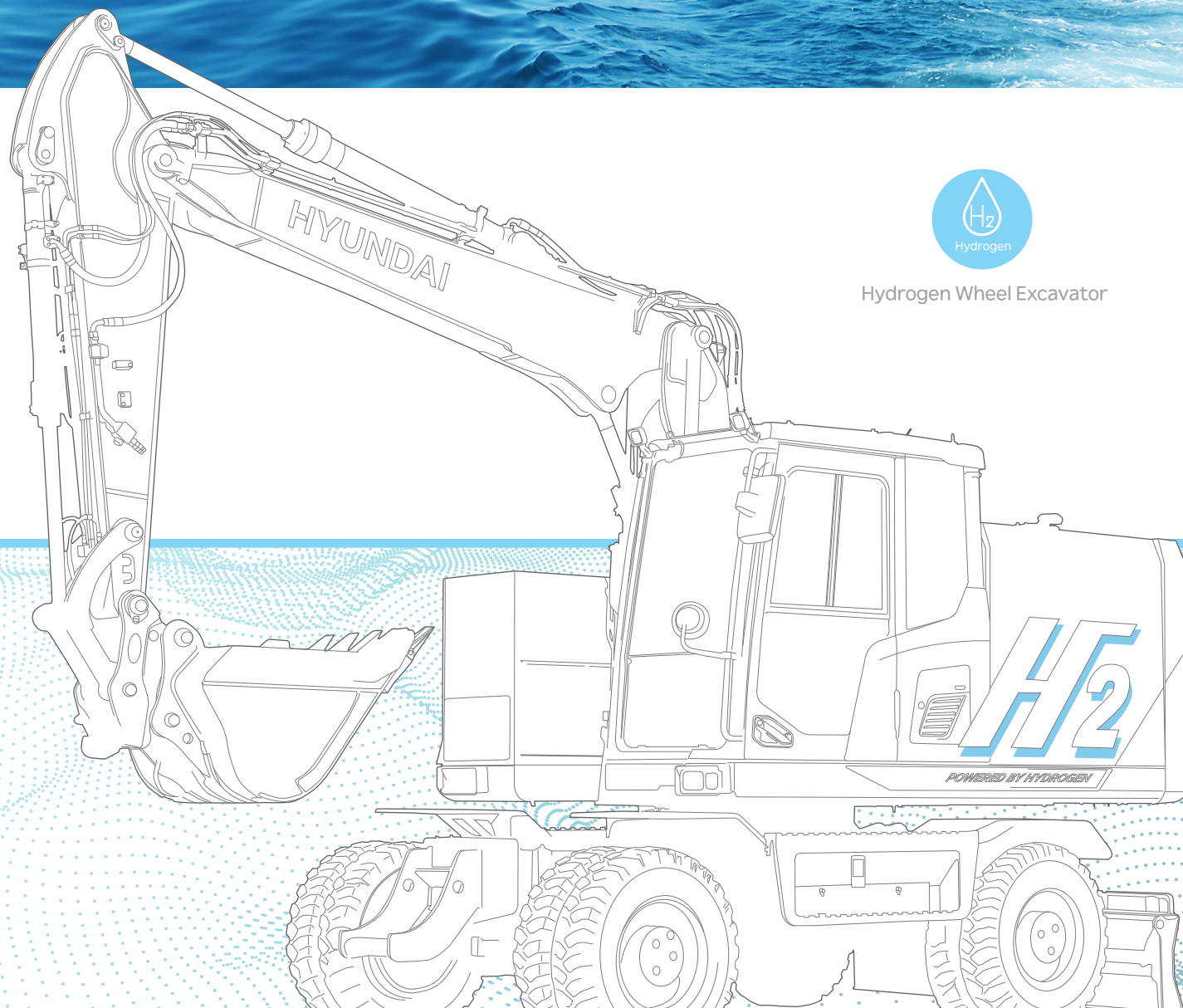


building a  
**comfortable**  
tomorrow



Hydrogen Wheel Excavator

# ABOUT THIS REPORT

## Report Overview

HD HYUNDAI CONSTRUCTION EQUIPMENT strives to embody environmental, social, and governance (ESG) management in its overall corporate management. To this end, we publish an integrated report to disclose our financial and nonfinancial performance results generated through the interaction of diverse ESG factors, based on which corporate values are created. This year's report primarily focuses on presenting the material issues identified through double materiality analysis.

## Reporting Principles

This report adheres to the Global Reporting Initiative (GRI) Standards 2021 for sustainable management reporting and the Task Force on Climate-related Financial Disclosures (TCFD) recommendations for disclosing climate-related information. Furthermore, it includes reporting based on the Sustainability Accounting Standards Board (SASB) industry standards to reflect important issues specific to each industry. The financial information contained in the report has been prepared in accordance with Korean International Financial Reporting Standards (K-IFRS), and the reporting currency is the South Korean Won (₩).

## Reporting Period

This report presents quantitative data about the company's performance during the 2022 calendar year. However, the company's qualitative activities mentioned in the report, include developments recorded until the end of May 2023.

## Reporting Scope

This report is mainly on the activities and accomplishments made by the company's worksites in Korea. Some qualitative and quantitative activities, however, include those undertaken at the company's overseas worksites. If quantitative data from overseas business locations have been reported, the separate identification of these facilities is indicated in the 'ESG Facts Sheets.'

## Reporting Cycle

Annually (Publication month: June 2023)

## External Assurance

This report has been assured by Shinhan Accounting Corporation, an independent assurance service provider, to ensure the propriety and integrity of the reporting processes as well as the accuracy and credibility of its contents. Detailed information regarding the verification results can be found in the 'Independent Auditor's Verification Report.'

## Disclaimer

This report contains details of some future activities, events, and situations based on the company's plans and estimations of future financial outcomes, which may turn out to be inaccurate in the event of changes in the global business landscape. The plans and estimations draw upon the best information available at the time of completion of this report, with due consideration given to future business environments as well as the company's elaborate business strategies. HD HYUNDAI CONSTRUCTION EQUIPMENT, therefore, would like to remind its stakeholders that this report contains some predictions that may be affected significantly due to the risks, uncertainties, and other factors involved in the company's global operations.

## Contact Point

**Team in charge:** ESG Management Innovation Team of HD HYUNDAI CONSTRUCTION EQUIPMENT

**E-mail:** [sustainability@hyundai-ce.com](mailto:sustainability@hyundai-ce.com)

**Website:** [www.hd-hyundaice.com](http://www.hd-hyundaice.com)

## Cover Story

HD HYUNDAI CONSTRUCTION EQUIPMENT has declared its strategy to reduce carbon emissions during the product in-use stage in 2022. We are restructuring our portfolio with a focus on hydrogen and electric construction equipment products. In 2023, we unveiled a beta version of a hydrogen excavator close to commercialization. We are intensifying our research and development efforts to commercialize hydrogen excavators by 2026. This showcases HD HYUNDAI CONSTRUCTION EQUIPMENT's determination toward the development of hydrogen excavators.



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INTERACTIVITY

This report has been published as an interactive PDF, allowing readers to move to pages in the report, and including shortcuts to the related web pages.



## CEO MESSAGE



### Greetings to all HCE stakeholders,

Over the past year, the global market has experienced a slowdown in growth primarily due to the spread and prolonged impact of the COVID-19 pandemic, as well as ongoing market uncertainties such as the trade dispute between the United States and China. Despite the economic downturn in key export markets like China, HD HYUNDAI CONSTRUCTION EQUIPMENT has achieved significant progress in advanced markets through stable sales portfolio construction via market diversification strategies. Additionally, we achieved record-breaking sales in the Central and South American regions.

However, resting on past successes and clinging to outdated methods will inevitably lead to falling behind. HD HYUNDAI CONSTRUCTION EQUIPMENT is facing new challenges and opportunities arising from threats within the existing market, digitalization, decarbonization, and strengthening of social responsibilities. In the face of rapidly changing business environments, we intend to leap forward as a global top-tier construction equipment manufacturer through fearless challenges and innovation.

To achieve this vision for the future in partnership with HD HYUNDAI Group, we have redefined our core values and vision by contemplating what values are necessary to accomplish their future vision. We have declared a new vision of 'Providing industry solutions that transcend spatial and temporal limitations' and are strengthening industrial solutions based not only on manufacturing hardware for industrial equipment but also on eco-friendly and advanced digital technology. The belief in 'eco-friendly, smart, and safe' solutions is firmly in place to drive sustainable growth.

### Eco-Friendly

In June of last year, HD HYUNDAI CONSTRUCTION EQUIPMENT declared its commitment to achieving net zero across all its business locations by 2050. We have taken our first steps toward net zero through the Ulsan Campus Reformation Project. We have also developed strategies to reduce carbon emissions during the product in-use stage, not only considering the environmental impact during operation but also throughout the value chain. In terms of managing carbon emissions during product usage, we are restructuring our portfolio to focus on products that incorporate technologies such as electric batteries, hydrogen fuel cells, hybrid power, and fuel efficiency improvements. Our goal is to achieve an eco-friendly product sales ratio of 83% by 2030 and 97% by 2040, based on total sales.

### Smart and Safe

As a provider of smart construction solutions, HD HYUNDAI CONSTRUCTION EQUIPMENT aims to maximize the value creation of customer businesses through safety, automation, and smart technologies. We enhance connectivity between people, equipment, and job sites to lead in safety, digitization, and efficiency in construction sites. Through our ICT brand, 'HYUNDAI CONNECT,' we connect people, machines, and worksites to support safety, digitization, and efficiency in construction, as well as to provide support for human labor and safety in various fields.

HD HYUNDAI CONSTRUCTION EQUIPMENT is committed to making every effort to improve the quality of life for employees, customers, shareholders, and partner companies. We strive to become a company that customers want to return to, and that turns employees' dreams into reality. We appreciate the support and interest of stakeholders and will continue to meet their expectations.

HD HYUNDAI CONSTRUCTION EQUIPMENT  
President & CEO **Choi Cheol-gon**

최철곤



# About Construction Machinery Sector of HD HYUNDAI

## HD HYUNDAI XITESOLUTION

HD HYUNDAI XITESOLUTION is an intermediate holding company in the Construction Machinery Sector of HD Hyundai. It was newly launched in 2021, building its business on industrial vehicles and hydraulic components. Together with its subsidiaries, HD CONSTRUCTION EQUIPMENT and HD HYUNDAI INFRACORE, HD HYUNDAI XITESOLUTION aims to create synergies in the areas of procurement, R&D, and core components (engine/hydraulic functional parts) to achieve its vision of becoming a 'Global Top 5' company by 2025. HD CONSTRUCTION EQUIPMENT and HD HYUNDAI INFRACORE are independent brands that strengthen their position as global comprehensive construction machinery specialists, providing construction equipment, various parts, and utility equipment needed in industrial sites.

## HD Hyundai Spirit

### MISSION

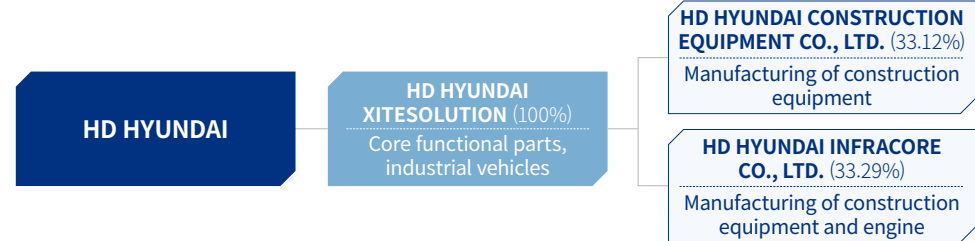
**Pioneering the future of humanity through innovation and relentless challenges, leading the era with groundbreaking advancements**



### CORE VALUES




 <p><b>Innovative to lead</b></p> <ul style="list-style-type: none"> <li>Transform the way we work with creative mindset.</li> <li>Shape the future of our industry through innovative and disruptive technology.</li> </ul>	 <p><b>Challenge without fear</b></p> <ul style="list-style-type: none"> <li>Challenge ourselves relentlessly to create new values.</li> <li>Foster a culture of challenging without fear by embracing failure.</li> </ul>	 <p><b>Care with respect</b></p> <ul style="list-style-type: none"> <li>Respect diversity and encourage open communication.</li> <li>Care for our people's personal and professional growth</li> <li>Make a better world by upholding social responsibility.</li> </ul>	 <p><b>Safety for us and for all</b></p> <ul style="list-style-type: none"> <li>Pursue the highest safety standards for our people and workplace.</li> <li>Contribute to the safety of customers, society and humanity with our products and services.</li> </ul>
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## Ownership Structure of the Construction Machinery Sector of HD HYUNDAI



## Roles of HD HYUNDAI XITESOLUTION

HD HYUNDAI XITESOLUTION plays a vital role in maximizing synergies and securing global competitiveness through the core business of construction equipment. Each business company operates independently while maximizing synergies within the construction equipment business.

 <p><b>Expanding integrated volume-based synergy</b></p> <ul style="list-style-type: none"> <li>Achieving economies of scale through an integrated procurement</li> <li>Securing cost competitiveness through parts commonality</li> <li>Advancing processes and system enhancements</li> </ul> <p>↓</p> <p><b>Securing a robust cost structure that can withstand market downturns and intensified competition by achieving an economy of scale based on the integration of both companies' volumes</b></p>	 <p><b>Development of integrated new models and internalization of core parts</b></p> <ul style="list-style-type: none"> <li>Enhancing product competitiveness through the application of superior technologies</li> <li>Cost reduction through joint development of new models</li> <li>Mutual application of engines/hydraulic equipment of both companies</li> </ul> <p>↓</p> <p><b>Seeking to maximize customer satisfaction through the supply of competitively superior products, thereby achieving customer satisfaction by internalizing the engine and core parts(cylinder, hydraulic motor, MCV)</b></p>	 <p><b>Future technology development</b></p> <ul style="list-style-type: none"> <li>Developing smart products/solutions</li> <li>Environmental-friendly response through the development of electrification technologies</li> </ul> <p>↓</p> <p><b>Creating new business opportunities and increasing profitability through total solution offerings</b></p>
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# About HD HYUNDAI CONSTRUCTION EQUIPMENT

## “Building a Comfortable Tomorrow”

A solid foundation is established when a deep understanding of human beings is connected with cutting-edge innovative technologies. Within this framework, we can confidently move forward, believing in our own potential.

HD HYUNDAI CONSTRUCTION EQUIPMENT (HCE) is a specialized general construction equipment company that produces various construction equipment such as excavators, wheel loaders, backhoe loaders, and skid steer loaders. It started as a Heavy Equipment Division of Hyundai Heavy Industries in 1985 and has made great leaps since it was newly established through a spin-off from Hyundai Heavy Industries Co., Ltd. on April 1, 2017. The company has been recognized for its excellence in the global market, supplying high-quality products through a dealer network of over 500 locations in 140 countries and local subsidiaries in the United States, Europe, India, China, and other regions. It strives to develop construction equipment of the highest global standard, focusing on product sophistication, and actively pursues the development of eco-friendly energy solutions such as electric excavators.

### Company Overview\*

<b>Company Name</b>	HD HYUNDAI CONSTRUCTION EQUIPMENT
<b>Year of Establishment</b>	1985
<b>CEO</b>	Choi Cheol-gon
<b>Main Business</b>	Manufacturing of construction and mining equipment
<b>Number of Employees</b>	1,357
<b>Headquarters</b>	11 <sup>th</sup> floor, HD Hyundai Group Global R&D Center, 447 Bundanguseo-ro, Bundang-gu, Seongnam-si, Gyeonggi-do
<b>Business Locations</b>	A dealer network of over 500 dealerships in more than 140 countries, both domestically and internationally Production facilities: Korea (Ulsan), China, India, and Brazil
<b>Production Capacity</b>	Producing over 50,000 units of construction equipment

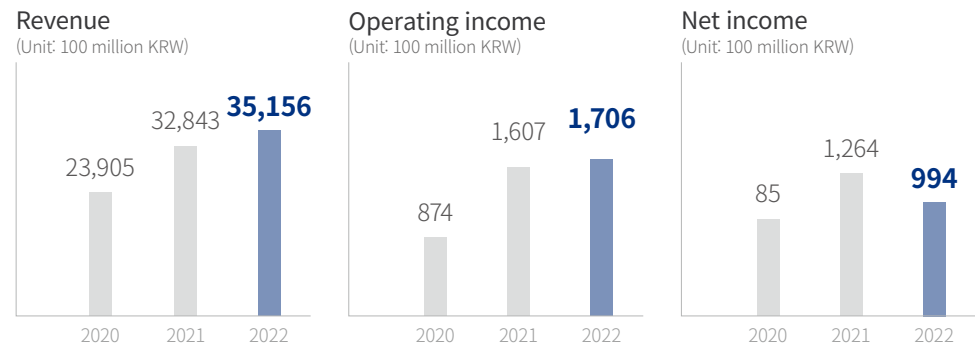
\* Based on business reports from March 2023

## Management Philosophy and Vision

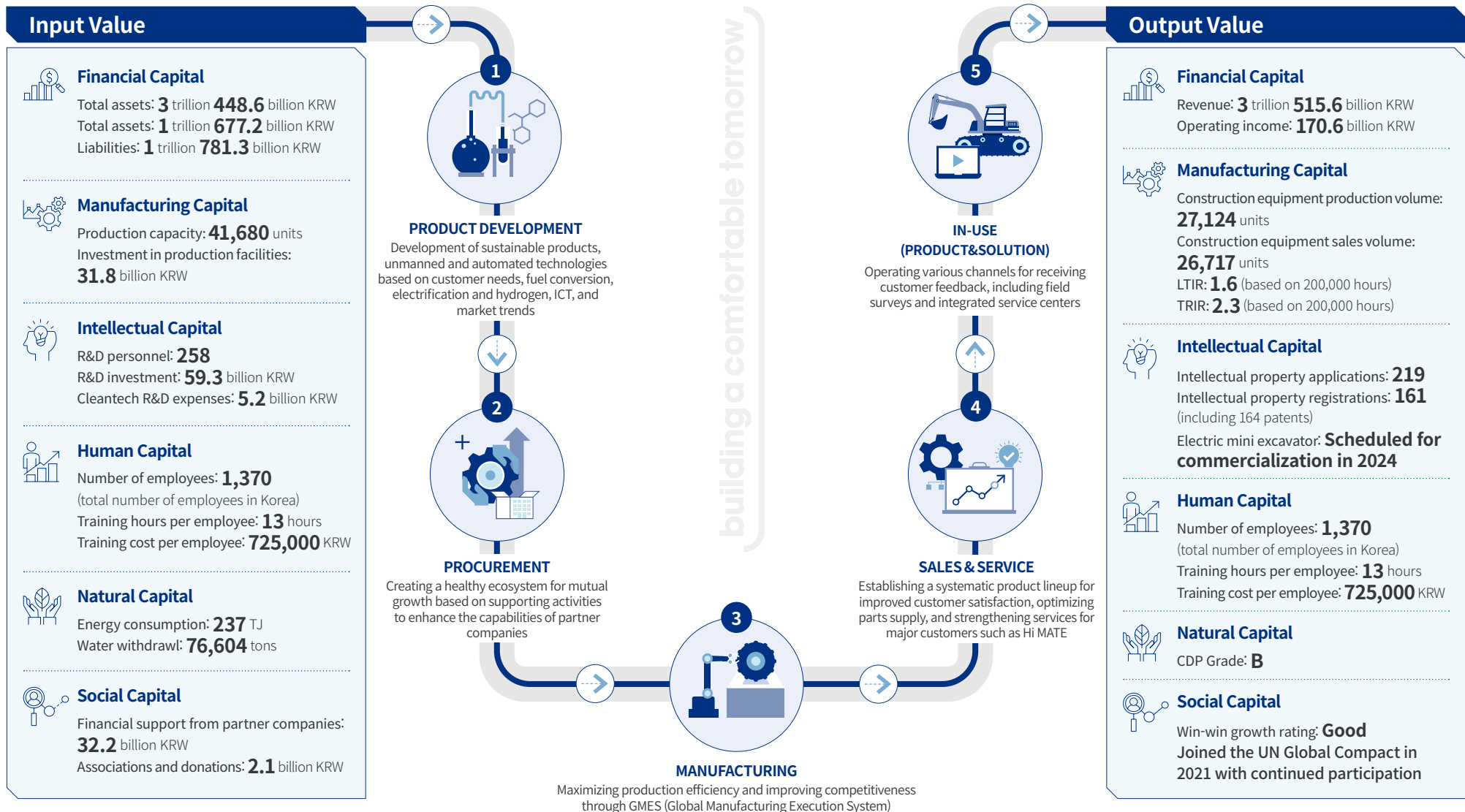
HD HYUNDAI CONSTRUCTION EQUIPMENT has established a management philosophy to earnestly fulfill the company's social responsibilities and roles, ensuring that all employees share and practice it faithfully.



## Financial Performance



## Value Creation Process





## Global Network

HD HYUNDAI CONSTRUCTION EQUIPMENT has established over 500 dealer networks in 140 countries worldwide and has been recognized for its excellence in the global market by supplying high-quality products through local subsidiaries in the United States, Europe, China, India, Brazil, and Indonesia. We are increasing our brand power by developing region-specific models and providing cost-effective models utilizing regional production plants. In addition, we are continuously expanding our market presence by increasing direct exports for exploring new markets, securing excellent dealers, and developing new dealers for market-focused sales. We have production bases in Ulsan Campus in Korea, as well as in China, India, and Brazil. We are transitioning from domestic-oriented production to a global flexible production<sup>1)</sup> model, standardizing manufacturing technology and operational systems at each factory to maximize global production efficiency.

1) Flexible production: The concept of producing products in overseas factories with the same appearance, performance, and quality as those produced at the headquarters.

### Production volume

Approximately

**27,124** units

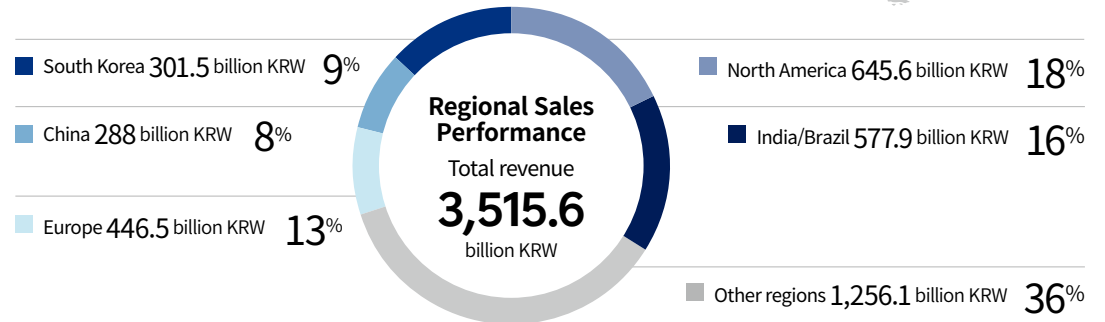
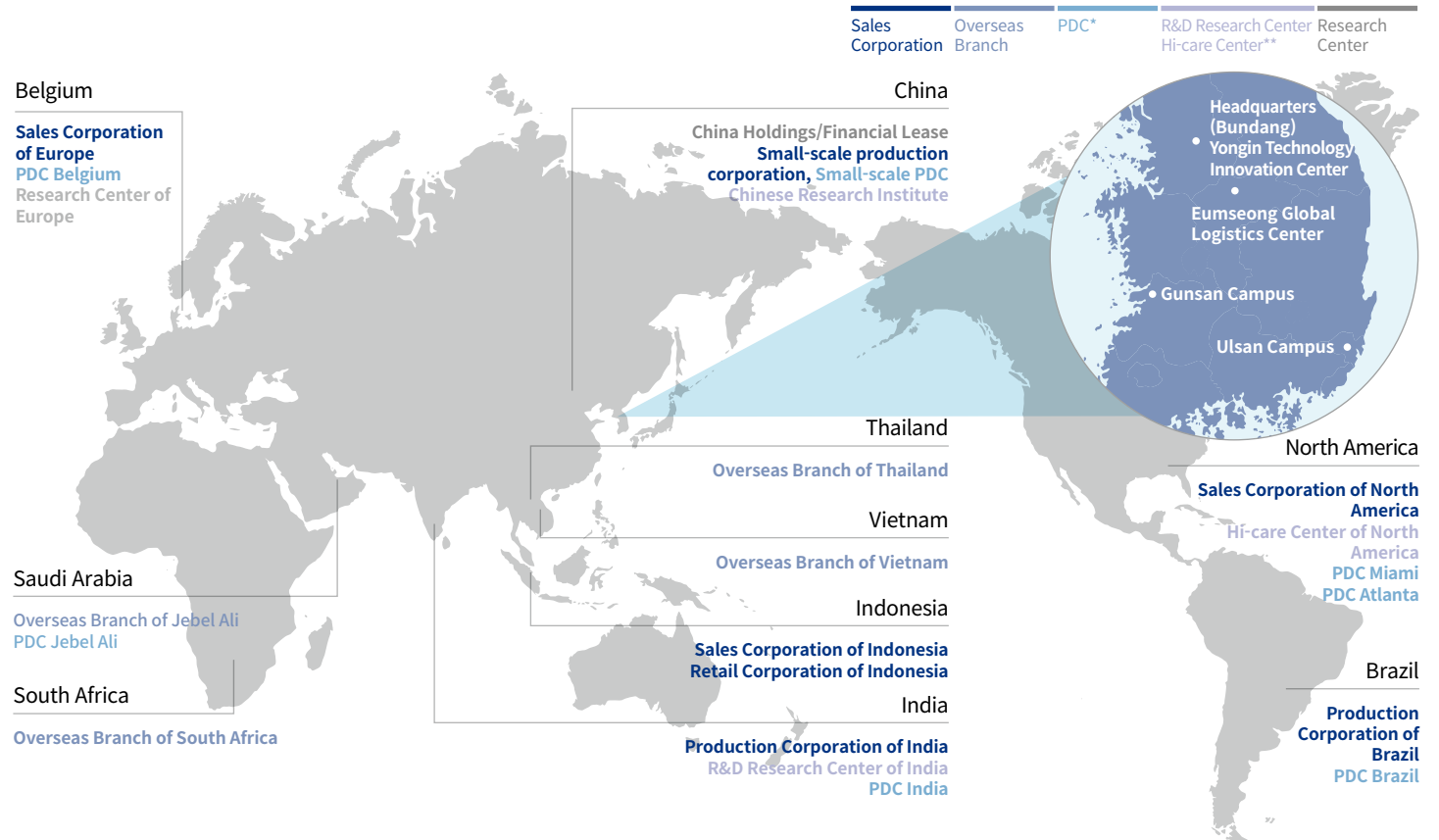
### Sales volume

Approximately

**26,717** units

\* PDC: Part Distribution Center

\*\* Hi-care Center: Construction equipment A/S solution support center

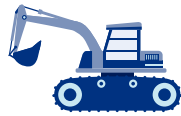




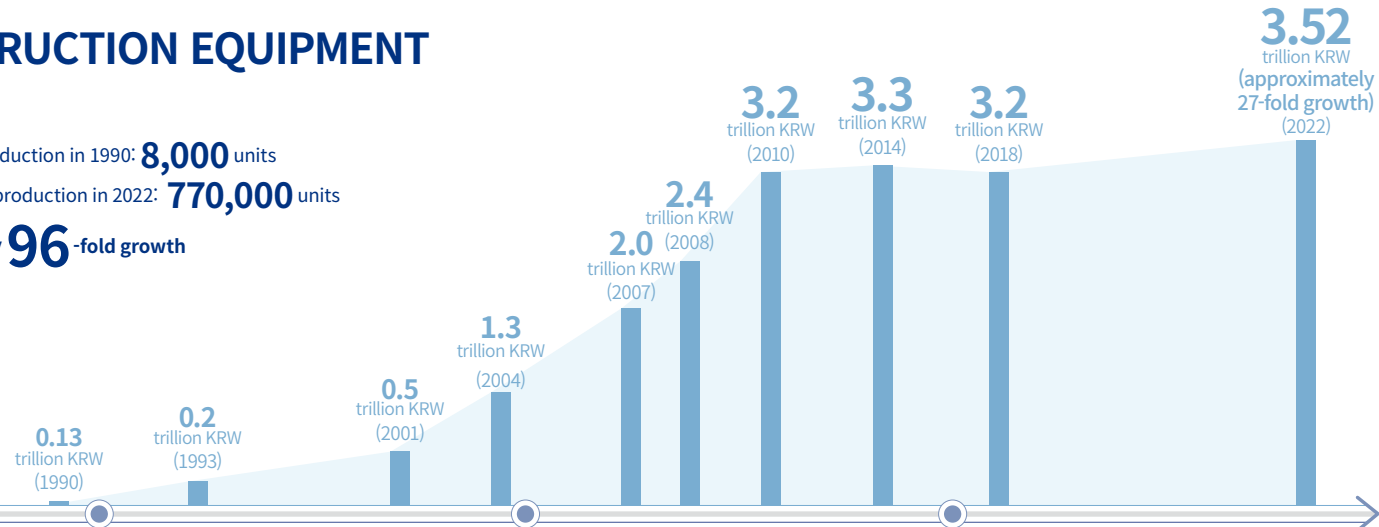


# History of HD HYUNDAI CONSTRUCTION EQUIPMENT

**Yearly Sales**



Cumulative production in 1990: **8,000** units  
 → Cumulative production in 2022: **770,000** units  
 Approximately **96**-fold growth



**Key Milestones**

## Establishing Business Foundations

### 1985~1990

- 1985** Established the construction equipment development R&D lab in Hyundai Heavy Industries Co., Ltd.
- 1987** Establishment of Construction Equipment Division
- 1988** Started sales in Korea  
Developed own medium-sized excavator model

## Establishing Global Business Infrastructure

### 1991~2004

- 1991** Established a local corporation in the US
- 1995** Established a local subsidiary in Europe and China
- 2000** Manufactured more than 50,000 units of construction equipment within the shortest period of time ever in Korea
- 2002** Established a joint venture in Beijing, China

## Proactive Expansion into Emerging Markets

### 2005~2016

- 2006** Established the Istanbul branch in Turkey
- 2008** Constructed a factory in India  
Established the Moscow branch in Russia  
Established the Panama branch in Latin America
- Established the Dubai branch in the UAE  
Manufactured more than 150,000 units of construction equipment
- 2011** Established the Jebel Ali Parts Center in Dubai  
Manufacturing of construction equipment exceeded 350,000 units

## Second Leap with the Enactment of an Independent Corporation Law

### 2017~ Present

- 2017** Established HD HYUNDAI CONSTRUCTION EQUIPMENT Co., Ltd. (as a spin-off from Hyundai Heavy Industries)
- 2020** Established the Global Technology Innovation Center
- 2021** Manufacturing of construction equipment exceeded 700,000 units

## History of CI Transformation

In accordance with our determination to respond to the changing times, environment, and customer demands, and to move forward through change, we have re-established our brand slogan and CI.

1987~2016



The triangle symbolizes the ancient Egyptian 'Pyramid,' representing human architecture. The golden and green colors represent eternal growth and prosperity, just as a sprout grows and becomes lush.

**Brand Slogan** Building A Better Future

2017~2023



**Brand Slogan** Moving You Further

We strive to improve our customers' lives and propel them forward using our equipment

2023~



We aim to realize 'Human Dreams' through the dynamic energy possessed by humanity

**Brand Slogan** Building a Comfortable Tomorrow

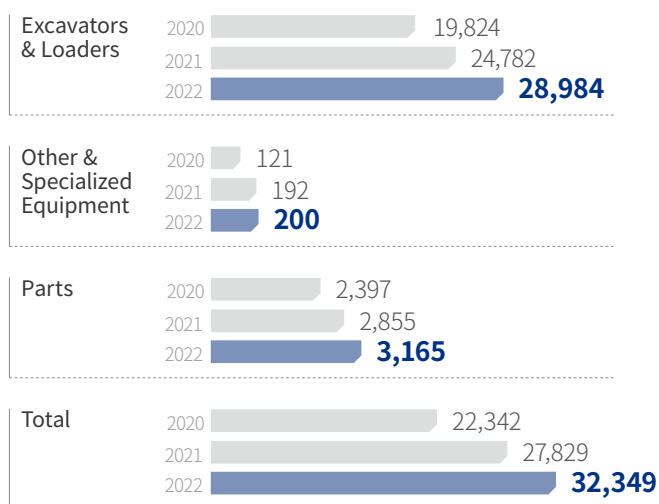
We strive to create a solid foundation for a comfortable and secure future



## About Product

HD HYUNDAI CONSTRUCTION EQUIPMENT is dedicated to the advanced development of construction equipment, focusing on excavators, wheel loaders, and other products. We showcase technologies that incorporate ergonomic design and advanced features while striving to enhance driver-centric convenience through systems like automated control. Furthermore, as digitalization and automation accelerate in the construction industry, we are committed to maximizing the connectivity between people, machines, and worksites by integrating Smart CE (Construction Equipment), aiming to enhance productivity, convenience, and safety for our customer's businesses. In terms of sustainability, we are also driving forward with eco-friendly energy solutions such as electric excavators.

### Annual revenue by category (Unit: 100 million KRW)



[Move to About Product](#)

### Excavators



Mini Excavators (1~8 tons)



Wheel Excavators (6~21 tons)



Crawler Excavators (11~52 tons)



Large Excavators (85~125 tons)

### Loaders



Wheel Loaders (10~32 tons)



Backhoe Loaders (H940S/H940S-4WS/H940C)



Skid Loaders (HS120V /HS80V)



Compact Track Loaders (HT100V)

### Other & Specialized Equipment



ADT (30, 40 tons)



Motor Graders (12~15.8 tons)



Single Drum Rollers (7~14 tons)



Tandem Rollers (2.5~3 tons)



Demolition Equipment (38~90 tons)



Electric Excavators (30~52 tons)



Material Handlers (22~48 tons)



Telescopic Dippers (22~38 tons)

## Brand Strategy

A brand is one of the strategies to give identity to products and services and establish a distinctive competitive position. The construction equipment market is characterized by intense competition among numerous global companies and local firms in specific regions. Customers, considering the relatively high cost of construction equipment, primarily consider the brand and quality of the products as key purchasing criteria. Brand identity represents the values, mindset, and organizational culture that a company aims to pursue in the future. HD HYUNDAI CONSTRUCTION EQUIPMENT has declared a new brand identity, 'Comfort Intelligence,' and the brand slogan, "Building a Comfortable Tomorrow," in March 2023, through the process of establishing a brand strategy system in 2022.

The new brand slogan embodies our mission to create a solid foundation for a comfortable tomorrow for all humanity through a deep understanding of humans, the connection of state of art technologies, and our goal to become a global leader in the smart construction equipment ecosystem. To achieve this, we will proactively build an organic smart construction ecosystem at the forefront of the industry, connecting machines and people, present and future, and possibilities and realities. Furthermore, the new Brand Identity, 'Comfort Intelligence,' represents the convenience of intelligent and user-friendly equipment that seems to understand the hearts of customers, which extends beyond the convenience of working environments where everyone can work with peace of mind to the convenience of life that unfolds better possibilities through the infrastructure we create.

### Brand Strategy Framework



## Construction Equipment (Excavators & Loaders)

### Business Overview

The construction equipment industry is a technology-intensive sector that requires precision machining and assembly techniques for various components such as metal materials, engines, hydraulic parts, and power transmission parts. It has high entry barriers for new entrants. The construction equipment market is undergoing a reorganization from being predominantly focused on large excavators to a focus on compact excavators, particularly swing-boom excavators (equipment that minimizes equipment protrusion during operation by minimizing the rear swing radius of the equipment), due to the increase in construction projects in urban areas. The compact equipment market is expanding rapidly in advanced markets such as North America and Europe and emerging markets like China. It is expected to continue its steady growth due to the increasing demand for operations in cramped urban areas. Furthermore, with the expansion of smart construction equipment (Smart CE) and the eco-friendly market, there is an increasing trend towards expanding eco-friendly models by expanding electric and hydraulic hybrid lineups to ensure adaptability.

### Our Strategy

Construction equipment is our main business at HD HYUNDAI CONSTRUCTION EQUIPMENT, used extensively for a wide range of purposes such as excavation, material handling, and crushing in large-scale infrastructure construction projects as well as in industries such as mining, agriculture, and forestry. We have developed a lineup of 16 excavator products ranging from 8 to 120 tons to meet various construction site requirements. In addition, we actively pursue various strategic partnerships such as OEM and ODM, aiming to diversify our product portfolio, resolve trade frictions, and seek technological collaborations. We enhance the efficiency and stability of our products by advancing smart CE technologies such as short- and long-distance remote-control systems, fault diagnosis solutions, AI products, and connected site solution. Furthermore, we proactively develop eco-friendly construction equipment, such as electric and hydrogen excavators, to secure adaptability to the expanding eco-friendly market. We are currently in the testing phase of developing a 14-ton hydrogen excavator and a mini electric excavator.

### Key Performance

2022 Construction equipment sales in Latin America



Record-breaking construction equipment sales volume (3,850 units)

Since the establishment of the North American subsidiary in March 2023



Monthly sales records have been achieved

In April 2022



HD HYUNDAI CONSTRUCTION EQUIPMENT became the top-selling monthly excavator brand in India

Stage V 10-ton Excavators (HX145ACR, HX140AL, HX130ALCR)

## Construction Equipment (Excavators & Loaders) | Integrate ESG Value into Our Business

### HiDETECT

후방 감지 및 AAVM 카메라 시스템  
REAR DETECTION SYSTEM, ADVANCED AROUND VIEW MONITORING

장비 주변 걱정 없이 안심하고 작업하세요.



Rear detection and AAVM camera system of Stage V loaders

### Safety Solutions



#### AAVM (Advanced Around View Monitoring) Camera System

HD HYUNDAI CONSTRUCTION EQUIPMENT was the first in Korea to commercialize the AAVM system. The AAVM system utilizes four cameras installed on the equipment to provide a 360-degree view of the equipment's surroundings without blind spots. If any object is detected within a certain proximity, the system displays a warning sign on the monitor, helping to prevent accidents in advance. To further enhance the safety of workers, we plan to develop and apply sensor fusion technology and camera-based AI technology in the future. This will enable the excavator to recognize and differentiate pedestrians, trucks, and other objects, automatically decelerating or stopping the excavator's rotation or movement according to the level of danger.



#### RDS (Rear Detection System)

RDS is a system installed on wheel loaders and excavators that uses a wide-angle radar to detect objects and warn the operator and pedestrians. It utilizes robust radar sensors that detect objects even in challenging external conditions such as snow, rain, fog, dust, and nighttime. The system displays the detected objects' distance on the auxiliary monitor using a bar gauge and provides audible warnings through a buzzer to alert the operator. The wheel excavators in Korea also provide external voice warnings to pedestrians, helping to reduce safety accidents.

## Specialized Equipment

### Business Overview

The construction equipment market that deals with specialized working environments is vast and diverse. In forest-rich countries in Oceania, there is a demand for forestry equipment for timber harvesting and transportation. In the market for reconstruction due to the aging of buildings, there is a need for demolition and material handlers that can classify and transform construction waste into reusable materials. Furthermore, with the increase in steel prices and energy costs, there is an expanding market for electric excavators and material handlers.

### Our Strategy

HD HYUNDAI CONSTRUCTION EQUIPMENT is pioneering new markets by diversifying its product offerings to align with changing market trends. We have commercialized material handlers and electric cable excavators for waste classification and recycling solutions. Our material handler lineup, including R210W-9SMH, HW250AMH, HX380AMH, and HX500LT3MH, has been expanded and strengthened for sales. Additionally, we have introduced new models of demolition-specific excavators (HX400ADM, HX520ADM) that safely carry out building demolition from the exterior. We are actively integrating our specialized equipment and construction equipment attachment businesses to provide versatile solutions for construction site environments.

### Key Performance

Sales volume of the electric excavator R300LC-E



300% growth

Domestic material handler



Expansion of sales to new countries

Some countries in Latin America → Commenced sales in Uzbekistan, the United States, and Russia



Demolition excavator HX520ADM in demolition sites

## Specialized Equipment | Integrate ESG Value into Our Business



Cable Electric Excavator(HX400AE, R300LC-E)

### Cable Electric Excavator

HD HYUNDAI CONSTRUCTION EQUIPMENT has been building an eco-friendly product portfolio since introducing electric excavator mass production in 2012. The Cable Electric Excavator is an eco-friendly power equipment designed for waste management and material handling in thermal power plants. It operates solely on electric motors without internal combustion engines, eliminating the generation of NOx, SOx, and PM emissions due to its electric nature, which does not rely on fossil fuels.

Electric excavators provide not only environmental benefits but also cost-saving advantages for customers. Using electric excavators can result in approximately 43% annual operating cost savings compared to engine-driven excavators. With increasing environmental regulations and policies in many advanced countries, we see the electric excavator business as a promising area for further growth. In line with our strategy to reshape our product portfolio as eco-friendly, we are monitoring the performance of the pilot product R18E, an electric excavator with a capacity of 1.8 tons, and developing various mini electric excavators.



### Product Economic/ Environmental Benefits\*

Category	Cable Electric Excavator	Engine-Driven Excavator
Operating costs	Annual electricity cost Approximately 51 million KRW	Annual fuel cost Approximately 90 million KRW
Maintenance costs	(Semi-permanent)	Annual maintenance cost Approximately 10 million KRW (Engine oil, filters, etc.)

\* The savings effect may vary depending on the scale of the operating facility and the method of selecting electricity rates.

# Parts/Services

## 🔍 Business Overview

The sales of A/S parts, which are required for the repair of completed equipment, generate a relatively stable revenue flow compared to the sales of the equipment itself. We strongly recommend using genuine parts to maximize operational performance and optimize equipment conditions according to each worksite's conditions. The use of non-genuine parts may lead to unexpected defects in the completed equipment, resulting in significant economic losses.

## 📌 Our Strategy

HD HYUNDAI CONSTRUCTION EQUIPMENT has provided a prompt supply of parts for A/S of completed construction equipment, supporting a "domestic 24-hour and international 48-hour delivery system." We operate parts logistics centers in Korea, the United States, Belgium, India, Brazil, China, and Dubai to ensure stable parts supply. Additionally, we have a dealer network of over 400 locations to supply parts reliably. Non-genuine parts may appear similar to genuine parts in appearance, but using non-genuine parts can cause serious defects in equipment performance. To address this, genuine parts are equipped with hologram tags and packaged in genuine boxes to make them easily identifiable and ensure consumer protection.

## 🏆 Key Performance

Establishment of Jakarta, Indonesia Parts Supply Center



Reduction in parts procurement

5 days → 2 days

Establishment of the Global One System



Optimization of PDC (Parts Distribution Center) operations worldwide

2022 International Skills Olympics in Heavy Equipment Maintenance



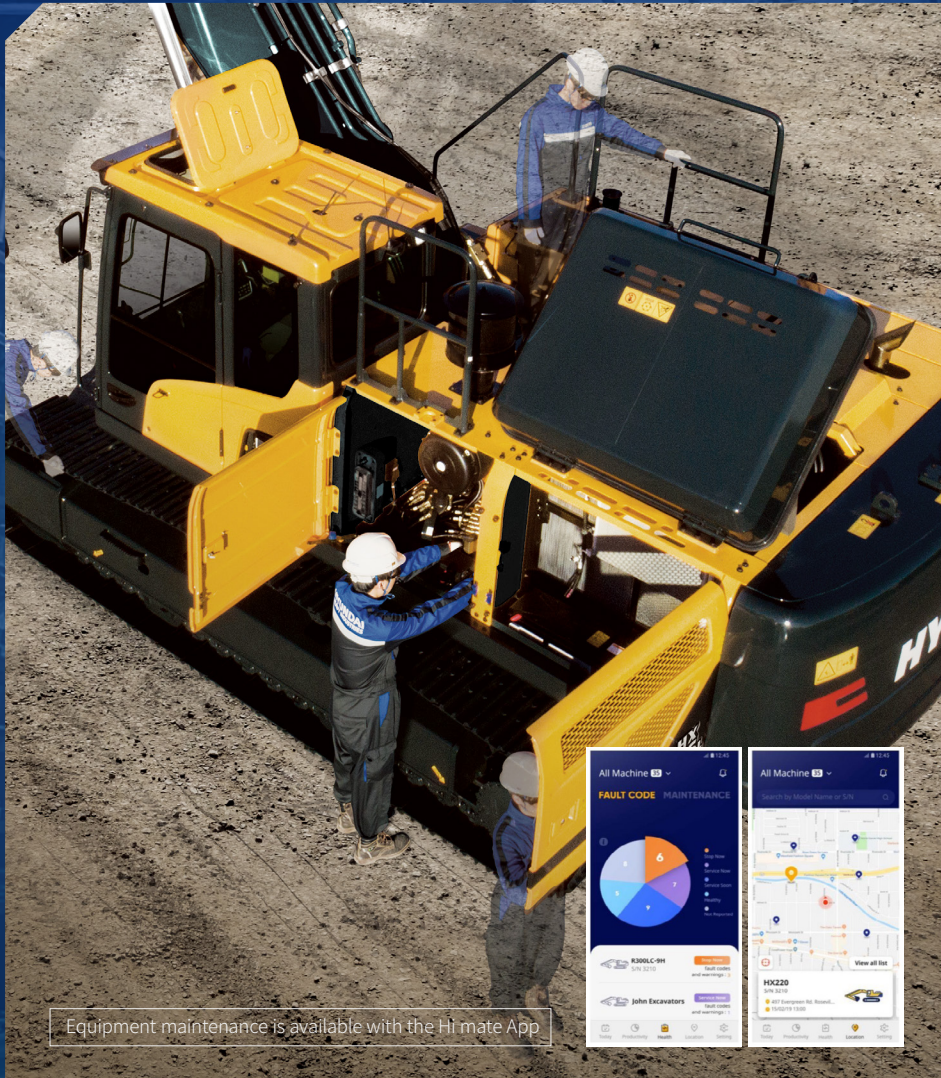
Park Seong-gyu employee awarded the bronze medal



Parts Center in Indonesia



## Parts/Services | Integrate ESG Value into Our Business



Equipment maintenance is available with the Hi mate App



### Improvement of Worker Efficiency

Due to the nature of construction machinery and special equipment, the work environment is rough, and the probability of failure is higher compared to regular equipment. From the consumer's perspective, every moment spent on repairs and getting the equipment back in operation is a waste of time. From the user's standpoint, we eliminate inefficiencies and innovate the customer experience. HD HYUNDAI CONSTRUCTION EQUIPMENT has integrated AI (Artificial Intelligence) and IoT (Internet of Things) technologies to develop AI fault diagnosis technology for construction equipment. By incorporating the 'AIoT module,' which combines real-time data collection and analysis of equipment with machine learning, we are able to detect any abnormalities in the equipment and utilize this information. Through this technology, users can easily check the operating status of the equipment, any anomalies, and information about consumables that require regular maintenance using a computer or smartphone. In particular, we provide measures to prevent failures by detecting early signs of malfunctions. By offering predictive services in addition to preventive services, we ensure that the equipment is maintained in optimal condition, enabling users to operate the equipment safely and reliably and maximize operational efficiency (uptime) to enhance productivity. Furthermore, throughout the lifetime of the equipment, we provide specialized maintenance and repair services, extending the lifespan of the equipment. We collaborate with specialized disposal organizations to safely dispose of and recycle oil and waste generated during the service process. Through these efforts, we aim to eliminate environmental hazards, maintain a pleasant environment, and contribute to developing a sustainable society. Various parts are delivered within 24 hours domestically and 48 hours internationally through a global parts supply network, maximizing customer satisfaction.



### Remanufacturing

Construction machinery goes through performance and functionality testing using prototype and pilot construction machinery before being commercialized. HD HYUNDAI CONSTRUCTION EQUIPMENT sells repaired parts that have completed product research and durability testing but have reached the end of their useful life or purpose, enabling them to be reused for other purposes. Additionally, in 2022, we analyzed the recycling rate of representative products, considering the entire process from product planning to disposal, and the analysis showed recycling rates of 79-85%, reuse rates of 13-18%, and non-usable rates of 2-3% for representative equipment. In the long term, we aim to strengthen the utilization of products during the product development and design phases to achieve a circular economy.



# ESG GOVERNANCE & STRATEGY

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## “Fair and Transparent Management Practices” - Core Principles of Corporate Governance at HD HYUNDAI CONSTRUCTION EQUIPMENT -

HD HYUNDAI CONSTRUCTION EQUIPMENT strives to be the cleanest company, not only the largest in the world. We are committed to contributing to the growth and development of all stakeholders based on sound corporate ethics and compliance. In 2021, to strengthen ESG management, we expanded and reorganized the previous 'Internal Transaction Committee' into the 'ESG Committee' through the board of directors. We aim to empower the board of directors with a more proactive role and responsibility and accelerate ESG management based on strong determination and drive.



ESG Performance		2020	2021	2022
KCGS		A	A	A
SUSTINVEST		B	BB	A
MSCI		BB	BB	BB
CDP		-	B	B



# ESG GOVERNANCE

HD HYUNDAI CONSTRUCTION EQUIPMENT has designated 2022 as the inaugural year of ESG management and selected the acceleration of ESG management as a core management policy. A dedicated organization has been established to secure the driving force and concentrate capabilities. We have formed an ESG Management Committee at the executive management level, consisting of the CEO and key executives. This committee is part of a governance structure that extends from the ESG Committee to the ESG Management Innovation Team.

## ESG Committee

HD HYUNDAI CONSTRUCTION EQUIPMENT has established an ESG Committee as the highest decision-making body under the Board of Directors. The ESG Committee, directly under the Board of Directors, oversees the approval of ESG strategies and plans. It convenes at least once a year and may hold additional meetings as needed to deliberate on key ESG decisions. The ESG Committee comprises three or more directors, with a majority of external directors.

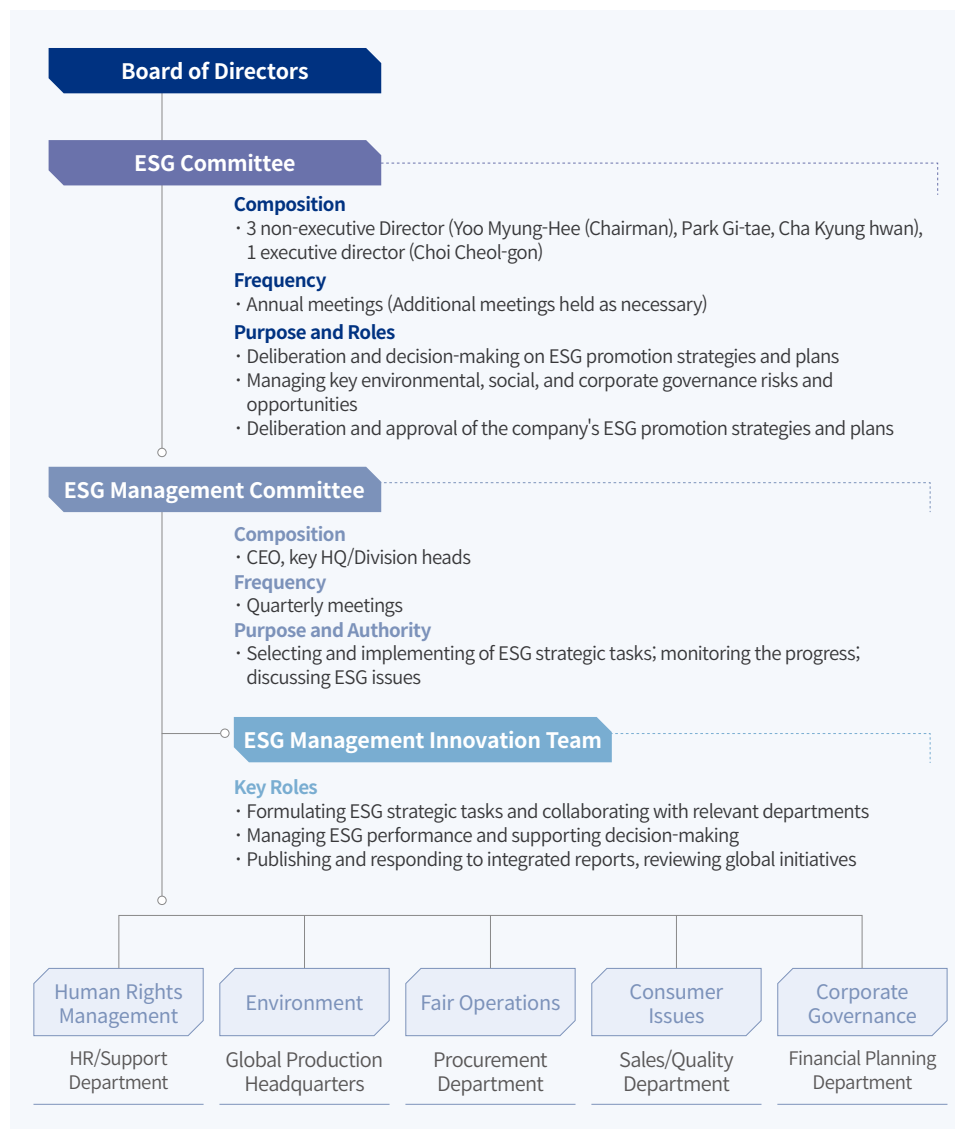
## ESG Management Committee

The ESG Management Committee, under the leadership of the CEO, consists of key executives who review the company's ESG opportunities and risks and select and monitor annual ESG strategic initiatives. The committee meets on a quarterly basis and discusses issues related to the five key areas: human rights, labor, environment, fair operation, customer value, and the local community. The ESG Management Committee makes decisions on important matters such as deriving ESG strategic initiatives and approving their operation and processes. Subsequently, a working group composed of operational staff formulates specific implementation plans and carries them out.

### ESG Committee Activities

Date of Meeting	Agenda	Voting Results	Attendance rate of directors (%)
2022.02.21	• Report on the operational status of internal transactions in 2021 (criteria for selecting transaction counterparts)	-	100
2022.07.27	• Report on the first-half operation results of the ESG Management Committee • Report on the establishment of climate change response strategies • Report on the results of publishing the integrated report • Report on the change in the title of the Sustainable Management Responsibility Officer	-	100
2022.10.04	• Proposal for the appointment of the ESG Management Committee Chairman	Passed	100
2022.12.07	• Report on the major ESG achievements in 2022 and approval of the 2023 plans	Passed	100
2023.02.2	• Report on the operational status of internal transactions in 2022 • Report on the review of ESG materiality	-	100

## ESG Governance

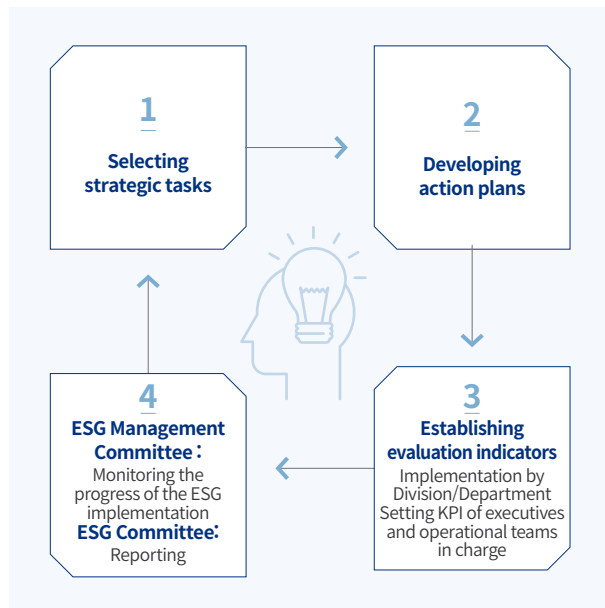




# ESG STRATEGY

HD HYUNDAI CONSTRUCTION EQUIPMENT has established an ESG management system to enhance and accelerate its ESG implementation capabilities. Following the ISO 26000 Social Responsibility Guidelines, we have selected five key areas among the seven core subjects to focus on and drive forward. The specific strategic tasks and objectives for each focus area are set annually, and concrete action plans are developed and implemented to achieve the yearly targets. The performance resulting from the implementation of ESG action plans is reviewed on a quarterly basis by the ESG Management Committee and reported to the ESG Committee. Additionally, to strengthen ESG implementation capabilities, responsible executives and operational teams are appointed in each headquarters and department, and Key Performance Indicators (KPIs) are established and managed.

## The process of implementing the strategy









## ESG Strategic Framework

Accelerating ESG Management					
<b>Vision</b>	 <b>A workplace to be proud</b>	 <b>Strengthening co-prosperity and win-win growth</b>	 <b>A respected company in society</b>		
<b>Mission</b>	Establishing a workplace where employees take pride in their work	Building long-term trusted partnerships with partners	Achieving customer satisfaction and becoming a trusted company in society		
<b>Key Areas</b>	<b>E ENVIRONMENTAL</b> Environment	<b>S SOCIAL</b> Fair Operations Human Rights	Customer Value	<b>G GOVERNANCE</b> Governance	
<b>Strategy</b>	<ul style="list-style-type: none"> <li>Establishing a climate change response system</li> <li>Creating eco-friendly workplaces</li> <li>Developing eco-friendly products</li> <li>Implementing an EHS management system</li> <li>Reducing hazardous substance emissions</li> </ul>	<ul style="list-style-type: none"> <li>Strengthening support for ESG management of suppliers</li> </ul>	<ul style="list-style-type: none"> <li>Promoting awareness of human rights</li> <li>Fostering a flexible organizational culture</li> <li>Expanding employee participation in social contributions</li> </ul>	<ul style="list-style-type: none"> <li>Enhancing communication with consumers</li> <li>Improving perceived quality for customers</li> <li>Communication with stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>Establishing ESG governance</li> <li>Activating committees within the board of directors</li> </ul>
<b>Major indicators</b>	<ul style="list-style-type: none"> <li>Environment / pollutants</li> <li>Workplace energy</li> <li>Net Zero</li> </ul>	<ul style="list-style-type: none"> <li>Suppliers</li> <li>Ethical management</li> <li>Supply chain carbon reduction</li> </ul>	<ul style="list-style-type: none"> <li>Human rights</li> <li>Labor practices</li> <li>Community engagement/development</li> </ul>	<ul style="list-style-type: none"> <li>Customer, quality</li> <li>Technological innovation</li> <li>Carbon reduction in product in-use stage</li> </ul>	<ul style="list-style-type: none"> <li>ESG governance</li> <li>Board of Directors</li> <li>Stakeholders (disclosure)</li> </ul>



## ESG Roadmap

HD HYUNDAI CONSTRUCTION EQUIPMENT has established a long-term roadmap to practice ESG management from a long-term perspective. In order to achieve long-term goals, the ESG Management Committee reviews and evaluates the previous year's performance, progress, and overall status on an annual basis. Based on this assessment, short-term goals, and action plans are developed, specified, and implemented each year.

	Strategic Direction	Management Indicators	Long-term Goals	Key Achievements in 2022	Alignment with SDGs
Climate change	Establishing a climate change response system	GHG emissions (Scope 1,2)	Achieve Net Zero for Korean workplaces by 2030	Reformation of Ulsan Campus and promoted rooftop solar power	 
	Creating eco-friendly operations	Energy consumption of the operations (Intensity) <sup>1)</sup>	Reduce emissions by 5% by 2028 (compared to 2022) Reduce emissions by 8% by 2030 (compared to 2022)	2022 objectives: Energy consumption Intensity (per unit) 0.02TJ 2022 performance: Energy consumption Intensity (per unit) 0.0192TJ	
	Developing eco-friendly products	Carbon emissions in the product in-use stage	Reduce carbon emissions in the product in-use stage by 12.3% by 2030 and 25% by 2040 (compared to 2021)	Reduce carbon emissions in the product in-use stage by 12.3% by 2030 and 25% by 2040 (compared to 2021)	
Proportion of eco-friendly products		Achieve a sales proportion of eco-friendly products of 83% by 2030 and 97% by 2040	Achieve a sales proportion of eco-friendly products of 83% by 2030 and 97% by 2040		
EHS management	Reducing hazardous substances emissions	Waste generation	Reduce waste generation by 15% by 2025 (compared to 2022) and 20% by 2030 (compared to 2022)	Target waste generation: 188kg per unit for 2022 Achievement: 185kg per unit for 2022	
Human rights	Raising awareness of human rights	Implementing human rights impact assessment	-	Achieved the highest rating in human rights impact assessment in 2022	
	Flexible organizational culture	Developing organizational culture improvement programs	-	Established a desirable organizational culture in 2022	
Fair operations	Win-win growth	Win-win growth evaluation grade	Attain 'Excellent' win-win growth index in 2023 and 'Outstanding' win-win growth index in 2025	Obtained a favorable <sup>2)</sup> co-win-win growth index in 2022	
Safety and health	Creating a safe workplace	LTIR, TRIR	TRIR: Reduce TRIR by 20% by 2027 (compared to 2022) LTIR: Reduce LTIR by 21% by 2027 (compared to 2022)	TRIR: 2.3 in 2022 LTIR: 1.6 in 2022	

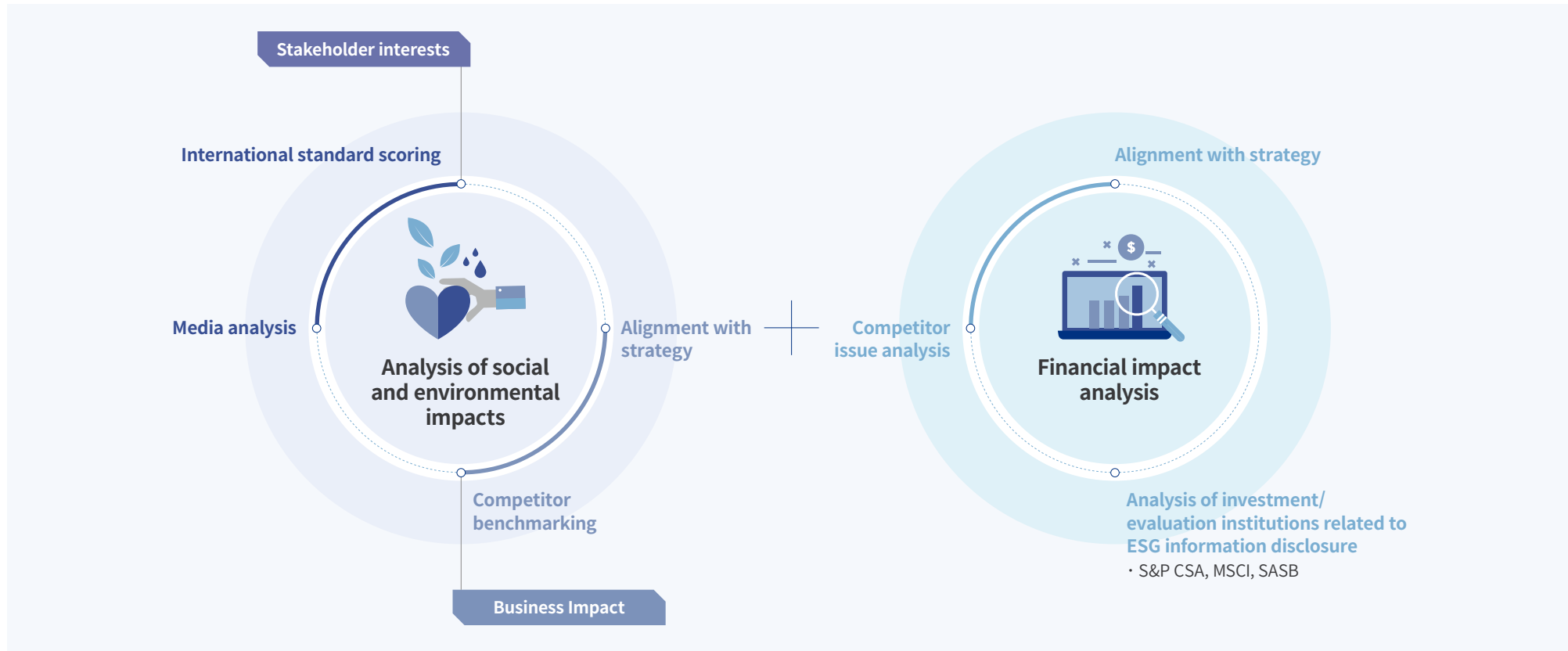
1) Energy consumption intensity is based on separate financial statements (in million KRW). The total energy consumption reduction target for 2022: Total energy consumption: Achieve 233.8TJ; Actual total energy consumption: 237TJ (achievement rate: 98%)  
 2) The disclosure for 2022 and the index for 2022 will be made in 2023



# Double Materiality Assessment

## Concept of Double Materiality

'Double materiality' is a concept that considers both the importance of social and environmental impacts (Impact Materiality) and the financial importance (Financial Materiality) simultaneously. It takes into account the influence of businesses on the economy, environment, and humanity, as well as the impact of various environmental changes (economic, social, and environmental) on a company's value and finances. Traditional sustainability management, CSR, and social responsibility-related guidelines have focused more on external aspects, while financial-based standards such as SASB and ISSB (International Financial Reporting Standards Foundation) that receive attention in investments and evaluations tend to prioritize internal aspects. Through the integrated evaluation of these two perspectives, companies can clearly understand stakeholders' concerns and expectations and reflect them in their management strategies, leading to improved business performance. Simultaneously, we can better incorporate environmental and social values throughout their activities.





## Double Materiality Assessment Process





# ESG Strategy Reflecting the Core Values of HD HYUNDAI

## Challenge without fear

### Material Topic 1. Management of GHG and Energy in the Workplace

#### Declaration of net zero for all business sites by 2050 and RE100 target for domestic worksites by 2025

HD HYUNDAI CONSTRUCTION EQUIPMENT declared its net zero target based on the SBTi 1.5°C criteria in July 2022. Through this, we aim to address the climate crisis and contribute to achieving the goals of the Paris Agreement and Sustainable Development Goals (SDGs) 1.5°C target. The core value of HD HYUNDAI, 'Fearless Challenge,' embodies the constant pursuit of pushing boundaries and creating new value. HD HYUNDAI CONSTRUCTION EQUIPMENT will fearlessly challenge and innovate to achieve the 2025 RE100 target for domestic sites. Additionally, we have plans to achieve the 2045 RE100 target for global worksites.



#### Alignment with SDGs 7.2

Increase substantially the share of renewable energy in the global energy mix

#### Key Performance

Reduced GHG emissions by **48%** for our Chinese subsidiary (compared to 2022)

**Initiated solar self-generation (rooftop solar)** for our Chinese subsidiary

Sourced **50%** of our annual electricity consumption through self-procurement (3,800 MWh)



## Innovative to lead

### Material Topic 2. Eco-friendly R&D

The core value of HD HYUNDAI, 'Innovative to lead', embodies our commitment to leading industry innovation through future technologies. GHG emissions from HD HYUNDAI CONSTRUCTION EQUIPMENT account for approximately 5% of domestic and international facilities and 95% during the product in-use stage (based on one year of product usage). This highlights that eco-friendly construction machinery technology and product development are critical issues in reducing our carbon emissions. In 2022, we conducted an analysis of the recycling rate for key products, considering Life Cycle Assessment from product planning to disposal processes to increase the recycling rate. We are also reorganizing our portfolio with eco-friendly construction machinery by developing electric and hydrogen models.



#### Alignment with SDGs 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 in order to minimize their adverse impacts on human health and the environment

#### Key Performance

Exhibited the world's largest construction equipment exhibition, BAUMA, CONEXPO, featuring a **1.8-ton electric excavator**

Investment of **KRW 5.2 billion** in eco-friendly technology development



## Care with respect

### Material Topic 3,5. Supply Chain Management, Contribution to Local Communities

HD HYUNDAI Spirit is grounded in practicing social responsibility to create a better world. We strive to spread sustainable value in our supply chain and local communities based on 'Care with respect'. In 2023, we established sustainable supply chain policies and implemented an ESG assessment system. We plan to enhance supply chain ESG risk mitigation measures and strengthen support activities based on supply chain ESG assessment. Furthermore, under our vision of 'A Better World, Brighter Future,' we engage in various social contribution activities. Reflecting the nature of the construction machinery industry, we provide support by supplying construction machinery to disaster recovery sites and carrying out activities such as construction machinery maintenance training as part of our social contributions.



#### Alignment with SDGs 17.17

Encourage and promote effective public, public-private and civil society partnerships

#### Key Performance

Established supply chain **ESG management policies**  
 Enacted **Supplier Code of Conduct**  
 Supported disaster recovery by providing **20 excavators**  
 (in collaboration with HD HYUNDAI INFRACORE)

## Safety For All

### Material Topic 4. Occupational Safety and Health

HD HYUNDAI strives for the highest safety standards based on the spirit of safety for us and for all. We engage in activities to prevent accidents through the spread of safety culture and prioritize risk assessment-based accident prevention measures. In the event of accidents, we conduct root cause analysis (RCA) to identify fundamental causes and implement improvement activities.



#### Alignment with SDGs 3.8

Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all

#### Key Performance

Executed **112%** of the safety and health investment budget  
 Fostered in-house safety experts (**1** Industrial Safety Engineer,  
**34** individuals obtaining safety-related qualifications)  
 Completed the **ISO 45001** recertification audit

**Received recognition** for contributions to industrial accident prevention from the Ministry of Employment and Labor





# MATERIAL ISSUES

## ENVIRONMENTAL

MATERIAL ISSUE 01. GHG and Energy Management	028
MATERIAL ISSUE 02. Eco-friendly R&D	036

## SOCIAL

MATERIAL ISSUE 03. Supply Chain Management	044
MATERIAL ISSUE 04. Safety and Health	050
MATERIAL ISSUE 05. Contribution to Local Communities	057





**MATERIAL ISSUE**  **GHG and Energy Management**

**01**

**Governance**

**Supervision by the Board of Directors**

HD HYUNDAI CONSTRUCTION EQUIPMENT has established an ESG Committee under the Board of Directors to manage key ESG risks and opportunities. The ESG Committee has the role and responsibility of approving the company's climate change and ESG strategies and plans. The ESG Committee receives reports on agenda items, including climate change issues, and makes final decisions on the discussed issues and policies. The ESG Committee holds its meetings annually as a general practice, and additional meetings are scheduled as needed. In the 2022 ESG Committee meeting, approval was granted for the climate change response strategy, progress in climate-related initiatives, information disclosure (publication of an integrated report), and the climate change and ESG plans for 2023.

**2022 Board of Directors' Report/Agenda on Climate-related Matters**

Timeline	Key Content	Participation (%)
3 <sup>rd</sup> quarter	[Report] Reporting on climate change response strategy [Report] Reporting on ESG performance and publication of integrated reports	100
4 <sup>th</sup> quarter	[Agenda] Approval of the ESG plan for 2023 [Agenda] Reporting on ESG Performance in 2022	100

**Management Roles and Responsibilities**

To enhance the level of ESG management, HD HYUNDAI CONSTRUCTION EQUIPMENT established an ESG Management Committee in 2022, chaired by the CEO, to oversee and operate ESG management. As a principle, the committee is held once per quarter and involves key executives who, under the leadership of the CEO, select ESG strategic issues, including climate change, and monitor the outcomes of their implementation.

**CFO, Chief ESG Officer**

The CFO (Chief Financial Officer) is responsible for the overall monitoring of financial performance and climate-related issues to achieve company objectives and implement corporate strategies. Given the direct and indirect impact of climate-related issues on financial performance, the CFO also assumes the role of Chief ESG Officer. They are responsible for reporting climate change issues and other ESG matters, including the implementation of emission trading schemes (ETS), to the ESG Committee under the Board of Directors. Additionally, they play a pivotal role in formulating and executing financial plans related to ETS.

**ESG Working Group**

Through the ESG Management Innovation Team, HD HYUNDAI CONSTRUCTION EQUIPMENT facilitates collaboration among its global business units to develop ESG implementation plans and manage ESG improvement initiatives. The Production Technology Department handles tasks such as converting business sites to RE100 and monitoring energy usage across the organization. The Product Planning Department predicts market trends for eco-friendly equipment and formulates product and sales plans considering market dynamics and technological advancements. The ESG Working Group ensures effective coordination and cooperation among departments, reporting key achievements and addressing significant issues to the ESG Management Committee.



## Strategy

### Risks and Opportunities

HD HYUNDAI CONSTRUCTION EQUIPMENT identifies climate-related risks and opportunities through literature, industry, and global initiative analyses. We conducted a potential financial impact scenario analysis until 2032, covering 10 years for risks and opportunities with a high likelihood of occurrence and significant revenue impact. The scenario analysis focused on transition risks and opportunity factors arising from transitioning to a low-carbon economy, using the IEA 2DS scenario, which assumes a global temperature increase of 2°C by 2100. Physical risks, which refer to the economic costs and financial losses resulting from increased extreme weather events and long-term climate pattern changes, were analyzed using the SSP 5-8.5 scenario. The analysis considered our headquarters and Ulsan Campus in South Korea, as well as our production facilities in Brazil, India, and China.

Area		Definition	Impact	Probability of occurrence	The magnitude of sales impact	Timeframe of impact	Potential financial impact (Unit: billion won)	Key response measures
Transition Risk	Market	Changes in market conditions by country, leading to shifts in consumer demand and purchasing patterns between internal combustion engines and eco-friendly products	Decreased sales of internal combustion engine products in advanced markets	High	High	Short to mid-term	5,943	Develop differentiated product sales strategies for advanced and emerging markets
	Technology	Weakening of competitiveness due to widening technology gap compared to competitors	Decreased sales of eco-friendly products	High	High	Short to mid-term	19,105	Expand R&D on eco-friendly products/technologies such as electric excavators and hydrogen excavators
		Decreased market share resulting from the transition from conventional internal combustion engine products to low-carbon internal combustion engine products	Decreased sales of internal combustion engine products	High	Medium to high	Short to mid-term		Releasing products that meet emissions regulations and transitioning towards long-term electrification and hydrogen-powered construction machinery models
Policy and Legal	Decreased product sales due to stricter new emission regulations in advanced markets	Decreased sales due to strengthened emission regulations	High	Medium to low	Mid-term	558		
Opportunities	Market	Expanding the market for eco-friendly power products due to strengthened regulations prohibiting the sale of internal combustion engine vehicles in advanced markets.	Increased revenue through entry into new markets	High	Medium to low	Short to mid-term	3,015	Commence mass production of electric excavators in 2024 and gradually introduce electric and hydrogen models until 2026
	Product and services	Increased demand for FCEVs and BEVs, leading to the expansion of low-carbon technology application models	Increased sales of low-carbon products	High	High	Short to mid-term	32,350	Transitioning small construction machinery models to electric power and large construction machinery models to hydrogen power
		Securing a competitive advantage by developing and investing in unmanned and autonomous technologies such as HI ASSIST and HI DETECT	Increased revenue from the sale of products incorporating ICT technology	Medium	High	Short to mid-term		Expanding the development of unmanned and autonomous technologies through HD HYUNDAI XITESOLUTION and increasing synergy
	Energy source	Cost reduction in operating expenses using low-carbon energy sources	Reduced costs associated with purchasing emission allowances	High	High	Short to mid-term	2	Continuously monitoring the optimal scenarios for introducing renewable energy, considering site conditions, economic feasibility, and transitioning to renewable energy
Resource efficiency	Cost reduction through increased resource efficiency in production processes	Energy cost savings	High	High	Short to mid-term	6	Improving energy efficiency and replacing outdated equipment by advancing the Ulsan Campus	
Physical risks	Acute	Increased risk of flooding and typhoons	Asset damage and reduced production due to coastal flooding, typhoons, and other climate-related events	Medium to high	Medium to low	Short to mid-term	53	Establishing a system for equipment maintenance, energy/environmental monitoring, and predictive maintenance through the 'Ulsan Campus Reformation' project
	Chronic	Changes in climate patterns and an increase in average temperatures.	Decreased production efficiency due to extreme heat	Medium to high	Medium to low	Short to mid-term	162	

\* Timeframe classification: Short-term: 0-5 years, Mid-term: 6-10 years, Long-term: 10-20 years.

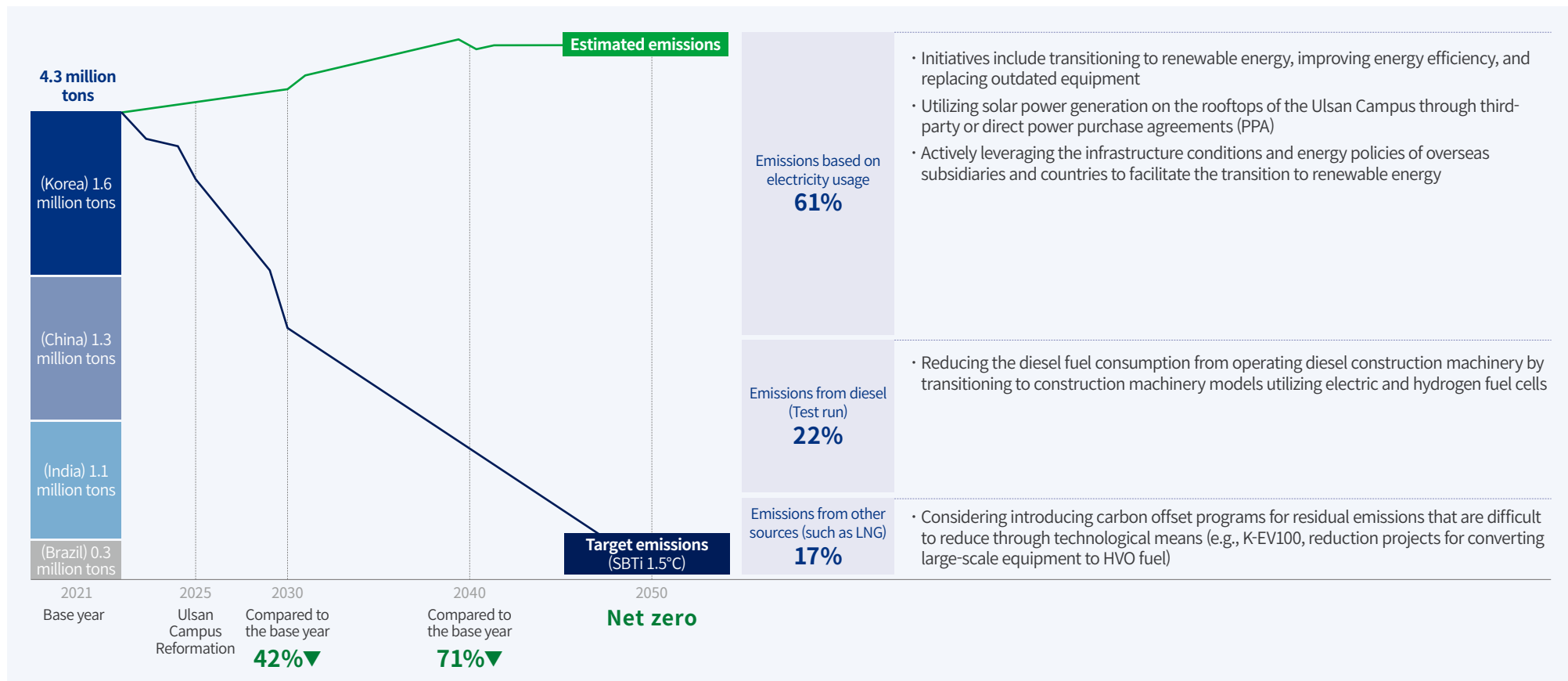
\* Financial impact analysis of physical risks was conducted using the MSCI Climate Value-At-Risk Tool



## Net zero for All Business Sites by 2050

HD HYUNDAI CONSTRUCTION EQUIPMENT has developed a net zero roadmap for global worksites by 2050 based on the SBTi 1.5C scenario as of July 2022. To achieve net zero by 2050, we aim to reduce emissions by 42% by 2030 and 71% by 2040, compared to 2021. In order to achieve net zero for all business sites, we will promote the transition to renewable energy, fuel conversion, and energy efficiency and utilize carbon offset programs to achieve global net zero for all business sites by 2050.

### Roadmap for Net zero by 2050 for Business Sites (Scope 1,2)



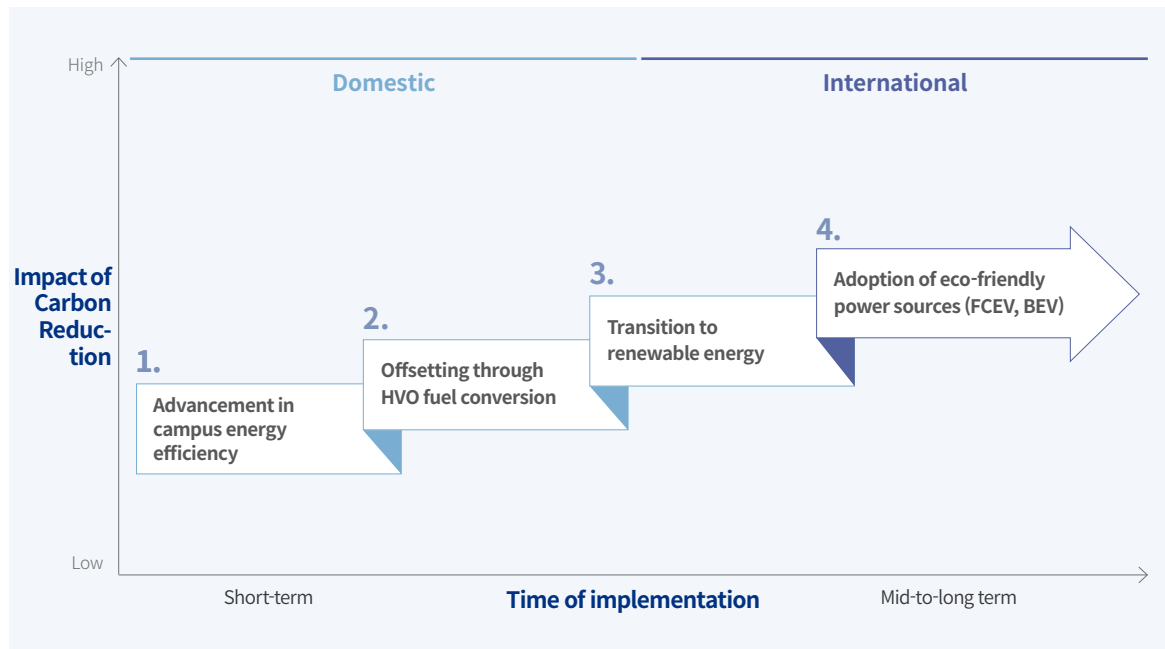
\* Based on the SBTi 1.5°C scenario



### Transition to Renewable Energy

HD HYUNDAI CONSTRUCTION EQUIPMENT is planning to utilize various means of the renewable energy transition, including the reformation of its main production facility, the Ulsan Campus. This includes the purchase of Renewable Energy Certificates (RECs), Power Purchase Agreements (PPAs), and the implementation of on-site solar power generation. The transition to renewable energy is being carried out through a comprehensive assessment of the energy characteristics of the facilities, production plans, economic feasibility, and the practicality of emissions reduction. To achieve this, the optimal scenario for renewable energy adoption is continuously monitored, and national renewable energy policies are actively utilized. The goal is to achieve RE100 certification for domestic facilities by 2025 and global facilities by 2045.

### Long-Term GHG Reduction Measures for Worksites



### Case Study

#### Transition to Renewable Energy of Global Worksites

##### A Chinese Subsidiary, On-site Solar Power Generation on Rooftop

HD HYUNDAI CONSTRUCTION EQUIPMENT's Chinese subsidiary is actively promoting the expansion of solar power generation. With 4 MW solar panels installed on the roof of a 77,000 square meter factory, they self-source 3,800 MWh of electricity annually, equivalent to half of their total power consumption. Through analysis of power usage patterns, they are exploring more efficient ways of utilizing electricity. As a result, HD HYUNDAI CONSTRUCTION EQUIPMENT's Chinese subsidiary expects to achieve a reduction of approximately 3,700 tons of exhaust gas emissions, 1,300 tons of particulate matter emissions, and a coal usage reduction of 1,400 tons per year.

##### An Indian Subsidiary, Signed an Agreement for Idle Land Solar Power Generation

HD HYUNDAI CONSTRUCTION EQUIPMENT is establishing a solar power generation facility and an Energy Management System (EMS) on a 40,000 square meter unused land near our Indian subsidiary. We have entered into an agreement with a local solar power generation company, Ravindra Energy, for the joint development of a 2.5 MW solar power generation project to maximize generation efficiency. Through this solar facility, we will be able to procure 70% of the annual electricity consumption of the production factory of our Indian subsidiary.



Solar power generation on the rooftop for the Chinese subsidiary (4 MW)

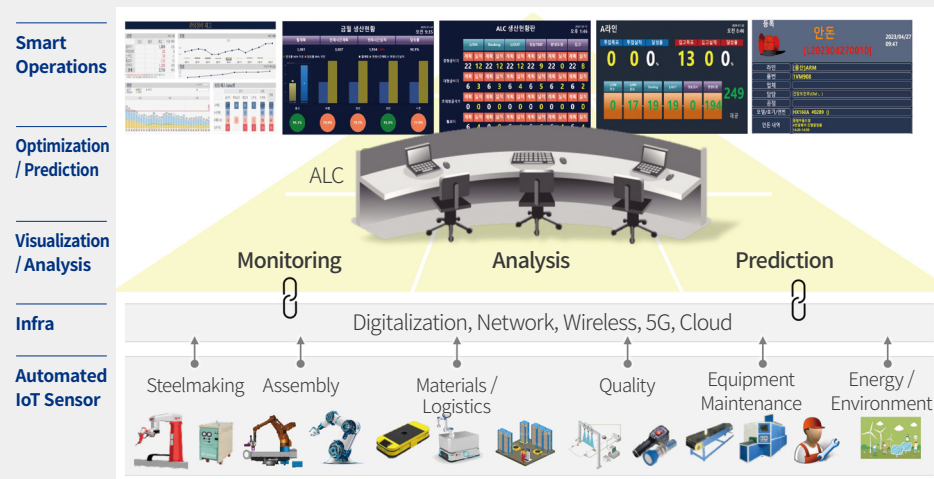
## Energy Efficiency Improvement

### Case Study

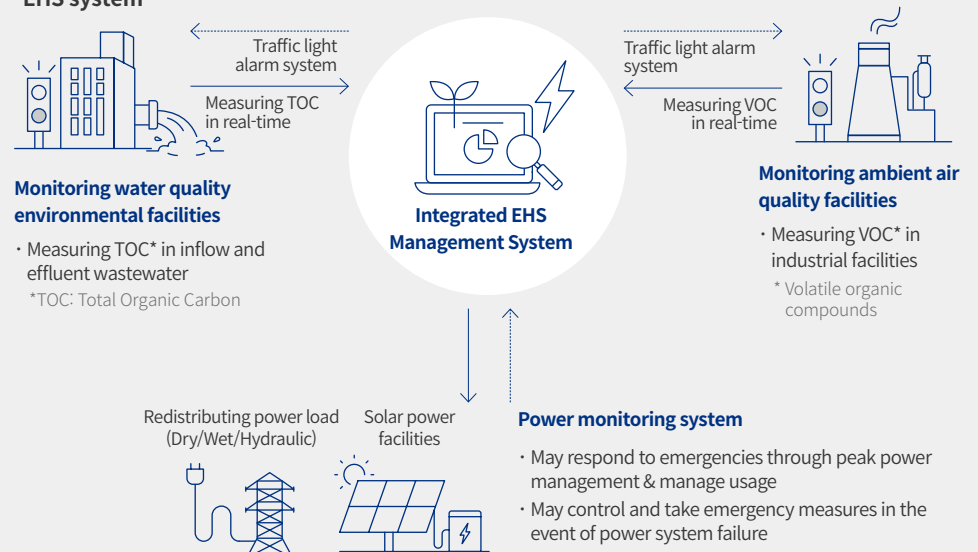
#### Ulsan Campus Optimization

HD HYUNDAI CONSTRUCTION EQUIPMENT is actively pursuing the reformation of its main production hub, the Ulsan Campus, as part of its efforts to secure competitiveness in the global construction equipment market and establish eco-friendly workplaces. With an investment of approximately 200 billion KRW, we have revitalized and reconfigured our production lines, which were previously inefficient due to aging, to maximize efficiency. We anticipate establishing a global top-tier production system by expanding the scale of construction equipment production, including excavators and wheel loaders. By the first half of 2025, we expect a growth in production capacity of approximately 50% compared to the previous level, enabling an annual production of around 15,000 units, up from the current 9,600 units. Moreover, we plan to reorganize manufacturing processes to fundamentally reduce energy consumption and establish facilities and systems for energy monitoring and data integration to enhance carbon emission analysis and prediction. Additionally, we aim to minimize the potential occurrence and impact of emergency environmental accidents, such as pollutant spills, by implementing systems that can respond immediately and control pollutant discharge, thus minimizing the environmental impact on the local community. The goal is to create an eco-friendly workplace with proactive measures to address emerging environmental incidents.

#### Establishing a real-time monitoring and predictive maintenance system by building a smart factory



#### Improving the efficiency of environmental management through the integrated EHS system





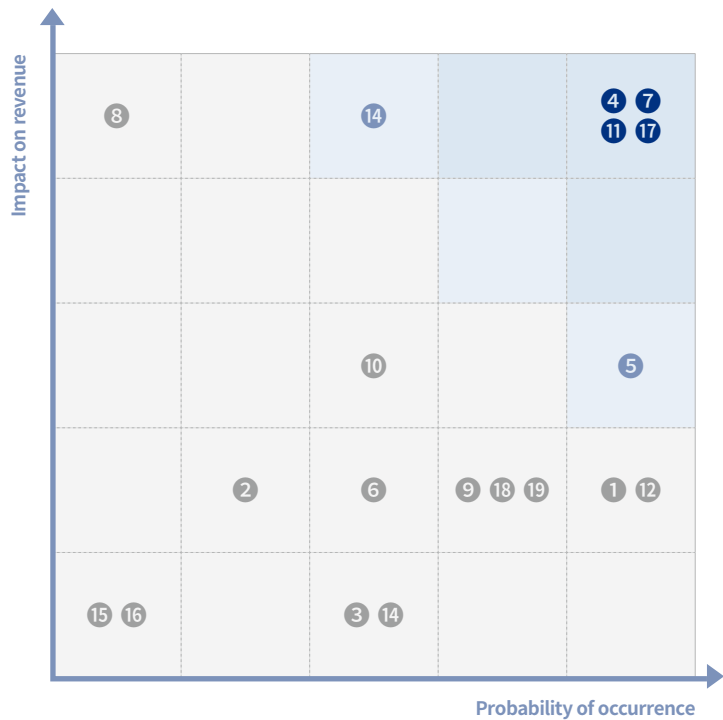


## Risk Management

### Assessment of Risks and Opportunities Related to Climate Change

HD HYUNDAI CONSTRUCTION EQUIPMENT has conducted a materiality assessment of climate-related risks and opportunities. The significance assessment involves identifying risk and opportunity factors based on industry analysis, global initiatives, and literature review. It is carried out by comprehensively analyzing the potential occurrence and impact on revenue through departmental interviews, expert analysis, and evaluating the revenue impact on the product portfolio.

#### Assessment of Risks and Opportunities Related to Climate Change



#### The Pool of Risks and Opportunities

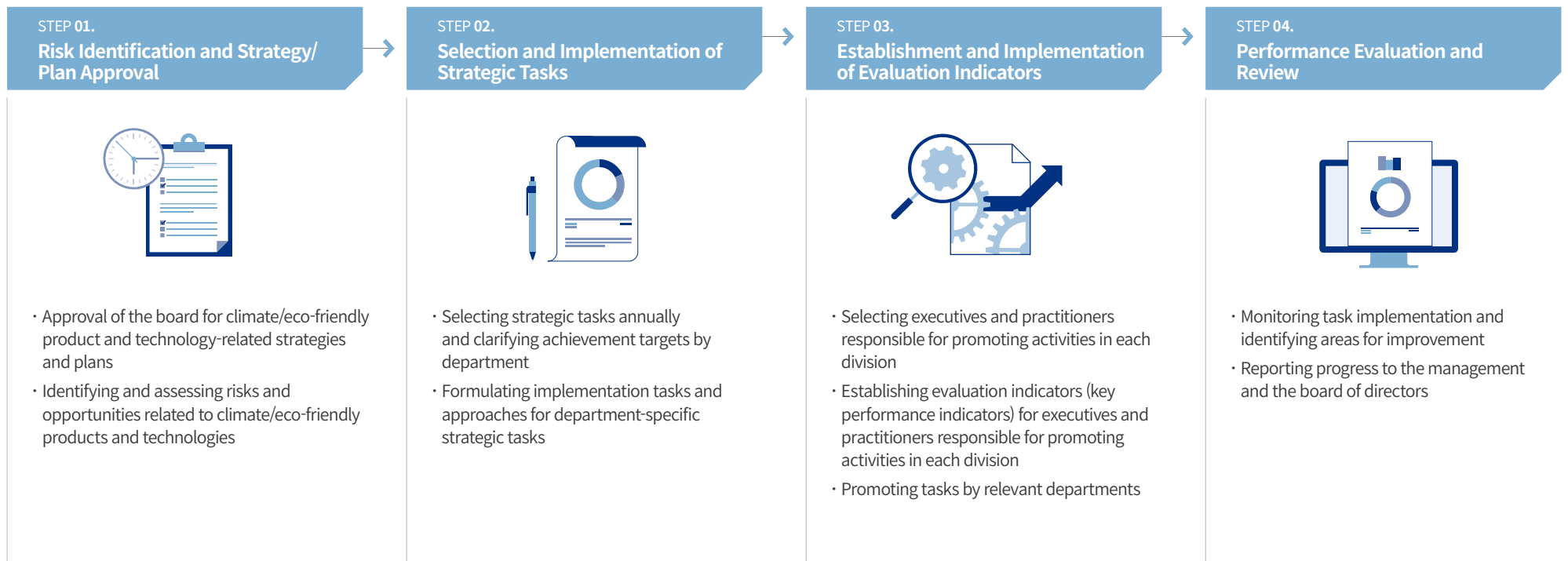
Transition Risks		Opportunities		Physical Risks	
Regulatory Risks	1. Emission regulations	Product and Service	10. Expansion of low-carbon products	Chronic	18. Increasing average temperatures
	2. Carbon regulations		11. Development/investment in innovative technologies		
	3. Strengthened emission reporting obligations	Market	12. The emergence of new markets		
Technical Risks	4. Weakening of technical competitiveness	Resource Efficiency	13. Increased production efficiency	Acute	19. Increased risk of flooding and typhoon occurrences
	5. Replacement of existing products		14. High-efficiency buildings		
	6. Uncertainty in technology commercialization		15. Expanded recycling		
Market Risks	7. Changes in consumer purchasing patterns	Energy Sources	16. Water conservation		
	8. Market uncertainty		17. Expanded renewable energy		
	9. Increase in raw material prices				

\* Please refer to page 29 for analyzed climate-related risks and opportunities



## Climate Change Risk Management System

HD HYUNDAI CONSTRUCTION EQUIPMENT integrates climate-related risks into its ESG risk management system. We identify climate-related risks and opportunities, assess their potential impacts, and seek response strategies. We review and adjust the organization's product and technology development strategies, finance, and business plans. According to the established strategies, each relevant department implements strategic tasks, and key risks and opportunities are evaluated at the board and executive levels.





## Metrics & Target

### GHG Emissions and Management System

To establish and implement a carbon-neutral strategy, it is important to measure and manage GHG emissions by emission sources accurately. GHG emissions from HD HYUNDAI CONSTRUCTION EQUIPMENT account for approximately 5% of domestic and overseas facilities and 95% of the in-use stage of construction machinery products. This indicates that developing eco-friendly construction machinery technology/products is a key issue in reducing carbon emissions. In addition to developing eco-friendly construction machinery technology/products, activities such as transitioning to renewable energy and improving energy efficiency at domestic and overseas facilities are being carried out to reduce GHG emissions.

### Executive Compensation

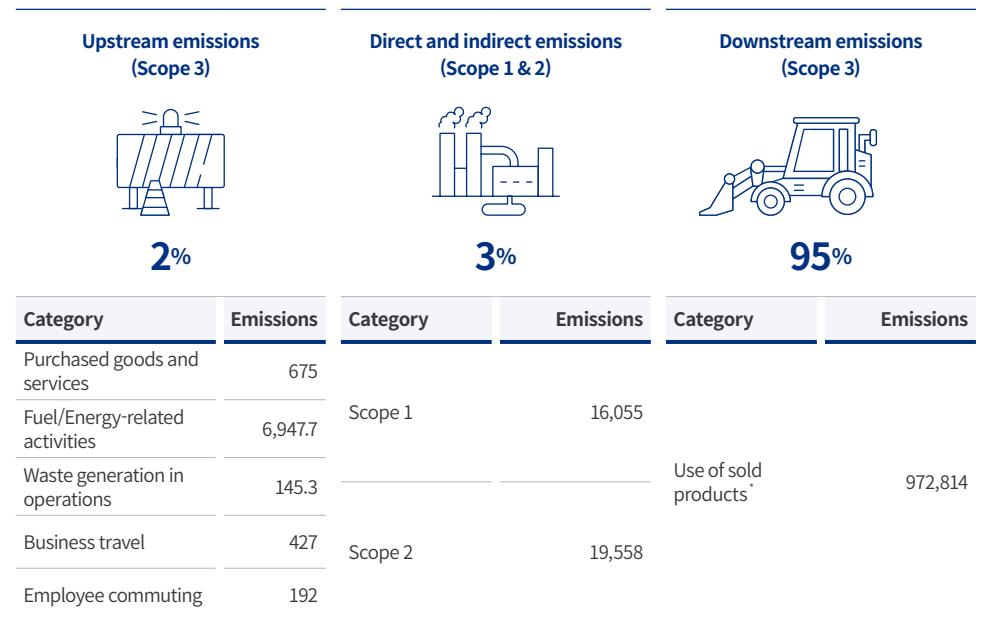
HD HYUNDAI CONSTRUCTION EQUIPMENT links climate-related performance to executive compensation based on their roles and responsibilities. Key performance indicators are composed at a level of approximately 5% of relevant executive and employee performance indicators, evaluating metrics such as GHG intensity (ton/unit) and the establishment of climate change response systems.

GHG Emissions (Unit: tCO<sub>2</sub>e, tonCO<sub>2</sub>e/million KRW)

Category	2020	2021	2022	2022 target	2023 target	2030	2040	2050
Scope 1 (Korea)	5,586	8,681	9,547					
Scope 2 (Korea)	6,825	6,405	6,391					
Scope 1 (Overseas)	7,046	9,328	6,508	46,100	42,500	24,900	12,400	0
Scope 2 (Overseas)	13,750	16,377	13,167					
Total	33,207	40,791	35,613					
Intensity of GHG emissions (Korea)	0.00919	0.00704	0.00620					
The intensity of Scope 1+2 emissions overseas**	0.01883	0.02199	0.02272					

\* Reduction in GHG emissions due to decreased production volume in the Chinese subsidiary  
 \*\* Based on revenue from overseas production subsidiaries (China, India, Brazil)

GHG Emissions (Unit: tCO<sub>2</sub>e)



\* Carbon emissions calculated from product usage for over one year (based on product sales in the current year)



**MATERIAL ISSUE**



# Eco-friendly R&D

02

## Governance

### Management Roles and Responsibilities

HD HYUNDAI CONSTRUCTION EQUIPMENT operates the top decision-making bodies at the management level, including the Product/Goods Strategy Committee and the Technology Strategy Committee, to review and decide on medium to long-term technology and product development strategies. As a general principle, these committees are held once a year, and representatives from all three companies within the Construction Machinery Sector of HD Hyundai (HD HYUNDAI XITESOLUTION, HD HYUNDAI INFRACORE, HD HYUNDAI CONSTRUCTION EQUIPMENT) participate in enhancing inter-company exchange and research and development synergy, thus increasing competitiveness. Based on the approved product/technology portfolio and roadmap from the Product/Goods Strategy Committee and the Technology Strategy Committee, the NPD (New Product Development)/NTD (New Technology Development) Committee is held every month. The NPD/NTD Committee, attended by the CEO, examines risks at each equipment and technology development stage and makes decisions on the next steps for key issues, ensuring the overall progress of the development process. Starting in 2023, to develop new models, we intend to add emission reduction targets as indicators, in addition to fuel efficiency, and go through an approval process to evaluate the achievement of these targets.

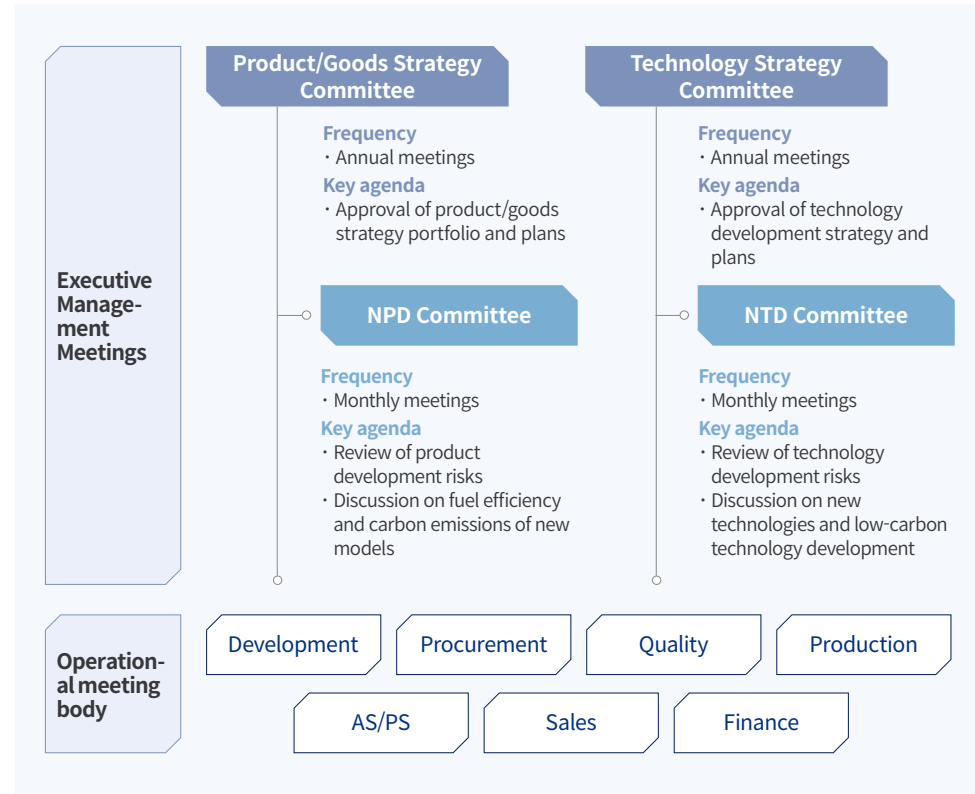
#### Product Strategy Committee

<b>Frequency</b>	Annual meetings
<b>Purpose</b>	Overview of product strategy and roadmap
<b>Key agenda</b>	PRM Overview Regional product strategy and measures to enhance product competitiveness
<b>Participants</b>	CEOs and key executives from the Construction Machinery Sector of HD Hyundai's three companies

#### Goods Strategy Committee

<b>Frequency</b>	Annual meetings (held after the Product Strategy Committee meeting)
<b>Purpose</b>	Approval of product/technology portfolio and roadmap
<b>Key agenda</b>	Integrated product/new technology development strategy Eco-friendly product development strategy for net zero Digital and AI technology development strategy
<b>Participants</b>	CEOs and key executives from the Construction Machinery Sector of HD Hyundai's three companies

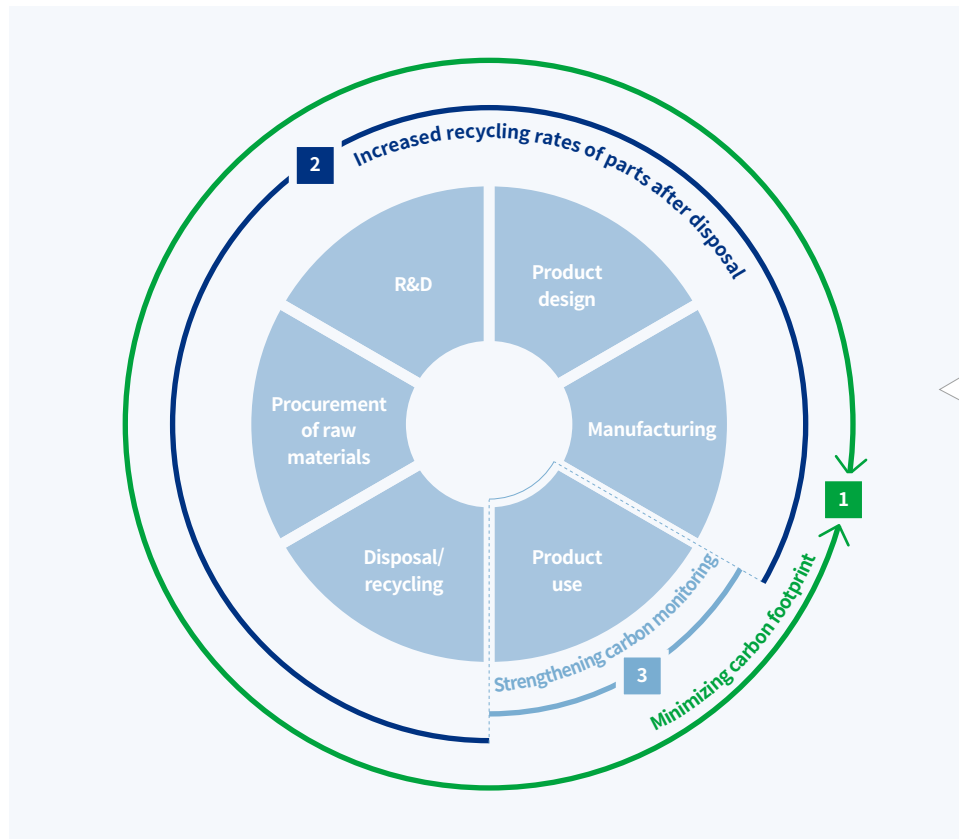
### Technology and Product/Project Development Governance





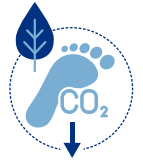
## Strategy

### Eco-friendly Product Strategy



#### 1 Minimizing carbon footprint

Reduce carbon emissions at construction sites by expanding the low-carbon product portfolio and strengthening R&D for smart construction site solutions (Lightweight design, fuel efficiency improvement, conversion to eco-friendly power, conversion to biofuel, etc.)



#### 2 Increased recycling rates of parts after disposal

Recycling parts at the end of the warranty period and disposal stage, remanufacturing engines (Re:man), extending the warranty, providing discounts on remanufactured products, etc.



#### 3 Strengthening carbon monitoring

Enhancing Hi MATE<sup>1)</sup> for improved data management of carbon emissions during the product in-use stage (Mandatory installation of Hi MATE in medium and large equipment, integration of carbon emissions logic in Hi MATE for product in-use stage, continuous implementation, and management of carbon reduction strategies during product use, etc.)



1) Hi MATE: Cloud-based telematics service for remote equipment management

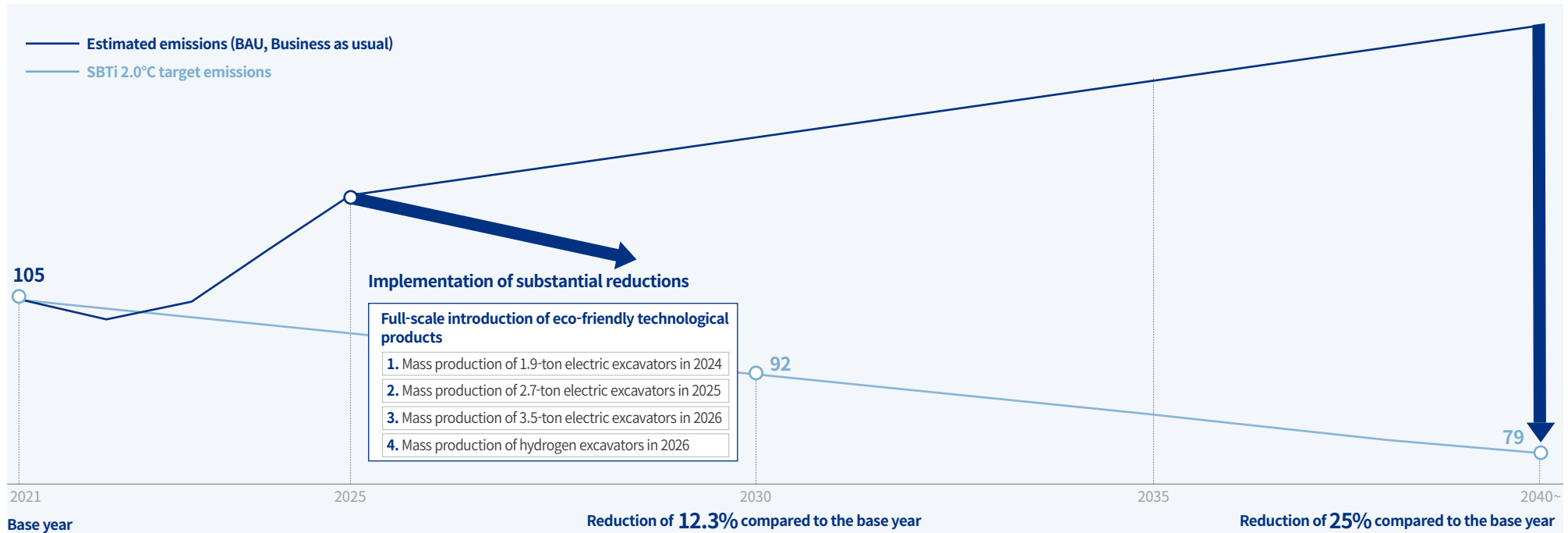


# 1 Minimizing Carbon Footprint **Minimizing Carbon Emissions in the Product In-Use Stage**



HD HYUNDAI CONSTRUCTION EQUIPMENT has developed a strategy to minimize carbon emissions during the product in-use stage, aiming to mitigate climate risks and convert them into business opportunities. According to the SBTi 2-degree scenario, we set targets to reduce carbon emissions from product use (based on one year of use) by 12.3% by 2030 and 25% by 2040, compared to 2021. To this end, we are incorporating fuel efficiency improvement technologies and actively promoting the transition to electric and hydrogen power. The goal is to achieve 83% of eco-friendly product sales in the portfolio by 2030 and 97% by 2040. In the short term, we are preparing for mass production of a 1.9-ton electric mini excavator, which is scheduled to be commercialized in 2024. We are also accelerating the development of electric power models based on a dedicated electric platform, including 2.7-ton and 3.5-ton compact electric excavators, as well as medium-sized excavators. In addition, a beta version of a hydrogen excavator has been showcased, with the goal of commercialization by 2026. To accelerate hydrogen model development, we have signed a joint development agreement with Cummins, a US powertrain specialist, for hydrogen internal combustion engine equipment in 2022. From the perspective of fuel conversion, we plan to reduce diesel fuel usage and carbon emissions by transitioning to bio-diesel HVO (Hydrotreated Vegetable Oil). By pursuing the development of various eco-friendly products, we intend to secure leadership in eco-friendly technologies and take a leading position as a brand at the forefront of decarbonization.

Reduction pathways resulting from the application/sale of eco-friendly technologies (Unit: 10,000 tCO<sub>2</sub>e)



\* Calculation of carbon emissions produced during one year of product usage (based on the products sold in the corresponding year)



Case Study

Hydrogen Excavator

A hydrogen excavator is a construction equipment that utilizes the electrochemical reaction between oxygen and hydrogen in a hydrogen fuel cell to convert chemical energy into electrical energy, which is then used as the power source. Unlike conventional passenger vehicles, hydrogen fuel cells feature to store more energy and have shorter refueling times, making them suitable for large-scale construction equipment that requires long hours of operation in rugged work environments. Furthermore, hydrogen, which serves as the fuel, is abundant on Earth. When electricity is generated using fuel cells, the only byproduct is clean water, with no emissions of greenhouse gases such as carbon dioxide. Another advantage of the hydrogen excavator is that it significantly reduces equipment noise due to the absence of an internal combustion engine, which is the primary noise source in conventional construction machinery. Since signing a memorandum of understanding (MOU) with Hyundai Motor and Hyundai MOBIS in 2020 for the joint development of hydrogen fuel cell construction machinery, HD HYUNDAI CONSTRUCTION EQUIPMENT has been actively developing a 14-ton-class hydrogen wheel excavator. In 2022, we unveiled a beta version prototype close to commercialization at the world's largest trade fair, Germany's BAUMA exhibition, and at the 2023 North America's largest construction, concrete, and mining machinery exhibition, CONEXPO 2023, in Las Vegas. We are striving to accelerate research and development with the goal of commercializing hydrogen excavators by 2026.



Hydrogen Excavator





Social Value Assessment of the Hydrogen Excavator

HD HYUNDAI CONSTRUCTION EQUIPMENT recognizes the importance of non-financial value and has measured the value delivered by the hydrogen excavator to stakeholders using the EY Long-term Value approach, converting it into monetary value. Through this assessment, it has been confirmed that the hydrogen excavator generates an impact value equivalent to approximately 320 million KRW per unit. By understanding the tangible and intangible value inherent in the product, we aim to maximize positive impacts while creating sustainable competitive advantages.

[Link to Separate Report](#) →

Results of Impact Valuation for the Hydrogen Excavator

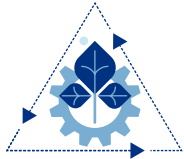
  
**Total social value created**  
**323** million KRW per unit

 Customer value	 People Value	 Societal value	 Financial Value
<b>135</b> million KRW	<b>68</b> million KRW	<b>88</b> million KRW	<b>32</b> million KRW
<ul style="list-style-type: none"> <li>· Estimated value provided to customers through products and services</li> <li>· It was estimated based on fuel cost savings and reduction in the construction company's Scope 3 emissions achieved through the use of the hydrogen excavator</li> </ul>	<ul style="list-style-type: none"> <li>· Recognized value provided for the long-term improvement of users' quality of life</li> <li>· Estimated health benefits from the reduction of fine dust emissions and noise reduction achieved through the use of the hydrogen excavator</li> </ul>	<ul style="list-style-type: none"> <li>· Recognized value provided for long-term impact on the society in which the company operates</li> <li>· Estimated reduction in greenhouse gas (GHG) and atmospheric pollutant emissions achieved through the use of the hydrogen excavator</li> </ul>	<ul style="list-style-type: none"> <li>· Recognized value provided for the long-term and sustainable growth of the company's financial value</li> <li>· Based on the profit increase achieved through the sale of the hydrogen excavator</li> </ul>

\* The above measurement was conducted based on data managed by the company, utilizing national statistics, research results, and other relevant sources. The monetary values used in the assessment may change based on new research findings, and the completeness of the assessment results cannot be verified. Therefore, it should not be considered part of financial disclosure.



## 2 Increased recycling rates of parts after disposal



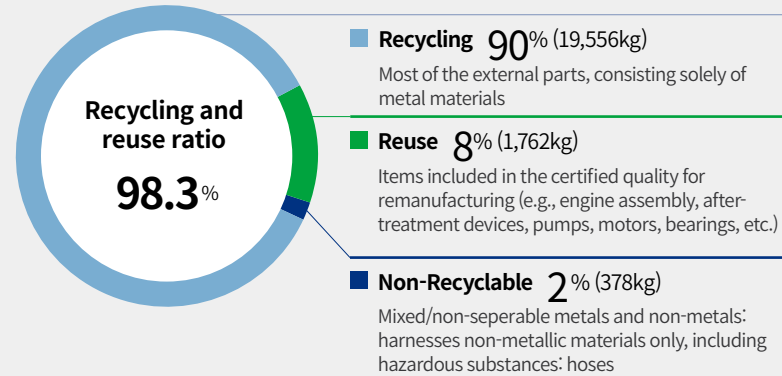
### Analysis of Product Recycling Rates

To enhance the recycling rates after the end of the product lifecycle, we have established representative models based on weight and analyzed the possibility of recycling to increase recycling rates. In 2022, we analyzed the recycling rates of representative models for medium and small crawler excavators, wheel loaders, and wheel excavators. The results showed that the recycling rates for each equipment type were estimated to be 79-85% for recycling, 13-18% for reuse, and 2-3% for non-recyclable. From the planning stage of the product to the disposal process, we consider Life Cycle Assessment (LCA) to comprehensively evaluate the environmental impact and incorporate it into product development/design considering the product lifecycle, thereby strengthening ESG management.

#### Case Study

### Analyzing the Recycling Rates of Wheel Excavators (HW210A)

Analysis criteria: A total of 1,475 items in the material specifications, based on weight (total weight: 21,696 kg)







### 3 Strengthening Carbon Monitoring



We operate the 'Hi MATE' system, which allows real-time monitoring of the operation and condition of equipment worldwide based on the Telematics information installed in the equipment. We have made it mandatory to equip Hi MATE with large-scale equipment and have incorporated the function of calculating the carbon emissions of Hi MATE within the system. This enables us to implement and manage carbon reduction strategies for product use continuously. In 2023, we are establishing a climate-related data management system and building a GHG emissions (Scope 3) input system to enhance the accuracy and timeliness of data.

#### Calculation of Carbon Emissions in the Product In-Use Stage

To calculate the carbon emissions from the products (Category 11: Use of sold products), we manage the annual usage time and fuel efficiency for each product based on the Hi MATE data aggregated from our equipment. In order to minimize the variations caused by soil conditions and working circumstances at construction sites, we supplement the data with internal test data when necessary.

\* Calculation formula for carbon emissions in the product in-use stage: Working hours (hours/year) × Fuel efficiency (liters/year) × Emission factor (tCO<sub>2</sub>e) × Number of units sold in the current year

#### Green Procurement System

HD HYUNDAI CONSTRUCTION EQUIPMENT has established a green procurement policy and is increasing the environmental friendliness of the raw materials used in our products. To increase the proportion of eco-friendly components involved in manufacturing, we apply a 5% acceptance rate for the prioritized purchase of green products\*. This is expected to promote the production of eco-friendly components. We also seek eco-friendly win-win growth by providing rewards and support to cooperative companies demonstrating outstanding performance in producing green products.

\* Green products: Products that contribute to resource conservation and environmental pollution reduction compared to other products, such as those certified with environmental labels, low-carbon product certifications, and excellent recycling product certifications (GR)

#### Purchases of Green Products



Number of target items (units)  
**6**

The scale of green purchases (million KRW)  
**19**

#### Green Purchase Process



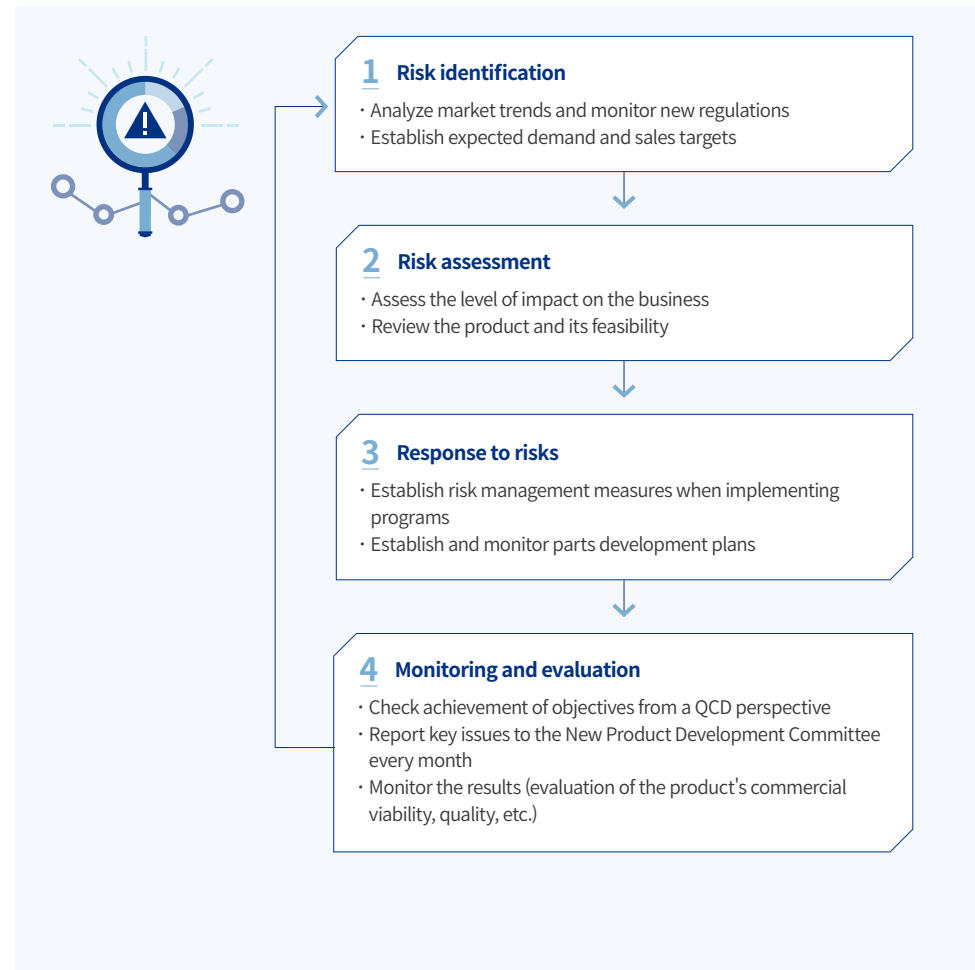


# Risk Management

## Product Development Process



## Risk Management Process





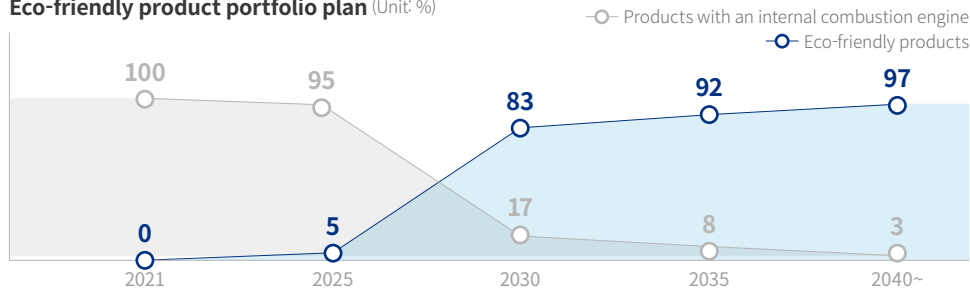
## Metrics & Target

### Key Performance Indicators and Objectives

#### Restructuring Product Portfolio

HD HYUNDAI CONSTRUCTION EQUIPMENT is currently undertaking a comprehensive restructuring of its product portfolio to minimize climate-related risks and capitalize on business opportunities. As part of this initiative, we have set ambitious targets to reduce carbon emissions during the product in-use stage. By 2030, the aim is to achieve a 12.3% reduction compared to the levels observed in 2021, with a further reduction of 25% targeted by 2040. To accomplish these goals and realign the portfolio towards environmentally sustainable construction machinery, we are vigorously advancing the development of eco-friendly technologies and products. This includes implementing fuel efficiency improvement techniques, integrating electric and hydrogen-powered solutions, and deploying unmanned and autonomous systems, among others.

#### Eco-friendly product portfolio plan (Unit: %)



#### Key Achievements

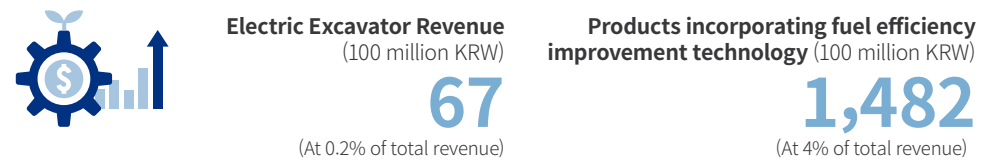
Category	Unit	2020	2021	2022
R&D expenses	Million KRW	61,499	67,229	59,269
R&D personnel	Person (s)	302	295	258
R&D investment per sales	%	4.6	3.1	2.31
Number of intellectual property applications <sup>1)</sup>	Cases	296	276	219
Number of intellectual property registrations <sup>1)</sup>		225	209	161

1) The decrease compared to 2021 is due to the transfer to the HD HYUNDAI XITESOLUTION division in the industrial vehicle sector

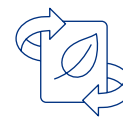
#### Taxonomy

HD HYUNDAI CONSTRUCTION EQUIPMENT has established its own taxonomy for classifying environmentally friendly products based on EU Green Taxonomy and K-Taxonomy standards. We measure and manage revenue generated from the sale of environmentally friendly products. Our long-term plan is to expand the proportion of environmentally friendly product sales to 97% of total sales by 2040.

#### Sales Performance of Environmentally Friendly Products



#### Taxonomy of Environmentally Friendly Products



- Green power conversion:** Electrification, energy recovery, clean energy
- Fuel efficiency:** Fuel efficiency improvement, prevention of fuel inefficiency
- Smart construction XITESOLUTIONs:** Site management, fleet management, operation & maintenance

#### Achievements of Clean Technology Development (2022)

Research areas	Achievement
Air Pollutant	Developed new construction machine models to comply with regional emission regulations
Electrification	Advanced development of construction equipment, including electric power systems, electric mini excavators, and modified equipment
Energy recovery	Developed boom-down energy recovery systems
Smart (Automation, unmanned systems)	Developed excavator remote control mobile apps and consoles, autonomous and intelligent construction techniques for excavation sites, etc.

**MATERIAL ISSUE**  **Supply Chain Management**

**03**

**Governance**

HD HYUNDAI CONSTRUCTION EQUIPMENT reviews and approves ESG issues related to the supply chain at the ESG Management Committee. Major decisions and achievements are reported to the ESG Committee under the Board of Directors. Additionally, discussions on fair trade practices and investment proposals within the supply chain are held through the Cooperation Company Investment Review Committee and the Internal Review Committee.

**Decision-making bodies related to supply chain ESG and win-win growth and their key roles**

Classification	Cycle	Key agenda	Host
ESG Management Committee	Quarterly	Supply chain ESG strategy and ESG risk management	CEO, ESG Management Innovation Team
Internal Review Committee	Monthly	Pre-screening of fairness and legality for subcontracting transactions of a certain scale	Head of Procurement Department
Supplier Equipment Investment Review Committee	Annually	Decision-making regarding supplier equipment investment	Head of Procurement Department

**Strategy**

**Supply Chain Policy**

HD HYUNDAI CONSTRUCTION EQUIPMENT has established a Supplier Code of Conduct to identify and mitigate potential ESG risks within the supply chain. Furthermore, specific supply chain ESG management policies have been developed to ensure the implementation of these guidelines. The scope of the supply chain ESG management policy encompasses ethics, environment, labor, human rights, safety and health, and management systems, as defined by the Supplier Code of Conduct. This policy applies to all suppliers and their subcontractors who have entered into contracts to supply HD HYUNDAI CONSTRUCTION EQUIPMENT with products, services or engage in other transactions. The supply chain ESG management policy is based on global standards such as the UN Guiding Principles on Business and Human Rights (UNGPs), OECD Guidelines for Multinational Enterprises, ILO Core Conventions, and other international benchmarks.

**Key contents of the supply chain policy**



- 1. Sustainable procurement**
  - Selecting suppliers that align with ESG management criteria throughout the value chain
- 2. Supplier responsibilities and management**
  - Supplier ESG management areas include ethics, environment, labor and human rights, safety and health, and management systems
- 3. Supplier ESG assessment system**
  - Conducting ESG assessments of suppliers to reduce ESG risks and support sustainability

**Key contents of the Supplier Code of Conduct**



- Scope of application**  
All suppliers who supply products and services to HD HYUNDAI CONSTRUCTION EQUIPMENT or enter into contracts for other transactions
- 1. Ethics and fair trade**
    - Anti-corruption measures, fair trade practices, information protection, raw material management, etc.
  - 2. Environment**
    - Energy and greenhouse gas management, etc.
  - 3. Labor and human rights**
    - Prohibition of discrimination, freedom of association, prohibition of child/forced labor, etc.
  - 4. Safety and health**
  - 5. Management systems**

[Link to the Supply Chain Policy](#) 

[Link to the Supplier Code of Conduct](#) 

## Supply Chain Risks and Opportunities

HD HYUNDAI CONSTRUCTION EQUIPMENT interacts with 232 domestic suppliers and 148 overseas suppliers. While efficiency is improved through factors such as the complexity of the supplier ecosystem, global supply, flexible production, and the establishment of global hubs, supply chain risks also coexist. Currently, industrial procurement of parts and services, as well as the procurement of equipment and subsystems, account for a significant portion of business activity costs.

The competitiveness of the finished equipment is closely tied to the competitiveness of the supplier's parts, and the quality and technological capabilities of supplier parts directly impact consumer trust. Through the Supply Chain ESG assessment system, we address ESG risks while enhancing our suppliers' quality competitiveness through the win-win growth system, generating sustainable growth momentum.

### Supply Chain ESG Risks

Category	Content
Risks and opportunities	<ul style="list-style-type: none"> <li>Fair trade and unfair competition</li> <li>Supplier quality and global supply efficiency, cost-effectiveness</li> <li>Supply Chain ESG (Human rights and labor, Conflict minerals, etc.)</li> </ul>
Risk identification and evaluation process	<ul style="list-style-type: none"> <li>Comprehensive evaluation system for suppliers, Supply Chain ESG assessment system</li> <li>Regular meetings and gathering of opinions among suppliers</li> </ul>
Risk mitigation measures	<ul style="list-style-type: none"> <li>Support for improvements based on Supply Chain ESG assessment</li> <li>Supplier quality management</li> <li>Win-win growth system (financial support, etc.)</li> <li>Disclosure of the four practices of the Fair Trade Commission within the GSRM (Procurement Portal System)</li> </ul>
Management Indicators and Evaluation of Effectiveness	<ul style="list-style-type: none"> <li>Supply Chain ESG assessment and supplier's self-assessment of ESG (annually) for performance tracking</li> <li>Performance management of the win-win growth index</li> </ul>

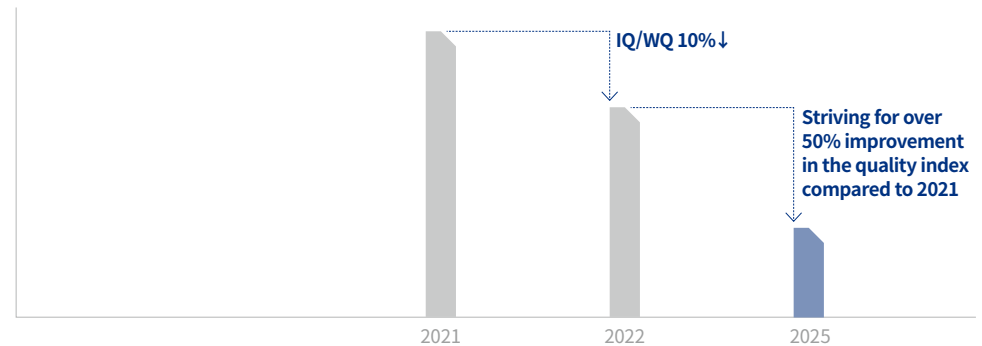
## Quality Risks and Opportunities for Suppliers

To mitigate supplier quality risks and leverage them as opportunities, we provide various programs to enhance our suppliers' quality competitiveness.

### Quality Failure Cost Management

We continuously drive performance improvement through systematic management of quality failure costs, identify underlying issues, and implement improvement activities by conducting multidimensional analyses of additional costs incurred due to non-compliance with market requirements and company standards. This approach enables us to enhance product quality and achieve unnecessary cost reductions simultaneously. In 2022, we pursued quality improvement initiatives with a target of a 5% cost reduction compared to the previous year. Additionally, in alignment with market quality index improvement, we have plans to reduce quality failure costs by over 20% compared to 2021 by 2025. We manage defect rates and monitor the performance of each supplier monthly to encourage quality improvement. Furthermore, we diligently implement process improvement audits to prevent issues in advance, as well as strict management of changing risk factors through 5M change approvals. Regular and detailed analysis of the quality status of key suppliers, through the signing of quality improvement cooperation agreements, allows us to make fundamental improvements.

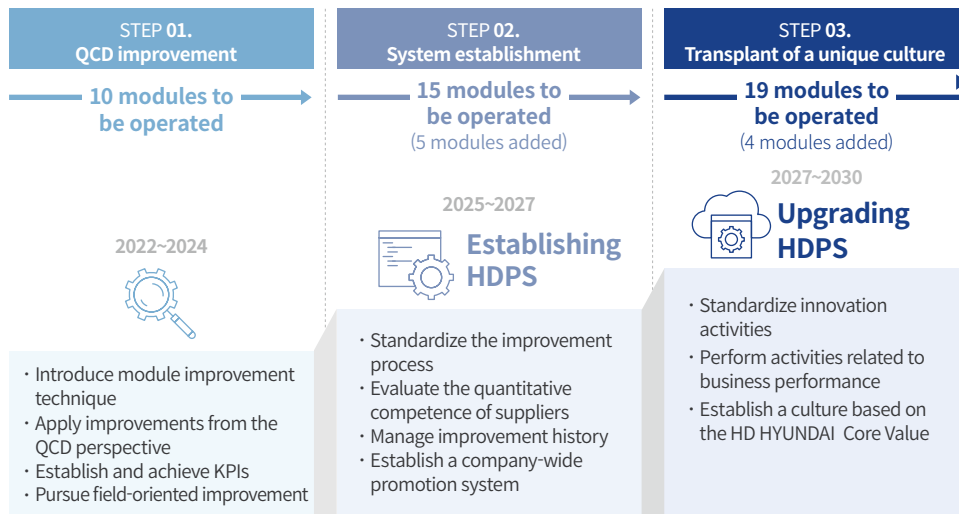
### Deriving a 10% improvement in market quality (2022)



### HDPS (HD Hyundai Production System) Program

Through the HDPS module development activity of the supplier nurturing program, we will go further than solving the problems of suppliers. In terms of comprehensive rating evaluation (supply chain assessment), we aim to improve their own capabilities, such as suppliers securing their supply capacity and quality competitiveness, and finally their fundamental competitiveness. By 2030, we are striving to implement the program in 3 stages. In the first stage, suppliers will internalize the QCD improvement technique. In the second stage, suppliers will secure a company-wide production innovation promotion system. In the third phase, suppliers will strengthen their global competitiveness by being inspired by the unique improvement culture of Hyundai Spirit.

#### Supplier HDPS (HD Hyundai Production System) Implementation Plan



### Smart Factory Project

To enhance the digital competitiveness of our suppliers, we are providing support for establishing smart factories. We have secured a budget of 390 million KRW through collaboration with the government's initiative to promote and expand smart factory adoption. Additionally, we are implementing the Ministry of SMEs and Startups' program to establish mutually beneficial smart factories. We plan to support implementing smart factory systems in 8 suppliers through this program to strengthen their manufacturing competitiveness.

### Training Support for Job Competence

HD HYUNDAI CONSTRUCTION EQUIPMENT conducts the 'Production Innovation Academy,' a technical training and education program for our suppliers' employees, on a quarterly basis. In the first quarter of 2023, the program was successfully implemented, with 260 employees participating from 60 suppliers. Furthermore, 195 employees from 54 suppliers are scheduled to attend the second quarter. Through this initiative, HD HYUNDAI CONSTRUCTION EQUIPMENT systematically supports the development of suppliers' talent and enhances their QCD capabilities by implementing production innovation techniques. Additionally, through regular field visits and quality technology guidance, we assist our suppliers in improving their quality standards.

### Training Support for Suppliers

We plan to hold special lectures twice a year for suppliers by selecting topics that can be helpful, such as how to respond to changes in job-related laws and regulations, other than direct job duties and technology. In 2022, we offered an online special lecture on measures to respond to the Serious Accident Punishment Act. In addition, we provide FTA-related education for our suppliers' employees every year. In order to support the smooth import/export business of suppliers, including transactions with us, we are providing practical FTA training, support for issuing the confirmation of country of origin, and training on FTA utilization through government support projects.

### Enhancement of Supplier's QCD Competence

We have formulated plans to establish and implement DRM (Design Review Meeting) and RTS (Review of Technical Specification) tools for our forthcoming development of components. Our objective is to commence tool development and conduct pilot operations until 2023, with the intent of executing full-scale implementation starting in 2024. During the development of new components, we shall diligently employ DRM as a means of validating and preemptively addressing any reoccurrence of past issues during the design phase. Additionally, via the employment of RTS, we will ensure that our suppliers comprehensively comprehend and diligently incorporate the design specifications mandated by our organization into their respective products. Moreover, we intend to establish a systematic approach to ensure the utmost competitiveness in terms of QCD for the entire production parts before mass production. To achieve this, we will diligently solicit and evaluate inputs encompassing the supplier's manufacturing capability, production efficiency, and other pertinent factors. By incorporating these considerations, we will assess the necessity for improvements and make appropriate adjustments accordingly.




## Liquidity Risks and Opportunities for Suppliers

### Management and Support of Financial Risks for Suppliers

Unforeseen cost increases resulting from supplier defaults or delivery delays can have a negative impact on the group's activities and financial situation. As part of the comprehensive assessment of suppliers, their financial status is assessed, and if the evaluation falls below satisfactory levels for four consecutive evaluations, transactions with such suppliers are discontinued. In order to support supplier financial stability, we provide assistance through the Win-Win Growth Fund, which aims to secure funding liquidity. The fund offers a maximum limit of 1 billion KRW and supports a loan interest rate of 0.6%. Additionally, to further support supplier funding liquidity, we adhere to the principle of 100% cash payment for material payments, with payments made within 10 days after issuing the invoice. In anticipation of holidays and upcoming vacations, early payments are made to facilitate supplier fund management convenience.

In preparation for the implementation of the 'Payment Linkage System,' under the auspices of the Ministry of SMEs and Startups, scheduled for October 2023, we have conducted a pilot operation to ensure the stable establishment of the system at the field level. As a result, we were selected as an exemplary company during the pilot operation and received a commendation from the Minister. The Payment Linkage System is designed to adjust the payment amount based on the fluctuations in the prices of raw materials used in the goods delivered by the consignment company to the client company. We aim to foster long-term and stable business relationships with our collaborative partners through such initiatives, thereby strengthening a mutually beneficial rapport and promoting shared growth.

### Financial Support Programs for Suppliers

Category	Programs	Results of Support
 Direct Support	Early payment of material costs before national holidays and summer holidays (Early payment of 61.6 billion KRW)	90 million KRW (Loans provided for early payment of material cost)
 Mixed Support	Shared growth fund Support for low-interest loans for suppliers operating funds based on deposits	27.5 billion KRW
 Special Support	The technology guarantees a win-win agreement Financial support to suppliers using our contributions	4.7 billion KRW

## Non-Financial Risks and Opportunities for Suppliers

### Management of Conflict Minerals

HD HYUNDAI CONSTRUCTION EQUIPMENT demands the formalization and adherence to policies related to conflict minerals within the Supplier Code of Conduct, ensuring that conflict minerals are not included in the supply chain for the production of our company's products. Suppliers involved in manufacturing and supplying parts or products, including those containing conflict minerals, are required to procure these materials from conflict-free sources. Suppliers are obligated to provide relevant supporting documents, such as certificates of origin, as requested by HD HYUNDAI CONSTRUCTION EQUIPMENT to verify compliance with these requirements.



#### Reliable Raw Material Management

- ① Suppliers are required to establish processes to identify the origin and refining facilities of all minerals and raw materials, including conflict minerals and responsible minerals such as lead, tungsten, tantalum, and gold, contained in the products.
- ② Suppliers must endeavor to verify whether the minerals and raw materials originate from sources and refining facilities associated with serious human rights abuses, ethical violations, negative environmental impacts, and other social and environmental issues based on the established process.
- ③ If suppliers primarily handle specific minerals and raw materials, they should conduct their own investigations or obtain external certifications to confirm that mining and processing these minerals and raw materials are free from risks related to human rights abuses, ethical violations, and negative environmental impacts.
- ④ Suppliers should establish relevant policies to ensure that they do not use raw materials obtained illegally, have a negative environmental impact, or are procured through unethical means when there is reasonable suspicion regarding the origin of the materials.
- ⑤ Suppliers must strictly adhere to the OECD Guidelines for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, which prohibits the use of specific minerals (such as tin, tantalum, tungsten, and gold) from certain origins within the supply chain of HD HYUNDAI CONSTRUCTION EQUIPMENT, under any circumstances.
- ⑥ Suppliers are required to provide relevant supporting documents, such as certificates of origin, upon request from HD HYUNDAI CONSTRUCTION EQUIPMENT.

### ESG Support for Suppliers

HD HYUNDAI CONSTRUCTION EQUIPMENT operates an ESG Support Program for Suppliers to enhance the ESG management capabilities of our supply chain and mitigate supply chain ESG risks. In 2023, we conducted ESG education for key supplier executives, with the participation of 53 companies. Additionally, we provided ESG training for the operational staff of collaborative companies in response to introducing the supplier self-assessment system. Through these initiatives, we expect suppliers to internalize ESG management principles and strengthen their capabilities. Moving forward, we plan to provide ESG consulting to high-risk suppliers identified through ESG self-assessments and companies seeking consultancy services.

## Risk Management

### Supplier Management System

The supplier management system of HD HYUNDAI CONSTRUCTION EQUIPMENT entails the classification and meticulous oversight of suppliers based on parts, semi-finished products, and finished products. Within our network, we currently engage with 380 primary suppliers. We identify and prioritize key suppliers by thoroughly analyzing their procurement volumes. Our supplier assessment framework encompasses a comprehensive assessment of suppliers from a quality perspective and an ESG assessment system for the supply chain. The comprehensive assessment examines various aspects, including quality, delivery performance, safety and environmental compliance, financial stability, and cost-effectiveness. To elevate our supply chain management practices and effectively address ESG risks, we have recently introduced the supply chain ESG assessment system, which surpasses the conventional assessment framework. Looking ahead, we are committed to fostering supply chain sustainability by means of continuous supply chain ESG assessment and consulting. Additionally, we employ diverse incentives and a performance-based rewards system to enhance supplier competitiveness. Moreover, we consistently provide guidance on stakeholder reporting guidelines and actively advocate for ethical business practices.

#### Current Suppliers

Tier 1 suppliers	380
Tier 1 critical suppliers (Proportion)	76 (20%)
Domestic suppliers (Proportion)	232 (61%)
Overseas suppliers (Proportion)	148 (39%)
Number of supplier assessment	163
Number of excellent suppliers (Proportion)*	3 (1.8%)
Number of high-risk suppliers (Proportion)*	8 (4.9%)

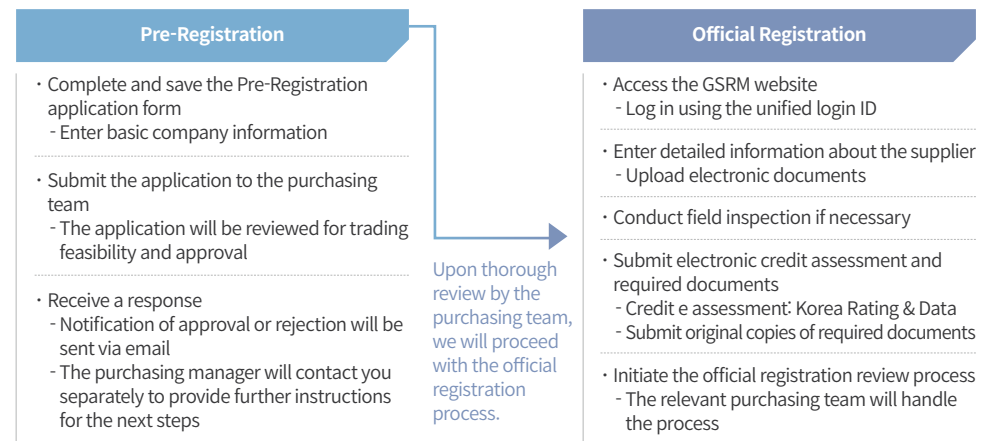
\*Based on the criteria of supplier comprehensive assessment

### Incentives and rewards based on the comprehensive assessment of suppliers

 Incentive System	 Reward and Penalty System
<ul style="list-style-type: none"> <li>• Award recognition</li> <li>• Priority in equipment investment and financial support</li> <li>• Claim reduction, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Limitation on new parts quotation for the lowest rating</li> <li>• Suspension of business for the consistently lowest rating</li> </ul>

### Fair Registration/Selection Process of Suppliers

HD HYUNDAI CONSTRUCTION EQUIPMENT strives to establish a fair subcontracting trade order to ensure transparency and fairness in the supplier selection and management process. When selecting new suppliers, a comprehensive assessment is conducted based on the self-assessment results provided by the suppliers, field visits (if necessary) for management assessment, quality assessment, financial assessment, and ethical management level. Furthermore, the financial soundness of target suppliers is objectively verified using assessment data from external professional assessment agencies. In the future, the ESG assessment system will also be utilized in supplier registration and selection. This is done to contribute to establishing a fair subcontracting trade order and ensure high transparency and fairness in supplier relationships.

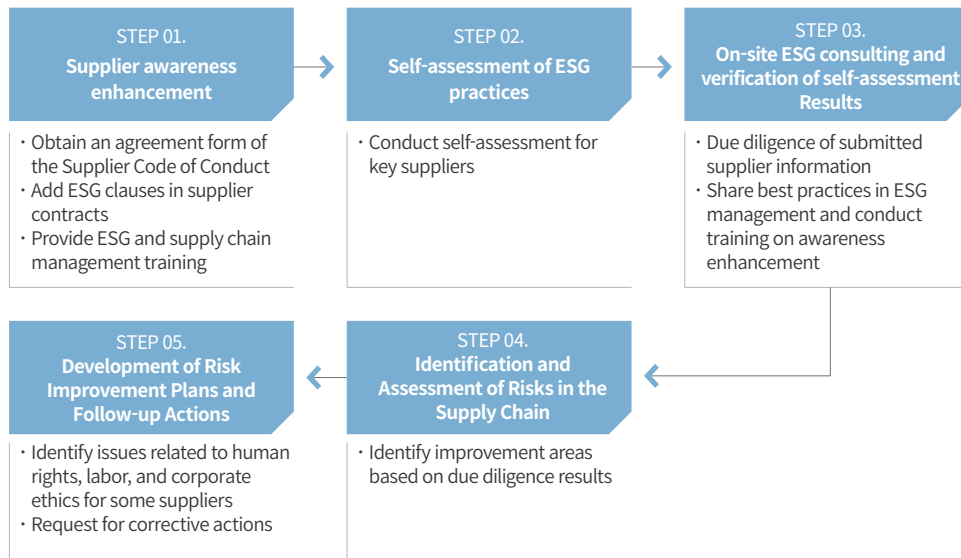




### ESG assessment System for Suppliers

HD HYUNDAI CONSTRUCTION EQUIPMENT is developing a new set of ESG assessment indicators to enhance the identification of ESG risks. The assessment indicators will cover five key areas: ethics, environment, labor and human rights, safety and health, and management systems. We plan to support both new and existing suppliers in conducting self-assessments based on these indicators and provide on-site ESG consulting for key suppliers. The supplier ESG assessment indicators will focus on aspects relevant to the construction equipment industry, such as managing conflict minerals and liability materials, handling counterfeit parts in overseas exports, and carbon management through Scope 3 management for products. Additionally, we aim to expand on-site ESG consulting and support for businesses that fall outside the scope of legal management, including small and medium-sized enterprises. Furthermore, based on on-site ESG consulting and assessment, we intend to support shared growth activities for high-risk suppliers and address key improvement areas. Starting with a pilot assessment in 2023, we intend to gradually expand the scope of self-assessment and on-site ESG consulting for suppliers, targeting coverage of over 90% of suppliers by 2025.

#### ESG assessment Process for Suppliers



### Supplier Communication and Grievance Handling Channels

In order to foster robust communication and address any concerns effectively, HD HYUNDAI CONSTRUCTION EQUIPMENT has established a Supplier Council, which convenes regular meetings among suppliers. In 2022, adhering to relaxed COVID-19 protocols, these meetings were conducted in a face-to-face format, facilitating the sharing of vital management updates and attentively addressing any grievances voiced by the suppliers. Moreover, a commendation system has been implemented to incentivize and promote continuous enhancement among exemplary suppliers. To fortify the channels of communication with our esteemed partner entities, dedicated Supplier Council offices have been set up and are currently operational in Bundang and Ulsan. For our internal suppliers, we extend support by establishing a Safety and Health Committee and providing dedicated supplier safety managers, all aimed at ensuring the steadfast implementation of autonomous safety management practices.

### Metrics & Target

HD HYUNDAI CONSTRUCTION EQUIPMENT has planned to conduct supply chain ESG self-assessment and due diligence starting in 2023 to identify ESG risks within the supply chain. The self-assessment will target suppliers with a purchase amount of over 100 million KRW. The due diligence will primarily focus on suppliers identified through the self-assessment process as requiring ESG improvements, and our goal is to complete due diligence for approximately 80% of suppliers corresponding to the purchase amount by 2025.

#### ESG Assessment of Supply Chain

<b>Performance in 2023 (first half)</b>	Establishment of the Supply Chain ESG assessment system
<b>Targets for 2023</b>	Self-assessment conducted by 100 companies, due diligence conducted for 20 companies
<b>Targets for 2025</b>	267 companies completed self-assessment, and 68 companies completed due diligence

#### Win-Win Growth

<b>Performance in 2022</b>	Win-win growth index Good
<b>Targets for 2023</b>	Win-win growth index Excellent
<b>Targets for 2025</b>	Win-win growth index Outstanding

MATERIAL ISSUE 04  **Safety and Health**

**Governance**

“The goals we must achieve are a ‘Safe Workplace’ and ‘Achievement of Management Objectives.’ Adhering to safety regulations during work is the path to ensuring safety”

– Extracted from CEO’s New Year message about safety -

**Safety and Health Organization and Decision-Making Structure**

To strengthen the occupational health and safety management system, HD HYUNDAI CONSTRUCTION EQUIPMENT has undergone an organizational restructuring by expanding the safety and health department and establishing the Safety Planning Office, which directly reports to the Chief Safety Officer (CSO). The Safety Planning Office oversees the formulation and implementation of company-wide safety and health policies. Safety officers (executive-level) have been appointed at each workplace to enhance responsible safety leadership and ensure compliance with safety regulations and work standards. The company’s management policies, organizational structure, budget, performance, and activity plans regarding safety and health are reported to the ESG Committee, while the company-wide EHS meetings are conducted monthly to share safety concerns and activities at each workplace.

**Safety and health decision-making bodies and key roles**

Types	Cycle	Agenda	Host	Performance in 2022
Company-wide EHS Meetings	Monthly (semi-annually)*	Monitoring compliance with EHS regulations and sharing safety issues and safety activities by business site	CEO, EHS Officer of each business site	12 sessions
EHS Patrol	Weekly	On-site safety inspection by the head of the division (Site check of serious risk factors)	EHS Officer of each business site	44 patrols
Top Executive Safety Inspection	Frequently	Special inspections and encouraging activities before and after typhoons and holidays	Executives and department heads of each business site	12 sessions
Supplier EHS Council	Monthly	Sharing EHS activities by the supplier and discussing support matters	Chief EHS Officer	12 sessions
Supplier EHS joint inspection	Quarterly	EHS inspection of work areas and vulnerable areas for employees of suppliers	Chief EHS Officer	4 sessions

\* Monthly reports are held once a month, and semi-annual comprehensive reports are held once every six months.

## Strategy

### Safety and Health Policy

HD HYUNDAI CONSTRUCTION EQUIPMENT establishes occupational safety and health standards, clearly defines responsibilities, and applies industrial safety and health policies to all employees, internal suppliers, visitors, facilities, machinery, equipment, and vehicles within the company.

#### Safety and Health Policy

Based on the principle of human dignity, HD HYUNDAI CONSTRUCTION EQUIPMENT prioritizes creating a safe, pleasant, and environmentally friendly work environment as a top management task. We have established and operate a safety, health, and environmental policy to perform and enhance these efforts continually.



#### 1. Establishing a safety culture based on fundamentals and principles

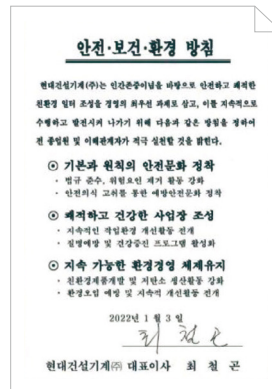
- Strengthening compliance with regulations and activities to eliminate risk factors
- Cultivating safety consciousness to establish a culture of preventive safety

#### 2. Creating a pleasant and healthy workplace

- Continuously improving the working environment
- Activating disease prevention and health promotion programs

#### 3. Maintaining a sustainable environmental management system

- Enhancing the development of eco-friendly products and low-carbon production activities
- Conducting activities for environmental pollution prevention and continuous improvement



### Expansion of Safety and Health Investment

HD HYUNDAI CONSTRUCTION EQUIPMENT adheres to the principle of allocating a yearly safety and health budget of at least 1.5% of revenue. In 2022, the safety and health-related budget accounted for 2.1% of revenue; for 2023, plans are underway to allocate a budget at the level of 3.8%. In 2022, approximately 52.8 billion KRW was invested in safety and health. In 2023, the budget will be increased by approximately double, mainly for projects such as the reformation of the Ulsan Campus.

### Mitigation and Improvement of Safety Risks

#### Integrated Safety and Health Environment Management System

HD HYUNDAI CONSTRUCTION EQUIPMENT utilizes the HD HYUNDAI Integrated Health, Safety, and Environment Management System (HiSEs) to build and operate a database across all areas, including accident cases and safety education. The integrated management system is based on the global Occupational Health and Safety Management System (ISO 45001) standard, following the principles of planning, implementation, verification, and action. All employees can access safety and health-related information in real time through platforms such as PCs and mobile devices. In 2022, an independent management program was developed and utilized to enhance the system, and a Visual Tracking Board (VTB)<sup>1)</sup> system is planned to be implemented to track and manage safety improvement measures, aiming to establish site-focused safety management activities.

1) VTB(Visual Tracking Board) system: A site-worker-centered safety improvement management system that centralizes the reporting of various risk factors and improvement proposals and facilitates the progress sharing and visualization of improvement actions.

### Workplace Safety Management

HD HYUNDAI CONSTRUCTION EQUIPMENT is consistently engaged in the ongoing endeavor of facilitating a discourse-based activity for diligently identifying and managing risk factors. By encouraging the active participation of employees, who directly observe and rectify unsafe behaviors within the field, we strive to foster an environment where hazards can be effectively controlled. Recent analyses of incidents have revealed a noticeable tendency for concentrated occurrences during the transitional seasons of spring and autumn. Furthermore, accidents frequently transpire among newly recruited personnel and those transitioning into different roles, indicating a correlation with a lack of experience. Moreover, it has come to our attention that incidents reminiscent of past events have been recurring regularly. In light of these findings, we are committed to fortifying safety awareness during transitional seasons by implementing a safety campaign, deploying on-site surveillance conducted by on-site managers, and intensifying monitoring periods targeting unsafe behaviors. Rather than resorting to temporary measures in the aftermath of accidents, we are diligently engaged in formulating root cause analyses (RCA), which serve as the cornerstone for implementing fundamental and sustainable countermeasures to facilitate improvement activities. Additionally, we emphasize bolstering safety training for newly recruited personnel and those transitioning into different roles. To ensure accident prevention at its earliest stages, we meticulously ascertain the risks associated with high-risk operations such as process changes, unforeseen tasks, and non-routine activities. Subsequently, we establish a comprehensive set of safety measures prior to the commencement of such operations. Our primary objective revolves around establishing a robust safety management system that proactively forestalls accidents and fosters a culture of prevention. To this end, we wholeheartedly dedicate our efforts to enhancing the capacities to prevent major accidents among our collaborative entities. We have designated specialized individuals as Supplier Safety Managers as part of these endeavors. Furthermore, we undertake periodic safety and health consultations and joint inspections with our internal suppliers, thereby proactively diagnosing potential hazards within their work environments and providing comprehensive support for safety-preventive activities.

### Emergency Response

HD HYUNDAI CONSTRUCTION EQUIPMENT operates an integrated control center to respond to unforeseen emergencies. We endeavor to establish an emergency response system, facilitate real-time dissemination of information regarding disasters and emergencies, ensure swift response, and secure workplace safety and surrounding areas. We implement appropriate measures in accordance with the group-level emergency response manual for natural disasters such as typhoons and earthquakes. Furthermore, considering the nature of our operations, we conduct scenario-based response training for fire incidents and fuel leakage emergencies. In 2022, to enhance our crisis response capabilities, we formulated a comprehensive corporate emergency response manual and conducted 14 emergency response training sessions across all our facilities.



Number of emergency response training sessions conducted (times)

14

### Case Study

#### Introduction of tow trucks from forklifts, to transition to low-risk work environment



Before improvement



After improvement

## Promoting a Safety Culture and Enhancing Capabilities

### Safety Training

HD HYUNDAI CONSTRUCTION EQUIPMENT conducts legally mandated safety training with the goal of improving safety consciousness and fostering a knowledge base in safety-related matters. We ensure that personnel responsible for internal subcontractors within our cooperative companies undergo safety education. Additionally, we provide quality training for individuals handling hazardous equipment such as forklifts and cranes. Furthermore, it is mandatory for all individuals entering our internal factories to complete safety training.

#### Safety Training Program

Program Name	Target	Time/Duration	Description
Regular training	Production job	6 hours per quarter	Occupational Safety and Health Act, general management, accident prevention, etc.
	Office job	3 hours per quarter	
	Supervisors	16 hours per year	
Training for new hires	Production, office job	8 hours	Occupational Safety and Health Act, pre-work inspection items, etc.
Training upon changes in work contents	Production job	2 hours	Dangers of machinery, work orders, traffic flow-related matters, etc.
Special safety and health training	Production job	16 hours or more	Matters on hazardous dangers such as forklifts, cranes, etc.

### Safety Incentives and Reward System

Establishing a safety culture is of utmost importance to prevent accidents and foster a workplace where individuals adhere to safety principles. HD HYUNDAI CONSTRUCTION EQUIPMENT implements various safety incentive systems to enhance employees' safety awareness and efficacy. Through these safety incentive systems, we aim to share exemplary cases of occupational safety and health, raise awareness about the significance of safety, and encourage individuals to engage in safety activities on their own accord. Additionally, we have implemented a safety qualification support system targeting all employees, enabling them to strengthen their safety competencies. This system supports the necessary exam materials and fees required to obtain safety-related certifications and offers financial assistance ranging from 500,000 to 1,500,000 Korean Won upon certification acquisition. In 2022, a total of 34 employees obtained safety-related certifications<sup>1)</sup>. Externally, we were recognized as an exemplary company in industrial accident prevention and received a commendation from the Minister of Employment and Labor as part of the Occupational Accident Prevention Award in 2022. Furthermore, in November, we achieved a remarkable accomplishment by receiving commendation from the Chief of Ulsan East Fire Station for our outstanding contributions to fire prevention during the celebration of the 60th Fire Safety Day.

1) Safety-related qualifications: 9 nationally recognized safety certifications including Safety Engineer, Occupational Safety Officer, and Hazardous Materials Manager

#### Safety Qualification Support



Number of individuals who obtained safety and health qualifications (persons)

34

#### Safety Incentive Programs

Incentive program	Target	Cycle	No. of award winners
Award for safety contributors	Managers at all business sites (heads of department, managers with duties, field team leaders, etc.)	Quarterly	8
Award for discovering potential risks	All employees	Quarterly	80
Award for zero accident	Organizations that have achieved the target number of accident-free days	Monthly	Number of people in the organizations meeting the target (subject to change)
Risk assessment	Excellent personnel in risk assessment (all business sites)	Quarterly	100
Award for prompt safety achievement	Excellent personnel in safety activity (Ulsan Campus)	Quarterly	400
Award for in-house safety qualifications	Technical employees in production (all business sites)	Quarterly	510

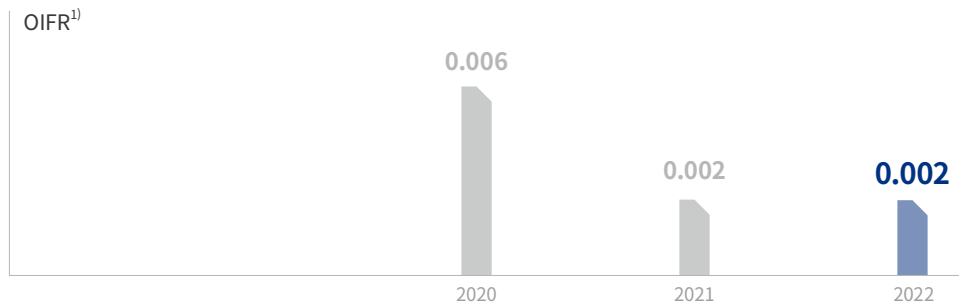
## Health Management

### Management of Musculoskeletal Disorders and Noise

In the process of construction equipment manufacturing, there are operations such as welding, grinding, and housing work that generate high levels of noise. To manage workers' health, we conduct workplace environment measurements to assess the noise exposure level and implement mitigation measures. For example, we take measures such as changing air tools to reduce noise generation, providing personal protective equipment, and implementing shift work to reduce the duration of noise exposure. Furthermore, we regularly investigate hazardous factors to alleviate musculoskeletal burdens on workers during tasks involving neck bending and waist bending, and we take measures such as automation, elimination of strenuous work processes, and changes in work methods.

Special health examinations for workers exposed to noise, harmful radiation, metals, organic compounds, and other related factors are conducted annually. We provide health maintenance allowances to occupational disease patients. Additionally, we operate a health promotion center equipped with medical clinics, health promotion rooms, physical therapy rooms, and rehabilitation therapy rooms within the workplace. We establish an in-house obligation room and appoint an occupational health nurse as a health manager to ensure the timely provision of quality medical services. Moreover, we collaborate with external organizations to operate rehabilitation exercise programs such as swimming and strength training to facilitate the speedy recovery of employees undergoing occupational rehabilitation.

### Occupational Illness Frequency Rate (Unit: %)



1) OIFR (Occupational Illness Frequency Rate): (Number of occupational diseases + Number of patients with work-related illnesses) / Total number of workers (Calculation method applied by the Occupational Safety and Health Agency)

### Psychological Support Program

In order to help employees overcome their emotional concerns, pain, and difficulties and pursue a happy life, HD HYUNDAI CONSTRUCTION EQUIPMENT has established a 'Mind Garden (Psychological Counseling Room)' at the Ulsan Campus. Every Tuesday, face-to-face counseling sessions with professional counselors are conducted. Since December 22, the Bundang office, which began occupancy, has also been providing psychological counseling services through face-to-face, telephone, chat, and video sessions.



Psychological Counseling Room - Mind Garden at Ulsan Campus

### Employee Health Programs

HD HYUNDAI CONSTRUCTION EQUIPMENT operates tailored programs for high-risk employees, including work-time adjustments, exercise, nutrition, and health coaching, to support the management of the three major diseases and employees' health. Additionally, through partnerships with approximately 120 hospitals nationwide, medical discounts are provided. For employees and their families, financial support is provided for treating difficult diseases such as cardiovascular diseases, cancer, and leukemia, in addition to regular health check-ups.

## Risk Management

### Occupational Health and Safety Management System

HD HYUNDAI CONSTRUCTION EQUIPMENT implements safety and health management activities based on the international standard ISO 45001 to foster a safety culture rooted in principles and responsibilities and participatory and preventive safety and health management. In particular, we ensure compliance with regulations and risk management by strengthening various safety-related regulations, such as the Serious Accidents Punishment Act. This includes establishing procedures for identifying and improving harmful and hazardous factors, conducting inspections, and taking necessary measures, developing measures to prevent recurrence in the event of accidents, expanding safety investments, updating various safety systems, strengthening safety organizations and leadership, and fulfilling our obligations to secure safety and health. Safety and health performance is evaluated annually, and continuous improvement activities are carried out based on the assessment results, which are then reflected in the safety and health plans and policies.

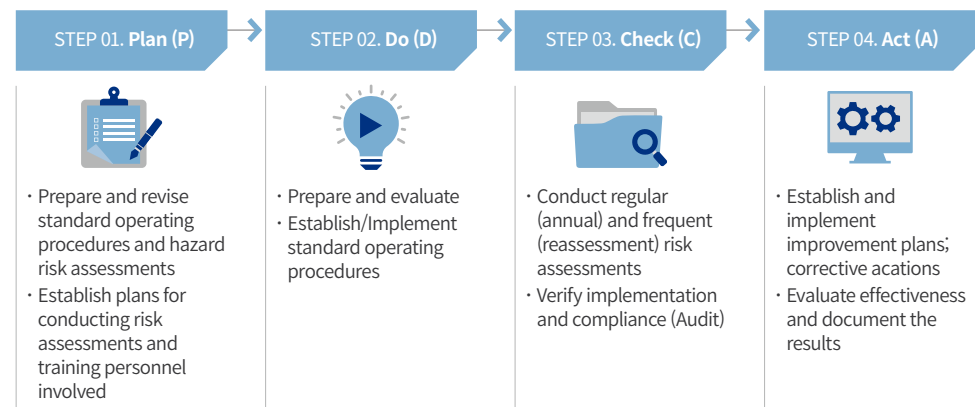
#### Strategy Implementation Process



### Risk Assessment Process

HD HYUNDAI CONSTRUCTION EQUIPMENT conducts risk assessments to identify safety and health risks associated with all activities related to people, equipment, materials, and work environments where potential or existing harmful hazards may occur. Risk assessment aims to identify and evaluate harmful and hazardous factors, and develop improvement plans for activities with high levels of risk to prevent safety accidents. Risk assessments are conducted through regular assessments conducted once a year and ad-hoc assessments conducted when there are changes in equipment or processes. The participation and feedback of supervisors, workers, and experts in the respective processes are sought to ensure that practical risk mitigation measures are implemented. The degree of risk is evaluated by considering the likelihood and severity through on-site inspections and gathering opinions. If the evaluation results indicate a high level of risk, measures such as work stoppage, improvement, and the development of improvement plans are implemented. The effectiveness of safety and health risk mitigation measures is evaluated by assessing the degree of risk mitigation through risk assessments (regular assessments, frequent assessments during accidents, or the introduction of new equipment) and is confirmed through biannual risk assessment awards. Additionally, standard operating procedures related to risk mitigation are established or revised, and continuous improvement activities for safety risk mitigation are carried out.

#### Risk Assessment Process



### Communication and Consulting Channels for Safety

HD HYUNDAI CONSTRUCTION EQUIPMENT promotes the involvement of employers and workers in discussing and deciding on important matters related to workplace safety and health. The company believes in collaboration between labor and management, as they have the best understanding of hazardous and risky factors. Additionally, we address safety concerns and improve hazardous factors through systems such as the Hidden Hazards Recognition Incentive Program, risk assessments, and on-site inspections based on the input and participation of workers.

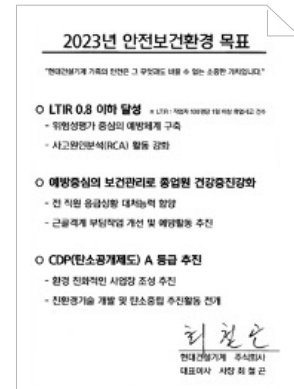
#### Safety Communication Channels

Category	Cycle	Purposes
Incentive Program for Finding Hidden Hazards	Frequently	To report and find hidden hazards at the worksite, with rewards given on a quarterly basis
Occupational Safety and Health Committee	Quarterly (additional sessions as necessary)	Decision-making on matters related to preventing occupational accidents
Joint Safety and Health Inspection with Supplier	Quarterly	Safety and health inspections of our suppliers' workplaces, particularly in areas with high risk or vulnerability
EHS Patrol	Monthly	On-site safety inspections led by department heads (to identify significant risks and hazards)

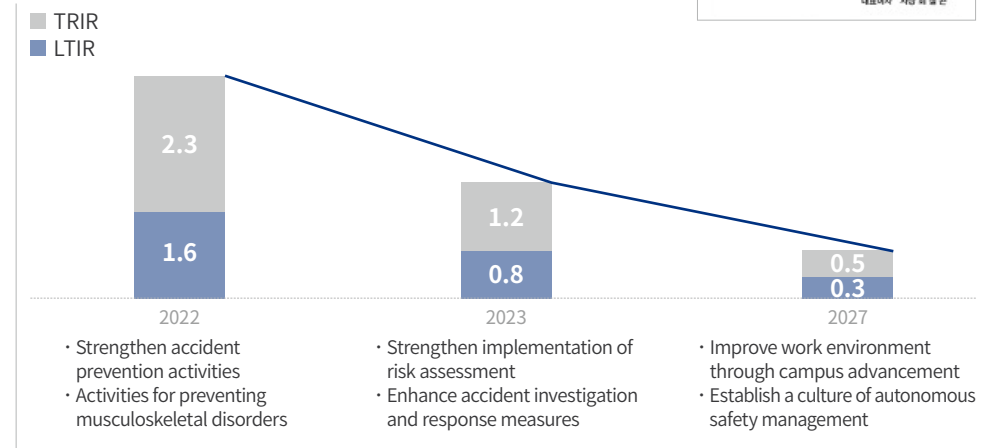
## Metrics & Target

### Safety and Health Goals and Performance

HD HYUNDAI CONSTRUCTION EQUIPMENT aligns safety and health performance with the compensation of key executives, constituting approximately 5-10% of their overall compensation. Key performance indicators are determined based on the roles and responsibilities of management regarding accident prevention and safety.



Safety and Health Performance and Goals (Unit: %)







# Contribution to Local Communities

## Governance

HD HYUNDAI CONSTRUCTION EQUIPMENT oversees plans, performance, risks, and opportunities related to the local community through the ESG Committee. Key initiatives and challenges are reviewed and approved by the ESG Management Committee. Matters discussed in the ESG Management Committee are reported to the ESG Committee under the Board of Directors. In 2022, the focus was on discussing the outcomes of external collaboration and employee participation in social contribution programs. In 2023, we plan to enhance the effectiveness of social contribution activities and further develop the strategy for social contribution initiatives.

### Decision-making Bodies

Type	Cycle	Key agenda	Host
ESG Management Committee	Quarterly	Evaluating social contribution strategies and its performance	CEO, ESG Management Innovation Team

## Strategy

### Risks and Opportunities Surrounding the Local Community

The enterprise, founded upon a societal framework, engenders diverse values through interactions with various stakeholders. As the enterprise's growth amplifies its influence upon society, the environment, and stakeholders, establishing positive relationships within the local community becomes crucial for sustaining our business operations.

A positive corporate image serves as a valuable intangible asset, creating various business opportunities and acting as a motivating factor for consumers to procure products and services. Furthermore, as a business with a global supply chain that exports construction machinery and solutions worldwide, establishing a local presence and fulfilling corporate citizenship responsibilities not only enhances the company's reputation but also generates diverse business opportunities. For instance, as part of our social contribution in 2022, we provided demolition equipment to support the recovery efforts in the aftermath of the earthquake in Turkey, simultaneously expanding our business opportunities through sales and exports. Additionally, the operation of our facilities may have negative impacts on the local community, such as odors and noise. To minimize such effects on the local community, we proactively manage potential issues like internal odors and engage in continuous local community investments, including environmental improvement projects and river cleaning activities. We also install environmental billboards to disclose information about air pollutants.

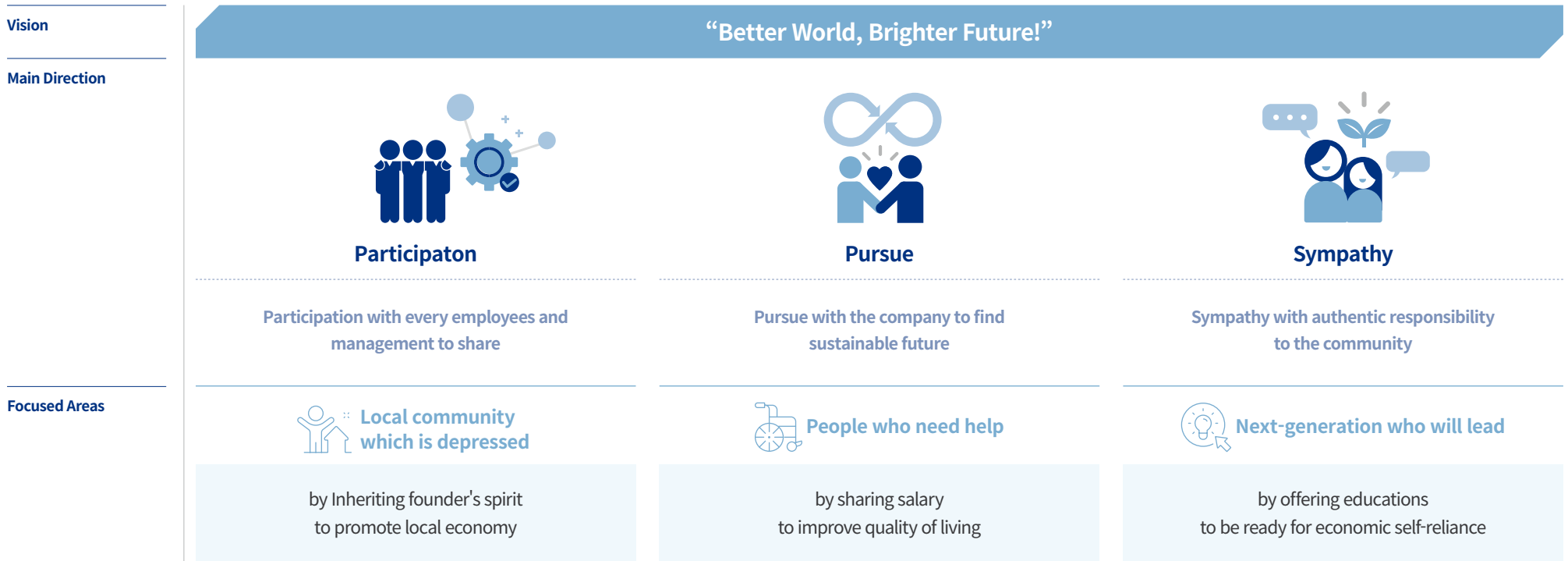
Moreover, we harbor a profound empathy for the environmental damage arising from illegal mining and violations of indigenous rights in global communities. To proactively manage negative impacts related to local communities, we have internally distributed an ethical code of conduct and pronounced formal declarations externally. Through these declarations, we intensified our sales processes and compliance systems to prevent the illegal use of HD HYUNDAI CONSTRUCTION EQUIPMENT heavy machinery in the Amazon basin and declared a suspension of construction machinery sales (including maintenance and parts provision) associated with illegal use in three states within the Amazon (State of Amazonas, State of Pará, and State of Roraima) until the effectiveness of these measures becomes evident. Furthermore, we are working towards resolving the issue by engaging in discussions with BMC, a dealer in Brazil who facilitated sales to illegal mining operators.

[Link to the Official Declaration Statement](#) 

## Strategic Directions of Social Contribution

Following our management philosophy of contributing to the development of the nation and local communities, HD HYUNDAI CONSTRUCTION EQUIPMENT is actively engaged in various social contribution activities to become a beloved company by all. Pursuing the social contribution vision of HD HYUNDAI, 'A Better World, a Brighter Future,' we strive to foster a culture of participation where all employees engage in sharing activities. We also promote sustainable contribution activities that aim to shape the future in collaboration with the company. Furthermore, we value social responsibility and sincerity, driving empathetic contribution activities that support marginalized groups in need and stimulate local economies, ultimately contributing to the nurturing of future generations.

### Strategic Directions of Social Contribution



## Co-prosperity with Local Communities

### Support for Disaster Recovery

HD HYUNDAI CONSTRUCTION EQUIPMENT actively participates in supporting the recovery from various disasters, such as floods, wildfires, and typhoons, by utilizing construction machinery. In collaboration with HD HYUNDAI INFRACORE, we supported recovery operations in the village of Uljin-gun, Gyeongsangbuk-do, which suffered from wildfire damage, by deploying 20 excavators. Our support extends beyond equipment provision to disaster-affected areas. We also proactively secure budgets for disaster preparedness support annually, taking a leading role in overcoming national disasters. In 2019, following a large-scale wildfire in Gangwon-do, we deployed five excavators to support the restoration of destroyed homes, farms, and barns in Goseong and Sokcho. In 2020, in response to concentrated heavy rainfall causing flooding in the Chungcheong and Gyeonggi regions, we deployed 12 excavators to assist in urgently restoring submerged vinyl greenhouses and barns. In 2022, we contributed to the recovery efforts for agricultural resumption in Uljin-gun by deploying 10 excavators to the disaster site.

### Support for Earthquake Recovery in Turkey

HD HYUNDAI CONSTRUCTION EQUIPMENT has provided immediate assistance to Turkey, affected by the earthquake, by dispatching excavators for rescue operations and supporting the purchase costs of relief supplies for evacuees. We also supported the recovery efforts with HD HYUNDAI INFRACORE by providing 10 medium-sized excavators.

#### Disaster recovery status



Number of excavators supported (units)

15

(2022-2023)

Budgetary support (million KRW)

894

(2022-2023)



Support for earthquake recovery in Turkey

## Reduction of Environmental Impact on Local Communities

HD HYUNDAI CONSTRUCTION EQUIPMENT is expanding its efforts to minimize environmental impact on the local community due to the operation of its business sites and to create a clean-living environment for the local community. We are participating in the One Company, One River Purification Activities on a quarterly basis under the supervision of a competent authority. We are faithfully fulfilling our responsibilities and duties as a member of society through continuous investment in the local community, such as weekly voluntary environmental patrol activities to check for odors and abnormalities in rivers around our business sites. Furthermore, we hold the 'Global Volunteering Day' to restore ecosystems and preserve biodiversity. We visited a sisterhood village in Eumseong-gun, Chungcheongbuk-do, where we used our equipment to dig the ground and planted 300 poplar trees along the roadside to mitigate harmful exhaust gases. We also plan to continue periodic maintenance work, including pest control and watering, to prevent diseases and pests in the future. In our global operations, our subsidiary in China has carried out environmental cleanup activities in the Yangtze River basin, while our subsidiary in Indonesia has engaged in mangrove tree planting activities in Jakarta.



Environmental cleanup activities near the headquarters in Bundang



Volunteering activities by our Indonesian subsidiary

### Support Activities for the Capital Corps

HD HYUNDAI CONSTRUCTION EQUIPMENT has established a sisterhood relationship with the Capital Corps and has been consistently engaged in support activities, including equipment donations, financial contributions, and providing COVID-19 self-diagnostic kits. In 2022, following a mine explosion incident during a search operation by the Capital Corps, we donated KRW 10 million to support an Army sergeant who returned to duty after more than a year of rehabilitation. Additionally, we donated a 1.7-ton mini excavator to the unit to be utilized for maintenance activities of military facilities and civilian support projects.



Financial contribution to an Army sergeant for rehabilitation after a mine explosion



Delivery of support goods to the Capital Corps

### Invitation for Korean War Veterans and Their Families

The North American subsidiary of HD HYUNDAI CONSTRUCTION EQUIPMENT organized an event in May 2023 to express gratitude to Korean War veterans and their families in commemorating Memorial Day and the 70th anniversary of the armistice of the Korean War. The event aimed to provide an opportunity to convey gratitude and engage in community service in the local area. The event was attended by 15 veterans and 20 family members, as well as local community leaders. It included a ceremony of appreciation, a presentation of gifts, and a performance, followed by a luncheon.

### Project for Improving Residences of National Merit Awardees

HD HYUNDAI CONSTRUCTION EQUIPMENT collaborates with the Ministry of Patriots and Veterans Affairs to support national merit awardees, including Korean War veterans and the bereaved families of the ROKS Cheonan sinking. In 2022, we selected three veterans who participated in the Korean War and carried out a project to improve their residences. The project included upgrading various facilities in windows, bathrooms, and kitchens, as well as renovating walls and floors, creating a comfortable living environment for the national merit awardees.



Support Scale (KRW)  
**113,450,000**



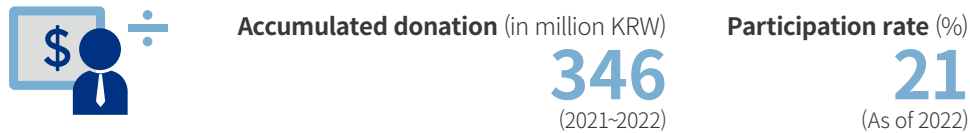
Ceremony for the 5th National Merit Awardees' Residence Improvement Project

## Care for the Marginalized

### 1% Salary Sharing Campaign

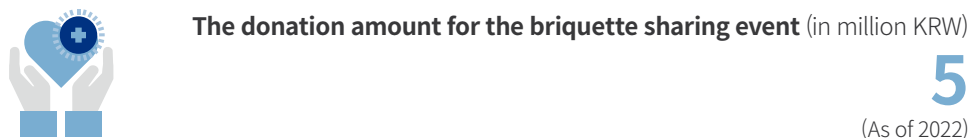
The 1% Salary Sharing campaign is where employees voluntarily donate 1% of their salary through the HD HYUNDAI Sharing Foundation. The funds raised through the foundation are used for various social contribution activities, such as supporting social welfare facilities for the marginalized, low-income families, and individuals with disabilities. We encourage voluntary participation from our employees, and in 2022, a total of KRW 346 million was donated. Additionally, we participate in the sharing for the care of underprivileged groups, such as forming partnerships with Child Fund Korea and local welfare facilities in the Bundang area, where a portion of the salary is donated to support those in need. The sharing criteria include employee salary contributions of 0.5% and a company-matching contribution of 0.5%.

#### Where 1% salary sharing is used



### Briquette Sharing Event for Senior Citizens Living Alone

Since 2015, HD HYUNDAI CONSTRUCTION EQUIPMENT has been organizing an annual briquette-sharing event in collaboration with new employees at the headquarters, aiming to support senior citizens living alone and those in need. Last November, over 30 new employees delivered 6,250 bundles of briquettes to senior citizens living alone in Soi-myeon, Eumseong-gun, Chungcheongbuk-do, ensuring they have a warmer winter. The briquette-sharing event is made possible through the collection of love coins by HD HYUNDAI CONSTRUCTION EQUIPMENT employees, and the fact that all employees participate holds greater significance.



## Support for Welfare Facilities

HD HYUNDAI CONSTRUCTION EQUIPMENT is actively involved in supporting welfare facilities for individuals with disabilities, such as Yegawon and Somang Rehabilitation Center, which are sister facilities in the Seongnam area. We support events like the Disabled Assistance Bazaar and Sponsorship Night organized by these facilities to promote their economic self-reliance. Additionally, our employees regularly donate essential items and participate in small acts of sharing. We plan to expand our sisterhood facility network and continue developing community contribution programs in the future.

### Volunteer Activities in Sisterhood Villages

HD HYUNDAI CONSTRUCTION EQUIPMENT conducts annual support activities to bring warmth to our less fortunate neighbors. In early May, prior to Parents' Day, we distributed custom-made rice cakes to 280 low-income individuals and senior citizens living alone in Handeul Village, Eumseong, and Yangdong Village, Ulsan, which are our sisterhood villages. In April, we utilized unused land near Handeul Village to cultivate corn with the villagers. Each household received a box of corn, and the remaining harvest was donated to the sisterhood organization. These activities were carried out in collaboration with the residents of the village.



Volunteer activities in Handeul Village

## Self-reliant Future Generations

### Integrated servicing program for fostering children from orphanages

HD HYUNDAI CONSTRUCTION EQUIPMENT plans to implement an integrated servicing program for children from orphanages to support the economic and independent living of young individuals preparing for independence. This social contribution program entails young individuals preparing for self-reliance by enrolling in a Global Education Center to receive theoretical and practical education in construction machinery technology (maintenance, operation). Subsequently, the program facilitates their employment through authorized service centers. Through these efforts, we aim to create employment opportunities for young individuals preparing for self-reliance and expect to secure a pool of skilled construction machinery maintenance workers.

### HYUNDAI Modern School

HD HYUNDAI CONSTRUCTION EQUIPMENT India has been operating the 'Hyundai Modern School' since 2020, renovating local school facilities and offering experiential educational opportunities. In 2022, we engaged in educational environment improvement activities by transforming a barren land within Golegaon Village School into a playground using the HX220HD equipment produced by our Indian subsidiary. We also organized a 'Science Park Tour' for local school students, enabling them to experience cutting-edge scientific equipment such as engineering/technology, space science, and 3D shows. Additionally, we have consistently provided medical assistance, including repairing and donating an aging ambulance to the underserved Sukalwehge Village, where the medical infrastructure is inadequate.

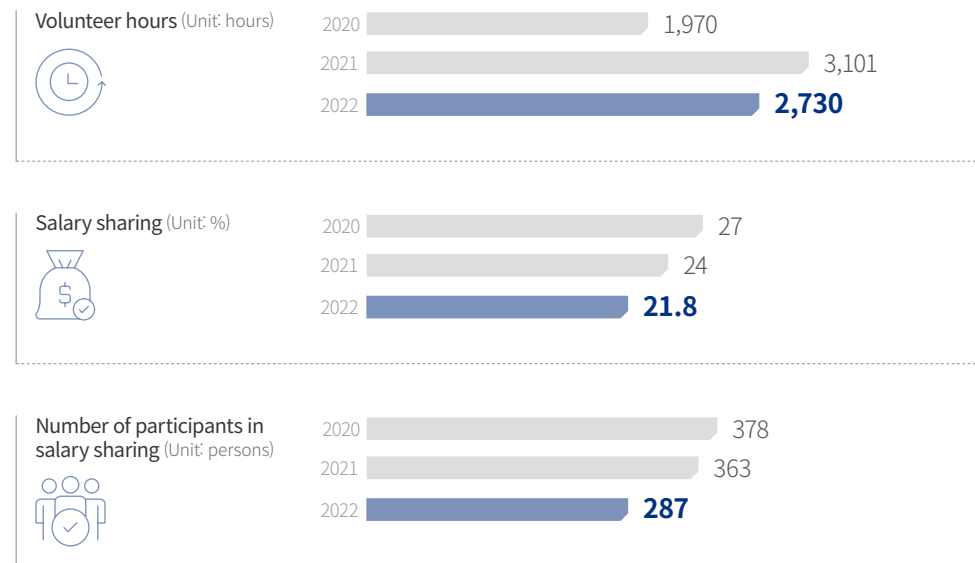


HYUNDAI Modern School

## Metrics & Target

In 2022, HD HYUNDAI CONSTRUCTION EQUIPMENT allocated approximately 360 million KRW, which is around 1.9 times the social contribution expenditure of 190 million KRW in 2021. To enhance the effectiveness of our social contribution activities, taking into account the nature of our business, we are currently reviewing the enhancement of our social contribution strategy, focusing on activities that reflect the needs of beneficiaries.

### Key Contributions to Local Communities



# ENVIRONMENTAL



# Environmental Management

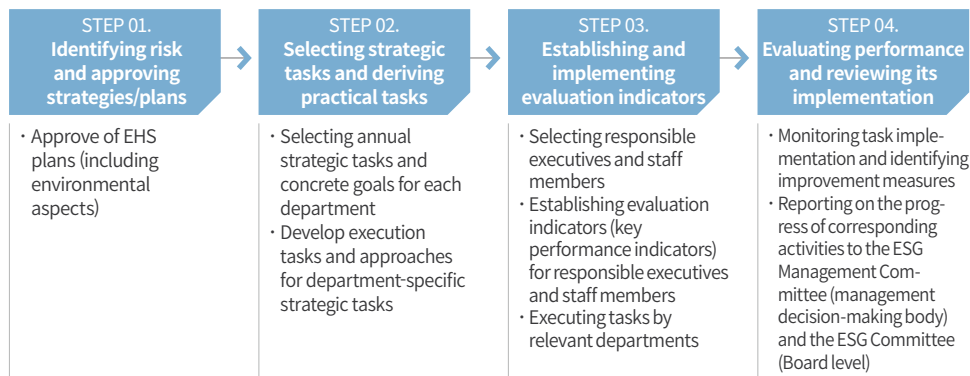
HD HYUNDAI CONSTRUCTION EQUIPMENT establishes safety, health, and environmental policies and goals yearly, publicly announced to all business locations and employees. We actively encourage comprehensive engagement in safety, health, and environmental management throughout the organization.



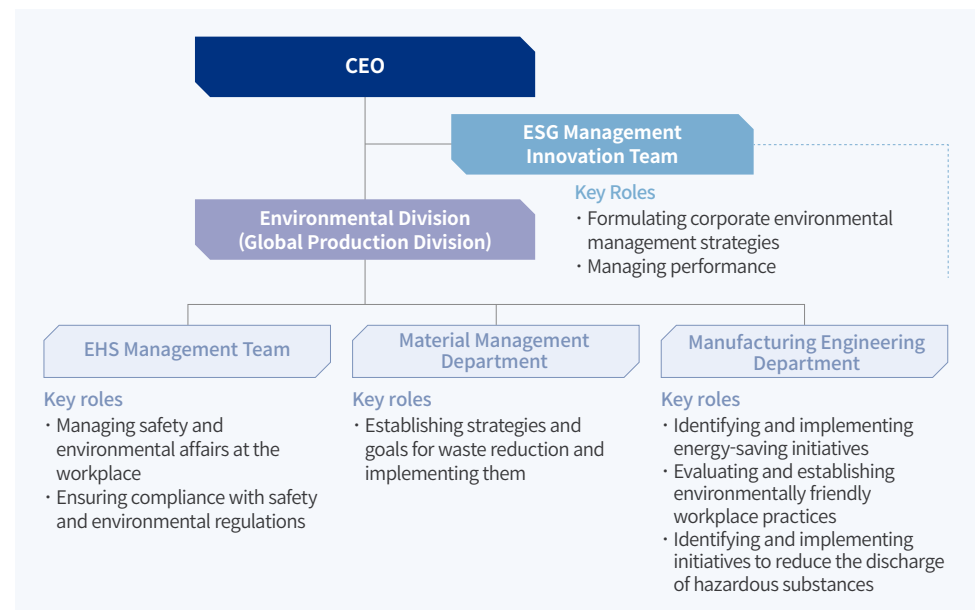
## Environmental Management System and Organization

HD HYUNDAI CONSTRUCTION EQUIPMENT's dedicated department for environmental management, the EHS team, implements an environmental management system based on international standards. The team is responsible for managing air pollutants, water quality, and hazardous chemicals. Our global facilities have established systems that comply with the international environmental management standards (ISO 14001) and strive to minimize environmental pollution and damage resulting from corporate activities. Additionally, internal and external audits are conducted annually to assess the operation of the environmental management system and ensure compliance with environmental regulations. At the company-wide EHS meeting, which serves as a decision-making body at the management level, chaired by the CEO and led by the EHS team, safety, environmental issues, and activity updates specific to each facility are shared monthly. The EHS Committee reports on monthly environmental regulatory trends and submits and obtains approval for strategies to comply with relevant laws and regulations. In addition, the ESG Management Committee is discussing matters related to promoting and implementing environmental management initiatives at the corporate level, including air pollutants, water quality, and hazardous chemicals. Each facility has an EHS manager responsible for on-site inspections and accountability. Monthly safety and environmental inspections (EHS Patrols) are conducted to identify environmental issues and implement necessary improvements. To strengthen the implementation of environmental management initiatives, key performance indicators (KPIs) are established for evaluating executives and staff members involved in the initiatives, and they are linked to compensation and rewards.

### Environmental Management System



## Environmental Management Organization



## Major Environmental Management Councils

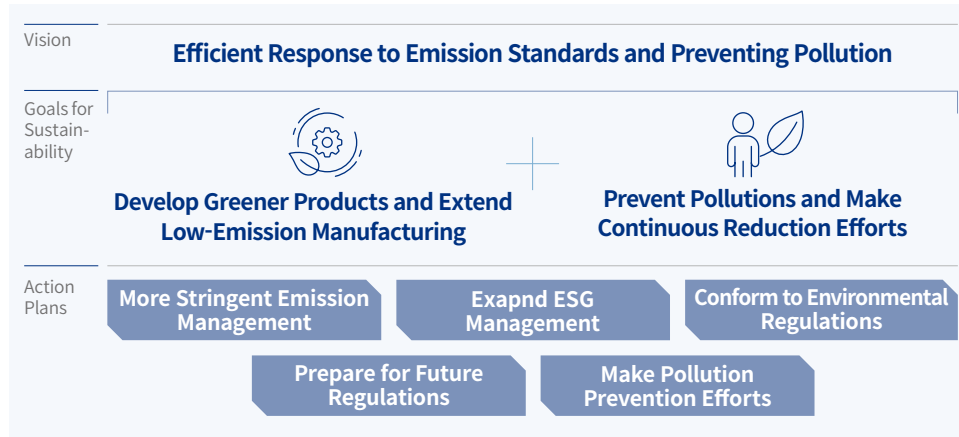
Type	Cycle	Activities	Host
Company-wide EHS Meetings	Monthly (semi-annually)	<ul style="list-style-type: none"> <li>Sharing environmental issues and activities for each business site</li> <li>Reporting on environmental regulatory trends and compliance</li> </ul>	CEO, EHS Officer of each business site
EHS Patrol	Monthly	<ul style="list-style-type: none"> <li>Following the on-site safety inspection and on-site inspection by the head of the division; discover environmental improvement issues and take action</li> </ul>	EHS Officer of each business site
ESG Committee	Quarterly	<ul style="list-style-type: none"> <li>Decision-making on significant environmental management agenda</li> </ul>	CEO, ESG Management Innovation Team





## Environmental Management Policy and Strategy

### Environmental Management Strategy



### Environmental Management Policy

HD HYUNDAI CONSTRUCTION EQUIPMENT has officially adopted international environmental declarations, standards, and regulations and established an Environmental Management Policy in 2023 to prioritize realizing social value through environmental management. The Environmental Management Policy encompasses measures to minimize the negative impact on the environment, including the implementing organization, product and production environment, and management environment.

#### Outline of Environmental Management Policy

- 1) Environmental Management System
- 2) Product Environment
- 3) Production Environment
- 4) Management Environment
- 5) Chemicals Management Policy

[Link to Environmental Management Policy](#)

### Reduction of Environmental Risk and Prevention of Environmental Accidents

In order to respond to stricter environmental laws and regulations and prevent environmental accidents, HCE regularly inspects environment-related facilities at its business sites and strives to minimize pollutant emissions by improving air pollutant prevention facilities and environmental pollution discharge facilities, while also strengthening separate discharge of waste.

We conduct emergency environmental accident response training by classifying scenarios into oil leaks and fires, joint fire drills with fire stations, and wastewater treatment facility accidents. For each situation, specific scenarios are established and implemented such as “Diesel leakage accident during oil injection in oil tank”, “Joint control with the fire station in case of fire”, “Wastewater treatment facility malfunction due to natural disasters and chemical substance leakage”. We conduct key location-specific training to maximize the effectiveness of accident response and training. This includes conducting drills to check evacuation and assembly times and implementing metrics to assess response capabilities. Training is conducted at each site, with all employees participating to enhance safety awareness and preparedness in the event of an accident.

### Environmental Training

HD HYUNDAI CONSTRUCTION EQUIPMENT conducts internal training for certification as promoters of the Environmental Management System (ISO 14001) and the Occupational Health and Safety Management System (ISO 45001). The training for environmental officers aims to establish on-site safety, health, and environmental management systems and secure environmental management and safety awareness among site managers. In 2022, 18 EHS promoters from various departments received training.

#### Environmental Training Program

Program name	Key content	Target	Training cycle
ISO work staff training	Understanding the ISO 14001 (Environmental Management System) standard and its requirements.	EHS work staff in each department	Once/year (December 2022, for 3 days)



## Improving Resource Efficiency

### GHG and Energy Management

Since 2021, HD HYUNDAI CONSTRUCTION EQUIPMENT has transitioned to and complied with the 'GHG Target Management System' at our facilities, working towards a gradual reduction in energy consumption to decrease GHG emissions. We conduct systematic data management and monitoring through the company-wide GHG Management System (HGMS) and undergo third-party verification of GHG emissions to enhance transparency in emission management. Additionally, we participate in the global initiative Carbon Disclosure Project (CDP) evaluation, assessing our GHG emissions and climate change response level, and have obtained a B rating in 2022. Furthermore, we have implemented facility investments such as replacing high-efficiency LED lighting (approximately 147 million KRW) and training on-site workers to promote energy-saving habits and encourage autonomous energy conservation activities. Through the ongoing Ulsan Campus Reformation Project until 2025, we plan to establish an advanced GHG and energy monitoring system, enhancing our risk management activities related to global climate change. We will develop and implement a phased emission reduction plan under global climate change, aiming to strengthen our management practices.

### Water Resources Management

We monitor and ensure that the wastewater generated from the production process is properly treated through on-site wastewater treatment facilities and external contracted treatment companies. We rigorously manage the treated water following legal standards. Through facility-centered management, we endeavor to reduce the generation of pollutants at the source. For example, we have implemented a shortened cycle (twice a week) to discharge circulating wastewater from the coating facility. We also prohibit the discharge of substances such as fuel during the use of washing facilities. All generated wastewater is directed to a water quality improvement facility and does not directly enter natural water systems (oceans, rivers, etc.), minimizing its impact on aquatic ecosystems. Additionally, we have installed emergency containment barriers and wastewater leakage prevention facilities to prepare for emergencies such as natural disasters. Furthermore, we conduct monthly monitoring and management of total organic carbon (TOC) and four other types of water pollutants to maintain appropriate treatment standards.

### Achievement compared to the goal of reducing water use in 2022



Achievement rate (%)

93

(Target: 62,505 tons, Achievement: 62,227 tons)

### Chemicals Management Policy

We operate a system for preventing chemical leaks and managing hazardous chemicals within our facilities. We monitor the entire process, from the receipt of chemicals to their use and disposal. We ensure the on-site placement of Material Safety Data Sheets (MSDS) and conduct regular training to enhance our staff's awareness of chemical safety. In 2022, we achieved the goal of using a non-toxic substitute, sodium hydroxide, for wastewater treatment instead of hazardous substances, thereby achieving a 'ZERO' hazardous chemical workplace. We continue to make ongoing efforts for a clean workplace regarding hazardous chemical substances through monitoring and sustained endeavors.

### Air Pollutant Management

Air pollutants generated from emission facilities include nitrogen oxides (NOx), sulfur oxides (SOx), particulate matter, and volatile organic compounds (VOCs) from painting processes and heating facilities. To reduce the emissions of pollutants and minimize damage to the local community, suitable pollution reduction facilities (prevention facilities) are equipped and operated at each emission facility. We operate dust collection facilities and Regenerative Thermal Oxidizers (RTOs) to maintain pollutant concentrations below 30% of the legally regulated levels for each pollutant. Measurements are conducted according to the legal measurement frequency for each emission outlet, and continuous monitoring is carried out to address potential risks proactively.

### Environmental Regulations and Compliance Management

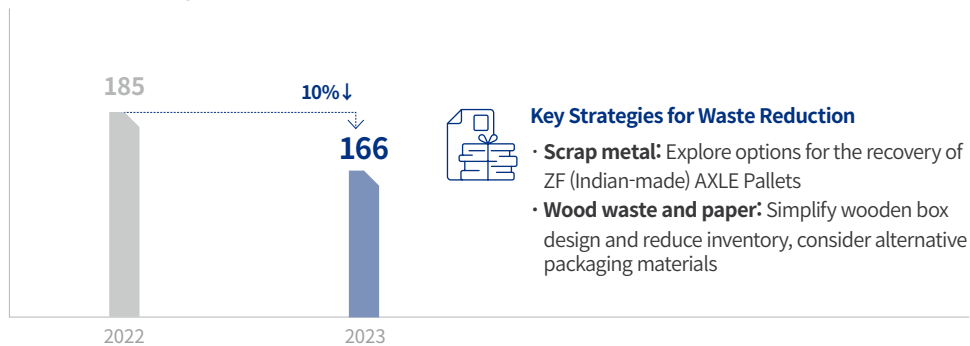
HD HYUNDAI CONSTRUCTION EQUIPMENT has established and operates an environmental management system for managing environmental laws and regulations. We continuously monitor the trends in environmental laws and regulations and report compliance-related matters to the board of directors quarterly. To minimize the discharge of pollutants into water and air, we have established internal environmental standards that are 50% stricter than the legally permissible limits and manage them accordingly. Waste is managed based on the Waste Management Act through an internal processing process. We outsource waste disposal to external specialized companies, ensuring proper treatment through periodic inspections to verify their disposal capabilities and providing regular guidance. Additionally, to mitigate environmental levies under the Resource Circulation Framework Act, we explore measures to reduce waste generation at its source and actively promote them.



## Waste Reduction and Recycling

We classify wastes generated from production and office activities into non-hazardous and hazardous waste and entrust the treatment thereof to a specialized company according to the lawful disposal method. In order to improve the separation rate of plastics, cans, bottles, and waste paper, we place dedicated recycling bins near our workplaces to increase accessibility and sell them to specialized collection companies to minimize incineration waste and increase recycling. Non-recyclable waste is properly disposed of through outsourcing to specialized companies, aiming to minimize incineration and landfilling by selecting recycling processing contractors as a priority. The company is committed to minimizing environmental pollution caused by waste generation at the workplace. Furthermore, efforts are made to reduce waste generation at the source by simplifying packaging from suppliers, contributing to waste reduction. The revenue generated from waste sales is used for local community support, such as assisting disadvantaged neighbors. In 2022, a donation of 10 million KRW was made to Child Fund Korea through the revenue generated from recycling. In 2023, we have set a target of reducing waste by 10% per unit compared to the previous year and have established and implemented waste reduction strategies for each type.

Waste reduction goals (Unit: kg/unit)



### Case Study

#### Minimizing the Use of Disposable Packaging at Ulsan Campus

Some raw materials delivered to the Ulsan Campus are packaged in disposable cardboard boxes. To reduce waste, we have considered replacing these disposable paper cardboard boxes with reusable plastic boxes or pallets. When using plastic boxes or pallets, these packaging materials can be reused for future deliveries. We have surveyed the opinions of suppliers delivering to the Ulsan Campus regarding the possibility of changing the delivery method, and approximately 24% of collaborating suppliers have successfully changed their delivery methods, excluding those facing difficulties in implementation. This initiative has reduced waste generation and disposal costs associated with plastic delivery boxes, while suppliers anticipate cost savings in packaging materials through reuse. For suppliers facing cost challenges in implementing process improvements, we are exploring options for cost support. We plan to expand the activities for minimizing packaging materials in the future.

#### Process Improvement



#### 2022 Waste Reduction Achievements

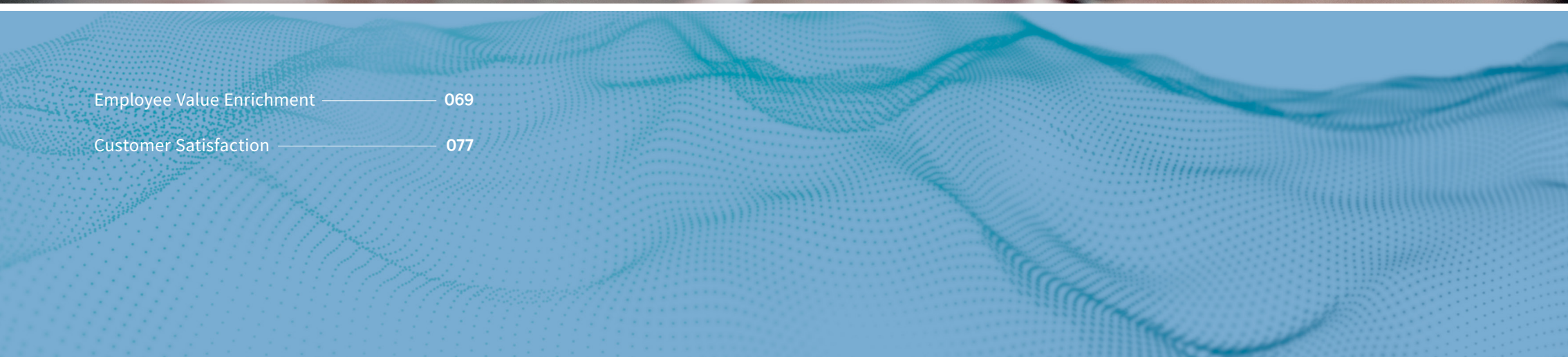
	Waste disposal weight per unit (kg/unit)	2022 target (Achievement rate) (kg/%)
	185	188(102)
	Non-hazardous disposal (kg/unit)	Paper (Cardboard box) disposal (kg/unit)
	33	9.5



# SOCIAL

Employee Value Enrichment ————— 069

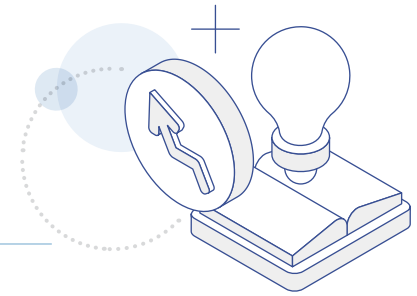
Customer Satisfaction ————— 077





# Employee Value Enrichment

HD HYUNDAI CONSTRUCTION EQUIPMENT respects the dignity and human rights of all stakeholders directly or indirectly influenced by and influencing the company and strives to practice human rights management accordingly.



## Human Resources Development

HD HYUNDAI CONSTRUCTION EQUIPMENT strives to nurture human resources so that the growth of its employees leads to corporate performance and competitiveness, thereby driving the company's growth.

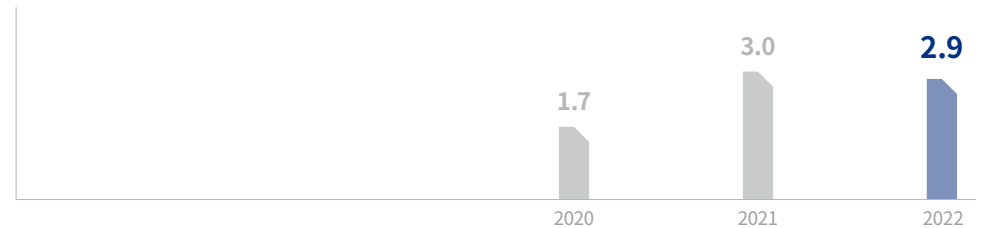
### Human Resources Development System

Key Focus Areas	<b>Establishing an organizational culture based on core values</b>	<b>Fostering systematic leaders for achieving the vision</b>	<b>Establishing training systems and infrastructure for sustainable growth</b>
Core Values	<b>Innovative leadership</b>	<b>Fearless Challenge</b>	<b>Mutual respect</b>
Targets	Nurturing leaders who will lead the Group's future	Nurturing job experts who contribute to performance creation	Fostering global talents to lead overseas business
Targets	Leader	Job experts	Global talents
Key Training Programs	<ul style="list-style-type: none"> <li>Fostering leaders, executives, and managers</li> <li>Cultivating interdisciplinary talents</li> <li>Leadership enhancement programs</li> </ul>	<ul style="list-style-type: none"> <li>Developing and implementing job-specific training programs led by the field</li> <li>Establishing a support system for personalized competency development</li> <li>Supporting supplier training programs</li> </ul>	<ul style="list-style-type: none"> <li>Operating internal and external language education support systems</li> <li>Operating language education support systems for employees and their spouses</li> </ul>
	Competitive HRD system and learning infrastructure Specialized Expert Program + Global Leader Nurturing Program		

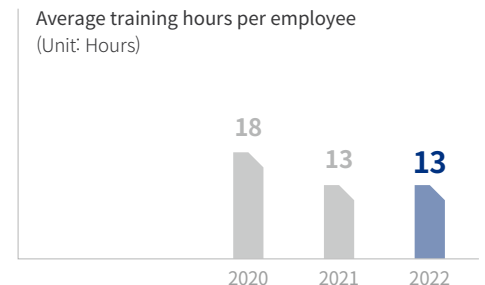
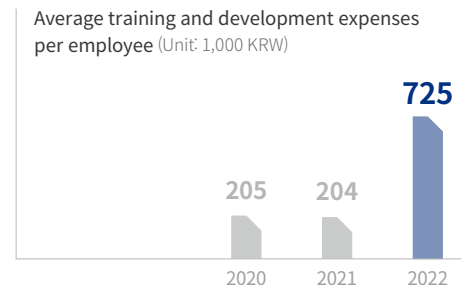
### Employment and Maintenance of Human Resources

HD HYUNDAI CONSTRUCTION EQUIPMENT respects the dignity and human rights of all stakeholders who have a direct or indirect influence on the company and strives to enhance stakeholder value. We do not discriminate in recruitment, evaluation, and compensation based on factors such as childbirth, family status or structure, race, skin color, religion, political opinion, sexual orientation, education, or medical history. Furthermore, we have codified this commitment in our ethical regulations. In addition, we operate an internal job market system to empower employees to actively develop their capabilities and careers and to enable them to perform desired tasks.

#### Voluntary turnover rate (Unit: %)



#### Training and development status





### Job Expertise Enhancement / Fostering Global Leaders

To enhance employees' job expertise, we have established a competency framework for each job position to accurately diagnose employees' competency levels and create roadmaps for their professional growth. We continuously expand the provision of education tailored to their needs. In particular, we enhance job-specific training in the construction equipment field by advancing the job training system. We provide a variety of training programs, both internal and external, online and offline, to effectively strengthen job expertise in a timely manner. Furthermore, we identify outstanding talents at each level and conduct progressive leadership development programs to cultivate the next generation of leaders.

#### 2022 Key participation results in job-specific training

Category	Participants	No. of trainees
Development of global leader	OJT, promoted employees, managers, etc.	325
	R&D Academy	178
Job Expertise Enhancement	Quality competency enhancement training	36
	Strengthening other job-specific competencies	157

### Support for Self-directed Growth

We operate an external education application and support system to encourage employees to plan and voluntarily participate in the education they need for their job performance. Specifically, we provide online learning opportunities, support for participation in external training programs, and coverage of language proficiency test fees to enhance members' global competencies through various avenues of self-directed learning. We also have a system to support the acquisition of external certifications and plan to offer various self-directed growth support programs such as learning clubs.

### Fostering Global Leaders

We support various language education programs to enhance employees' global language competencies. In addition to online language learning and telephone language learning programs provided internally, we operate a system for supporting external language education. We expand opportunities for learning second languages, including English, and specifically for expatriate candidates, we actively support external language education for themselves and their spouses, facilitating early adaptation for both the expatriates and their families in the host country.

### Nurturing Convergence-type Talents

To nurture outstanding talents with consilience capabilities and business acumen, we offer a convergence-type talent development course for new employees. We are concentrating on nurturing talented people with consilience capabilities, such as humanities/business administration majors learning the basics of engineering to understand overall production/design, and mechanical engineering majors learning the basics of electricity to understand overall mechatronics. In addition, for job rotation between electrical and mechanical workers, we select excellent human resources for the respective job and provide mutual cross-training.

### Protection of Employee Diversity

Given the challenges in securing female employees in the machinery manufacturing industry, we strive to eliminate biases regarding the work environment for women. In particular, there is no discrimination or restriction in recruitment and job assignment so female workers can demonstrate their capabilities. As a result, the proportion of female employees is steadily on the rise, and the proportion of female managers is also gradually increasing.

### Support for Training Opportunities

HD HYUNDAI CONSTRUCTION EQUIPMENT provides training opportunities with guaranteed reinstatement to strengthen employee competence. We select excellent employees and give them the opportunity to acquire master's and doctoral degrees from leading universities at home and abroad. Furthermore, we facilitate participation in AI learning courses offered by renowned domestic universities.

### Retirement Planning

We support participation in retirement planning training and re-employment support training hosted by the group education division for employees over the age of 50 years who are preparing for retirement. We provide education on asset and health management, reemployment, entrepreneurship, and other relevant topics. Through self-assessment, understanding of future society, and education on life planning, career planning, entrepreneurship, and financial management, we help employees prepare for their post-retirement lives. In 2022, we conducted 960 hours of retirement planning support education for 60 individuals.

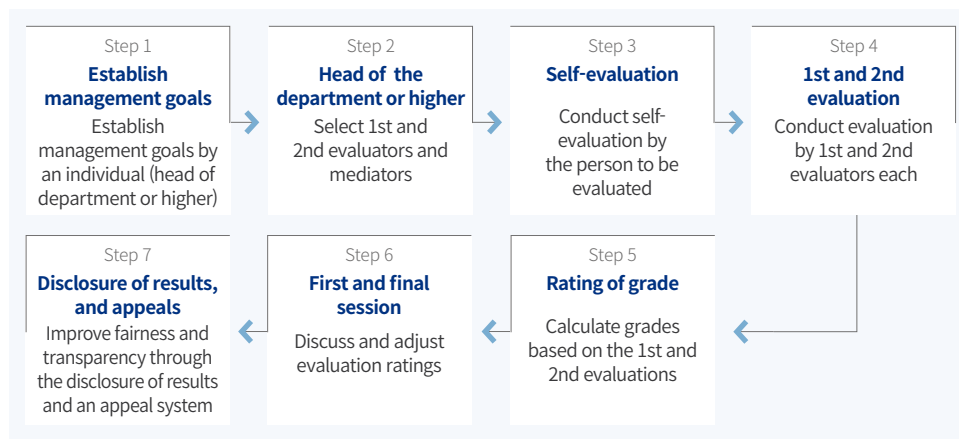


## Fair Evaluation and Compensation

### Performance Evaluation System

HD HYUNDAI CONSTRUCTION EQUIPMENT conducts a personnel evaluation of all employees once each in the first half and second half of the year and utilizes the results for promotion, compensation, training, and leader selection. Through year-round performance management, basic data for evaluation are prepared, and work performance and job competence are comprehensively checked. All office/research staff are evaluated on the basis of achievement rate compared to individual goals according to the management by objectives (MBO) method.

### Performance Evaluation Process



### Reward System

HD HYUNDAI CONSTRUCTION EQUIPMENT strives to provide compensation based on fair and objective evaluations to motivate employees and create a work environment where they can experience a sense of achievement. In order to stabilize the lives of employees, the inflation rate is reflected in the wage increase. We have also put in place an incentive system that distributes performance within financial limits in connection with quantified performance such as sales or operating profit at the end of each year. In particular, for executives and employees at the manager level or higher, we apply a performance-based annual salary system to differentiate the compensation according to individual and organizational performance evaluation results, thereby realizing compensation commensurate with work performance. In addition, we apply the same wage standard to male and female workers, so there is no differentiation of salaries by gender.

### Reward System

HD HYUNDAI CONSTRUCTION EQUIPMENT operates an employee reward system under the principle of “where there is performance, where there is a reward”, and is applying the system in a way to boost fairness and acceptability of employees. In addition, we operate a new HI-S (Hyundai Innovation System) reward to facilitate our innovation activities, to inspire all employees to take on challenges, and to further motivate them for performance rewards. In 2022, 290 rewards were given, amounting to a total reward payment of 61.3 million KRW.



#### Outstanding Employee of the Year

Rewards for outstanding performance, outstanding achievement, and technology development

#### Praise Your Colleague Program

Recognition is given to the top three individuals with the highest points among headquarters/divisions

#### Excellent Improvement Award for Factory and Outstanding Quality Award

Recognition for technical staff who contribute to transforming the factory into a safe and pleasant working environment

#### Risk Assessment Competition

Identifying and reducing potential risks through self-assessment and improvement

#### HDPS Rewards

Recognition for improvement results in quality indicators and production site requirements, among others



Awarded the 'Outstanding Employee of the Year' in the first quarter of 2022



Awarded the HDPS in the 4th quarter of 2022



## Organizational Culture Innovation

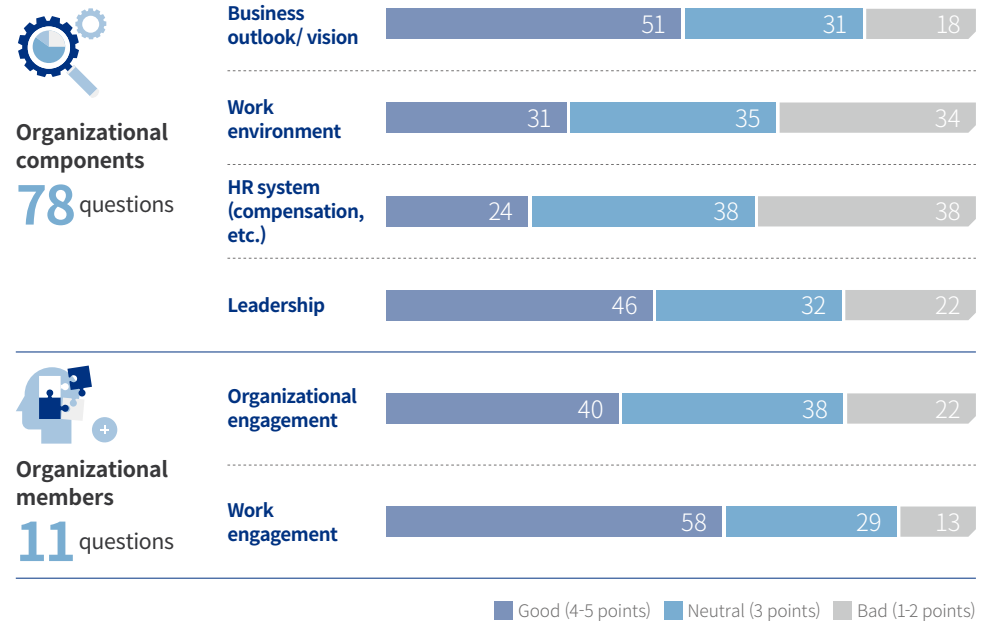
We actively promote organizational culture change activities by deriving improvement tasks based on organizational culture diagnosis to foster a creative and flexible organizational culture. We strive to establish an environment where all employees can grow through work with a sense of pride and self-esteem, emphasizing changes and practices driven by field operations and leadership. Within the HR organization, we have established a dedicated team for managing organizational culture change to drive change management activities. Additionally, we have selected Change Agents within each executive-level organization to perform functions in collaboration with the headquarters and departments, uncovering improvement tasks within the organization and implementing actual improvement activities desired by employees.

Division of Class	Role	Lead	Check	Shared Service	Networking
People& Culture Team, HRD Part	Change Management TF	<ul style="list-style-type: none"> <li>Set the direction for organizational change</li> <li>Establish and share strategies to improve organizational change at the company-wide level</li> </ul>	<ul style="list-style-type: none"> <li>Conduct organizational diagnosis and review</li> <li>Align with diagnosis improvement activities</li> </ul>	<ul style="list-style-type: none"> <li>Make integrated planning and implement proposals with company-wide needs</li> </ul>	<ul style="list-style-type: none"> <li>Identify cases of leading companies at home and abroad</li> </ul>
CA	CA applicant (Fieldwork staff)	<ul style="list-style-type: none"> <li>Set the direction of organizational change at the headquarters/division level</li> <li>Align with the executives in charge to actively carry out change activities in the headquarters/division</li> </ul>	<ul style="list-style-type: none"> <li>Conduct monitoring and encourage participation in organizational change activities</li> </ul>	<ul style="list-style-type: none"> <li>Provide opinions on the needs of each HQ/division</li> </ul>	<ul style="list-style-type: none"> <li>Provide benchmarking examples to the field</li> </ul>
Field Tasks	Organizational change performer	<ul style="list-style-type: none"> <li>Field unit's active participation in organizational change activities</li> <li>Raising issues and suggesting solutions in the process of organizational change</li> </ul>			

## Organizational Culture Diagnosis

In order to obtain an objective assessment of internal members' perceptions of organizational culture, we conducted an organizational culture diagnosis in June 2021. The diagnosis consisted of seven areas and 89 questions, including business outlook/vision, work environment, HR system, leadership, organizational engagement, job engagement, and organizational culture. The diagnostic results regarding organizational culture were shared with employees, and we have prioritized and are currently improving organizational and job commitment as the primary areas for enhancement. Going forward, we plan to institutionalize regular organizational diagnoses to continually improve our organizational culture.

### Diagnosis Areas and Results







### Key Activities for Improving Organizational Culture (As of 2022)

<b>Organizational Culture Tasks</b>	<ul style="list-style-type: none"> <li>Process improvement in work processes and culture of meetings/reports</li> <li>Addressing organizational culture issues by department</li> <li>Granting freedom in attire for middle managers/team leaders, etc.</li> </ul>
<b>HR Tasks</b>	<ul style="list-style-type: none"> <li>Strengthening communication through channels such as dialogue with the CEO and communication channels for new employees</li> <li>Improving HR systems and reinforcement of rewards</li> <li>Enhancing leadership education and issuing leadership newsletters</li> <li>Operating HR scorecards for leaders</li> </ul>
<b>Field Tasks</b>	<ul style="list-style-type: none"> <li>Boost work efficiency</li> </ul>
<b>Mid-to-long Term Tasks</b>	<ul style="list-style-type: none"> <li>Avoiding short-term performance focus and establishing an environment for long-term development                         <ul style="list-style-type: none"> <li>Introducing executive evaluations that assess both short-term and long-term performance</li> </ul> </li> <li>Implementing change initiatives                         <ul style="list-style-type: none"> <li>Identifying and executing medium to long-term challenges to enhance organizational capabilities</li> </ul> </li> <li>Enhancing work process efficiency                         <ul style="list-style-type: none"> <li>Determining appropriate HR allocation and optimizing workforce through job analysis</li> </ul> </li> <li>Establishing a competency development plan (CDP) based on job roles                         <ul style="list-style-type: none"> <li>Expanding the application of Functional Competency (FC) development to all functions</li> </ul> </li> </ul>

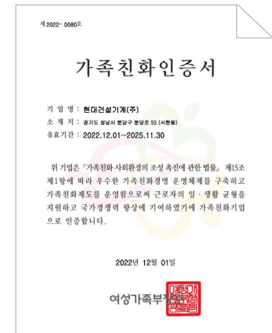
### Labor-Management Culture of Win-win

HD HYUNDAI CONSTRUCTION EQUIPMENT has been renewing the collective agreement every two years to improve working conditions since its spin-off in 2017, and wage negotiations are held every year. In addition, the Labor-Management Council is held quarterly to discuss the improvement of working conditions and the welfare of employees on a regular basis. We regularly hold briefing sessions on the company's business status for employees and labor unions. We thus are forming an internal consensus for overcoming the business crisis and enhancing competitiveness while also instilling an entrepreneurial mindset in our employees. Furthermore, we provide labor-management relations education for employees to raise awareness of the importance of establishing good labor-management relationships and strengthen their communication skills with labor unions.







### Work-Life Balance

Based on the principle of “practical support for the diverse needs of employees”, HCE has put in place an effective welfare system. From in-house work culture to housing, home, leisure support, and post-retirement support, we help our employees strike a healthy balance between life and work. In 2022, we obtained certification for a Family-Friendly Policy<sup>1)</sup>.

1) Family-Friendly Policy: It is a system in which the Ministry of Gender Equality and Family grants certification to companies that exemplify the operation of family-friendly policies, including support for childbirth, childcare, flexible work arrangements, and other measures aimed at fostering a family-friendly environment.



### Key Welfare Programs

 <p><b>Support for Residential Life</b></p> <ul style="list-style-type: none"> <li>Support system for loan interests</li> <li>Support system for one person alone assigned for his/her duty without other family members</li> </ul>	 <p><b>Support for Family Life</b></p> <ul style="list-style-type: none"> <li>Support system for congratulatory and condolence events</li> <li>Encouragement of maternity and parental leave</li> <li>Encouragement of family-care leave and leave</li> <li>Support for child's education tuition</li> </ul>	 <p><b>Support for Leisure Life</b></p> <ul style="list-style-type: none"> <li>Operation of vacation facilities</li> <li>Operation of self-development leave system</li> </ul>
 <p><b>Support for Medical Service</b></p> <ul style="list-style-type: none"> <li>Support for medical expenses</li> <li>Support for family health checkups</li> </ul>	 <p><b>Support for Retirement Planning</b></p> <ul style="list-style-type: none"> <li>Education for supporting retirement planning</li> <li>Operation of the retirement pension system</li> <li>Support for personal pension</li> </ul>	 <p><b>Advancement of Work Culture</b></p> <ul style="list-style-type: none"> <li>Computer shutdown system</li> <li>Workplace Harassment Prohibition</li> <li>Operation of flexible work arrangements, optional work hours, and telecommuting</li> </ul>



### Family-friendly Management

HD HYUNDAI CONSTRUCTION EQUIPMENT strictly complies with the laws stipulated in the laws, such as parental leave and family care leave. In addition, we are running various welfare programs to improve the family-friendly welfare of our employees. We provide a “Happy Mom’s Package” consisting of necessary items and gift certificates to pregnant employees, offer maternity products worth about KRW 300,000 when a child is born, and pay congratulatory money to employees who have given birth (including the spouse’s childbirth). For employees with a child entering elementary school, a set of school supplies is provided. In 2023, we presented congratulatory gifts and letters from the CEO to 68 children entering elementary school.

To support the upbringing of employees' children, we operate an on-site daycare center with a family-like atmosphere. We not only provide financial assistance for high school and university tuition fees for employees' children but also offer a monthly education allowance of 500,000 KRW per child, especially for children aged 4 to 6.



Opening ceremony of the in-house daycare center

### Respect for Human Rights

As a member of the UN Global Compact, HCE supports the Ten Principles of the UNGC on human rights, labor, environment, and anti-corruption. We comply with the International Bill of Human Rights and the declarations of the International Labor Organization (ILO) and respect the human rights of not only our employees but also our stakeholders, including suppliers. We do not tolerate inappropriate language or behavior such as abusive language, violence, and sexual harassment that violates the spirit of harmony, both within the company and in our relationships with suppliers. Employees can report verbal and physical harassment through the internal reporting center, etc. When a matter related to human rights violations occurs, prompt action will be taken in accordance with the regulations, led by the Human Resources Committee. We are providing education to prevent recurrence and foster human rights awareness. Additionally, we provide labor-management relations education for employees to enhance their communication capabilities.

#### Declaration of Human Rights Management

Greetings, This is Choi Cheol-gon, Chairman of the ESG Management Committee at HD HYUNDAI CONSTRUCTION EQUIPMENT.

HD HYUNDAI CONSTRUCTION EQUIPMENT, a leading pioneer in the global construction equipment industry, hereby declares our commitment to fulfill social responsibilities to protect the rights of customers, employees, stakeholders and local communities by striving to actively adopt human rights management that recognizes and respects human dignity and values.

HD HYUNDAI CONSTRUCTION EQUIPMENT strongly promotes the values of human rights, labor, environment, anti-corruption, and other issues presented by international human rights standards and norms, including the Universal Declaration of Human Rights and the UN Guiding Principles on Business and Human Rights.

HD HYUNDAI CONSTRUCTION EQUIPMENT rejects all forms of human rights violations in our business operations whether direct or indirect, and also ensures to establish a governance system that intertwines and connects the board of directors, the chief ESG officer, and relevant organizations on a regular basis. In addition, HD HYUNDAI CONSTRUCTION EQUIPMENT implements a robust Human Rights Management Code to underpin our key values and principles which stipulates our human rights policy, operation of human rights management committee, human rights impact assessment, and remedial action for any human rights violations.

In particular, HD HYUNDAI CONSTRUCTION EQUIPMENT sets utmost importance on health and safety of our employees, mutual prosperity with business partners, and contribution to the environment and local communities, all of which are the most prominent issues of the industry. HD HYUNDAI CONSTRUCTION EQUIPMENT prioritizes these issues as we constantly monitor and manage relevant risks.

HD HYUNDAI CONSTRUCTION EQUIPMENT will continuously dedicate itself to and thrive on strengthening human rights management and will work to ensure that our human rights policy is applied and complied with by all stakeholders including customers, shareholders, business partners, local communities, and the government, as well as our employees. Thank you.

July 20, 2022

Choi Cheol-gon President of HD HYUNDAI CONSTRUCTION EQUIPMENT



### Human Rights Management Guidelines

In order to elevate the implementation of Human Rights Management in 2022, HD HYUNDAI CONSTRUCTION EQUIPMENT has formulated comprehensive Human Rights Management guidelines and established a dedicated organizational framework. Our employees are expected to embrace and advance Human Rights Management as guided by the principles and values outlined in the Human Rights Management Declaration. The dedicated organizational unit is responsible for policy development, execution, education, and human rights impact assessments to promote the advancement of human rights within our operations. Moreover, operating under the ESG Management Committee, the Human Rights Management Committee convenes biannually to deliberate on matters pertaining to the Human Rights Management Declaration, amendments to the guidelines, and formulating Human Rights Management plans. Significant deliberations on human rights-related issues are duly reported to the ESG Committee and the Board of Directors, ensuring appropriate oversight and accountability.

### Human Rights Management Guidelines

Category	Operated by	Key roles
Human Rights Management Committee	<ul style="list-style-type: none"> <li>Chairman: Head of Human Resources, Committee</li> <li>Members: Team Leaders from relevant departments</li> <li>Biannual meetings (additional frequent meetings as necessary)</li> </ul>	<ul style="list-style-type: none"> <li>Formulating the basic plan for Human Rights Management</li> <li>Matters concerning human rights impact assessments, human rights education, and recommendations for improving human rights</li> <li>Procedures for addressing reported cases of human rights violations and measures for promoting human rights protection</li> </ul>
Relevant Departments	<ul style="list-style-type: none"> <li>Human Resources, Purchasing, Legal Affairs, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Matters related to the establishment and implementation of annual plans for promoting human rights</li> </ul>

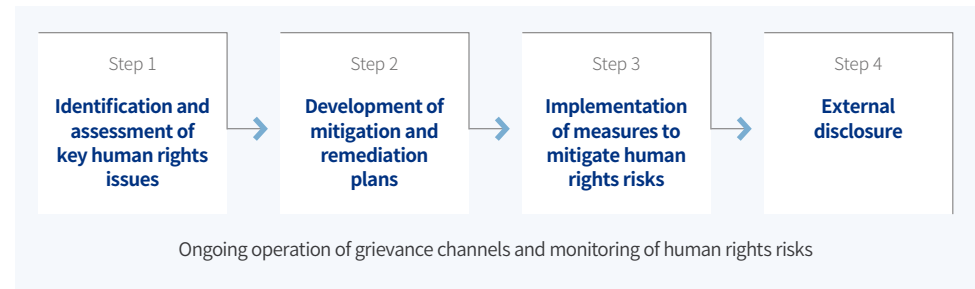
### Human Rights Education

In accordance with the 'Equal Employment Opportunity Act' and the 'Act on the Employment Promotion and Vocational Rehabilitation of Persons with Disabilities,' we conduct annual training sessions at least once a year for all employees, focusing on preventing workplace harassment and enhancing awareness of disabilities. Additionally, we provide mandatory education on preventing workplace harassment and preventing human rights violations.

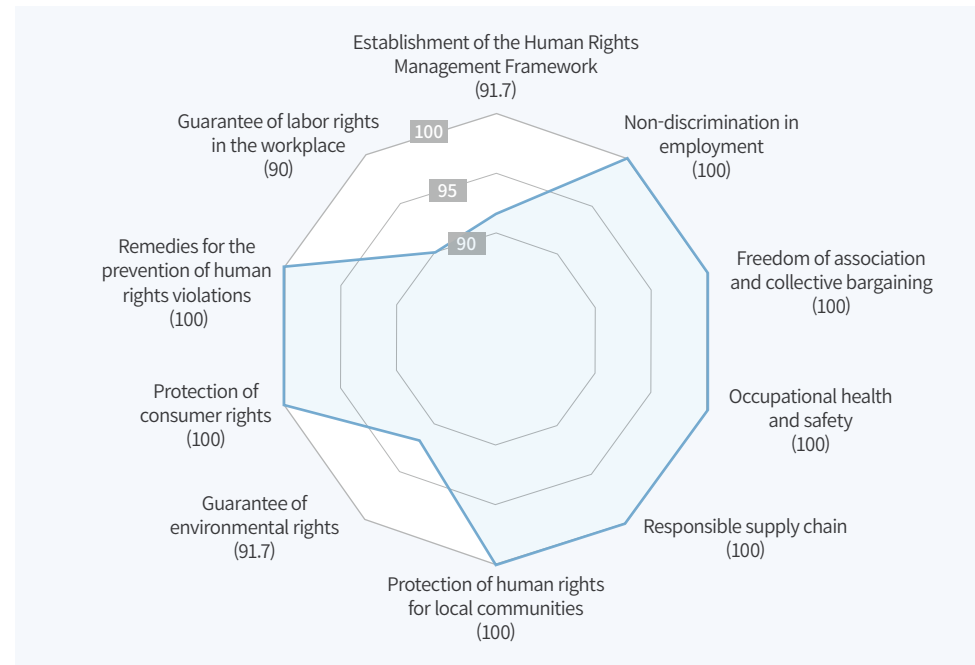
### Human Rights Impact Assessment

HD HYUNDAI CONSTRUCTION EQUIPMENT has conducted human rights impact assessments to proactively identify and prevent actual and potential human rights risks associated with corporate activities. The Human Rights Management Committee was established to enhance the human rights management level, and human rights impact assessments were conducted based on the standard form provided by the National Human Rights Commission. During the human rights impact assessment, the perspectives of various stakeholders were considered, including employees, customers, shareholders, business partners, local communities, and the government, all in relation to HD HYUNDAI CONSTRUCTION EQUIPMENT. The human rights impact assessment focused on domestic business operations. In 2022, a self-assessment was conducted for the human rights impact assessment. However, in order to further enhance the human rights impact assessment, we plan to develop customized indicators specific to HD HYUNDAI CONSTRUCTION EQUIPMENT and involve external experts to ensure objectivity and substance.

### Human Rights Impact Assessment Process



### Results of the Human Rights Impact Assessment





### Grievance Reception Channel and Handling Process

In order to promptly respond to verbal and physical violence caused by sexual harassment or workplace harassment, HCE mandates the operation of an internal Grievance Handling Committee and has at least two members from each of the labor and management. We use a variety of online and offline channels to receive and handle grievances for remedying human rights violations by employees. If a risk of human rights violation is identified from the received information, we are striving to protect the human rights of employees by promoting relevant improvement activities. The Grievance Reporting System ensures the confidentiality of reporters and formalizes measures in the human rights regulations to prevent any retaliation against reporters.

#### Grievance Reception Channel

Reception Channel	Outline
Employees' representative body	Wages/welfare benefits, institutional systems, organizational culture, working hours, infrastructure, environmental and safety, etc.
Internet	Personnel affairs/compensation/education, general affairs/welfare, work, safety and health, computing, etc.
Hotline	Workplace harassment, etc.
Offline	Various employee grievances

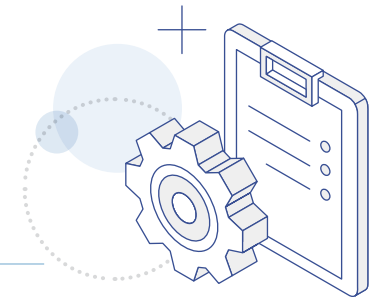
### Grievance Handling Process





# Customer Satisfaction

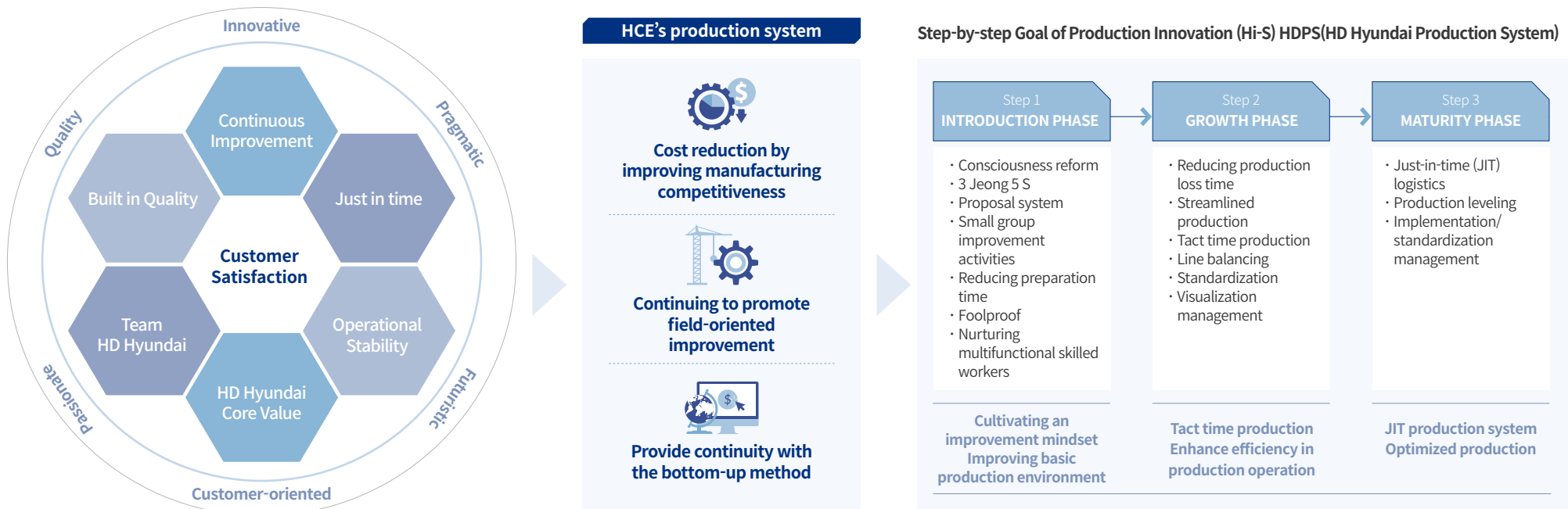
HD HYUNDAI CONSTRUCTION EQUIPMENT strives to build long-term relationships based on trust through collaborative partnerships that support the enhancement of competitiveness among suppliers, who are integral to sustainable management, in order to grow as a global company.



## Quality Management

### HDPS (HD Hyundai Production System)

As competition intensifies among domestic and overseas construction equipment manufacturers, HD HYUNDAI CONSTRUCTION EQUIPMENT is implementing the HDPS, a continuous production innovation initiative centered around the field, to secure long-term manufacturing competitiveness. Setting step-by-step targets for the Ulsan Campus in early 2022, we are progressively implementing various modules, starting with activities related to material supply, quality, and standardization. Recognizing the importance of change management, our employees are actively engaged in voluntary and site-driven improvement activities, aiming to achieve optimized production through production leveling, standardization, and foolproofing across all plants.

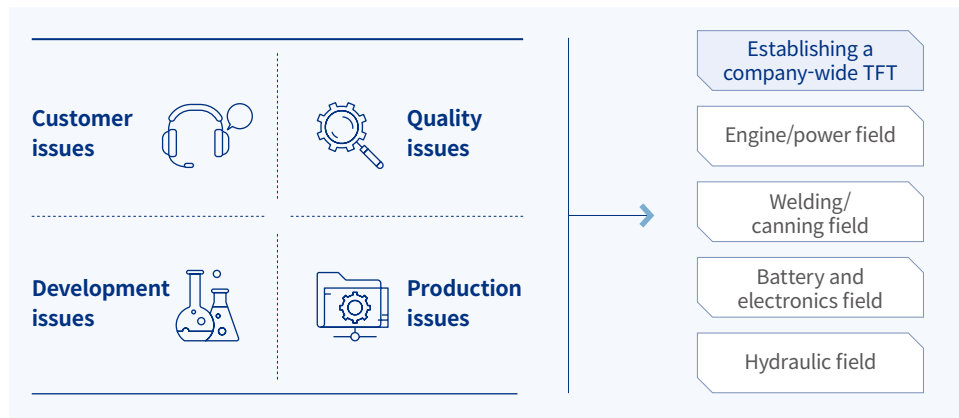




## Quality Innovation TFT

In order to address chronic quality problems in the market, HCE has formed a quality innovation TFT to focus its capabilities on resolving key quality issues. In addition to quality, we are operating four TFTs for hydraulics, engine power, canning, and electronics made up of top experts in all fields including in-house R&D, production, service, and sales. In 2022, we completed 137 improvement tasks and are currently working on an additional 76 tasks for 2023. The improvement (plan) derived from these efforts will be applied not only to the current mass production models but also to the models to be released, to achieve remarkable quality improvement that can be sensed from the market and customer perspectives.

### Operation of Quality Innovation TFT



## Early Sensing, Quick Response

Quality is an uncompromising priority at HCE. In particular, in order to meet customer trust, we are operating a systematic management system based on real-time quality monitoring and quantitative index management. We are concentrating our company-wide capabilities on strengthening quality competitiveness by establishing the Quality Assurance Center and minimizing the cost of quality failure. We assess global quality information on a daily basis and share it among all divisions across the company in real-time. For greater customer satisfaction, we select Q-posts for each major region, such as Korea, North America, Europe, China, India, Brazil, and emerging markets, and operate a regional/model matrix system based on the analysis by the person in charge of each model to respond to market requests in real-time. In addition, by establishing a digital quality analysis assurance system, improvement time is being shortened, and the system is continuously being improved to preemptively respond to the global market. In the mid-to-long term, we will go one step further from improving the quality improvement system after a failure occurs, and further enhance quality competitiveness by recognizing failures in advance and preventing customer equipment failures preemptively.

### ISO 9001-certified facilities



Ulsan, Bundang, Yongin, China, India

**5** locations

(Additional location in Yongin in 2023)

## Operation of the Quality Assurance Center

To strengthen quality competitiveness, HD HYUNDAI CONSTRUCTION EQUIPMENT has established and operates the quality assurance center at the Ulsan Campus. The Center has four measurement rooms and one evaluation center, including a material analysis room, an electronic system evaluation room, a parts analysis room, a precision measurement room, and an equipment evaluation room. Thanks to the newly introduced facilities, the Center can perform tests and evaluations, including material analysis, precision measurement, parts analysis, electrical system evaluation, and equipment evaluation. In particular, as the analysis of parts materials and damage, which used to be conducted externally, can be carried out through the Quality Assurance Center and self-verification becomes possible, the speed of improvement will be dramatically improved and quality competitiveness will be strengthened. Based on the data accumulated through the analysis, measurement, and evaluation at the Quality Assurance Center, we utilize technical standards to improve equipment performance and develop the technology.



## Digital Transformation

The construction equipment industry recently is seeing a fast pace in the development of product innovation and safety enhancement through digital and intelligent technology. In line with these changes in the industrial environment, construction machinery, and equipment are also developing into AI equipment that utilizes AI technology to achieve optimum stand-alone productivity while emphasizing safety, going beyond the smart equipment that simply supports operators to work conveniently. HCE has established a digital technology vision called “Hyundai Connect” to evolve into a provider of such AI equipment. Under this vision, we are developing “Hi ASSIST” that supports operators, “Hi DETECT” that enhances safety, and “Hi CARE” that improves the equipment uptime both qualitatively and quantitatively. Recently, we developed “Hi SITE” technology that can control the survey and analysis results of on-site terrain and the status of equipment fleet operation. We aim to contribute to the development of a sustainable society by providing new experiences and values to customers by leading the development of digital technology in the future while minimizing the cost and safety accidents required for social infrastructure construction.

### Hi ASSIST(Productivity)

The smart guidance technology, which recognizes the posture through the sensor attached to the equipment and helps the operator directly check work results, minimizes the surveying process during work, thereby reducing related costs and safety accidents. Following the commercialization of smart guidance technology in 2019, smart control technology with semi-autonomous functions added to smart guidance was commercialized in 2021 for the HW145+, a 14-ton wheel excavator.

### Hi DETECT(Safety)

The importance of safety in construction sites has been on the rise. In 2015, HCE launched an around-view monitoring (AAVM) system that shows the surrounding environment of equipment for the first time in the industry. In 2020, we launched the rear detection system (RDS) technology for wheel loaders. The technology uses radar technology to detect nearby obstacles regardless of the weather and raises an alarm when the equipment approaches them within a dangerous range. In 2021, we expanded the application of the technology to wheel excavators. In 2024, we plan to commercialize AAVM+ technology, which combines AAVM and RDS technologies. Eventually, the technology will evolve into a technology that optimizes the response level from warning to automatic stop according to the level of danger by determining whether there are workers, trucks, or simple obstacles in the vicinity through AI-based image recognition.

### Hi CARE(Uptime)

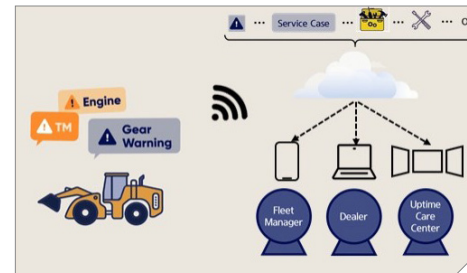
The quantitative and qualitative improvement of uptime for proper use of equipment without failure is the ultimate value that customers desire. HCE has been making continuous efforts to improve customers’ uptime by commercializing Hi MATE, which enables remote monitoring of equipment operation time, fuel consumption, and consumable replacement time. In 2019, we launched the “Fleet Manager App”, which allows the user to conveniently manage the usage and health status in units of fleets through a smart-phone app. In 2021, the “ProAct Care” service was launched, in which dealers can preemptively contact customers to repair or prevent malfunctions by linking these remote management technologies with services. It has been well received by customers in North America as it minimizes equipment downtime, and based on the success, we expanded the service to the domestic and Southeast Asian markets, with a plan to provide this service to China and Europe moving forward. We will apply AI technology to the remote management service to enable remote equipment failure diagnosis, cause analysis, and prediction.



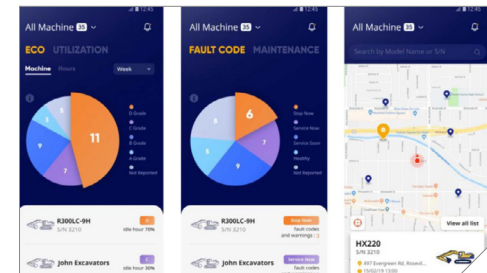
An example of using the Hi ASSIST technology for real-time surveying and automatic control



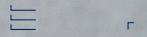
Hi DETECT to detect risk factors at work sites and prevent safety accidents



Using Hi Care and Fleet Manager App for equipment management



Using Hi Care and ProAct Care service



# GOVERNANCE

Corporate Governance ————— 081

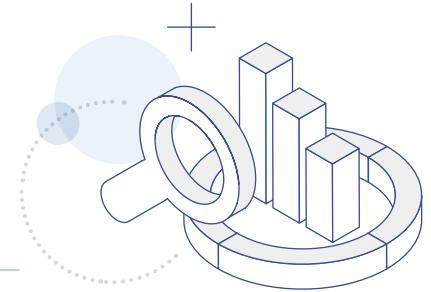
Integrity and Risk Management ————— 085





# Corporate governance

HD HYUNDAI CONSTRUCTION EQUIPMENT operates an independent governance structure based on checks and balances to enhance transparency in the decision-making process in corporate management and to protect the rights of various stakeholders, including shareholders.



## Board of Directors

### Composition and Operation of BOD

The Board of Directors (BOD) is the top decision-making body that has been delegated decision-making rights related to corporate management by shareholders in accordance with relevant laws and the articles of incorporation of the company. It makes independent decisions on the company's long-term growth and major management issues and plays the role of checks and balances for transparent management. The Board of Directors holds the authority and responsibility for matters delegated by the General Meeting of Shareholders, as well as decision-making on fundamental policies and important operational issues related to the company. The Board oversees the execution of duties by the executive management team. Board meetings are held quarterly as a general practice, but additional frequent meetings may be convened as necessary. To ensure management transparency and independence, the Articles of Incorporation stipulate that non-executive directors comprise a majority (minimum of three individuals) of the total number of directors. The Board size is set between five to seven members, allowing for effective discussions and the activation of multiple committees. As of the end of March 2023, the Board comprises five members (two executive directors and three non-executive directors).

Under the Board of Directors, three committees are established and operated: the Audit Committee to ensure the transparency and independence of the audit process. The ESG Committee reviews and oversees the company's sustainable management strategy and performance, and the Non-executive Director Nomination Committee, holds the authority to recommend candidates for non-executive directors, ensuring the transparency and independence of the nomination process.

### Director Expertise and Appointment Process

To ensure diversity and expertise in the Board of Directors, HD HYUNDAI CONSTRUCTION EQUIPMENT composes the Board with experts with professional knowledge in various fields. The evaluation of their capabilities and the appointment process do not discriminate or restrict based on age, gender, educational background, or region of origin. Non-executive Directors are recommended through the Non-executive Director Nomination Committee, which aims to establish transparent corporate governance and enhance the expertise of the Board. The Committee recommends suitable candidates considering factors such as ownership of company shares, relationships with the company, employment in competitor companies, diversity, and representation of stakeholders. The Chairman of the Non-executive Director Nomination Committee is appointed as a Non-executive Director, and the Committee deliberates on the selection of candidates for Non-executive Directors to be recommended to the Board when there is a need to appoint Non-executive Directors. If the appointment of directors is included in the agenda of the General Meeting of Shareholders, the company provides disclosure of the appointment proposal, including the term, whether it is a new appointment, key qualifications, and reasons for the recommendation, and announces it before the convening of the General Meeting of Shareholders, at least four weeks in advance. The detailed backgrounds of director appointments are transparently disclosed through business reports and Corporate Governance Reports. As of the end of December 2022, the average tenure of the Board of Directors is one year.

### Changes in the BOD composition

Category	2022	2023
Newly appointed	Non-executive Director, Yoo Myung-Hee Non-executive Director, Park Ki-tae	Executive Director Kim Wansoo Non-executive Director Cha Kyung hwan
Resigned	Non-executive Director, Son Seong-gyu Non-executive Director Park, Soon-ae	Non-executive Director Sin, Pil-jong Executive Director Song, Myung-jun



**BOD Composition**

Category	Name	Sex	Specialized Area and Main Career	Term of Office	Number of terms
Executive Director	Choi Cheol-gon (Chairman of BOD)	Male	Current) Chair of the BOD, HD HYUNDAI CONSTRUCTION EQUIPMENT Current) Vice President, HCE Former) Executive Director of Heavy BG, Doosan Infracore Former) Executive Director of Asia Operations, Volvo Construction Equipment Group	November 2021 to November 2024	
	Kim Wansoo	Male	Current) Head of Business Planning, HD HYUNDAI Former) Head of New Business Development, HD HYUNDAI Former) Head of New Business Development, Samsung C&T	March 2023 to March 2026	
Non-executive Director	Park Ki-Tae	Male	Current) Full-time advisor, Samil PwC Current) Member of the Capital Markets Subcommittee, Financial Development Council Former) Vice Representative, Samil PwC	March 2022 to March 2025	
	Yoo Myung-Hee	Female	Former) Economic and Trade Minister, Ministry of Foreign Affairs Former) Director-General of the Trade Negotiations Bureau, Ministry of Trade, Industry and Energy	October 2022 to October 2025	
	Cha Kyung-hwan	Male	Current) Managing Partner, Pyeongan Law Firm Former) Chief Prosecutor, Suwon District Prosecutor's Office Former) Director at the Planning and Coordination Department, Supreme Prosecutors' Office	March 2023 to March 2026	

\* As of the end of March 2023

\* All directors have no affiliations or transactions with the major shareholders and the corporation within the past three years

**Board Skill Matrix**

Evaluation items	Cheol-gon (Executive Director)	Wansoo (Executive Director)	Park Ki-Tae (Non-executive Director)	Cha Kyung-hwan (Non-executive Director)	Yoo Myung-Hee (Non-executive Director)	Rate
Core Industry (Expertise in construction equipment and parts business)	●	●				40%
Finance and Accounting (Expertise in financial management and oversight of the company)		●	●			40%
International Business (Expertise in international politics, dynamics, and risk management)	●	●			●	60%
Leadership (Expertise in organizational operations and management)	●	●				40%
Mergers and Acquisitions (Expertise in investment decision-making for the company)	●	●	●	●		80%
ESG (Expertise in evaluating and making decisions regarding the importance of ESG factors)	●		●	●	●	80%
Legal and Public Policy (Expertise in analyzing and addressing legal and policy risks)				●	●	40%



### Key features of BOD

#### Independence



- All directors comply with relevant laws and regulations to prevent conflicts of interest, including compliance with regulations on self-dealing, prohibition of the use of company opportunities, and disclosure of significant internal transactions
- All non-executive directors have no special relationships with major shareholders, management, or affiliated companies.
- Non-executive directors provide independent decision-making support separate from the management and controlling shareholders

#### Expertise & Diversity



- The Board of Directors comprises professionals with expertise in their respective fields to ensure diversity and specialization
- Non-executive directors are appointed based on their professional knowledge or experience in management, economics, law, or relevant technology or their social reputation while meeting the qualifications required by relevant regulations
- Age, gender, education, or regional background are not discriminated against or restricted in the evaluation and appointment of directors
- Training is provided to support the diligent performance of duties by non-executive directors

#### Transparency



- Information on directors, including their terms, appointment status, and key career details, is provided through public announcements of shareholder meetings
- All directors are appointed by resolutions of the shareholder meeting
- In addition to the disclosure required by law, important information that significantly affects stakeholders' decision-making is disclosed in a detailed and accurate manner through voluntary disclosures

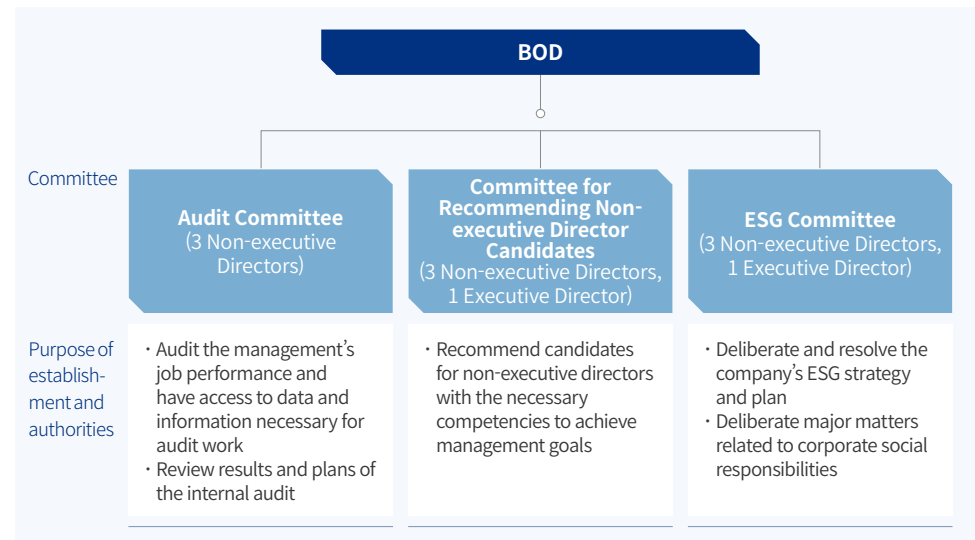
### The Board Committees

To enhance the efficiency and independence of the Board's decision-making, three committees have been established with a majority of non-executive directors (Non-executive Director Nominating Committee, Audit Committee, and ESG Committee). The Audit Committee, in particular, oversees the execution of management's duties and the company's financial status and is composed entirely of non-executive directors, ensuring enhanced monitoring and supervision of the company and management while safeguarding the independence of decision-making processes.

Chairperson: ● Member: ○

Category	Choi Cheol-gon	Park Ki-tae	Cha Kyung-hwan	Yoo Myung-Hee	Kim Wansoo
ESG Committee	○	○	○	●	
Audit Committee		●	○	○	
Committee for Recommending Non-executive Director Candidates	○	○	●	○	

### Status of committee establishment within the Board of Directors



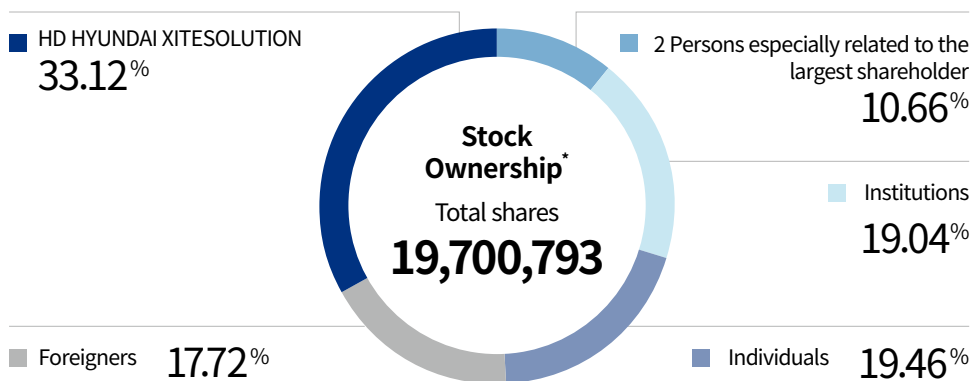
### Evaluation and Remuneration of BOD

Remuneration for executive and non-executive directors is paid within the limit of remuneration for the position of directors approved at the GSM. For the performance evaluation of executive directors, we use a performance-based salary system that links executives' compensation with management performance. Along with the basic annual salary, which is the standard amount determined by position, the performance salary is paid based on the management performance of the organization. The performance evaluation of non-executive directors is reflected in the evaluation of the Committee for Recommending Non-executive Director Candidates for reassignment after the end of their term by conducting self-evaluations on BOD and committee attendance, industry expertise, contribution, and active BOD activities. In order to secure independence from the management and controlling shareholders, the Audit Committee members are only entitled to remuneration as a director and are not entitled to any other compensation. The limit of remuneration for directors and auditors approved at the 2023 GSM is KRW 2,600 million. The total amount of remuneration actually paid is KRW 528 million, and the average remuneration per person is KRW 105 million.

## Shareholders and Capital Structure

### Shareholders and Capital Structure

The largest shareholder of HD HYUNDAI CONSTRUCTION EQUIPMENT changed from HD Hyundai to HD HYUNDAI XITESOLUTION on August 2, 2021, according to the conclusion and fulfillment of the in-kind contribution contract. HCE is an affiliate of the Construction Machinery Sector of Hyundai Heavy Industries Group and operates nine consolidated subsidiaries worldwide (based on business reports). As of the end of 2022, the number of shares issued is 19,700,793, and the largest shareholder is HD HYUNDAI XITESOLUTION with a 33.12% stake.



\* Based on the number of shares issued as of December 31, 2022

### Shareholders with 5% or More Shares

Category	Name of shareholders	No. of shares owned	Ownership (%)
Shareholders with 5% or more shares	HD HYUNDAI XITESOLUTION	6,524,628	33.12
	National Pension Service	1,624,964	8.25

### Protecting Shareholder's Rights and Shareholder Return Policy (Dividends)

Each common share carries one voting right, and we pay dividends to enhance shareholder value. Dividends are determined by considering the company's profitability, investment plans for future growth, and financial structure within the scope of distributable earnings, aiming to return the company's earnings to shareholders through cash and stock dividends. We maintain a basic dividend policy with a dividend payout ratio of over 30% (based on separate income statements' net profit). In the 5th regular dividend of the fiscal year 2021, we paid KRW 1,200 per share, totaling 22.9 billion KRW on April 20, 2022. Although the dividend payout ratio for 2021 was 21% due to planned new facility investments (investment amount: 194.1 billion KRW) until 2025, the dividend payout ratio for 2022 continues to be above 30% based on a consolidated basis at 32%. We will maintain the dividend policy of a payout ratio of over 30% and respect shareholders' rights by providing appropriate shareholder returns. Additionally, matters significantly affecting shareholders' rights, such as mergers, acquisitions, and corporate restructuring, are specified as resolutions of the general meeting of shareholders in the Articles of Incorporation, and we strive to implement effective measures to protect dissenting shareholders and ordinary shareholders. Furthermore, we have introduced and operated an electronic voting system and a system to encourage the use of electronic proxies to protect the voting rights of minority shareholders.

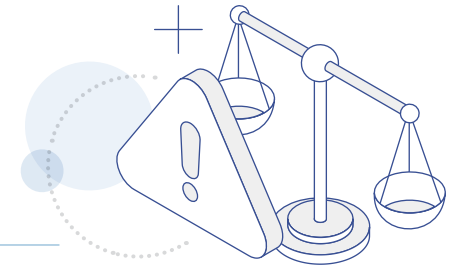
### Dividend Overview

Category	Unit	2018	2019	2020	2021	2022
Net Income	KRW million	54,538	-12,875	31,013	111,285	107,159
Earnings per share	KRW	2,780	-675	1,627	5,839	5,873
Total cash dividends	KRW million	16,430	-	-	22,868	31,856
Cash dividend payout ratio (separate)	%	30	-	-	21	30
Dividend yield	%	2.02	-	-	2.98	2.82



# Integrity and Risk Management

HD HYUNDAI CONSTRUCTION EQUIPMENT is committed to creating an environment that can contribute to the growth and development of all stakeholders by pursuing the values of Fairness, Ownership, Responsibility, Passion, Enthusiasm, Safety, Transparency, and trust just like a “FOREST”, which helps all living creatures exist and grow together.

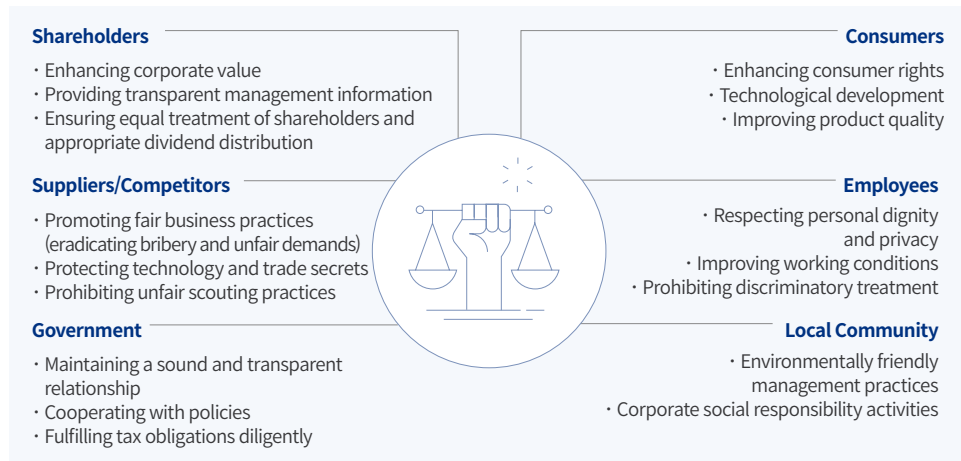


## Integrity

### Value System

We strive to be the cleanest company, not only the largest in the world. Our goal is to maintain a fair and transparent management practice, uphold the principles of free market competition and foster a business environment characterized by fairness and integrity. We pursue ethical management practices based on fairness, ownership, responsibility, passion, safety, transparency, and trust. We strive to become a company that customers and suppliers want to do business with, a company that shareholders want to invest in, that employees want to work for, and that fulfills its responsibilities to the nation and society.

### Pursued Values in Ethical Management



### Ethical Management System

To promote ethical management, we have established charter of ethics, code of conduct, and business ethics guidelines to ensure fair and transparent business practices. We conduct education, awareness campaigns, and various practical programs based on these standards. Additionally, for six specific functions, including procurement, human resources, sales, finance and accounting, design, and IT, we have implemented specific ethical guidelines that require stricter adherence. We also conduct internal audits led by the Ethics Management Team, and the results of these audits are followed up with improvement measures, tracking their performance from action plans to actual results. Furthermore, our Internal Accounting Support Team leads the design and evaluation of internal controls to ensure their effectiveness.

<b>Charter of Ethics</b>	HD Hyundai's management philosophies based on business ethics
<b>Code of Conduct</b>	Specific ethical standards developed based on the Charter Ethics
<b>Special Code of Conduct</b>	Heightened standards for employees engaged in certain business functions which require higher standards and stricter ethical obligation
<b>Business Ethics Guidelines</b>	Detailed job guidelines for the implementation of business ethics in the workplace
<b>Code of Conduct for Business Partners</b>	Ethical standards for shared growth with partners through transparency and fairness in business
<b>Business Ethics Action Program</b>	Detailed procedures and regulations to develop fair and transparent corporate culture
<b>Training and Promotion</b>	Various training and promotions to motivate employees to actively participate in the ethics management and diffusion of ethical corporate culture

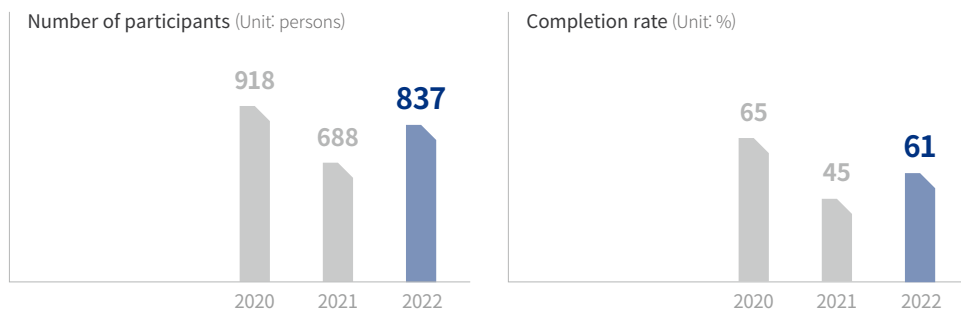


## Strengthening Ethical Competence and Cultivating Ethical Culture

### Ethics Education

To elevate comprehension of ethics and reinforce compliance commitment, we annually conduct collective and online ethics management training sessions. These educational endeavors encompass diverse ethical dilemmas, including anti-corruption measures and antidiscrimination practices, while allowing interactive question-and-answer sessions to foster empathy. Particularly, mandatory ethics education is provided to all newly hired personnel to instill a pervasive internalization of ethical management. Moreover, we extend our support towards fostering an ethical management culture among our esteemed suppliers. Since 2005, we have diligently formulated and executed supplier ethical norms to establish a foundation of transparency and integrity in business transactions. Our supplier ethical norms explicitly stipulate that all interactions with our organization should be conducted in a transparent and equitable manner, in compliance with pertinent laws, while strictly prohibiting any form of bribery, gratuity, or undue favoritism towards our employees. Additionally, we actively engage in various supportive initiatives, including assisting suppliers in developing ethical management regulations and implementing practical programs, providing comprehensive group training during the integration of ethical management, and furnishing informative, promotional materials.

### Ethical management education status



### Diagnosis of the Ethical Level and Risk Management

Every year, employees conduct self-assessments on ethical management compliance to enhance their understanding of related regulations and identify areas for improvement. Additionally, we gather feedback from employees and suppliers to assess the level of ethical management practices and consider opinions on necessary improvements, subsequently verifying compliance. Furthermore, through continuous monitoring of ethical management, we proactively analyze unethical behavior and risks and take corrective actions to improve vulnerable processes.

### A Pledge to Practice Ethical Management

To establish a transparent, ethical management system, we require all employees (including managerial and senior positions for production and technical roles) and suppliers to submit a pledge to practice ethical management, demonstrating their understanding of ethical management regulations and commitment to policy and institutional compliance. The pledge includes a promise to refrain from engaging in unfair trade practices, corruption, bribery, or any acts prohibited by relevant laws and guidelines on anti-corruption legislation. In 2022, due to the transition from manual to computerized systems for the Ethical Management Pledge, the pledge could not be completed. However, we plan to continue conducting the Ethical Management Pledge.

### Internal/External Reporting System for Ethical Violations

To foster a fair and transparent corporate culture, we have established an online reporting platform that operates 24/7, allowing for reporting ethical violations, such as accepting bribes or gratuities, exploiting positions or duties for personal gain, and other breaches of ethical regulations and applicable laws. Our website is available in Korean, English, and Chinese, enabling individuals to report violations not only within the domestic setting but also concerning overseas entities. Additionally, we ensure accessibility by accepting reports through phone, fax, email, and postal mail. Reports can be submitted by employees and external stakeholders anonymously or with personal identification, and we guarantee the confidentiality of the reporter's identity and the reported information while prohibiting any form of retaliation. Furthermore, to enhance the effectiveness of the reporting system, we have established and implemented criteria for rewarding reporters. All reports are handled promptly according to established procedures, with a commitment to achieving 100% resolution. The processing outcomes and improvement actions are made available for the reporter's reference. In 2022, 20 reports were received, excluding general complaints, and investigations were conducted for 6 cases. Among these, 4 cases were confirmed as ethical management violations, resulting in appropriate personnel actions in accordance with relevant regulations and procedures. The remaining 14 cases, classified as general complaints, were referred to the respective departments, and the processing outcomes were verified.

### Subject to Report

[Link to the website for the Ethical Management Reporting Channel](#)

- Acts of accepting bribes or gratuities from internal or external stakeholders in relation to one's duties
- Acts of exploiting positions or duties to gain undue advantages or abuse authority
- Actions were taken with wrongful means or intentions that result in economic losses for the company
- Providing economic benefits to business counterparts with the intention of obtaining unfair advantages
- Engaging in transactions with the company that violate relevant laws and regulations
- Any other unethical behavior that is deemed inappropriate for a responsible professional in the workplace



## Fair Trade

### Establishment of Fair Trade Order

HD HYUNDAI CONSTRUCTION EQUIPMENT has established compliance control standards and applied them to all business activities to improve employees' awareness of compliance and manage the risk of violations of the law. In order to practice compliance management, we operate the fair trade compliance program (CP), including education and advice on fair trade. To prevent compliance risks that may occur during business performance, we create and distribute handbooks, checklists, and manuals that can be referenced in business processes, and update them from time to time. The Fair Trade Compliance Handbook (abuse of market dominance, unfair-trade practices) and the Fair Trade Compliance Handbook (Subcontract) were published in March and December 2020, respectively.

In 2021, we established a transaction screening system related to economic sanctions in the company-wide ERP system, and through this, we have strengthened the pre-inspection of the contents of all transactions and counterparties across the board. Furthermore, starting in 2022, we have been conducting compliance risk assessments to identify relevant departments to fair trade operations. Based on these assessments, we have implemented on-site training and consulting programs to expand engagement with the frontline teams, providing legal support and guidance. This initiative aims to enhance compliance awareness and ensure adherence to applicable laws and regulations.

#### Fair Trade-related Policies<sup>1)</sup>

Category	Objectives	Key Contents
Supplier Selection and Operation	Enhancing transparency in the process of selecting and operating with cooperation partners	Regulations pertaining to the prevention of violations of subcontracting laws and the selection and operation of cooperation companies
Establishment and Operation of an Internal Review Committee	Preventing violations of subcontracting laws	Pre-approval of fairness and legality in subcontracting transactions
Issuance and Preservation of Appropriate Documentation	Promoting a culture of appropriate written documentation and ensuring its establishment	Regulations regarding the issuance and preservation of contractual documents and transaction records in subcontracting agreements
Concluding Favorable Contracts	Preventing the misuse of superior bargaining power with small and medium-sized enterprises, which may undermine the principles of contractual freedom	Compliance requirements for concluding contracts

1) HCE's internal policy

### 8 Autonomy Compliance Activities for Fair Trade

Category	Key Activities
1. Establishment and implementation of CP standards and procedures	<ul style="list-style-type: none"> <li>Developing regulations for operating the Autonomy Compliance Program for Fair Trade</li> <li>- Defining fundamental procedures and criteria for employees' compliance with competition laws</li> <li>- Defining organizational structure, responsibilities of autonomy compliance managers, and guidelines for autonomy compliance handbooks, monitoring, and training programs</li> </ul>
2. Commitment and support from top management for autonomy compliance	<ul style="list-style-type: none"> <li>Public commitment to ethical and legal management by posting an Ethical and Legal Management Practice Declaration (January 2023)</li> <li>Delivered a speech by the CEO on ethical and legal management practices (May 25, 2023)</li> </ul>
3. Appointment of autonomy compliance managers responsible for CP operations	<ul style="list-style-type: none"> <li>Appointing the head of the purchasing department as the autonomy compliance manager by the board of directors</li> </ul>
4. Production and utilization of autonomy compliance handbooks	<ul style="list-style-type: none"> <li>Compiling and distributing autonomy compliance handbooks tailored to the situation of HD HYUNDAI CONSTRUCTION EQUIPMENT, including fair trade laws and practical case studies</li> </ul>
5. Continuous and systematic autonomy compliance training	<ul style="list-style-type: none"> <li>Autonomy Compliance Training</li> <li>- Conducting autonomy compliance program training for all employees at least once a year, with a minimum of two hours per semester, for high-risk areas prone to legal violations</li> <li>- Annual development and reporting of a yearly training plan that includes target departments, training topics, and schedules</li> <li>Providing legal consultation on fair trade laws - Providing legal consultation on fair trade laws, subcontracting laws, and other fair trade-related legal risks for preventive measures</li> </ul>
6. Establishment of the internal monitoring system	<ul style="list-style-type: none"> <li>Establishing channels for reporting through the ethics management website, email, phone, and fax</li> <li>Early identification of legal violation risks</li> <li>Checking and investigating the autonomy compliance status of employees (documentation or on-site inspections, as necessary, in consultation with the Group Compliance Team)</li> </ul>
7. Sanctions for employees violating fair trade regulations	<ul style="list-style-type: none"> <li>Imposing appropriate sanctions corresponding to the level of violation for individuals found to be in violation of competition laws based on compliance checks</li> </ul>
8. Effectiveness evaluation and improvement measures	<ul style="list-style-type: none"> <li>Reporting of autonomy compliance operation status through semi-annual checks to the board of directors</li> </ul>

#### Legal Consultation on Fair Trade and Legal Actions

Category	Unit	2020	2021	2022
Number of legal consultations on fair trade-related laws	Cases	3	86	73
Legal actions taken against unfair trading practices	Cases	0	2	1
Imposition of fines due to violations of unfair trade laws/regulations	100 million KRW	0	0	0



### Fair Trade Education

HD HYUNDAI CONSTRUCTION EQUIPMENT conducts regular compliance training for all employees to enhance their legal awareness and prevent violations of fair trade laws and regulations. In accordance with the regulations of the Fair Trade Autonomy Compliance Program, appointed autonomy compliance managers and legal support personnel, designated based on compliance control criteria, regularly provide company-wide compliance education. After assessing compliance practices, the results are reported to the board of directors. Additionally, specialized training tailored to specific job functions is provided to departments with high relevance to fair trade operations, aiming to enhance the effectiveness of the training activities. In the first half of 2022, risk assessments and online training were conducted for 737 employees from 55 teams across the organization. In the second half of the year, job-specific fair trade training sessions were conducted on subcontracting laws and fair trade laws (collusion, distribution channels, unfair support) for 98 employees from 13 high-risk exposure teams.

### Key Training Achievements in Fair Trade

Target	Key Contents
Technology Strategy Team	- Training on writing requests for providing technical - Training on writing requests for cost information - Case studies related to a confidentiality agreement
Production Technology Department	- Training on requesting technical data from suppliers
Purchasing Team	- Training on the application of subcontracting laws to mid-sized enterprises - Raining on pre-notification requirements when concluding subcontracting transactions

### Supplier Technology Protection

We have implemented measures to protect suppliers' technical data to prevent the unauthorized and beneficial disclosure of supplier technical information, which is prohibited by the laws on fair subcontracting transactions. In cases where there are legitimate reasons, we obtain internal approval and send a technical data request to suppliers through our Global Integration System (GIS), an integrated management system. Prior to receiving the data, we establish a confidentiality agreement and manage the information accordingly. This process ensures the protection and management of supplier technical data.

### Cyber Counseling System for Suppliers Related to Unfair Trade Practices

We are focused on establishing a culture of fair subcontracting by operating a cyber counseling system by which employees can report and make inquiries to the compliance management organization about issues suspected of unfair trade practices related to the company. To enhance the effectiveness of the reporting system, we strictly prohibit the disclosure of the reporter's information and allow for anonymous reporting. In the event that the reporter experiences any form of identity exposure or discriminatory treatment as a result of the report, they can request protection or remedial measures from the Ethics Management Team.

[Link to the website on the supplier unfair trade reporting channel](#)

### Spreading a Culture of Compliance

We have been publishing 'Compliance News' since 2015 to mitigate potential legal compliance risks in business operations. This publication aims to keep employees informed about anti-corruption regulations, fair trade laws, and updates from regulatory authorities on economic sanctions and export controls. "Compliance News" is posted on our intranet to enhance employees' awareness of legal compliance management. We conduct the 'Clean and Bright Holiday Campaign every year during holidays.' As part of this campaign, we send letters and messages to our suppliers, urging them not to provide gifts or favors to our employees. If any requests or demands related to gifts or favors are received, we guide our employees to report them to the Ethics Management Team. In cases where employees unavoidably receive gifts from stakeholders, we encourage them to return the gifts or donate them to social welfare organizations.

### Compliance News

Session	Titles
1	Key Contents and Considerations of Russian Arbitration Procedure Law
2	Development and Distribution of Fair Trade Commission's Standard Non-Disclosure Agreement
3	Announcement of Additional Economic Sanctions by the United States against Russia
4	Designation of Additional Special Designated Nationals (SDNs) under U.S. Sanctions against Russia
5	Additional Measures of Economic Sanctions against Russia Due to the Ukraine Crisis
6	Trends in Economic Sanctions against Russia due to the Ukraine Crisis (March)
7	Trends in Economic Sanctions against Russia due to the Ukraine Crisis (April)
8	Implementation of Revised Guidelines for Assessment of Improper Support Actions
9	Implementation of Revised Enforcement Ordinance of Fair Trade Act





## Risk Management

### Integrated Risk Management

HD HYUNDAI CONSTRUCTION EQUIPMENT identifies risks and discusses countermeasures mainly through regular business strategy meetings and ESG Management Committee to ensure that executives and working-level staff can timely identify and rapidly respond to various risks that undermine corporate value and cause economic losses so as to prevent risk situations from occurring. The executives of the head office and overseas subsidiaries participate in monthly business strategy meetings to establish and implement mid-to-long-term strategies and priority tasks and discuss short-term financial and non-financial risks, and domestic and overseas risk response plans. The ESG Management Committee, held four times a year, identifies ESG risks, and thus inspects the status of implementation of improvement tasks, proactively responds to future risk factors, and discovers and develops opportunities for new value creation. The Value-up Steering Committee, in which the executives and internal and external communication organizations participate every month, listens to timely and objective market evaluations and discusses ways to enhance corporate value by strengthening internal and external stakeholder communication.

### Financial Risk Management

HD HYUNDAI CONSTRUCTION EQUIPMENT has classified its financial risks into four types - market risk, credit risk, liquidity risk, and capital risk - and monitors and manages them by risk type. We monitor market risk centered around foreign exchange and interest rates. For foreign exchange risk management, we are implementing hedge transactions through exports and imports, while basically managing the reduction of profit and loss volatility associated with exchange rate effects. We have established foreign exchange risk management regulations and detailed rules, and manage foreign exchange risks through the Foreign Exchange Risk Management Committee. Interest rate-related risks are mainly related to floating-interest-bearing deposits and borrowings. We've established measures to minimize external borrowings using reserved funds, reduce high-interest borrowings, improve long-term and short-term borrowing structures, and monitor and respond to interest rate trends on a regular basis. Credit risk arises when the counterparty fails to comply with the contractual obligations in a transaction or investment activity. It may also arise from cash and cash equivalents, derivatives, and deposits in banks and financial institutions.

We manage credit risk with the goal of minimizing losses under our own credit policy. With regard to receivables that are expected to default as of the end of the current term, the risk is evaluated and reflected in the consolidated statements of financial position. To prevent liquidity risk arising from a lack of liquidity or difficulties in financing needed for normal operations, we establish quarterly and annual funding plans to predict the funding required related to sales, investments, and financial activities, and to secure and maintain the required liquidity in advance.

### Non-Financial Risk Management

Non-financial risks are classified into product, ethics/compliance, environment, safety, and disaster risks. We have established a preemptive risk response system centered around prevention.

#### Activities to Address Non-Financial Risks

##### Product



- Promoting activities to strengthen product quality
- Activities to secure product safety

##### Ethics and Compliance



- Establishing our code of ethics
- Compliance activities

##### Disaster Risk



- Operating an integrated control center

##### Environment



- Reducing environmental impacts at worksites and strengthening the environmental accident prevention system
- Enhancing the efficiency of resource use

##### Safety



- Safety accident prevention monitoring (including in-house suppliers and outsourced construction companies)
- Emergency response training



# APPENDIX

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# ESG FACT SHEETS

## Economic

### Economic Growth: Operating Performance

Classification	Unit	Data Scope	2020	2021	2022
Sales			2,390,510	3,284,340	3,515,612
Operating income		Consolidated	87,437	160,709	170,610
Net income			8,505	126,434	99,406
Sales	KRW million		1,350,818	2,143,145	2,571,209
Operating income		Separate	12,206	67,065	145,071
Net income <sup>1)</sup>			31,013	111,285	107,159

1) Corrected data in 2020 due to simple error

### Financial Soundness: Financial Position

Classification	Unit	Data Scope	2020	2021	2022
Total assets <sup>1)</sup>			3,355,861	3,559,566	3,448,587
Total liabilities <sup>1)</sup>		Consolidated	1,768,328	2,011,758	1,781,300
Total equity	KRW million		1,587,533	1,547,808	1,667,287
Total assets			2,145,520	2,353,816	2,418,818
Total liabilities		Separate	1,086,821	1,171,790	1,108,403
Total equity			1,058,699	1,182,026	1,310,416

1) Data have been changed to retroactively reflect the PPA evaluation following the acquisition of the Brazilian corporation in 2021.

### Research & Development

Classification	Unit	Data Scope	2020	2021	2022
R&D personnel	Persons		302	295	258
R&D investment	KRW million	Korea	61,499	67,229	59,269
R&D investment per sales <sup>1)</sup>	%		4.6	3.1	2.3

1) Based on separate sales

### Intellectual Properties

Classification	Unit	Data Scope	2020	2021	2022
Application <sup>1)</sup>	Cases	Global <sup>3)</sup>	296	276	219
Registration <sup>2)</sup>			225	209	161

1) Sum of cases that are in the state of waiting for an evaluation, being under an evaluation, or completed registration, and including the number of registration cases

The decrease compared to 2021 is the result of the transfer of the industrial vehicle division to HD Hyundai Site Solutions from 2022.

2) Number of cases that were registered after an evaluation, following a patent application on the base date, and are maintaining registration status

3) Number of intellectual property rights applied and registered at home and abroad (based on consolidated financial statement)

### Retirement Pension Reserved

Classification	Unit	Data Scope	2020	2021	2022
Defined Benefit (DB)	KRW million	Korea	64,910	72,314	81,062
Defined Contribution (DC) <sup>1)</sup>			1,121	2,214	2,286

1) Based on reserved retirement pension

### Quality Management

Classification	Unit	Data Scope	2020	2021	2022
No. of ISO 9001-certified worksites <sup>1)</sup>	Sites	Korea	6	2	2
		China	1	1	1
		India	1	1	1

1) 2 worksites (Ulsan, Bundang) excluding 4 worksites of former HYUNDAI CORE MOTION as of the end of 2021

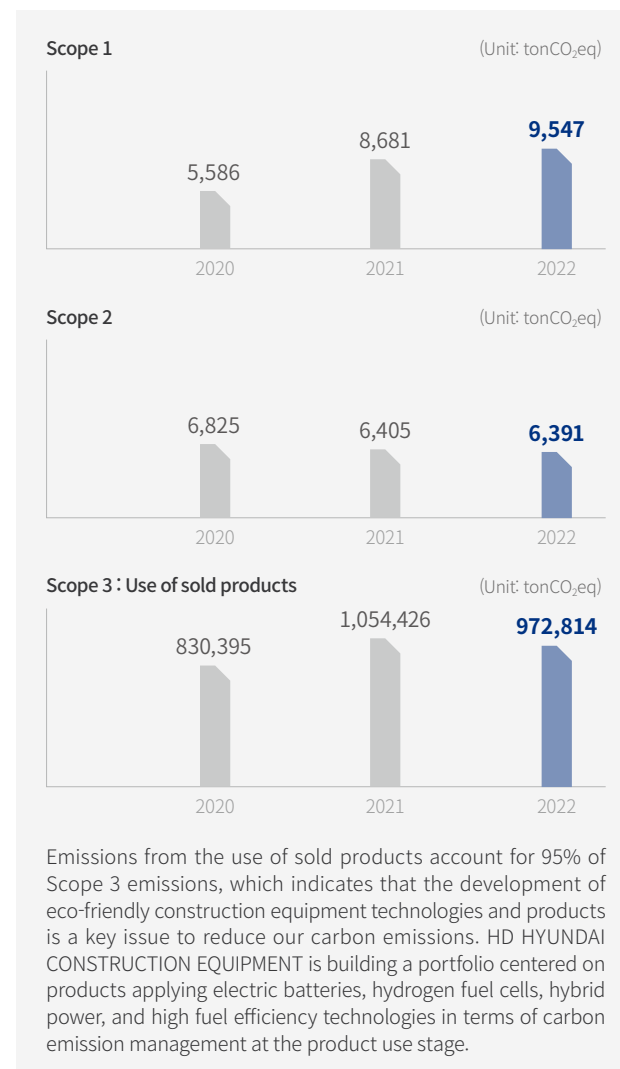


# Environment

## GHG Emissions (Domestic)

Classification	Unit	Data Scope	2020	2021	2022
Scope 1+2 <sup>1)</sup>	tonCO <sub>2</sub> eq		12,409	15,085	15,937
Scope 1+2 intensity <sup>2)</sup>	tonCO <sub>2</sub> eq/KRW million		0.00919	0.00704	0.00620
Scope 1+2+3	tonCO <sub>2</sub> eq		842,806	1,080,259	1,012,239
Scope 1			5,586	8,681	9,547
Scope 1 intensity	tonCO <sub>2</sub> eq/KRW million		0.004135	0.00405059	0.0037130
Scope 2 <sup>3)</sup>			6,825	6,405	6,391
Scope 3 <sup>4)</sup>			830,395	1,065,173	996,391
① Purchased goods and services			-	632	675
② Capital goods			-	-	-
③ Fuel-and energy-related activities			-	9,661	6,948
④ Upstream transportation and distribution			-	-	15,190
⑤ Waste generated in operations		Korea	-	145	154
⑥ Business travel			-	112	427
⑦ Employee commuting	tonCO <sub>2</sub> eq		-	197	192
⑧ Upstream leased assets			-	-	-
⑨ Downstream transportation and distribution			-	-	-
⑩ Processing of sold products			-	-	-
⑪ Use of sold products			830,395	1,054,426	972,814.4
⑫ End-of-life treatment of sold products			-	-	-
⑬ Downstream leased assets			-	-	-
⑭ Franchises			-	-	-
⑮ Investments			-	-	-

1) Each emission data is different due to cut-off data for each business site  
 2) Intensity data is calculated based on non-solidated sales  
 3) Location-based GHG emissions  
 4) For the non-calculated part of Scope 3 data, we are currently in the data acquisition stage. Scope 3 data area will be steadily expanded in the future





## GHG Emissions (Overseas)

Classification	Unit	Data Scope	2020	2021	2022
Scope 1+2	tonCO <sub>2</sub> eq	Global	20,796	25,705	19,675
Scope 1+2 intensity <sup>1)</sup>	tonCO <sub>2</sub> eq/KRW million		0.01883	0.02199	0.02272
Scope 1	tonCO <sub>2</sub> eq		7,046	9,328	6,508
Scope 1 intensity	tonCO <sub>2</sub> eq/KRW million		0.00638	0.00798	0.00752
Scope 2 (location-based)	tonCO <sub>2</sub> eq		13,750	16,377	13,167
Scope 2 intensity (location-based)	tonCO <sub>2</sub> eq/KRW million		0.01245	0.01401	0.01521
China (Scope 1+2)	tonCO <sub>2</sub> eq	China <sup>2)</sup>	11,549	12,625	6,533
Scope 1			4,326	4,831	2,114
Scope 2 (location-based)			7,223	7,794	4,419
India (Scope 1+2)		India <sup>3)</sup>	6,571	9,816	9,646
Scope 1			1,794	3,220	3,032
Scope 2 (location-based)			4,777	6,596	6,614
Brazil (Scope 1+2)	Brazil	2,676	3,264	3,496	
Scope 1		926	1,277	1,362	
Scope 2 (location-based)		1,750	1,987	2,134	

1) Overseas sales are based on disclosure and GHG emissions are based on in-house data.

2) Emissions plummeted compared to 2021 due to sharp decline in demand in China.

3) Data correction due to data errors in 2020 and 2021

## Air Pollutants

Classification	Unit	Data Scope	2020	2021	2022
Nox <sup>1)</sup>	ppm	Korea	28.2	16.27	17.3
Sox <sup>2)</sup>	ppm		0	1.54	0
VOCs (continuous/non-continuous) <sup>3)</sup>	ppm		32.73	34.89	34.48
Dust (electric furnace/others) <sup>4)</sup>	ton		2.16	0.8	1.26
Dust emission intensity <sup>5)</sup>	ton/KRW million		0.00000160	0.00000037	0.00000049
CFC, HCFC, CH <sub>3</sub> Br, R-22	ppm		0	0	0

1) Legal standard: 200ppm, in-house standard: 80ppm

2) Legal standard: 400ppm, in-house standard: 160ppm

3) Continuous type: legal standard 40ppm, in-house standard 32ppm / Non-continuous type: legal standard 200ppm, in-house standard 160ppm

4) Electric furnace: legal standard 20/mg/m<sup>3</sup>, in-house standard 8/mg/m<sup>3</sup> / Others: legal standard 50mg/m<sup>3</sup>, in-house standard 20mg/m<sup>3</sup>,

5) Based on non-consolidated sales



## Energy Consumption

Classification	Unit	Data Scope	2020	2021	2022
Total energy consumption <sup>1)</sup>	TJ(TOE)		282(6,735)	238(5,685)	237(5,665)
Energy intensity	TJ/Sales (KRW million)		0.0002088	0.0001111	0.0000922
Energy saving	TJ(TOE)		0	44(1,051)	1(20)
Energy cost reduction <sup>2)</sup>	KRW million	Korea	530	-1,273	-1,257
Direct energy (fuel) consumption <sup>3)</sup>	TJ(TOE)		84(2,006)	105(2,508)	104(2,484)
Indirect energy (electricity) consumption <sup>4)</sup>	TJ(TOE)		141(3,368)	134(3,201)	134(3,201)
Other energy consumption <sup>5)</sup>	TJ(TOE)		0	0	0
Renewable energy consumption <sup>6)</sup>	TJ(TOE)	China	0	0	3(71)

1) Total energy consumption: Direct + indirect + other energy consumption at Ulsan Campus

2) Although total energy consumption decreased, energy cost increased due to rising cost in 2022.

3) Direct energy: City gas + diesel + gasoline + kerosene

4) Indirect energy: Electricity at Ulsan Campus + purchased electricity

5) Other energy consumption: Steam, heating, cooling, etc. (non-renewable) 6) Purchased or generated renewable energy (wind, solar, biomass, hydroelectric, geothermal, etc.)

## Waste

Classification	Unit	Data Scope	2020	2021	2022
Total waste generated			1,892	2,420	2,459
Non-hazardous waste	ton		1,593	2,188	2,151
Hazardous waste			299	233	308
Non-hazardous intensity	ton/KRW million <sup>1)</sup>		0.001179	0.001021	0.000837
Hazardous intensity			0.000221	0.000109	0.000120
Treated waste <sup>2)</sup>		Korea	1,892	2,420	2,459
Recycled <sup>3)</sup>	ton		1,203	1,684	1,706
Landfill			36	32	52
Recycling rate	%		64	70	69
Incineration			641	703	701.1
Incineration of non-hazardous waste	ton		-	-	601.9
Incineration of hazardous waste			-	-	99.1

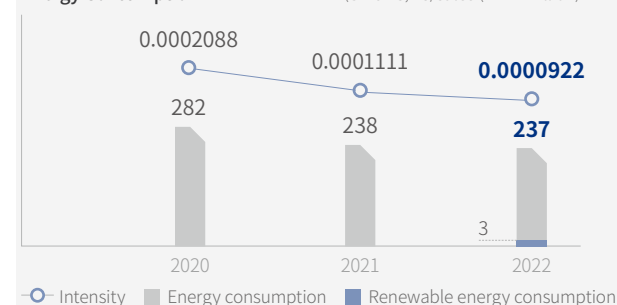
1) Intensity data is based on non-consolidated sales.

2) Calculation standard: non-hazardous waste + hazardous waste

3) Scrap metal, waste wood (non-hazardous waste recycling: 1,520 tons, hazardous waste recycling: 186 tons in 2022)

### Energy Consumption

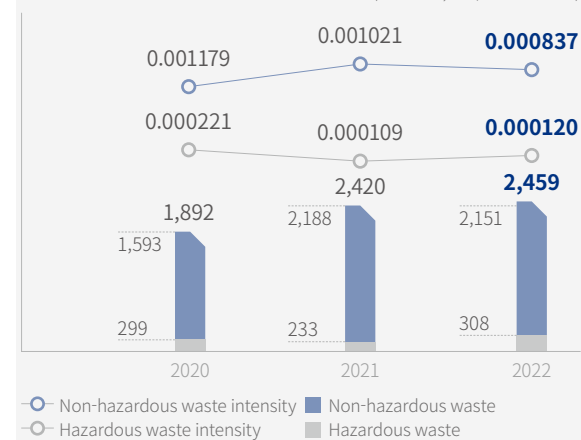
(Unit: TJ, TJ/sales (KRW million))



We are working hard to save energy. Energy intensity is also managed as a KPI of the management. China subsidiary started solar power generation in Nov. 2022 and India subsidiary plans to solar power generation in Sep. 2023. Ulsan Campus is also promoting an advanced operation project including renewable energy generation.

### Waste Generation

(Unit: ton, ton/KRW million)



To reduce waste intensity, we are striving to reduce the generation of scrap metal, waste paper, lumber, and other waste soil/steel chips. This is also being managed as a task for the ESG Management Committee.



## Water Resource

Classification	Unit	Data Scope	2020	2021	2022
Total water withdrawal		Korea	51,223	81,537	76,604
Salt water/sea water			0	0	0
Rain water			0	0	0
Underground water		Ulsan Campus	0	0	0
Third-party water (Industrial Water+Domestic Water)	ton		51,223	75,796	67,227
Third-party water (reused water)			0	0	0
Third-party water (Industrial Water+Domestic Water)		Yongin Technology Innovation Center	-	5,741	9,377
Total Water Consumption			47,912	77,811	73,510
Water consumption intensity <sup>1)</sup>	ton/KRW million	Korea	0.035	0.036	0.029
Third-party water (Industrial Water+Domestic Water)		Ulsan Campus	51,223	75,796	67,227
		Yongin Technology Innovation Center	-	5,741	9,377
Total water discharged			3,111	3,726	3,094
Emissions of effluents (third-party)	ton		3,311	3,726	3,094
Discharge (surface water)			0	0	0
Discharge (salt water/sea water)			0	0	0
Discharge (underground water)			0	0	0
Reused and recycled water <sup>2)</sup>		Korea	1,999	1,806	1,806
Wastewater intensity	ton/KRW million		0.00245	0.00174	0.00120
BOD			45	19	58
COD (-2021)→TOC(from 2022)	mg/L		78	121	87
Suspended solids			5	6	5

1) Intensity data is based on non-consolidated sales.

2) Total amount of water reused, including wastewater reuse, gray water, and rainwater recycling

## Environmental Investment

Classification	Unit	Data Scope	2020	2021	2022
Environmental investment and operating costs			31.7	14.23	18.67
Cleantech R&D investment	KRW 100 million	Korea	36.4	54.73	51.94
Eco-friendly (electrification)			6.00	12.96	16.49
Smart (automated, unmanned)			18.89	23.19	24.61
Fuel economy (performance)			11.51	18.58	10.84
Eco-friendly sales	KRW 100 million	Global (Korea + Overseas)	-	773.6	1,549.6
Eco-friendly sales <sup>1)</sup>	%		-	2.3	4.4
Percentage of zero-emission vehicles	%		-	-	0
Green purchasing	KRW million	Korea	-	-	18.9
Percentage of green purchasing	%		-	-	0.001

1) Eco-friendly sales performance follows its own product classification system and the percentage is calculated based on consolidated financial statement.

## Environmental Management System

Classification	Unit	Data Scope	2020	2021	2022
ISO 14001 (EMS <sup>1)</sup> ) certified worksite	sites	Global (Korea + Overseas)	1	3	3
Ratio of ISO 14001(EMS <sup>1)</sup> ) certified worksite	%		25	50	60

1) Based on production subsidiaries and R&D Center. Change of the number of domestic worksites between 2020 and 2022

## Raw Materials and Product Remanufacturing

Classification	Unit	Data Scope	2020	2021	2022
Scrap metal	ton		2,669	5,721	6,164
Scrap metal intensity <sup>1)</sup>	ton/KRW million		0.002	0.0027	0.0024
Sand (molding sand) <sup>2)</sup>	ton	Korea	0	0	0
Sand intensity <sup>1)</sup>	ton/KRW million		0	0	0
Sales of remanufactured parts <sup>3)</sup>	KRW 100 million		16.456	0	0
Percentage of recycled raw materials input	%		0	0	0

1) Intensity data is based on non-consolidated sales.

2) All sand used for molding sand is recycled.

3) Based on the generation from usage and end-of-life equipment. The Sale Review Committee was not held in 2021 and 2022 due to the low final selection of equipment to be sold.



## Social

### Customers

Classification	Unit	Data Scope	2020	2021	2022
Violation of customer information protection		Korea	0	0	0
		China	0	0	0
Violation of laws and regulations related to safety and health of products and services	Cases		0	0	0
Violation of laws and regulations related to product and service information labeling		Korea	0	0	0
Customer satisfaction survey <sup>1)</sup>	Points		4.51	4.49	4.50

1) Based on annual average score of Happy Call Customer Satisfaction (out of 5 points)

### Shared Growth

Classification	Unit	Data Scope	2020	2021	2022
Number of suppliers received financial support	Companies		8	22	35
Financial support <sup>1)</sup>	KRW 100 million		57	202	322
Cash payment ratio	%		100	100	100
Number of payments	Times		Twice a month	Twice a month	Twice a month
Technology development support (development)			-	8	9
Technical protection support (Legal Affairs Team)	Cases	Korea	-	0	-
Education support training courses	Courses		-	27	18
Number of supplier employees who completed training	Persons		-	656	550
Support for strengthening competency <sup>2)</sup>	man-day		-	-	8 persons - 790 days
Support for casting mold to strengthen suppliers' parts development capability	Companies		-	31	13
	KRW 100 million		-	55	55

1) Excluding indirect support

2) Criteria of the Fair Trade Commission: 5 days = 1 person (1 day = 8 hours, based on the application period for attendance)

### Safety and Health

Classification	Unit	Data Scope	2020	2021	2022
Occupational accident rate <sup>1)</sup>	%		1.06	0.46	0.90
LTIR <sup>2)</sup>			1.33	1.16	1.59
TRIR <sup>3)</sup>	200,000 hours		1.33	1.49	2.60
LWSR <sup>4)</sup>			288.51	87.15	110.98
Number of deaths/fatalities rate (suppliers)	Persons (%)	Korea	0	0	0
Number of deaths/fatalities rate (employees)			0	0	0
Number of participants in safety training (employees)	Persons	Korea	1,360	1,483	1,432
Number of participants in safety training (suppliers)			257	299	270
OIFR <sup>5)</sup>	%		0.005661713	0.001974984	0.00150150
ISO 45001 certified worksites	Sites		1	4	2
Ratio of ISO 45001 certified worksites <sup>6)</sup>	%		50	100	100
Safety and health related grievance handling rate <sup>7)</sup>	%		100	100	83

1) Based on the approval of industrial accident care criteria, including in-house suppliers

2) LTIR (Lost Time Incidents Rate): Number of incidents involving more than one-day closure of workday per 100 workers, Total number of lost time cases / Total number of hours worked by employees\*200,000. Data correction due to simple errors in 2020 and 2021

3) TRIR (Total Recordable Incidents Rate): Number of treatments per 100 workers. Number of therapists/total working hours\*200,000, including in-house suppliers

4) LWSR (Lost Workday Severity Rate): Number of lost workdays per 100 workers. Total number of lost days/total working hours\*200,000, including in-house suppliers

5) OIFR (Occupational Illness Frequency Rate): (occupational disease + work-related disease) number/total number of workers

6) Based on production subsidiaries and R&D Center. Change of the number of domestic worksites due to transfer of parts business to HD HYUNDAI XITE SOLUTION

7) Ratio of issues and difficulties heard and resolved through the operation of the Industrial Safety and Health Committee and the Safety and Supplier Health Council





## Supply Chain

Classification	Unit	Data Scope	2020	2021	2022
Total number of suppliers <sup>1)</sup>	Companies		390	372	380
Tier 1 suppliers (proportion)			390(100%)	372(100%)	380(100%)
Critical Tier 1 suppliers (proportion) <sup>2)</sup>	Companies (%)	Korea	51(13%)	65(17%)	76(20%)
Domestic suppliers (proportion)		Global	245(63%)	231(62%)	232(61%)
Overseas suppliers (proportion)			145(37%)	141(38%)	148(39%)

1) Based on suppliers that signed a ZRFQ unit price contract

2) Based on purchase amount of KRW 1 billion or more per year

## Supply Chain ESG Management

Classification	Unit	Data Scope	2020	2021	2022
Amount of suppliers that received an ESG support program <sup>1)</sup>	KRW 100 million		-	-	10.5
Number of complaints received from suppliers <sup>2)</sup>	Cases	Korea	-	-	123
Grievance handling rate from suppliers	%		-	-	88

1) Based on government subsidies (a consortium of 6 firms for the digital cluster project). Technical and administrative support from us

2) Grievance handling by the department in charge of supplier (Cases that cannot be processed are terminated through consultation with the partner, 12% is under review)

## New Recruitment

Classification	Unit	Data Scope	2020	2021	2022
Total number of new hires			27	104	79
Male			27	84	70
Female	Persons	Korea	0	20	9
Under 30			18	54	47
30~49			9	50	32
50 and above			0	0	0

## Employment (Domestic)

Classification	Unit	Data Scope	2020	2021	2022
Number of employees			1,413	1,519	1,370
Office job	Persons		760	850	689
Technical job			544	532	515
Permanent			1,293	1,382	1,204
Ratio of permanent employees	%		92	91	88
Permanent (male)			1,204	1,287	1,118
Permanent (female)			89	95	86
Temporary <sup>1)</sup>	Persons	Korea	80	123	153
Temporary (male)			13	77	131
Temporary (female)			67	46	22
Ratio of Temporary employees	%		5.7	8.1	11.2
Non-employees <sup>2)</sup>			9	7	13
Non-employees (male)	Persons		1	2	1
Non-employees (female)			8	5	12
Ratio of non-employees	%		0.6	0.5	0.9



## Employment (Overseas)

Classification	Unit	Data Scope	2020	2021	2022	
Number of employees	Persons	India Subsidiary	1,175	1,039	1,179	
Permanent			458	474	493	
Ratio of permanent employees	%		39	46	42	
Permanent (male)	Persons		439	455	474	
Permanent (female)			19	19	19	
Temporary <sup>1)</sup>			717	565	686	
Temporary (male)			713	558	680	
Temporary (female)			4	7	6	
Ratio of temporary employees			%	61	54	58
Number of employees	Persons		China Subsidiary (Jiangsu)	639	602	484
Permanent		548		572	473	
Ratio of permanent employees	%	86		95	98	
Permanent (male)	Persons	471		492	397	
Permanent (female)		77		80	76	
Temporary <sup>1)</sup>		0		0	0	
Temporary (male)		0		0	0	
Temporary (female)		0		0	0	
Ratio of temporary employees		%		0	0	0
Non-employees <sup>2)</sup>	Persons	China Subsidiary (holding company)		91	30	11
Non-employees (male)			91	30	11	
Non-employees (female)	0		0	0		
Ratio of non-employees	%		14	5	2	
Number of employees	Persons		China Subsidiary (holding company)	241	243	204
Permanent				238	240	200
Ratio of permanent employees	%			98	98	98
Permanent (male)	Persons			139	142	120
Permanent (female)				99	98	80

Classification	Unit	Data Scope	2020	2021	2022		
Temporary <sup>1)</sup>	Persons	China Subsidiary (holding company)	0	0	0		
Temporary (male)			0	0	0		
Temporary (female)	0		0	0			
Ratio of temporary employees	%		0	0	0		
Non-employees <sup>2)</sup>	Persons		North America Subsidiary	3	3	4	
Non-employees (male)				2	2	2	
Non-employees (female)	1			1	2		
Ratio of non-employees	%			1	1	2	
Number of employees	Persons			Indonesia Subsidiary	81	90	97
Permanent					71	81	87
Temporary <sup>1)</sup>	10	9			10		
Number of employees	Persons	Indonesia Subsidiary			8	13	17
Permanent					8	10	14
Ratio of Permanent employees	%				100	77	82
Permanent (male)	Persons		6		8	11	
Permanent (female)			2		2	3	
Temporary <sup>1)</sup>			0		3	3	
Temporary (male)			0		3	3	
Temporary (female)			0	0	0		
Ratio of temporary employees			%	0	23	18	
Non-employees <sup>2)</sup>	Persons		Indonesia Subsidiary	0	0	0	
Non-employees (male)		0		0	0		
Non-employees (female)	0	0		0			
Ratio of non-employees	%	0		0	0		

1) Including contract positions (consignment, technical entrustment, outside director, advisory, advisor, external appointment) and executives

2) Workers excluding employees



### Turnover Rate and Length of Service<sup>1)</sup>

Classification	Unit	Data Scope	2020	2021	2022
Voluntary turnover rate <sup>2)</sup>	Persons	Korea	1.7	3.0	2.9
Average continuous years of service			2.79	3.51	4.19
Average continuous years of service (male)			2.92	3.62	4.27
Average continuous years of service (female)			1.50	2.34	3.11
			Years		

1) Length of service since April 1, 2017, the date of split from Hyundai Heavy Industries  
 2) Voluntary turnover/total number of employees at the end of year (excluding executives)

### Diversity<sup>1)</sup>

Classification	Unit	Data Scope	2020	2021	2022
Disabled (total) <sup>2)</sup>	Persons	Korea	32	30	28
Disabled (staff)			20	18	18
Disabled (senior managers)			12	12	10
Disabled (executives)			0	0	0
National veterans (total) <sup>3)</sup>			47	46	46
National veterans (staff)			31	31	31
National veterans (senior managers)			16	15	15
National veterans (executives)			0	0	0
Elderly (total) <sup>4)</sup>			210	240	226
Elderly (staff)			72	57	42
Elderly (senior managers)			133	172	174
Elderly (executives)			5	11	10
Under 30			198	213	199
30~49			805	866	789
Above 50 years old			396	441	385
Male			1,288	1,390	1,265
Female			125	129	108

1) Staff: Manager+engineer+staff (including full-time/contract jobs), Senior managers: Senior managers+higher levels (including full-time/contract jobs)  
 2) Persons subject to the classification of disabilities determined by the state based on MY HR (grades 1 to 6)  
 3) National veterans based on MY HR (those recognized as veterans)  
 4) 55 years of age or older (based on the total number of employees in Korea)

### Female Managers

Classification	Unit	Data Scope	2020	2021	2022
Ratio of the top management	%	Korea	0.0	0.0	0.0
Ratio of middle managers <sup>1)</sup>			2.8	3.0	2.8
Ratio of general managers <sup>2)</sup>			5.5	4.7	5.5
Ratio of female managers <sup>3)</sup>			2.0	1.8	2.0
Ratio of revenue-generation departments <sup>4)</sup>			-	-	82.8
Ratio of STEM-related departments <sup>5)</sup>			-	-	32.2

1) Ratio of female managers among all team/part leaders  
 2) Senior manager level  
 3) Ratio of manager and higher positions to all employees  
 4) Excluding support departments such as HR, IT, and legal affairs  
 5) STEM: Science, Technology, Engineering, Math

### Parental Leave

Classification	Unit	Data Scope	2020	2021	2022		
Number of employees on parental leave (male) <sup>1)</sup>	Persons	Korea	54	45	44		
Number of employees on parental leave (female) <sup>2)</sup>			5	0	2		
Number of employees eligible for childcare leave (male) <sup>3)</sup>			391	436	367		
Number of employees eligible for childcare leave (female) <sup>3)</sup>			18	15	16		
Number of employees on childcare leave (male) <sup>4)</sup>			6	6	7		
Number of employees on childcare leave (female) <sup>4)</sup>			11	1	1		
Number of employees returning to work after childcare leave (male) <sup>5)</sup>			3	6	6		
Number of employees returning to work after childcare leave (female) <sup>5)</sup>			6	6	2		
12-month work after return to work from childcare leave (male)			%		67	67	83
12-month work after return to work from childcare leave (female)					83	67	100

1) Start of spouse's childbirth leave in 2021  
 2) Start of childbirth leave in 2021  
 3) Domestic employees with children under the age of 8 or under the 2nd grade of elementary school  
 4) Number of employees who started parental leave in the base year  
 5) Number of returnees from parental leave in the base year



## Talent Nurturing

Classification	Unit	Data Scope	2020	2021	2022
Total number of employees trained	Persons		1,846	1,259	1,373
Average annual training hours per employee	Hours	Korea	18	13	13
Average training expenses per employee <sup>1)</sup>	KRW thousand		205	204	725

1) 3-year data were modified due to the change of criteria for calculating the average education cost per person from 2019

## Evaluation & Compensation

Classification	Unit	Data Scope	2020	2021	2022
Percentage of employees who received personnel evaluation (total)			99.0	92.1	95.2
Percentage of employees who received personnel evaluation (office position)			93.3	90.3	98.1
Percentage of employees who received personnel evaluation (technical position)	%		92.6	95.1	91.1
Percentage of employees who received personnel evaluation (male)		Korea	96.3	92.3	95.3
Percentage of employees who received personnel evaluation (female)			89.4	89.0	93.0
Average annual salary (total)			70.1	78.2	88.5
Average annual salary (male)	KRW million		72	81	91
Average annual salary (female)			47	49	59.3

## Human Rights

Classification	Unit	Data Scope	2020	2021	2022
Participation rate in human rights/sexual harassment prevention training <sup>1)</sup>	%		97.1	100	91
Human rights grievances received	Cases	Korea	-	-	2
Human rights grievance handling rate <sup>2)</sup>	%		100	100	100

1) (Office positions + technical positions) / total number of employees

2) We make it a rule to entirely solve human rights grievances.

## Labor Union

Classification	Unit	Data Scope	2020	2021	2022
Union membership rate	%	Korea	80.7	77.7	76.6

## Contribution to Local Communities

Classification	Unit	Data Scope	2020	2021	2022
Participants in social contribution activities <sup>1)</sup>	Persons		309	462	547
Volunteer hours	Hours		1,970	3,101	2,730
Social contribution expenditure	KRW 100 million		1.4	1.9	3.6
Social contribution expenditure per sales <sup>2)</sup>	%	Korea	0.01	0.01	0.01
Participation rate in salary fraction donation and 1% sharing campaigns	%		27	24	21.8
Participants in salary fraction donation and 1% sharing campaigns	Persons		378	363	287

1) Including overlapping participation

2) Social contribution expenditure/non-consolidated sales



## Corporate Governance

Classification	Unit	Data Scope	2020	2021	2022
BOD attendance rate <sup>1)</sup>	%		95	98	97
Percentage of female directors	%		0	20	20
Total amount of the CEO remuneration	KRW million	Korea	650	2,197	743
Average remuneration per employee			70	78	88
CEO-employee remuneration ratio <sup>2)</sup>	%		929	2,817	844

1) Executive directors + outside directors

2) CEO remuneration/employee average remuneration

## Ethical Management

Classification	Unit	Data Scope	2020	2021	2022
No. of worksites audited for ethical standards <sup>1)</sup>	Sites	Global (Korea + overseas)	3	4	4
Ratio of worksites audited for ethical standards	%		33	40	40
No. of worksites audited for ethical standards	Sites	Korea	2	3	2
Percentage of worksites audited for ethical standards	%		67	75	50
No. of worksites audited for ethical standards	Sites	Overseas	1	1	2
Percentage of worksites audited for ethical standards	%		17	17	33
Training on the Code of Ethics <sup>2)</sup>	Persons	Korea	918	688	837
			65	45	61
	%	India Subsidiary	100	100	100
		China Subsidiary (Jiangsu)	99.3	99.6	95.8
		China Subsidiary (holding company)	100	100	99.6
		Indonesia Subsidiary	100	100	100
		North Americ Subsidiary	100	100	100
Submission of ethics pledge <sup>3)</sup>	Persons	Korea	1,193	1,166	0
Percentage of ethics pledge submission <sup>3)</sup>	%		84	77	0

1) 10 worksites (Korea: Ulsan, Bundang, Eumseong, Yongin, overseas: Europe, North America, Brazil, India, Indonesia, China). Including Yongin site from 2021

2) Trainees/total number of employees (once a year per person)

3) In 2022, the ethics pledge was not required due to the promotion of computerization.

## Ethical Management

Classification	Unit	Data Scope	2020	2021	2022
Suppliers who submitted ethics pledge	Persons		291	324	258
Percentage of suppliers who submitted ethics pledge	%	Korea	93	92	95
Employees who submitted ethics pledge	Persons		458	474	493
Percentage of employees who submitted ethics pledge	%	India Subsidiary	100	100	100
Suppliers who submitted ethics pledge	Persons		-	-	462
Percentage of suppliers who submitted ethics pledge	%		-	-	100
Employees who submitted ethics pledge	Persons		289	295	291
Percentage of employees who submitted ethics pledge	%	China Subsidiary (Jiangsu)	99.3	99.6	95.8
Suppliers who submitted ethics pledge	Persons		-	-	158
Percentage of suppliers who submitted ethics pledge	%		-	-	100
Employees who submitted ethics pledge	Persons		241	243	231
Percentage of employees who submitted ethics pledge	%	China Subsidiary (holding company)	95.4	95.5	99.6
Suppliers who submitted ethics pledge	Persons		-	-	14
Percentage of suppliers who submitted ethics pledge	%		-	-	100
Employees who submitted ethics pledge	Persons	North Americ Subsidiary	81	90	97
Percentage of employees who submitted ethics pledge	%		100	100	100
Employees who submitted ethics pledge	Persons	Indonesia Subsidiary	8	13	17
Percentage of employees who submitted ethics pledge	%		100	100	100
Corruption	Cases		1	3	7
Dismissal/disciplinary action for corruption	Persons	Korea	-/3	1/5	1/24
Number of contracts terminated and not renewed due to corruption	Cases		0	0	0



## Compliance

Classification	Unit	Data Scope	2020	2021	2022
Number of compliance trainings	Cases		2	2	2
Participants in compliance training	Persons		300	1,313	1,255
Number of legal consultations on fair trade-related laws			3	86	73
Legal advice on anti-corruption and economic sanctions <sup>2)</sup>			3	6	9
Violation of the Improper Solicitation and Graft Act			0	0	0
Total number of violations (monetary sanctions + non-monetary sanctions)	Cases	Korea	0	2	0
Monetary sanctions			0	1	0
Non-monetary sanctions			0	1	0
Legal actions taken against unfair trading practices <sup>1)</sup>			0	2	1
Imposition of fines due to violations of unfair trade laws/regulations <sup>2)</sup>	KRW 100 million		0	0	0
Violation of environmental laws	Cases		0	0	1
Penalties on violation of environmental laws <sup>3)</sup>	KRW		0	0	400,000

1) The 2022 data shows that part of penalty in 2019 (KRW 250 million out of total KRW 431 million) was reduced to KRW 225 million after it was canceled by a court ruling.

2) There was no fine, but in the case of penalty surcharges, KRW 406 million in 2019 (including re-disposition in 2022) and KRW 0.55 billion in 2021 were imposed.

3) This is an issue caused by not entering information about the handover and acceptance of waste into the Albaro system within the period. Since then, the company has been taking measures to ensure that no omission is made by marking matters related to input on the day and the content of reinforced laws on weighbridges, etc.

## Policy-related Expenditure

Classification	Unit	Data Scope	2020	2021	2022
Total political donation			0	0	0
Total contributions to related organizations and associations	KRW 1 million	Korea	3,292	2,663	2,135
Membership fee (KITA, etc.)			202	243	372

## Top Five Largest Expenditures to Associations

Classification	Unit	Data Scope	2020	2021	2022
HYUNDAI Academy			-	958	933
HYUNDAI Oilbank 1% Sharing Foundation			-	700	927
The Asan Institute for Policy Studies	KRW 1 million	Korea	-	500	200
Ulsan Industrial Academy			-	78	0
Ulsan Creative Economy Innovation Center			-	75	75



# GRI STANDARDS INDEX

Statement of use: [HD Hyundai Construction Equipment. Co., Ltd.] has reported in accordance with the GRI Standards for the period [Quantitative Data : 2022.01.01~2022.12.31, Qualitative Data : 2022.01.01~2023.05.31]

- GRI 1 used : GRI 1: Foundation 2021
- Applicable GRI Sector Standard : N/A

GRI Standard	Disclosure	Page	Remark	
<b>General Disclosures</b>				
	2-1	Organizational details	5~8, 84	
	2-2	Entities included in the organization's sustainability reporting	2 About this report	
	2-3	Reporting period, frequency and contact point	2 About this report	
	2-4	Restatements of information	Refer to Appendix	
	2-5	External assurance	108~112	
	2-6	Activities, value chain and other business relationships	6~8, 48	
	2-7	Employees	97~98 iii, iv, v unreported	
	2-8	Workers who are not employees	97~98	
	2-9	Governance structure and composition	81~83 vi. unreported	
GRI 2: General Disclosures 2021	2-10	Nomination and selection of the highest governance body	81	
	2-11	Chair of the highest governance body	83 Refer to p.303 of business report	
	2-12	Role of the highest governance body in overseeing the management	20	
	2-13	Delegation of responsibility for managing impacts	20	
	2-14	Role of the highest governance body in sustainability reporting	20, 23~24	Materiality assessment results are reported and reviewed by the ESG Committee.
	2-15	Conflicts of interest	81~83	
	2-16	Communication of critical concerns	20, 76	

GRI Standard	Disclosure	Page	Remark
	2-17	Collective knowledge of the highest governance body	81, 83
	2-18	Evaluation of the performance of the highest governance	83
	2-19	Remuneration policies	Refer to p.329 of business report. Based on compensation for director and auditor
	2-20	Process to determine remuneration	
GRI 2: General Disclosures 2021	2-21	Annual total compensation ratio	101
	2-22	Statement on sustainable development strategy	4
	2-23	Policy commitments	75~76
	2-24	Embedding policy commitments	44, 76, 85
	2-25	Processes to remediate negative impacts	86
	2-26	Mechanisms for seeking advice and raising concerns	86, 116
	2-27	Compliance with laws and regulations	101
	2-28	Membership associations	119
	2-29	Approach to stakeholder engagement	116
	2-30	Collective bargaining agreements	100



GRI Standard		Disclosure	Page	Remark
<b>Material Topics</b>				
GRI 3: Material Topics 2021	3-1	Process to determine material topics	23-24	
	3-2	List of material topics	24	
<b>GHG and Energy Management</b>				
GRI 3: Material Topics 2021	3-3	Management of material topics	28, 34-35	
GRI 302: Energy 2016	302-1	Energy consumption within the organization	94, 112	Refer to GHG Emission Verification Statement
	302-3	Energy consumption outside of the organization	94	
	302-4	Reduction of energy consumption	94	
	305-1	Direct (Scope 1) GHG emissions	92-93, 112	Refer to GHG Emission Verification Statement
	305-2	Energy indirect (Scope 2) GHG emissions		
GRI 305: Emissions 2016	305-3	Other indirect (Scope 3) GHG emissions	92-93	Refer to Independent Assurance Report (Scope 3)
	305-4	GHG emissions intensity	92-93	
	305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	93	
<b>Supply Chain Management</b>				
GRI 3: Material Topics 2021	3-3	Management of material topics	44	
GRI 308: Supplier Environmental Assessment 2016	308-1	New suppliers that were screened using environmental criteria	48	
	308-2	Negative environmental impacts in the supply chain and actions taken	49, 97	
GRI 414: Supplier Social Assessment 2016	414-1	New suppliers that were screened using social criteria	48	
	414-2	Negative social impacts in the supply chain and actions taken	49, 97	
GRI 206: Anti-competitive Behavior 2016	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	87, 102	

GRI Standard		Disclosure	Page	Remark
<b>Safety and Health</b>				
GRI 403: Occupational Health and Safety 2018	3-3	Management of material topics	51-52, 56	
	403-1	Occupational health and safety management system	51	
	403-2	Hazard identification, risk assessment, and incident investigation	52, 55	
	403-3	Occupational health services	54	
	403-4	Worker participation, consultation, and communication on occupational health and safety	55-56	
	403-5	Worker training on occupational health and safety	53	
	403-6	Promotion of worker health	54	
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	52, 55-56	
	403-8	Workers covered by an occupational health and safety management system	51	
403-9	Work-related injuries	96		
<b>Contribution to Local Communities</b>				
GRI 3: Material Topics 2021	3-3	Management of material topics	58, 62	
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	57-62	
	413-2	Operations with significant actual and potential negative impacts on local communities	57	



# OUR IMPACT

## Value Creation through Business from a Long-term Perspective

There is not only value that can be explained by financial statements but also different value according to diverse forms and perspectives, and all types of tangible/intangible value should be measured and managed according to a company's strategic priorities. HD Hyundai Construction Equipment recognizes the importance of non-financial value, and in order to examine the value delivered to stakeholders by the company's management activities in 2022, we measured it by using the EY Long-Term Value method and converted it into financial value. EY Long-term Value recognizes the limitations of the value measurement method that is commonly used in the market, and aims to explain the company's long-term value by measuring intangible value and non-financial value. EY set measurement indices by value category through a fourstep process that is based on the EY Long-term Value Framework to identify and measure the company's long-term value creation areas.

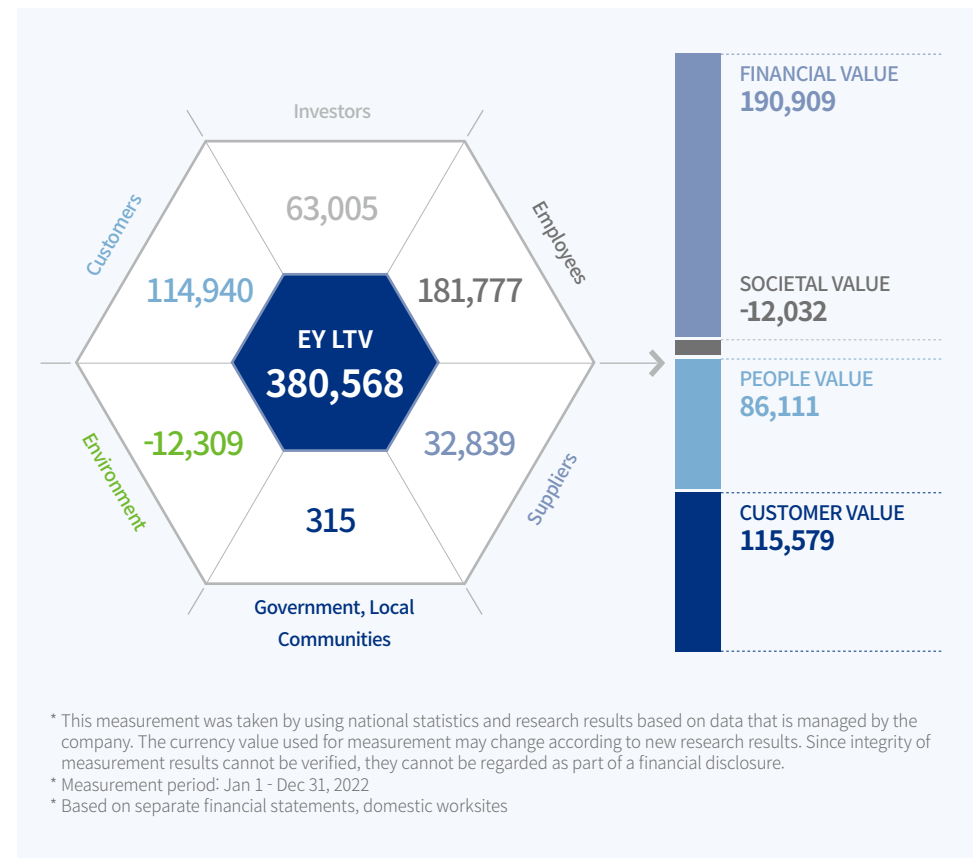
### Value Recognition Criteria and Measurement Indices of the EY Long-term Value

Category	Value Recognition	Major Measurement Indices
Customer Value	Value that is generated for the customer in the long-term through a company's provision of products and services. Recognizes value that can be provided to the customer from a long-term perspective other than value directly exchanged by the act of purchasing.	<ul style="list-style-type: none"> <li>Product R&amp;D</li> <li>Customer communication</li> <li>Follow-up management after sales</li> <li>Supplier technology development</li> </ul>
People Value	Recognize value that was provided to make longterm improvements to the quality of life of company employees and supplier employees.	<ul style="list-style-type: none"> <li>Support for improving work environment of suppliers</li> <li>Employee training activities</li> <li>Safety accidents</li> <li>Safety and health activities</li> <li>Activities to protect maternity and pursue diversity</li> </ul>
Societal Value	Recognizes value that provides a long-term impact on the environment and society where the company exists	<ul style="list-style-type: none"> <li>Greenhouse gas emissions</li> <li>Air pollutant emissions</li> <li>Waste discharge</li> <li>Water pollutant discharge</li> <li>Creation of jobs</li> <li>Contribution to local communities</li> </ul>
Financial Value	Recognize value provided to stakeholders for long-term, sustainable growth of a company's financial value.	<ul style="list-style-type: none"> <li>Dividend and interest costs</li> <li>Tax</li> <li>Wage</li> </ul>

## Long-term Impact Valuation

Our non-financial value calculated using the EY Long-term Value Framework is KRW 380.6 billion. It can be estimated that long-term intangible value and non-financial value that are provided to stakeholders through HD Hyundai Construction Equipment's management activities but are not measured or discussed total KRW 380.6 billion. Going forward, we will continue our businesses with the goal of offering long-term value to our stakeholders.

(Unit: KRW million)



\* This measurement was taken by using national statistics and research results based on data that is managed by the company. The currency value used for measurement may change according to new research results. Since integrity of measurement results cannot be verified, they cannot be regarded as part of a financial disclosure.

\* Measurement period: Jan 1 - Dec 31, 2022

\* Based on separate financial statements, domestic worksites



## TCFD INDEX

HD Hyundai Construction Equipment actively participates in responding to climate change in accordance with the demands of the international community. As part of this, we identified the actual and potential financial impact of climate change and established the company's strategic direction and management system. Based on the TCFD recommendations, we will continue to actively communicate with stakeholders by transparently disclosing the company's response to climate change.

Topic	TCFD Recommendation	Page
Governance	a) Describe the board's oversight of climate-related risks and opportunities.	20, 28
	b) Describe management's role in assessing and managing climate-related risks and opportunities.	28, 36
Strategy	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	29
	b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	29-32, 37-39
	c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	29-32, 37-39
Risk Management	a) Describe the organization's processes for identifying and assessing climate-related risks.	34, 42
	b) Describe the organization's processes for managing climate-related risks.	33
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	34
Metrics & Targets	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	35, 43
	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	35
	c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	35, 43



# SASB INDEX

SASB Index was compiled in accordance with the Industrial Machinery & Goods standard of the Resource Transformation (RT-IG) sector.

Topic	Type	Code	Accounting Metrics	Page	Remark
Energy Management	Quantitative	RT-IG-130A.1	(1) Total energy consumed(GJ)	94	
			(2) Percentage grid electricity		
			(3) Percentage renewable energy		
Employee Health & Safety	Quantitative	RT-IG-320A.1	(1) Total recordable incident rate (TRIR)	96	TRIR : 2.6 (including in-house suppliers)
			(2) Fatality rate		0
			(3) Near miss frequency rate (NMFR)		-
Fuel Economy & Emissions in Use-phase	Quantitative	RT-IG-410A.1	Sales-weighted fleet fuel efficiency for medium- and heavyduty vehicles		N/A
	Quantitative	RT-IG-410A.2	Sales-weighted fuel efficiency for non-road equipment		Not reported
	Quantitative	RT-IG-410A.3	Sales-weighted fuel efficiency for stationary generators		
	Quantitative	RT-IG-410A.4	(a) Sales-weighted emissions of nitrogen oxides (NOx) and particulate matter (PM) for marine diesel engines		N/A
			(b) Sales-weighted emissions of nitrogen oxides (NOx) and particulate matter (PM) for locomotive diesel engines		
		(c) Sales-weighted emissions of nitrogen oxides (NOx) and particulate matter (PM) for on-road medium- and heavyduty engines			
		(d) Sales-weighted emissions of nitrogen oxides (NOx) and particulate matter (PM) for other non-road diesel engines		Not reported	
Materials Sourcing	Qualitative	RT-IG-440A.1	Description of the management of risks associated with the use of critical materials	47	
Remanufacturing Design & Services	Quantitative	RT-IG-440B.1	Revenue from remanufactured products and remanufacturing services	17, 95	No case due to not convening the Disposal Committee
Activity Metric	Quantitative	RT-IG-000.A	Number of units produced by product category	7~8	Production: 27,124 units
			(1) vehicles and agricultural and construction equipment (2) engines and power generation equipment (3) parts and components		
	Quantitative	RT-IG-000.B	Number of employees	97, 98	Domestic: 1,370, Overseas: 1,981

\* Indicators for product fuel efficiency and improvement are managed internally, and management indicators for product exhaust gas emissions will be disclosed in the future.

# Independent Assurance Report (Integrated Report)

## To the management of HD Hyundai Construction Equipment Co., Ltd.

We performed a limited assurance engagement on the following sustainability information of Integrated Report of HD Hyundai Construction Equipment Co., Ltd. (the “Company”) for the year ended December 31, 2022 (the “Report”).

### Scope and Subject matter information

For the year ended December 31, 2022, we provide a limited assurance on the following:

- The ESG information (the “Subject matter information”), stated on ‘ESG Fact Sheets’ of the Report Appendix, is prepared in accordance with the Company’s ‘Reporting Principle’ described on the ‘ABOUT THIS REPORT’.

We read the other information included in the Report and considered whether it is consistent with the Subject matter information. We considered the implications for our report in the case that we became aware of any apparent misstatements or material inconsistencies with the Subject matter information. Our responsibilities do not extend to any other information.

### Criteria (the “Criteria”)

The Company prepared the Subject matter information in accordance with Global Reporting Initiative (GRI) Standards 2021. The Report contains indicators set by the Task Force on Climate-related Financial Disclosures (TCFD) and Sustainability Accounting Standards Board (SASB).

### Inherent limitations

Non-financial information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods used for determining such information. Qualitative interpretations of relevance, materiality and the accuracy of data are subject to individual assumptions and judgments.

In particular:

- We did not attend any stakeholder engagement activities. Therefore, our conclusion is based on our discussions with management and staff of the Company and our review of selected documents provided to us by the Company.

- The scope of our work was restricted to performance for the year ended December 31, 2022, only, as set out in the scope and subject matter section above. Information for the year ended December 31, 2021, and earlier periods have not been subject to assurance by us.

### Responsibility of the management of the Company

The management of the Company is responsible for selecting and establishing suitable criteria for preparing the Subject matter information and the preparation of the Subject matter information in accordance with the Criteria.

### Our responsibility

Our responsibility is for the following:

- Determining and performing the procedures to provide a limited assurance whether a material matter has come to our attention to cause us to believe the Subject matter information is materially misstated.
- Independently expressing a conclusion in accordance with provided evidence by the Company.

Because we engaged to form an independent conclusion on the Subject matter information prepared by the Company, our involvement may compromise our independence and is therefore not permitted.

This report, including the conclusion, has been prepared for the Company’s management as a body, to assist the management in reporting on the Company’s sustainability performance and activities. We do not accept or assume responsibility to anyone other than the Company’s management as a body and the Company for our work or this report save where terms are expressly agreed and with our prior consent in writing.

### Our independence and quality control

We have complied with the independence and other ethical requirements of the code of ethics issued by the Ethics Standards Board of the Korean Institute of Certified Public Accountants. We apply International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

### The standard of assurance engagement

We performed a limited assurance engagement in accordance with Assurance Engagement other than Audits and Reviews of Historical Financial Information issued by the Korean Institute of Certified Public Accountants (International Standard on Assurance Engagement 3000 (Revised) as adopted by the Republic of Korea).

### Summary of the assurance work we performed.

Our work includes the following activities:

1. Interviews with the Company's personnel responsible for internal reporting and data collection
2. Review on the samples of the Company's internal documents related to output from the risk assessment process, sustainability-related policies and standards, the sustainability materiality assessment matrix, and other documents from stakeholder-engaged activities.
3. Understanding the Company's design and implementation of key processes and controls for managing and reporting the Subject matter information
4. Limited testing, through inquiry and analytical review procedures, of the preparation and collation of the Company's Subject matter information

A limited assurance engagement is less in scope than a reasonable assurance engagement. Consequently, the nature, timing, and extent of procedures for gathering sufficient, appropriate evidence are deliberately limited relative to a reasonable assurance engagement..

### Conclusion

Based on the procedures we performed as described under the "Summary of the assurance work we performed" and the evidence provided by the Company, nothing has come to our attention that causes us to believe that the Company's Subject matter information in the Report for the year ended December 31, 2022, is not prepared, in all material respects, in accordance with the Company's reporting Criteria.

June 15, 2023

Shinhan Accounting Corporation  
Seoul, Korea





# Independent Assurance Report (Scope3)

## To the management of HD Hyundai Construction Equipment Co., Ltd.

We performed a limited assurance engagement on the following 2022 Greenhouse Gas Emissions (Scope 3) of HD Hyundai Construction Equipment Co., Ltd. (the “Company”) for the year ended December 31, 2022 (the “Scope 3 Emissions”).

## Scope and Subject matter information

For the year ended December 31, 2022, we provide a limited assurance on the following and our responsibility do not extend to any other information:

- Scope 3 Emissions (the “Subject matter information”), stated on ‘Conclusion’ of this report, is prepared in accordance with the Company’s reporting criteria (the “Criteria”).

## Criteria

The Company prepared the Subject matter information in accordance with the Company’s internal calculation criteria based on World Resource Institution & WBCSD (2013) “Technical Guideline for Calculating Scope 3 Emissions (Greenhouse Gas Protocol)”.

Scope 3 Category	Internal calculation criteria
Purchase goods and services	Based on energy and power usage of major partners
Fuel-and energy-related activities	Based on purchased energy on energy and greenhouse gas statements
Upstream transportation and distribution	Based on sea transportation to overseas sales subsidiary after production (the Company paid)
Waste generated in operations	Based on waste discharge for domestic operat
Business travel	Air & train travel (air travel emission factor: ICAO Carbon Emission Calculator; train travel emission factor: Guideline for Low-carbon events by the Ministry of Environment of the Republic of Korea)
Employee commuting	Based on commuter bus activities
Use of sold products	Based on the emissions from one year of use of the sold products

## Inherent limitations

Non-financial information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods used for determining such information. Qualitative interpretations of relevance, materiality and the accuracy of data are subject to individual assumptions and judgments.

In particular:

- Our conclusion is based on our discussions with management and staff of the Company and our review of selected documents provided to us by the Company.
- The scope of our work was restricted to performance for the year ended December 31, 2022, only, as set out in the scope and subject matter section above. Information for the year ended December 31, 2021, and earlier periods have not been subject to assurance by us.

## Responsibility of the management of the Company

The management of the Company is responsible for selecting and establishing suitable criteria for preparing the Subject matter information and the preparation of the Subject matter information in accordance with the Criteria.

## Our responsibility

Our responsibility is for the following:

- Determining and performing the procedures to provide a limited assurance whether a material matter has come to our attention to cause us to believe the Subject matter information is materially misstated.
- Independently expressing a conclusion in accordance with provided evidence by the Company.

Because we engaged to form an independent conclusion on the Subject matter information prepared by the Company, our involvement may compromise our independence and is therefore not permitted. This report, including the conclusion, has been prepared for the Company’s management as a body, to assist the management in reporting on the Company’s Scope 3 Emissions. We do not accept or assume responsibility to anyone other than the Company’s management as a body and the Company for our work or this report save where terms are expressly agreed and with our prior consent in writing.



**Our independence and quality control**

We have complied with the independence and other ethical requirements of the code of ethics issued by the Ethics Standards Board of the Korean Institute of Certified Public Accountants. We apply International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

**The standard of assurance engagement**

We performed a limited assurance engagement in accordance with Assurance Engagement other than Audits and Reviews of Historical Financial Information issued by the Korean Institute of Certified Public Accountants (International Standard on Assurance Engagements (“ISAE”) 3000 (Revised) as adopted by the Republic of Korea) and with ISAE 3410 ‘Assurance Engagements on Greenhouse Gas Statements’ issued by International Auditing and Assurance Standards Board.

**Summary of the assurance work we performed.**

Our work includes the following activities:

1. Interviews with the Company’s personnel responsible for internal reporting and data collection
2. Understanding the Company’s design and implementation of key processes and controls for managing and reporting the Subject matter information
3. Limited testing, through inquiry and analytical review procedures, of the preparation and collation of the Company’s Subject matter information

A limited assurance engagement is less in scope than a reasonable assurance engagement. Consequently, the nature, timing, and extent of procedures for gathering sufficient, appropriate evidence are deliberately limited relative to a reasonable assurance engagement.

**Conclusion**

Based on the procedures we performed as described under the “Summary of the assurance work we performed” and the evidence provided by the Company, nothing has come to our attention that causes us to believe that the Company’s Subject matter information in the Report for the year ended December 31, 2022, is not prepared, in all material respects, in accordance with the Company’s reporting criteria.

Scope 3 Category	Scope 3 Emissions (Unit: tonCO <sub>2</sub> eq)
Purchase goods and services	675
Fuel-and energy-related activities	6,947.7
Upstream transportation and distribution	15,190
Waste generated in operations	145.3
Business travel	427
Employee commuting	192
Use of sold products	972,814.4
Total	996,391.4

June 15, 2023  
 Shinhan Accounting Corporation  
 Seoul, Korea



# Verification Statement on GHG Emissions

## Introduction

DNV Business Assurance Korea Ltd. (“DNV”) was commissioned by HD Hyundai Construction Equipment Co., Ltd. (“HD Hyundai Construction Equipment”) to verify the HD Hyundai Construction Equipment’s Greenhouse Gas Inventory Report for the calendar year 2022 (“the report”) based upon a reasonable level of assurance. HD Hyundai Construction Equipment is responsible for the preparation of the GHG emissions data on the basis set out within the guidelines on the operation of GHG emission trading scheme (“ETS” (Notification No. 2022-279 of Ministry of Environment)). Our responsibility in performing this work is to the management of HD Hyundai Construction Equipment only and in accordance with terms of reference agreed with them. DNV expressly disclaims any liability or responsibility for any decisions, whether investment or otherwise, based upon this assurance statement.

## Scope of Assurance

The GHG emissions data covered by our examination is set for 100% of HD Hyundai Construction Equipment’s non-consolidated revenues under the GHG ETS and comprise Direct emissions (Scope 1 emissions) and Energy indirect emissions (Scope 2 emissions) from HD Hyundai Construction Equipment’s Ulsan Campus boundary;

- Organizational boundary for reporting: Ulsan Campus of HD Hyundai Construction Equipment

## Verification Approach

The verification has been conducted by DNV on March 2023 and performed in accordance with the verification principles and tasks outlined in the guidelines on the operation of GHG ETS (Notification No.2022-279, Korean Ministry of Environment) and the verification guideline for GHG ETS (Notification No. 2021-112, Korean Ministry of Environment). We planned and performed our work to obtain all the information and explanations deemed necessary to provide us with sufficient evidence to provide a reasonable verification opinion concerning the completeness of the emission inventory as well as the reported emission figures in ton CO<sub>2</sub> equivalent. As part of the verification process;

- We have reviewed the GHG emissions and energy consumption report for the calendar year 2022
- We have reviewed and verified the process to generate, aggregate and report the emissions data

## Conclusions

As a result of the work described above, in our opinion nothing has come to our attention that would cause us to believe that the GHG emissions set out in HD Hyundai Construction Equipment’s report are not fairly stated. The GHG emissions and energy consumption of HD Hyundai Construction Equipment for the year 2022 were confirmed as below;

### GHG Emissions and Energy Consumption of HD Hyundai Construction Equipment for Yr 2022

Ulsan Campus of HD Hyundai Construction Equipment	GHG Emissions (ton-CO <sub>2</sub> equivalent)			Energy Consumption (Terajoule, TJ)		
	Direct emissions (Scope1)	Energy indirect emissions (Scope2)	Total emissions	Fuel	Electricity & Steam	Total
2022	9,546.962	6,390.65	15,937	104	134	237

\* Total emissions is the sum of direct and indirect emissions.

\* In order to report the GHG emissions and energy consumption as an integer, the rounded number on the statement might be different from the number on the system with ± 1 tCO<sub>2</sub>-eq,

June 2023, Seoul, Korea  
Country Manager, DNV Business Assurance Korea Ltd., **Jang-Sub Lee**

This Assurance Statement is valid as of the date of the issuance 9 May 2023. Please note that this Assurance statement would be revised if any material discrepancy which may impact on the Greenhouse Gas Emissions of HD Hyundai Construction Equipment is subsequently brought to our attention. In the event of ambiguity or contradiction in this statement between English version and Korean version, Korean shall be given precedent.

No.: PRJN-522650-2023-AST-KOR












# UN SDGs

The United Nations Sustainable Development Goals (UN SDGs) are 17 goals that promise sustainable development for people and the planet by 2030. HD Hyundai Construction Equipment is striving to develop strategies necessary for mid-to-long-term growth of the company by identifying global trends through the SDGs.

SDGs	Goal	HCE's Activities in 2022	Page
<p>3 GOOD HEALTH AND WELL-BEING</p> <p>Ensure healthy lives and promote well-being for all at all ages</p>	3.4	Prevention and treatment of non-infectious diseases, promotion of mental health and well-being	54
	3.8	Universal health coverage through access to quality health services, drugs, and vaccines	
	3.9	Reduction of deaths and diseases caused by hazardous chemicals or air, water, and land pollution	66
<p>4 QUALITY EDUCATION</p> <p>Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all</p>	4.4	Increase in the number of people with professional and vocational skills for employment, decent work, and business activities	58, 62
	4.5	Gender gap in education, participation in education and vocational training for the disabled, local residents, and vulnerable groups	
<p>6 CLEAN WATER AND SANITATION</p> <p>Ensure availability and sustainable management of water and sanitation for all</p>	6.3	Reduction of pollution, minimization of emissions of hazardous chemicals, reduction of wastewater and improvement of water quality through water reuse	66
<p>7 AFFORDABLE AND CLEAN ENERGY</p> <p>Ensure access to affordable, reliable, sustainable and modern energy for all</p>	7.2	Increase the share of renewable energy	30~31
	7.3	Increase energy efficiency improvement rate	32
<p>8 DECENT WORK AND ECONOMIC GROWTH</p> <p>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</p>	8.2	Improvement of economic productivity through industrial diversification, technological development, and innovation, including high value-added industries	32
	8.3	Boosting production activities, decent job creation, entrepreneurship, support for creativity and innovation, and access to financial services; and promoting the creation and growth of small businesses and SMEs	46~47, 71
	8.5	disabled and young people, creation of decent jobs, and equal pay for work of equal value	
	8.6	Decreasing youth unemployment	
	8.7	Prohibition of forced labor and child labor	
		74	



SDGs	Goal	HCE's Activities in 2022	Page	
 <p>Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation</p>	9.4	Increase resource utilization efficiency and adopt clean and environmentally sound technologies	<ul style="list-style-type: none"> <li>Launched an electrically powered eco-friendly excavator using a lithium-ion battery (LIB) and a hydrogen fuel cell (HFC)</li> <li>Increase resource efficiency by developing fuel-efficient excavators</li> <li>Establish a process to reduce carbon throughout the product lifecycle</li> </ul>	38-40
	 <p>Reduce inequality within and among countries</p>	10.4	Introduction of policies such as financial policy, wage policy and social protection policy and progressive achievement of higher levels of equality	<ul style="list-style-type: none"> <li>The practice of sharing spirit through caring for the underprivileged, win-win with local communities, and aiding in future generations' self-reliance</li> </ul>
 <p>Ensure sustainable consumption and production pattern</p>		12.2	Sustainable management and efficient use of natural resources	<ul style="list-style-type: none"> <li>Acquired international environmental management system certification</li> <li>Minimize the emission of pollutants through the installation of prevention facilities, education of environmental staff, and periodic inspection of emission concentrations</li> <li>Reduce the amount of waste by producing collection boxes dedicated to recycling waste</li> <li>Substitution of hazardous chemicals and regular inspection of facilities</li> </ul>
	12.4	Eco-friendly treatment of chemicals and hazardous waste, and reduction of emissions to air, water and soil		
	12.5	Reduce waste generation through prevention, reduction, recycling, and reuse		
	12.6	Disclosure of sustainable action plans for large corporations and multinational corporations		
 <p>Take urgent action to combat climate change and its impacts</p>	13.3	Education, awareness raising and human and institutional capacity improvement on climate change mitigation, adaptation, impact reduction, and early warning	<ul style="list-style-type: none"> <li>Establishment of a plan to achieve carbon neutrality in domestic workplaces by 2030 and declaration of carbon neutrality for global workplaces by 2050</li> <li>Establishment of product carbon emission reduction strategy</li> <li>Green purchasing system to reduce carbon in the product life cycle, and efforts to increase the recycling rate of parts</li> </ul>	28-43
	 <p>Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels</p>	16.3	Promoting the rule of law, justice, and equality for all	<ul style="list-style-type: none"> <li>Implementation of transparent and responsible management through compliance management and ethical management</li> <li>Implementation of rational governance that maintains checks and balances</li> <li>Pursuing inclusive management activities by engaging various stakeholders in management such as communication with the labor union</li> </ul>
16.5		Reduce corruption and bribery		
16.6		Develop effective, transparent, and accountable institutions		
16.7		Support for responsive, inclusive, participatory, and representative decision-making		
				116-117



# UN GLOBAL COMPACT

HD Hyundai Construction Equipment joined UNGC in December 2021, a global corporate citizenship initiative that presents 10 principles in the fields of human rights, labor, environment, and anti-corruption. We support the 10 principles of UNGC and strive to fulfill our responsibilities as a global corporate citizen.



Topic	Criteria	Page	Remark
Fulfillment of the UNGC's Ten Principles in Strategy and Operation	1 Commitment to integrate the UNGC 10 principles into business function and units	115	• UN Global Compact
	2 Practicing the UNGC 10 principles across the value chain	44, 85, 87	• Code of Conduct for suppliers • Code of Ethics
Human Rights Management Policy and Procedure	3 Human rights commitment, strategy, and policy	74~75	• Human Rights Management Declaration • Support for UNGC 10 Principles
	4 Effective management system to incorporate the human rights principles into business and management procedures		• Human rights grievance handling channels • Human rights impact assessment
	5 Monitoring and evaluation mechanism to ensure compliance with the human right principles in business and management procedures		
Labor Management Policy and Procedure	6 Labor commitment, strategy, and policy		• Human Rights Management Declaration • Communication-based labor-management relation • Institutional support to improve diversity
	7 Effective management system to incorporate the labor principles into business and management procedures		
	8 Monitoring and evaluation mechanism to ensure compliance with the labor principles in business and management procedures		
Environmental Management Policy and Procedure	9 Environment commitment, strategy, and policy	29, 37, 64~65	• Environmental policy and goals • Declaration of a strategy for Net Zero at workplace and carbon reduction in product use stage
	10 Effective management system to incorporate the environmental principles into business and management procedures	34, 42, 49, 64	• Environmental management organization (EHS Team) • Environmental management system (ISO 14001)
	11 Monitoring and evaluation mechanism to ensure compliance with the environmental principles in business and management procedures		• Evaluation on supply chain ESG
Anti-corruption Policy and Procedure	12 Anti-corruption commitment, strategy, and policy	85~88	• Charter of Ethics and Code of Ethics • Code of Conduct for suppliers • Ethics management process
	13 Effective management system to incorporate the anti-corruption principles into business and management procedures		
	14 Monitoring and evaluation mechanism to ensure compliance with the anti-corruption principles in business and management procedures		
Activities to Support Comprehensive Goals of the UN and Resolution of Issues	15 Contribution through key businesses to help achieve the UN objectives and goals	57~62, 115~117	• Technical support to SMEs • Communication with local communities, employee engagement in social contribution activities • Association membership
	16 Strategic community investment and charity work to help achieve the UN objectives and goals		
	17 Public engagement and communication to help achieve the UN objectives and goals		
	18 Partnerships and external initiatives to help achieve the UN objectives and goals		
Governance and Leadership for Sustainability	19 CEO's sustainability commitment and leadership	4	• CEO Message
	20 Board of Directors' selection and oversight of sustainability agenda items	20	• ESG Committee and ESG decision-making system
	21 Stakeholder engagement	24, 116	• Stakeholder communication, double materiality assessment

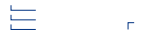


# Stakeholder Communication

HD Hyundai Construction Equipment categorizes major stakeholder groups into employees, shareholders and investors, suppliers, customers, local communities, and industrial communities. We monitor communication channels for each stakeholder group, examine related issues, and reflect them in management decision-making. We are also working to diversify communication channels and expand information disclosure to activate stakeholder communication.

## Stakeholder Communication Channels

Classification	Major Issues	Communication Channels
 <b>Employees</b>	<ul style="list-style-type: none"> <li>• Labor practices (talent nurturing and recruitment, employment, welfare benefits)</li> <li>• Organizational culture, human rights and diversity</li> </ul>	HD Hyundai Construction Equipment News, briefing of management status, labor-management council, employee satisfaction survey, in-house reporters, grievance handling channel, etc.
 <b>Shareholders and investors</b>	<ul style="list-style-type: none"> <li>• Transparent disclosure of management information</li> <li>• Formation of consensus on industrial vision and growth engine</li> </ul>	General shareholders' meeting, management information disclosure, IR homepage, participation in conference, IR meeting, investor meeting, technology meeting, etc.
 <b>Suppliers</b>	<ul style="list-style-type: none"> <li>• Establishment of foundation for co-prosperity and shared growth</li> <li>• Supply chain ESG management</li> </ul>	Global Education Center, supplier council, supplier training, technology support to suppliers, and shared growth fund
 <b>Customers</b>	<ul style="list-style-type: none"> <li>• Supply of products and services, feedback, and product innovation based on periodic communication</li> <li>• Effort to practice customer satisfaction management</li> </ul>	Field survey, VOC, call center, joint workshop, customer management system, digital showroom, blog, Kakao Talk Channel, and SNS Channel
 <b>Local communities</b>	<ul style="list-style-type: none"> <li>• Contribution to the growth and development of local communities through social contribution activities, etc.</li> </ul>	Community contribution, sisterhood relationship, and 1% salary sharing
 <b>Industrial communities</b>	<ul style="list-style-type: none"> <li>• Enhancement of industrial competitiveness through goodwill competition</li> <li>• Contribution to solve social issues</li> </ul>	Korea Construction Machinery Industry Association, Seoul Chamber of Commerce and Industry, UN Global Compact, TCFD, etc.



# Communication Channels



**Homepage**

<https://www.hd-hyundaice.com/en>



**Facebook**

<https://www.facebook.com/HyundaiConstructionEquipmentWorldwide>



**Instagram**

[https://www.instagram.com/accounts/login/?next=/hyundaice\\_worldwide/](https://www.instagram.com/accounts/login/?next=/hyundaice_worldwide/)



**Facebook**

<https://www.linkedin.com/company/hyundai-construction-equipment-company/>



**Twitter**

<https://twitter.com/HyundaiConstru1>



**Kakao Channel**

[https://pf.kakao.com/\\_ymhUxb](https://pf.kakao.com/_ymhUxb)



**YouTube**

<https://www.youtube.com/user/hyundaice>   
<https://www.youtube.com/user/hhihce>



**Ethical Management**

<https://ethics.hhigroup.kr/html/main.html>



# Awards

Award	Awarded by	Date
Design category winner at the Reddot Award 2022	The Red Dot Institute	March 2022
Grand prize in innovation sector at the 2022 Yellow Dot Design Awards	Ark	May 2022
Grand prize in the ESG management sector at the Management Grand Awards 2022	Korea Management Association Consultants Inc. (KMAC)	December 2022
Best company in sustainability report at the Management Grand Awards 2022	Korea Management Association Consultants Inc. (KMAC)	December 2022
No.1 in the construction equipment sector at the 2023 Korea's Most Admired Company Awards	Korea Management Association Consultants Inc. (KMAC)	March 2023
No. 1 in machinery and industrial equipment sector at the 2023 Korea Sustainable Leading Company Awards	Hankook Ilbo (Korea Times)	April 2023



Management Grand Awards 2022



Korea's Most Admired Company Awards





# Association Membership and Certification

## Association Membership

Korea Construction Equipment Manufacturers Association	Seongnam Chamber of Commerce and Industry
Seoul Chamber of Commerce and Industry	Ulsan Chamber of Commerce and Industry
Korea Enterprises Federation	Eumseong Chamber of Commerce and Industry
Global Compact Network Korea	Ulsan Regional Hyundai Affiliate Environment Council
Korea Intellectual Property Association	Ulsan Environmental Engineers Council
Korea Association for Chief Financial Officers	Korea Fire Safety Association
Korea International Trade Association	Korea Industrial Safety Association
Korea Listed Company Association	Ulsan Plant Manager Council

## Certification

Certification	Validity Period
ISO 27001 (Information Security Management System)	Bundang: Jan. 2022 ~ Jan. 2025
ISO 9001 (Quality Management System)	China: Sep. 6, 2022 ~ Sep. 6, 2025 India: May 29, 2022 ~ May 29, 2025 Ulsan/Bundang: Jun. 8, 2022 ~ Mar. 23, 2023
ISO 14001 (Environmental Management System)	Ulsan/Yongin: May 4, 2021 ~ Apr. 4, 2023 India: Jul. 9, 2021 ~ Apr. 2, 2024
ISO 45001 (Safety and Health Management System)	Ulsan/Yongin: May 4, 2021~ Apr. 4, 2023

2022 INTEGRATED REPORT

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comfortable  
tomorrow**

