim to improve productivity and the quality of the industry.



## Operating a Global Online Education System (HETA)

It was impossible to have collective training due to COVID-19, but HCE has provided video lectures that are not bound by time and space through HETA, an online technical education system that opened in May 2019. The video lectures are available in 14 languages, thereby improving the technical competencies of dealers around the world.

- Courses registered in HETA: a total of 195 courses (as of the end of April, 2021)
- Available in English: 80 courses
- Available in Korean: 99 courses
- Other languages: 16 courses (in French, Chinese, Spanish)

## Providing Training for a Small Construction Equipment License for Safety Working Environment

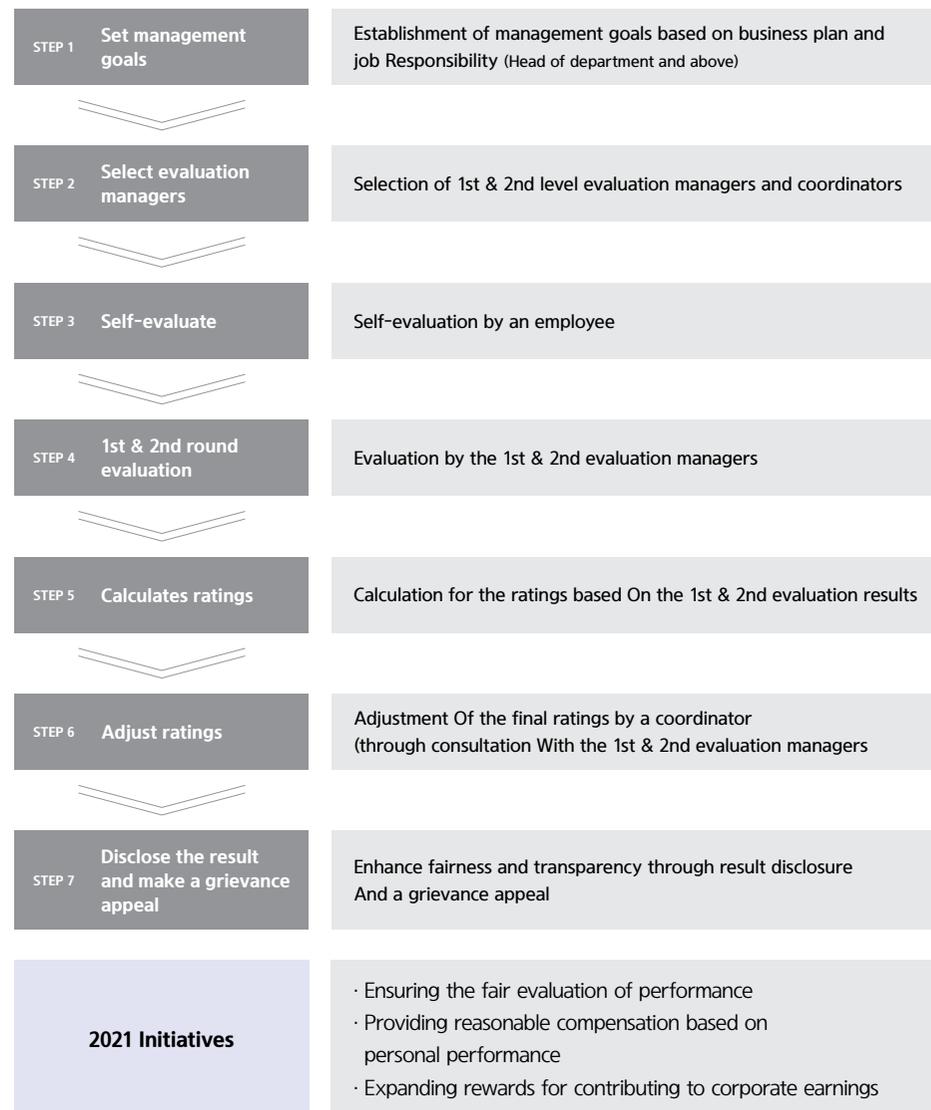
As the Construction Machinery Management Act was enacted in 2020 and the safety of construction equipment became the top priority, HCE Global Training Center supports employees and partner companies with small construction machinery license training so that they can work in a safe environment. We contribute to the creation of an accident-free safe working environment by providing training sessions on the latest revisions of the Construction Machinery Management Act and the Road Traffic Act, and safe working procedures.

# Evaluation & Compensation

HCE is operating a transparent and objective performance evaluation and compensation system to assess the employees' efforts with fairness. Various rewards are provided to motivate employees and promote a sense of achievement in a positive work environment.

## Management System

We conduct performance and competency evaluation on every employee in the first and second halves of each year. The results are used when making decisions on promotion, compensation, training and leader selection. Regular performance management throughout the year provides basic data for evaluation. The employees' performance and capabilities are evaluated comprehensively. All knowledge and R&D employees are subject to the Management by Objectives (MBO) process and evaluated for actual achievements.



# Compensation System for Employees

We reflect the inflation rates in salary settlements to help our employees lead a stable life. All employees are provided with compensation linked with measurable performances including revenues, operating profits, etc. The persons in managerial or higher positions are subject to a performance-based salary system that provides different compensation based on the evaluation of personal/organizational performance. Assistant managers and the below positions receive a bonus, incentive and birthday cash gift in addition to their monthly salaries. The same standard is applied to the male and female employees for equality.

## Reward Policy

Under the principle that every achievement should be rewarded, HCE operates the mobile reward program for excellent performance with the aim to foster a culture of harmony and encouragement

Reward System	Description
Outstanding Employee of the Year	Fair selection of award winners among employees with excellent achievements through an evaluation by the CEO and all chiefs of the headquarters
Praise Your Colleague program	A mobile reward program to boost an organizational vitality and create a culture of encouragement



# Demonstrating Our Commitment to Global Corporate Citizenship

HCE pursues a society of shared happiness under the core values of love, sharing and happiness. We will create a better future by creating shared values with strategic social contribution activities.

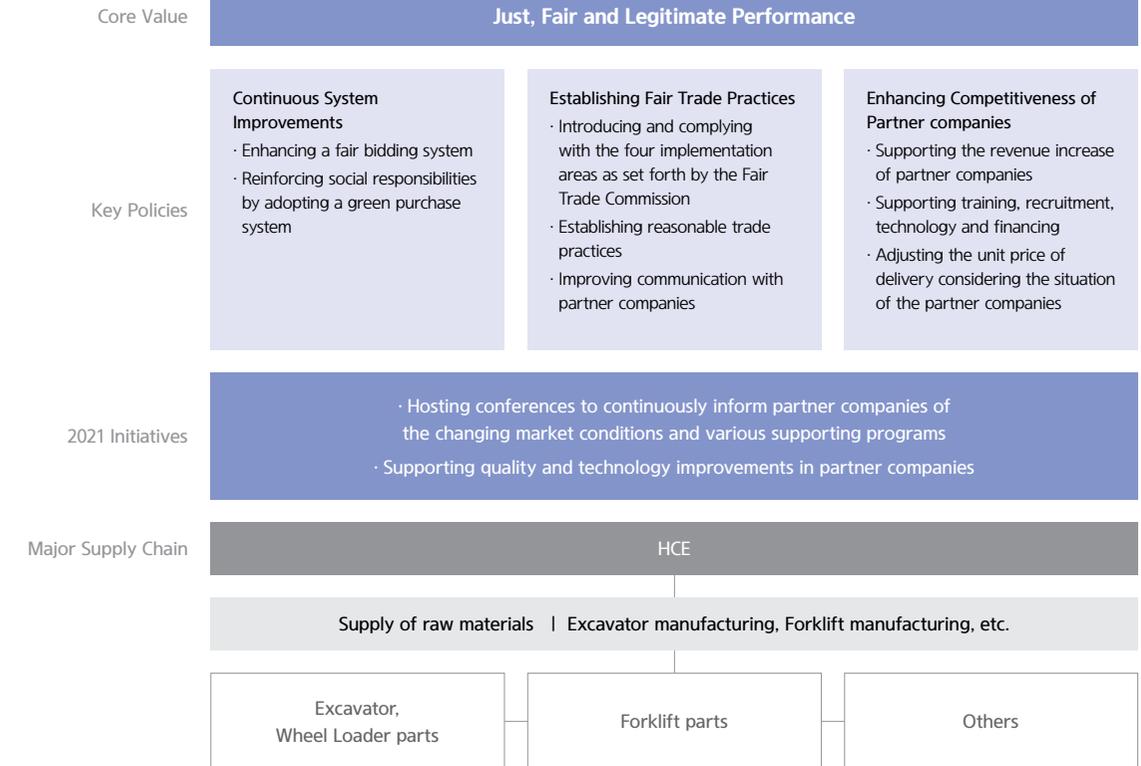
91 Supply Chain Management

95 Social Contribution

## Supply Chain Management

HCE pursues shared growth with partner companies in order to secure sustainable competitiveness and lay a foundation for a fair society. Support for financing, education, recruiting, technology and management will continue to be provided to partner companies in order to reinforce their growth and competitiveness, creating a healthy corporate ecosystem where everyone can grow hand-in-hand.

### Management System



#### Definition of Supply Chain

Category	Key Products	Usage	Procurement Amount (KRW 100M)
Raw Material	Excavator, Wheel Loader Parts	Excavator manufacturing, etc.	10,589
	Fork Lift Parts	Fork lift manufacturing, etc.	3,426
	Others	Others	1,329
<b>Total</b>			<b>15,344</b>

## Shared Growth Governance

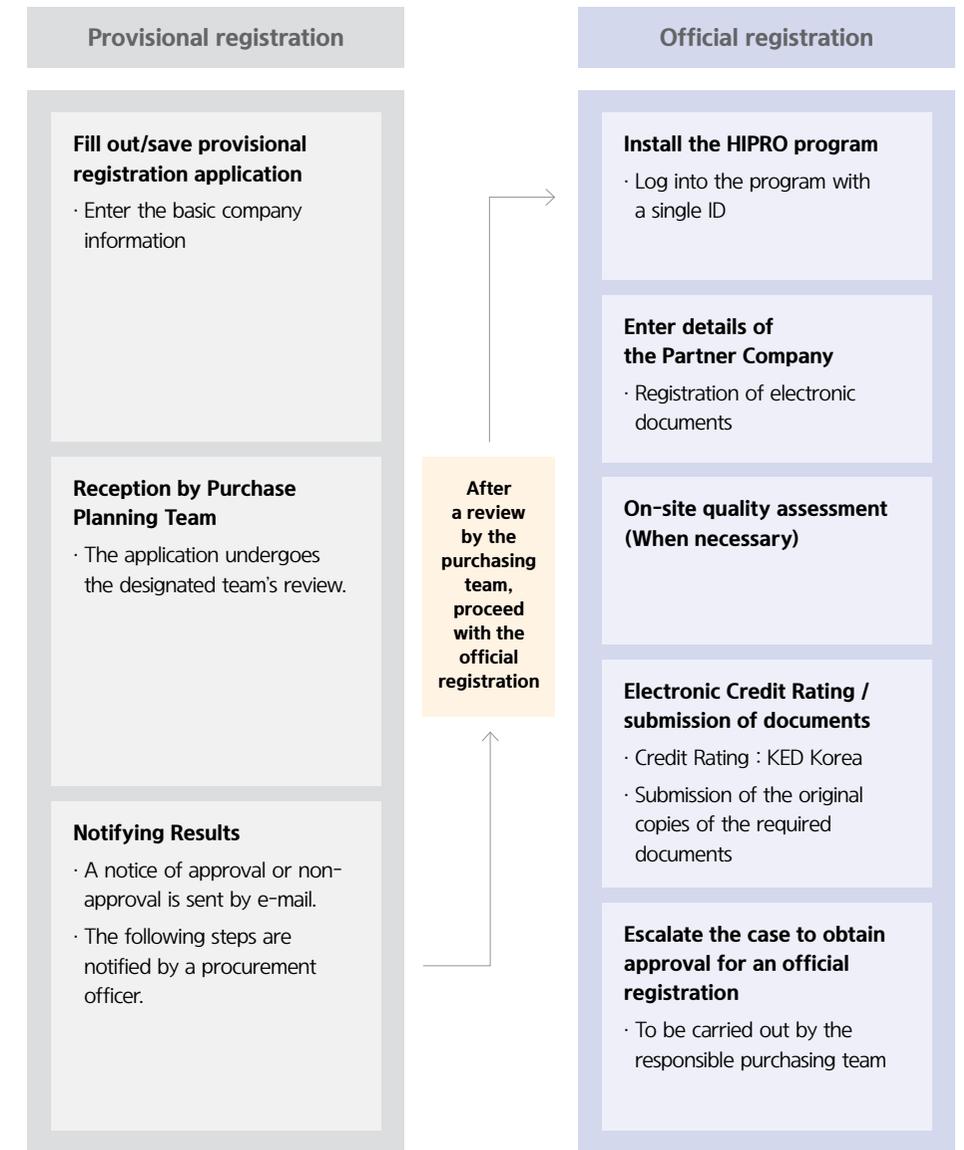
<p><b>Dedicated department (person in charge)</b> - key responsibilities</p>	<ul style="list-style-type: none"> <li>· Procurement Department (head of the dept.) - supervising the Win-Win Cooperation Committee, collecting &amp; implementing the key decisions on support for partner companies</li> </ul>
<p><b>Regular communication channels with partner companies</b></p>	<ul style="list-style-type: none"> <li>· Dialogue with partner companies (twice/year)</li> <li>· Offering information on the business status &amp; outlook and policies for each sector, awarding prizes to the best performing partner companies</li> </ul>
<p><b>Key activities for shared growth</b></p>	<ul style="list-style-type: none"> <li>· Operation of the Shared Growth Fund System</li> <li>· Operation of the Win-Win Cooperation Guarantee System.</li> </ul>

## Operation Principles of the Supply Chain

HCE endeavors to pursue mutual growth and sustainable management in partnership with partner companies. In order to flexibly respond to consistently changing business environments, we have been managing the risks and opportunities of the supply chain while supporting our partner companies in building global competitiveness through close cooperation.

## Registration Process of Partner Companies

HCE strives to commit to establishing a fair subcontracting system by enhancing transparency and fairness in the selection process of partner companies and its subsequent operation. When selecting a new partner, we evaluate the overall assessment results of its management, quality and finance along with the level of business ethics through a self evaluation of the company and on-site inspection (when necessary). Besides, we objectively check the company's financial stability through an outside rating agency.



## Major Activities and Achievements

### Support for Partner Companies' Financial Stability

HCE operates the Shared Growth Fund to facilitate partner companies' growth by providing loan interest support of 0.6% with a credit line of KRW 1 billion. Furthermore, partners have been paid fully in cash for material costs, which is enhancing their liquidity. Payments are made within 10 days of bill issuance and generally earlier before the start of summer vacation or national holidays, to help the efficient funds management of partners. In 2020, we made early payments three times, which amounts to total KRW 51.5 billion.

### Support for Job Competency Training

We offer online & offline education courses to the employees of partner companies free of charge and support the quality improvement by continuing to provide instructions.

### Vibrant Communication with Partner Companies

HCE holds meetings with partner companies for active communication. Even in the midst of the COVID-19 crisis of 2020, we continued our efforts to strengthen communication with them through non-face-to-face meetings. By listening to our partners' grievances and difficulties related with the COVID-19, we could expand support for increasing the Shared Growth Fund and raising funds for the Win-Win Cooperation Guarantee System.

## Social Contribution

HCE is committed to communicating and empathizing with local communities according to their social requirements based on the value of continuous cooperation and co-prosperity and aims to focus on social contribution activities to realize a better future despite the challenging situation of the COVID-19 pandemic by contributing to overcoming the national disaster through the activities of caring for the marginalized, of revitalizing the local economy, and of participating in social contribution activities with responsibility and sincerity.

## Management System



## Business-related Social Contribution Activities and Achievements

Despite the difficult time of the COVID-19 pandemic, HCE performed social contribution activities by focusing on overcoming national disasters with all available means. In early 2020, when masks were in severe shortage, we delivered masks and hand sanitizers to the underprivileged, and we purchased a large amount of agricultural and fishery products at the company level to help the local economy of farming and fishing communities when they had difficulty selling the products after schools stopped providing meals. In addition, we actively contributed to the restoration of flood areas by deploying our excavators to help repair flood damage caused by torrential rains and typhoons last August. We assign one village from each of Eumseong and Ulsan, where the plants are located, to each company and perform a variety of volunteer activities. We are also contributing to the local economy by purchasing local specialty products. In response to the shortage of a blood supply under the COVID-19 pandemic, we promoted a group-based blood donation campaign. We also donated 100 walking aids worth KRW 15.5 million for seniors to improve the welfare of the senior citizens of Ulsan.

## Activities and Achievements of Support for the Marginalized

### 1% Salary Donation

HCE joined the 1% Nanum Foundation established in 2020, and 28% of the employees are participating in the salary donation efforts.

### Coal briquettes delivery

HCE sponsored various holidays and local events to achieve co-prosperity with local residents in Soi-myeon, Eumseong-gun, Chungcheongbuk-do. Through an event of delivering heating fuels, named "Love Briquette Sharing Activity", we are actively participating in contribution activities for local communities, expanding donations for people of national merit and low-income families from 15 to 20 households compared to last year.



### Supporting low-income families

HCE sponsored various holidays and local events to achieve co-prosperity with local residents in Soi-myeon, Eumseong-gun, Chungcheongbuk-do. Through an event of delivering heating fuels, named "Love Briquette Sharing Activity", we are actively participating in contribution activities for local communities, expanding donations for people of national merit and low-income families from 15 to 20 households compared to last year.



### Donating walking aids for seniors

We donated 100 walking assistance devices to Dong-gu Office in Ulsan to help the elderly who live alone and neighbors who are unable to move live a more vital and valued life.



## Activities & Achievements of Co-prosperity with the Local Community

### Support for Disaster Recovery

In a prompt response to the flood disaster, HCE dispatched 12 excavators to flood areas for restoration in August 2020 while over 30 volunteers extended helping hands to the affected locals around Hapcheon, Gyeongsangnam-do. We are taking the lead in overcoming national disasters by securing a budget for disaster relief services each year.



### Laying a Foundation for the Economic Self-Reliance of Welfare Facilities and Volunteering Activities

HCE supports a charity bazaar and a fund-raising event of the 'Night of Donations' for people with disabilities, which are hosted by Yegawon and Somang rehabilitation center, welfare facilities located in Seongnam-si that we established a sisterhood relationship with, to improve the image and do our part as a responsible social enterprise. We are planning to make such a supportive relationship with more welfare facilities in 2020.



### Group Volunteering Activities

Amid restricted conditions triggered by the COVID-19, HCE's 145 employees performed volunteer activities in local farming villages through sisterhood ties with the Handeul village in Eunseong and the Yangdong village in Ulsan. Also, the company is preparing to expand the 'One Company, One Village' Campaign in the areas where the plants are located towards co-prosperity and collaboration with the residents.



### Support for Farming and Fishing Villages

HCE launched a campaign of purchasing the local farm and marine produce and volunteering at short-handed farmhouses to contribute to overcoming the regional economic crisis triggered by COVID-19. We also purchased local farm products including red pepper powder and onions from the Handeul village in Eunseong and the Yangdong village in Ulsan to support farmers who suffered from the pandemic crisis in 2019.



### Group Blood Donation

Due to the COVID-19 related restrictions on volunteering activities, HCE's 91 employees actively participated in a blood donation campaign together with the Group's affiliates in Bundang and Ulsan. In response to the national shortage of the blood supply, we also signed partnership agreements with the Ulsan Blood Center and the Nambu Blood Laboratory Center of the Korean Red Cross.



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# Summary of Consolidated Statements of Financial Position

(Unit: KRW 1M)

Title of the Account	4th reporting period	3rd reporting period	2nd reporting period
Summary of Consolidated Statements of Financial Position	(as of Dec. 31, 2020)	(as of Dec. 31, 2019)	(as of Dec. 31, 2018)
Current assets	2,264,985	2,151,517	2,203,851
Cash and cash equivalents	713,417	222,788	322,445
Short-term financial assets	176,358	414,772	199,784
Trade and other receivables	612,564	629,071	595,939
Inventories	720,741	856,691	1,024,779
Other current assets	41,905	28,195	60,904
Non-current assets	1,090,876	1,036,534	922,664
Tangible assets	744,024	669,223	650,496
Intangible assets	153,872	184,531	152,968
Other non-current assets	192,980	182,780	119,200
<b>Total Assets</b>	<b>3,355,861</b>	<b>3,188,051</b>	<b>3,126,515</b>
Current liabilities	1,156,497	1,052,769	945,143
Non-current liabilities	611,831	558,139	613,205
<b>Total Liabilities</b>	<b>1,768,328</b>	<b>1,610,908</b>	<b>1,558,348</b>
Capital stock	98,504	98,504	98,504
Capital surplus	774,679	774,679	974,479
Capital adjustments	(42,091)	(42,091)	(26,689)
Accumulated other comprehensive income	88,898	72,738	64,118
Retained earnings	298,325	306,852	125,555
Non-controlling interests	369,218	366,461	332,200
<b>Total Equity</b>	<b>1,587,533</b>	<b>1,577,143</b>	<b>1,568,167</b>
Summary Consolidated Statement of Comprehensive Income	2020년 1월1일부터 12월31일까지	2019년 1월1일부터 12월31일까지	2018년 1월1일부터 12월31일까지
Revenue	2,617,536	2,852,139	3,233,935
Operating profit	91,570	157,793	208,732
Net profit	8,505	50,881	141,055
Equity attributable to the owners of the parent	(9,650)	3,227	89,937
Non-controlling income	18,155	47,654	51,118
Total comprehensive income	27,041	59,918	134,015
Equity attributable to the owners of the parent	6,915	7,258	85,474
Non-controlling interests	20,126	52,660	48,541
Earnings per share (Unit: one KRW)	(506)	169	4,585

## Independent Auditor's Report

### Audit Opinion

We have audited the consolidated financial statements of HYUNDAI CONSTRUCTION EQUIPMENT CO., LTD. and its subsidiaries ("the Group"), which comprise the consolidated statements of the financial position as of December 31, 2020 and 2019, the consolidated statements of the comprehensive income, changes in equity and cash flows for the years then ended, and notes comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements are presented fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Korean International Financial Reporting Standards ("K-IFRS").

### Basis for Audit Opinion

We conducted our audits in accordance with the Korean Standards on Auditing (KSAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Korea, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements as of and for the year that ended December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### 1. Assessment of the impairment on the development costs

As described in Note 14 to the consolidated financial statements, the Group operates a research and development center and invests the significant amounts for the technical development, construction equipment and industrial vehicles. In this regard, the carrying amount of the capitalized development costs as of December 31, 2020 is ₩43,895 million. We identified the assessment of the impairment on the development costs as a key audit matter by considering the degree of the estimates and judgement involved in the recognition of impairment on the development costs, and that the possible impact on the consolidated financial statements is significant.

#### The primary procedures we performed to address this key audit matter included the following:

- Testing the effectiveness of the design, the implementation and operation of the key internal controls over the Group's development costs impairment assessment process.
- Inspecting documents to verify that the capitalization requirements are met for samples selected from the capitalized development costs.
- For the selected on-going projects, inquiring with the project manager to understand and evaluate the overall circumstances and prospects and inspecting the documents to verify the basis used in an impairment test.
- For selected projects, inspecting the document to assess whether the related sales have incurred and the appropriateness of future sales forecasts and profitability prospects to verify the future economic benefit for those projects.

## 2. Revenue Recognition of the Overseas Sales

The Group's overseas sales account for a significant share of the total revenues and the sales have been expanded into a wide variety of markets including the US, Europe, India, South America and other emerging economies. As extraordinary events including the growing global economic uncertainties, a shipment delay, changes in the terms and conditions, the temporary suspension of sales, etc. have been triggered by COVID-19 for the current year, there are chances of an incorrect amount recognition related to overseas revenue, or revenue recognized in the inappropriate period. We identified the adequacy of the revenue recognition of the overseas sales as a key audit matter by considering its significant impact on the consolidated financial statements.

### The primary procedures we performed to identify the adequacy of the Group's revenue recognition of overseas sales included the following:

- Identify the terms related to overseas sales on a contract and identify whether the Group's revenue recognition criteria accord with the criteria in accounting standards.
- Evaluate the adequacy of the design and effectiveness of the operation of key internal controls over the Group's overseas revenue recognition processes.
- Inspect external documentary evidence for the samples selected from overseas sales have occurred for the accounting period to confirm the occurrence of sales and the amount accuracy.
- Inspect external documentary evidence for the samples selected from overseas sales having occurred before and after the reporting period to confirm the adequacy of the imputed period of the revenue recognition.
- Identify the adequacy of the revenue recognition by analyzing the offsetting accounts relating to the major overseas sales recorded in the accounting period through an IT audit.

## Responsibilities of Management and the Governing Body for Consolidated Financial Statements

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

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

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

## Auditor's Responsibilities for Auditing the Consolidated Financial Statements

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

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

- Identify and assess the risks of the material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from an error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

· Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

· Evaluate the appropriateness of accounting policies used in the preparation of the consolidated financial statements and the reasonableness of accounting estimates and related disclosures made by management.

· Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

· Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

· Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditors' report is Jang, Seok Jo.

27F, Gangnam Finance Center, 152, Teheran-ro, Gangnam-gu, Seoul

KPMG Samjeong Accounting Corp. CEO

Kim, Kyo Tae



This report is effective as of March 16, 2021, the independent auditor's report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the independent auditor's report date to the time this report is used. Such events and circumstances could significantly affect the accompanying consolidated financial statements and may result in modification to this report.

# Key Performance Indicators

## Enhancing Corporate Value through Sustainable Growth

### R&D<sup>1</sup>

Category	Unit	2018	2019	2020
R&D expenses	KRW 1M	519	597	615
R&D expenses (relative to revenue)	%	1.6	2.7	3.1
R&D personnel	Headcount	278	302	339
No. of environmentally friendly-related intellectual property applications <sup>2</sup>	Case count	1	1	3
No. of domestic intellectual property applications <sup>2</sup>	Case count	17	9	27
No. of overseas intellectual property applications <sup>2</sup>	Case count	-	1	7
No. of overseas intellectual property registrations <sup>2</sup>	Case count	1	2	2

<sup>1</sup> Inclusive of HCE and its subsidiaries

<sup>2</sup> As of the application date (As some of the patent applications filed in the pertinent year are currently in the stage of the examination request and additional applications are scheduled to be filed, numbers may later be upwardly revised.) Inclusive of patents, model utility rights, and design rights

### Quality Management<sup>1</sup>

Category	Unit	2018	2019	2020
Internal quality audit	Case count	12	11	10
Quality audit of in-house and external partner companies	Case count	71	117	118
Personnel who completed the quality training course (inclusive of partner companies)	Headcount	136	184	142
Rate of worksites certified to ISO 9001 <sup>2</sup>	%	100	100	100

<sup>1</sup> Scope: All domestic business establishments

<sup>2</sup> In case of Gunsan factory completely built in 2020, the certification to be completed in May 2021

## Upholding Fair and Transparent Business Practices

### Compliance Management<sup>1</sup>

Category	Unit	2018	2019	2020
Compliance training sessions	Case count	No training offered	1	3
Compliance training participants	Headcount	No training offered	200	310
Departments audited for compliance practices	No.	No training offered	3	54
Legal consulting related to fair trade	Case count	2	1	3
Legal consulting related to corruption prevention and financial sanction	Case count	2	2	5
Other legal consulting	Case count	201	401	369
Violations of Improper Solicitation and the Graft Act	Case count	0	0	0

<sup>1</sup> All domestic business establishments

### Business Ethics<sup>1</sup>

Category	Unit	2018	2019	2020		
Employees	Business ethics training	Offline	Headcount	384	96	128
		Online	Headcount	425	187	1,026
	On-site hearing on business ethics	Headcount	7	216	0	
Partner Companies	Business ethics training <sup>2</sup>	Headcount	0	32	0	
	On-site hearing on business ethics	Headcount	10	-	129	

<sup>1</sup> Scope: All domestic business establishments

<sup>2</sup> 2018: on-site hearing participants/2019: training participants

### Greater Management Transparency<sup>1</sup>

Category	Unit	2018	2019	2020
Attendance rate of the outside directors	%	96.3	92.6	95.2
No. of directors equipped with expertise	Headcount	5	5	5
Ratio of female directors	%	0	0	0

<sup>1</sup> Scope: All domestic business establishments

## Pursuing Safe and Environmentally Friendly Business Practices

### Safety Management <sup>1</sup>

Category	Unit	2018	2019	2020
Accident rate	%	0.286	0.116	0.240
Fatalities	Headcount	0	0	0
Frequency rate of accidents (per 1 million hours worked) <sup>2</sup>	-	0.206	0.487	0.340
Lost Time Injury Frequency Rate (LTIFR, including non-accidental injuries, per 1 million hours worked)	-	0.584	0.452	0.525
Spot rewards cases for the best safety practices	Case count	810	710	480
Reward amount	KRW 1,000	78,707	2,470	2,201
Safety Academy attendees	Headcount	23	14	0
Crane safety training <sup>2</sup>	Case count	57	104	22
Emergency drills	Case count	2	2	2

<sup>1</sup> Scope: All domestic business establishments

<sup>2</sup> Inclusive of partner companies

### Health Management <sup>1</sup>

Category	Unit	2018	2019	2020
Medical service <sup>1</sup>	Headcount	1,795	2,096	2,085
Occupational illness frequency rate (OIFR) limited to hearing loss and musculoskeletal diseases	%	0.07	0.27	0.55

<sup>1</sup> Scope: All domestic business establishments

### Environmental Management <sup>1</sup>

Category	Unit	2018	2019	2020
Direct energy (fuel) consumption	TJ	130	100	88
Indirect energy (electricity) consumption	TJ	276	183	185
Total energy consumption	TJ	405	282	271
Energy savings	TJ	0.38	0.36	0.69
Energy consumption per revenue <sup>2</sup>	TJ/revenue (KRW 100M)	0.016	0.014	0.016
Reduction in energy costs	KRW 1M	11	35	19
Direct (Scope1) emissions	tCO <sub>2</sub> e	8,371	6,672	5,779
Indirect (Scope2) emissions	tCO <sub>2</sub> e	13,416	8,909	8,977
Total GHG emissions	tCO <sub>2</sub> e	21,784	15,579	14,753
GHG emissions per revenue	tCO <sub>2</sub> e/revenue (KRW 100M)	0.9	0.8	0.6
Air pollutant dust	Kg	6,738	3,979	2,159
Water usage	Ton	56,073	34,700	51,788
Water usage per revenue of water pollutants	Ton/revenue (KRW 100M)	2.2	1.8	2.1
Wastewater	Ton	5,754	4,115	5,038
Biochemical Oxygen Demand (BOD) of water pollutants	Kg	180	558	381
Wastewater	Ton	5,754	4,115	5,038
Biochemical Oxygen Demand (BOD) of water pollutants	Kg	180	558	381
Chemical Oxygen Demand (COD) of water pollutant	Kg	560	622	470
Suspended Solids (SS) of water pollutant	Kg	10	299	265
General waster (reclamation)	Ton	88	26	36
General waste (incineration)	Ton	825	609	744
Designated waste (reclamation)	Ton	-	2	150
Designated waste (incineration)	Ton	59	86	81
Recycling	%	78.0	22.0	71.0
Violation of environmental laws/regulations	Case count	0	0	0

<sup>1</sup> Scope: All domestic business establishments

<sup>2</sup> Standalone basis

※Nox and SOx not emitted

## Promoting Strong Labor-Management Relations Built on Mutual Respect and Trust

### Personnel Status

Category	Unit	2018	2019	2020
Total employees	Headcount	1,453	1,366	1,357
Non-fixed term workers (male)	Headcount	1,279	1,239	1,227
Non-fixed term workers (female)	Headcount	58	61	57
Fixed term workers (male)	Headcount	41	12	13
Fixed term workers (female)	Headcount	75	54	60
Average years of continuous service (male)	Year	1.55	2.46	2.919
Average years of continuous service (female)	Year	1.00	1.58	1.50
Average salary per person (male)	KRW 1,000	75,341	74,754	72,355
Average salary per person (female)	KRW 1,000	33,598	46,132	46,544
External workers (male)	Headcount	278	300	182
External workers (female)	Headcount	72	40	24

### Labor-Management Relations<sup>1</sup>

Category	Unit	2018	2019	2020
Rate of employees eligible for collective bargaining <sup>2</sup>	%	100	100	100
Employees eligible for labor union membership	Headcount	684	678	557
Union members	Headcount	659	653	518
Union membership rate	%	96.3	96.3	93.0
Labor-management council sessions	Case count	4	4	4
Proposals submitted to the council	Case count	37	44	26
Management status briefing sessions	Case count	4	4	4
Labor-management relations training sessions	Case count	2	2	-
Training participants	Headcount	106	67	-

<sup>1</sup> Scope: All domestic business establishments

<sup>2</sup> Wage system is not subject to collective bargaining

### Learning & Development

Category	Unit	2018	2019	2020
Participants in training	Headcount	680	717	1,846
Training time per employee	Hour	18	18	18
Training time per employee (male)	Hour	18	18	18
Training time per employee (female)	Hour	16	16	16
Total training hours	Hour	26,284	27,714	미관리
Investment in training	KRW 10M	6	9	29
Fostering leaders	Headcount	11	32	47
Nurturing convergency talents	Headcount	2	5	4
Nurturing job-specific specialists	Headcount	31	85	236
New hires training	Headcount	46	80	0
Nurturing global talents	Headcount	18	50	64
Other programs	Headcount	48	6	14
Manufacturing engineers who completed job improvement training	Headcount	80	2,512	1,386
Personnel of partner companies who completed job improvement training	Headcount	359	576	401

<sup>1</sup> Scope: All domestic business establishments

### Evaluation & Compensation<sup>1</sup>

Category	Unit	2018	2019	2020
Percentage of employees evaluated for performance		94.5	93.1	90.5
Percentage of employees evaluated for performance (Male, Knowledge workers)		95.7	94.7	99.0
Percentage of employees evaluated for performance (Male Production workers)	%	93.6	91.8	92.6
Percentage of employees evaluated for performance (Female, Knowledge workers) <sup>2</sup>		89.3	86.2	89.5
Total wages		1,039	982	952
Total wages	KRW 100M	2,506	1,695	1,615

<sup>1</sup> All domestic business establishments, Exclusive of employees newly hired, on leave or scheduled to retire

<sup>2</sup> No female production worker subject to evaluation

## Promoting Strong Labor-Management Relations Built on Mutual Respect and Trust

### Employees' Quality of Life <sup>1</sup>

Category	Unit	2018	2019	2020
Loan interest support amount	KRW 100M	15.4	18.0	16.2
Employees on maternity leave (male) <sup>2</sup>	Headcount	48	40	54
Employees on maternity leave (female) <sup>2</sup>	Headcount	4	6	5
Employees in the scope of parental leave (male) <sup>3</sup>	Headcount	442	406	391
Employees in the scope of parental leave (female) <sup>3</sup>	Headcount	9	12	18
Employees taking parental leave (male)	Headcount	6	6	6
Employees taking parental leave (female)	Headcount	4	6	11
Employees having returned to work after parental leave (male)	Headcount	3	8	4
Employees having returned to work after parental leave (female)	Headcount	5	0	7
1+ year continued service rate after parental leave (male) <sup>4</sup>	%	100.0	33.0	85.7
1+ year continued service rate after parental leave (female) <sup>4</sup>	%	N/A	100	N/A
Average continued service period <sup>5</sup>	Year	1.6	2.4	2.7
Retirement planning consulting attendees	Headcount	37	25	1
Retirement pension system (DB) <sup>5</sup>	KRW 100M	565	603	649
Retirement pension system (DC) <sup>5</sup>	KRW 100M	N/A	7.8	6.3
Personal pension support amount	KRW 100M	3.2	3.3	3.3
n-house employee benefits fund	KRW 100M	5.0	5.0	5.0

<sup>1</sup> Scope: All domestic business establishments, inclusive of fixed-term contract workers

<sup>2</sup> Inclusive of prenatal/postnatal leave and paternity leave

<sup>3</sup> All employees with children aged eight or younger, exclusive of those on parental leave

<sup>4</sup> The percentage of workers staying at work at the end of the year after returning from parental leave in the previous year

<sup>5</sup> Based on plan assets specified in disclosed audit report (standalone basis)

## Demonstrating Our Commitment to Global Corporate Citizenship

### Shared Growth <sup>1</sup>

Category	Unit	2018	2019	2020
Shared Growth Fund in total	KRW 100M	-	150	250
Cash payment	%	100.0	100.0	100.0
Early payment	KRW 100M	420	446	515
Trainees from partner companies	Headcount	121	349	246
Partner companies in total (subcontracting partners) <sup>2</sup>	No.	329	392	330
Regular management of partner companies <sup>3</sup>	No.	81	85	83

<sup>1</sup> Scope: All domestic business establishments

<sup>2</sup> Hyundai Core Motion is included from 2019.

<sup>3</sup> Integrated management of partner companies through the Hyundai Integrated Quality ("HIQ") system

※ HCE is not subject to the assessment of the Shared Growth Index.

※ Shared Growth Fund increased to KRW 45 billion from May 2021

### Social Contribution <sup>1</sup>

Category	Unit	2018	2019	2020
Total volunteering time	Hour	2,480	366	1,970
Total salary donation value <sup>2</sup>	KRW 1,000	12,000	17,044	144,656
Salary donation Participants <sup>2</sup>	Headcount	298	423	378

<sup>1</sup> All domestic business establishments

<sup>2</sup> The number of volunteers increased in 2019 through active promotion

# GRI Content Index

## GRI Universal Standards

### GRI 102: General Disclosures 2018

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GRI 102: Governance	102-18	Governance structure	48~53
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### GRI 102: General Disclosures 2018

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	102-46	Defining report content and topic boundaries	33
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	102-53	Contact point for questions regarding the report	121
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	GRI 103: Management Approach	103-1	Explanation of the material topic and its boundary
103-2		The management approach and its components	8~11, 35~37, 46~47, 66~69, 91, 95
103-3		Evaluation of the management approach	8~11, 35~37, 46~47, 66~69, 91, 95

## GRI Topic Specific Standards

### Economic Performances (GRI 200)

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GRI 201: Economic Performances	201-1	Direct economic value generated and distributed	12
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	201-3	Defined benefit plan obligation and other retirement plans	112
GRI 103: Management Approach	103-1	Explanation of the material topic and its boundary	35~37
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GRI 205: Anti-corruption	205-1	Operations assessed for risks related to corruption	50
	205-2	Communication and training regarding anti-corruption policies and procedures	48~53
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GRI 206: Anti-competitive Behavior	206-1	Legal actions for anti-competitive behavior, antitrust practices and monopoly practices	-

### Environmental Performances (GRI 300)

Classification	Disclosure	Content	Page
GRI 103: Management Approach	103-1	Explanation of the material topic and its boundary	35~37
	103-2	The management approach and its components	66~73
	103-3	Evaluation of the management approach	66~73
GRI 301 : Materials	301-3	Reclaimed products and their packaging materials	70
GRI 103: Management Approach	103-1	Explanation of the material topic and its boundary	35~37
	103-2	The management approach and its components	66~73
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GRI 302: Energy	302-1	Energy consumption within the organization	109
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	305-7	Nitrogen oxides (NOX), sulfur oxides (SOX) and other significant air emissions	109
GRI 306: Waste	306-2	Waste by type and disposal method	109
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GRI 307: Environmental Compliance	307-1	Non-compliance with the environmental laws and regulations	-

### Social Performances (GRI 400)

Classification	Disclosure	Content	Page
GRI 401: Employment	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	86~87
	401-3	Parental leave	112
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GRI 403: Occupational Health and Safety	403-1	Workers representation in formal joint management-worker health and safety committee	62
	403-2	Types of injury and rates of injury, occupational diseases, lost days and absenteeism and number of work-related fatalities	108
	403-3	Workers with high incidence or high risk of diseases related to their occupation	61~65
	403-4	Health and safety topics covered in formal agreements with trade unions	61~62
	403-5	Staff training on occupational health and safety	108
	403-6	Improve staff health	64~65
	403-7	Prevent or reduce direct impact on occupational health and health management system	64~65
	403-8	Workers covered by an occupational health and safety management system	61~65
	403-9	Work-related injuries	108
	403-10	Work-related illness	108
GRI 404: Training and Education	404-1	Average hours of training per year per employee	111
	404-2	Programs for upgrading employee skills and transition assistance programs	81~85
	404-3	Percentage of employees receiving regular performance and career development reviews	111
GRI 405: Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees	56
	405-2	Female-male ratio of base salary and remuneration	87
GRI 406: Non Discrimination	406-1	Incidents of discrimination and corrective actions taken	76
GRI 413 : Local Communities	413-1	Operations with local community engagement, impact assessments, and development programs	95~99
GRI 415 : Public Policy	415-1	Political contributions	113
GRI 103: Management Approach	103-1	Explanation of the material topic and its boundary	35~37
	103-2	The management approach and its components	45~47
	103-3	Evaluation of the management approach	
GRI 416 : Customer Health and Safety	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	-
GRI 417 : Marketing and Labeling	417-2	Incidents of non-compliance concerning product and service information and labeling	-
	417-3	Incidents of non-compliance concerning marketing communications	-
GRI 418 : Customer Privacy	418-1	Substantiated complaints concerning the breaches of customer privacy and the loss of customer data	-
GRI 419 : Socioeconomic Compliance	419-1	Non-compliance with laws and regulations in the social and economic area	-

# Third-Party Assurance Statement

## Introduction

Korea Management Registrar (KMR) was commissioned by Hyundai Construction Equipment to conduct an independent assurance of its 2021 HCE Integrated Report (the "Report"). The data and its presentation in the Report is the sole responsibility of the management of Hyundai Construction Equipment. KMR's responsibility is to perform an assurance engagement as agreed upon in our agreement with Hyundai Construction Equipment and issue an assurance statement.

## Scope and Standards

Hyundai Construction Equipment described its sustainability performance and activities in the Report. Our Assurance Team carried out an assurance engagement in accordance with the AA1000AS v3 and KMR's assurance standard SRV1000. We are providing a Type 2, moderate level assurance. We evaluated the adherence to the AA1000AP (2018) principles of inclusivity, materiality, responsiveness and impact, and the reliability of the information and data provided using the Global Reporting Initiative (GRI) Index provided below. The opinion expressed in the Assurance Statement has been formed at the materiality of the professional judgment of our Assurance Team.

Confirmation that the Report was prepared in accordance with the Core Options of the GRI standards was included in the scope of the assurance. We have reviewed the topic-specific disclosures of standards which were identified in the materiality assessment process:

- GRI Sustainability Reporting Standards
- Universal standards
- Topic Specific Standards
  - Management approach
  - GRI 201: Economic Performance
  - GRI 205: Anti-Corruption
  - GRI 302: Energy
  - GRI 403: Occupational Health and Safety
  - GRI 416: Customer Health and Safety
- SASB Sustainability Disclosure Topics & Accounting Metrics

As for the reporting boundary, the engagement excludes the data and information of Hyundai Construction Equipment's partners, suppliers and any third parties.

## KMR's Approach

To perform an assurance engagement within an agreed scope of assessment using the standards outlined above, our Assurance Team undertook the following activities as part of the engagement:

- reviewed the overall Report:
- reviewed materiality assessment methodology and the assessment report:
- evaluated sustainability strategies, performance data management system, and processes:
- interviewed people in charge of preparing the Report:
- reviewed the reliability of the Report's performance data and conducted data sampling:
- assessed the reliability of information using independent external sources such as Financial Supervisory Service's DART and public databases.

## Limitations and Recommendations

KMR's assurance engagement is based on the assumption that the data and information provided by Hyundai Construction Equipment to us as part of our review are provided in good faith. Limited depth of evidence gathering including inquiry and analytical procedures and limited sampling at lower levels in the organization were applied. To address this, we referred to independent external sources such as DART and National Greenhouse Gas Management System (NGMS) and public databases to challenge the quality and reliability of the information provided.

## Conclusion and Opinion

Based on the document reviews and interviews, we had several discussions with Hyundai Construction Equipment on the revision of the Report. We reviewed the Report's final version in order to make sure that our recommendations for improvement and revision have been reflected. Based on the work performed, it is our opinion that the Report applied the Core Option of the GRI Standards. Nothing comes to our attention to suggest that the Report was not prepared in accordance with the AA1000AP (2018) principles.

## Inclusivity

Hyundai Construction Equipment has developed and maintained different stakeholder communication channels at all levels to announce and fulfill its responsibilities to the stakeholders. Nothing comes to our attention to suggest that there is a key stakeholder group left out in the process. The organization makes efforts to properly reflect opinions and expectations into its strategies.

## Materiality

Hyundai Construction Equipment has a unique materiality assessment process to decide the impact of issues identified on its sustainability performance. We have not found any material topics left out in the process.

## Responsiveness

Hyundai Construction Equipment prioritized material issues to provide a comprehensive, balanced report of performance, responses, and future plans regarding them. We did not find anything to suggest that data and information disclosed in the Report do not give a fair representation of Hyundai Construction Equipment's actions.

## Impact

Hyundai Construction Equipment identifies and monitors the direct and indirect impacts of material topics found through the materiality assessment, and quantifies such impacts as much as possible.

## Reliability of Specific Sustainability Performance Information

In addition to the adherence to AA1000AP (2018) principles, we have assessed the reliability of economic, environmental, and social performance data related to sustainability performance. We interviewed the in-charge persons and reviewed information on a sampling basis and supporting documents as well as external sources and public databases to confirm that the disclosed data is reliable. Any intentional error or misstatement is not noted from the data and information disclosed in the Report.

## Competence and Independence

KMR maintains a comprehensive system of quality control including documented policies and procedures in accordance with ISO/IEC 17021:2015 - Requirements for bodies providing audit and certification of management systems. This engagement was carried out by an independent team of sustainability assurance professionals. KMR has no other contract with Hyundai Construction Equipment and did not provide any services to Hyundai Construction Equipment that could compromise the independence of our work.

June 2021 Seoul, Korea

# Membership Status & Information Disclosure Activities

## Information Disclosure Activities

Disclosure Channels		Main Contents
HCE Website	<a href="http://www.hyundai-ce.com">http://www.hyundai-ce.com</a>	Introduction, IR, products & dealerships, customer service
HCE Facebook	<a href="https://www.facebook.com/HyundaiConstructionEquipmentWorldwide">https://www.facebook.com/HyundaiConstructionEquipmentWorldwide</a>	Information on HCE products and major news
HCE YouTube	<a href="https://www.youtube.com/user/hyundaice">https://www.youtube.com/user/hyundaice</a>	Information on HCE products and major news
HHI Group Business Ethics Website	<a href="https://ethics.hhigroup.kr">https://ethics.hhigroup.kr</a>	Group ethics management direction, ethics regulations, online report/counselling
HHI Group Webzine 'Magazine H'	<a href="http://www.hyundai-holdings.co.kr/magazine-h">http://www.hyundai-holdings.co.kr/magazine-h</a>	HHI Group's general management status (monthly)
Financial Supervisory Service DART	<a href="http://dart.fss.or.kr">http://dart.fss.or.kr</a>	Mandatory and voluntary disclosure as listed companies
Investor Relations	<a href="https://www.hyundai-ce.com/Korean/IRK/IRK75.aspx">https://www.hyundai-ce.com/Korean/IRK/IRK75.aspx</a>	Regular announcement of business performance and outlooks

HCE Integrated Report introduces the financial and non-financial performance of HCE and its subsidiaries. To provide relevant information to the stakeholders, core issues derived from our materiality assessment are reported on the basis of our group's five management philosophies.

<b>Reporting Principles and Framework</b>	<ul style="list-style-type: none"> <li>· Global Reporting Initiative (GRI) Standards (Core)</li> <li>· International Integrated Reporting Council's (IIRC) integrated reporting framework</li> </ul>
<b>Reporting Boundary</b>	HCE and its subsidiaries
<b>Reporting Scope</b>	Economic (under K-IFRS), social and environmental aspects (under domestic standards)
<b>Reporting Period</b>	For the year ended Dec. 31, 2020 (with exceptions for some of the achievements: 2018 to March 2021)
<b>Reporting Frequency</b>	Annual (last report issued in June 2020)
<b>Reporting Assurance</b>	Third party's independent assurance (overall sustainability management, GHG emissions and energy consumption separately verified)
<b>Those Credited with Helping Issue This Report</b>	Global Education Center, Internal Accounting Support Team, Future Power Technology Team, Legal Team, Industrial Vehicle Product Development Department, Production Technology Department, Safety & Environment Team, HR Strategy Team, Finance Analysis Team, Finance Team, Strategic Procurement Department, Product Development Department, General Affairs Team, Quality Planning Team, Accounting Team, Employee Benefits Team

**Head Office Address** 75, Yulgok-ro, Jongno-gu, Seoul

**Contact Point** Please contact our Finance team for any questions or comments regarding this report.

HCE Finance Team  
Tel. +82-2-746-7562 | sustainability@hyundai-ce.com

HCE Integrated Report 2021 is available on our website (<http://www.hyundai-ce.com>) as an Interactive PDF for more convenient user experience.

