

HD KSOE Sustainable Sourcing Policy

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HD Korea Shipbuilding & Offshore Engineering (HDKSOE) is striving to achieve our ESG vision called 'Toward ECO-ocean with Green Wave'. HDKSOE intends to establish and operate sustainable supply chain policies in order to fulfill corporate social responsibility, and to establish a healthy corporate ecosystem that grows together by promoting win-win cooperation with suppliers.

In order to establish sustainable and healthy supply chain, HDKSOE operates in consideration aspects of human rights management, safety & health, environment and business ethics.

Additionally, HDKSOE adheres to the OECD's "Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas" and provides ESG guidance and compliance throughout the entire supply chain.

HDKSOE conducts continuous evaluations and monitoring of policies and related processes to ensure compliance with relevant laws, actively address ESG issues, and strengthen our capabilities in ethical supply chain management.

1. Sustainable Supply Chain Operation Policy

Human Rights Management

HD KSOE embraces diversity among its members, regardless of race, gender, age, or religion, and strives to create a society where all stakeholders are respected. To achieve this, we actively establish and implement policies related to human rights protection, diversity, and prohibition of discrimination. Furthermore, we promote sustainable procurement that ensure fair labor practices and the protection of human rights.

To protect human rights of the supply chain, customers and local communities, we enforce a Supply Chain Human Rights Protection Policy and prioritize suppliers with systematic labor and human rights management systems. Through these efforts, we are creating the conditions for sustainable procurement.

Safety & Health

HDKSOE adheres to establishing the highest level of safety standards, in accordance with our core value of ‘Safety for us and all’. To achieve this, we have established responsibility/self-safety management system and internalized the safety education infrastructure. Additionally, we are implementing preventive safety management through the establishment of a smart safety working environment based on DT and ICT converged safety.

To foster a pleasant and safe working environment, we are conducting strict management of hazardous chemicals. We also operate a prevention-oriented health management system to provide the best medical services to maintain and improve the health of our members. We continuously improve the working environment through various healthcare programs.

Environment

As part of our efforts to foster an environment-friendly corporate culture and proactively address climate change, we are striving to achieve carbon neutrality by 2050. We are reinforcing the development of eco-friendly technologies, minimizing the occurrence of environmental pollutants, and conducting pollution prevention management.

Additionally, we express the vision of eco-friendly management and our determination to practice it through the “Manifesto for Environmental Management”, aiming to fulfill our social responsibility as a sustainable global company through the implementation of "Seven Commitments" by all executives and employees. Furthermore, we are prioritizing suppliers with systematic environmental management systems and realizing sustainable procurement that reflects environmental issues.

You can check the full statement at ([HDKSOE Manifesto for Environmental Management](#)).

Business Ethics

HDKSOE is conducting ethical management based on the values of fairness, ownership, responsibility, enthusiasm, safety, transparency and trust. We have

established and complied with the "Charter of Ethics" as a standard of conduct to faithfully fulfill our corporate social responsibility and its original role. You can check the full Charter of Ethics at ([HDKSOE Charter of Ethics](#)).

Additionally, HDKSOE has a Compliance Team, a department dedicated to compliance management, which aims to raise awareness among executives and employees and ensure faithful compliance with related laws and stakeholder needs. The company also conducts regular company-wide training, checks, and reports the results to the board of directors with fair trade self-compliance managers and compliance officers.

HDKSOE aims to elevate the level of our compliance management system and declare our commitment to compliance management to suppliers. Consequently, we have introduced a leniency policy that addresses transaction/bid sanctions and offers exemptions/reductions of disadvantages to suppliers that voluntarily report unethical collusion.

HDKSOE conducts ethical and responsible procurement by preventing collusion among suppliers through the leniency policy. Additionally, we operate a Collusion Reporting Center for this purpose. For any other inquiries related to unfair trade with suppliers including collusion, please contact to HDKSOE Collusion Reporting Center ([HDKSOE HIPRO Collusion Reporting Center](#)).

2. Risk Management of Supply Chain Sustainability

Supplier Code of Conduct

HDKSOE aims to achieve sustainable growth through continuous cooperation with our suppliers.

To achieve this, we have revised the company's social responsibility pledge into a Supplier Code of Conduct pledge, ensuring that all suppliers can agree to and comply with it.

HDKSOE conducts inspections and due diligence to ensure that our suppliers adhere to these standards under a transparent and fair supply chain management policy. We also provide guidance and recommend improvements, including

written or on-site inspections or surveys if necessary, to promote ongoing mutual prosperity with our suppliers.

Risk Assessment of Supply Chain

HDKSOE strives to establish a sustainable supply chain ecosystem by promoting shared growth through mutual respect and participation of all stakeholders and suppliers related to the supply chain. In order to fulfill the company's responsibilities to the social community, we are also committed to having a systematic way of identifying potential risks that threaten the sustainability of the supply chain.

By establishing a management system that identifies and evaluates risks from the perspective of finance, non-financial, and ESG (environmental, social, and governance) and prepares countermeasures, we objectively evaluate suppliers to identify excellent suppliers, and to stabilize the quality and delivery date of supplied products through incentives for excellent suppliers and sanctions against poor suppliers.

For systematic supply chain risk management, an organizational system for each field is formed and performed, and major issues arising during supply chain ESG risk management are reported to the ESG Committee under the board of directors through the ESG Team and the Chief ESG Officer.

By analyzing supply chain ESG risk assessment results, we derive major supply chain ESG risks and the ESG management level of our suppliers, and we use supply chain ESG risk assessment results to set the minimum requirements that suppliers must comply with in order to participate in the bidding.

In addition, we select and reward outstanding suppliers of ESG management. As for the suppliers who do not meet the requirements, we prioritize them as targets for our supplier ESG management support project (management consulting).

[Risk Assessment & Management of Supply Chain]

	Financial Risk	Supply & Demand Risk	ESG Risk	Quality, Delivery, Innovation, etc.
Subject	*All domestic & foreign suppliers that are registered and deals with			
	Tier 1~3	Tier 1	Tier 1~3	Tier 1~3
Type	Periodic/non-periodic evaluation Close inspection	Prioritize risks such as reputation, disaster, and delay in delivery by evaluating them with impact and urgency	Registration, Periodic evaluation Self-evaluation of suppliers Due diligence by outside institutions	Periodic evaluation (Yearly)
Org. in charge	Purchasing, Rating agencies	Purchasing	Purchasing, ESG, HSE, etc.	Purchasing, Quality, etc.
Penalty / Incentive	Suspension, etc. to poor suppliers / Financial support (Loan interest)	Preparation of countermeasures for each level Tier 1 supplier Renewal per year	On/offline ESG training for employees and suppliers - Self-progress or outsourcing Reward, Financial support	Grade C or lower for 2 cons. years "Disciplinary Deliberation Committee for Unfaithful Trading Partners" is presented and deliberated Reward, Financial support

※ Prepared in accordance with the in-house regulations [Supply Chain Risk Assessment / Management Rules]

※ Tier 1 (core manufacturing item): It refers to a key item that requires specialization among equipment procured by HDKSOE for production such as ships, ship engines, and offshore plants, and has a significant impact on the process in the event of a problem.

Policy on Conflict Minerals

As a global company that envisions a sustainable future and fulfills the responsibilities, HDKSOE actively participates in the ban on the use of conflict minerals.

Products such as ships and engines produced by HDKSOE incorporate various parts containing minerals such as tin, tantalum, tungsten, and gold. Consequently, HDKSOE has established a basic policy to thoroughly investigate the inclusion of conflict minerals based on the OECD Due Diligence Guidance to prohibit illegal mining in 10 African countries (Democratic Republic of Congo, Sudan, Rwanda, Burundi, Uganda, Congo, Zambia, Tanzania and Central Africa) in accordance with the Securities and Exchange Commission's (SEC) requirements for companies under the Dodd-Frank Regulatory Reform Act.

In addition, HDKSOE continues to support our suppliers by conducting survey about conflict minerals to assess their awareness and management of conflict minerals. We conduct online ESG education, field diagnosis and consulting to strengthen suppliers' supply chain management capabilities.

Grievance System

HDKSOE requires the operation of a grievance system to ensure greater transparency and healthiness in the rights of supply chain members.

All stakeholders in the supply chain, including members, suppliers, and customers, can inquire and report issues. We ensure the anonymity and confidentiality of the whistleblower, and does not tolerate any form of retaliation against individuals who raise concerns.

Inquiries and reports received are handled by two or more members of the committee to verify details and facts related to all complaints. We provide necessary information and assistance based on the results of the review.

For any questions about this system or any substantial or potential concerns regarding ethical/compliance issues, please report at HDKSOE Business Ethics site (ethics.hd.com).