



**building a
comfortable
tomorrow**

About this 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 non-financial 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 as well as efforts and performance of HD Hyundai Construction Equipment for sustainable management.

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 consider important issues specific to each industry. In addition to that, this report is prepared in view of global sustainable standards and initiatives including UN SDGs (Sustainable Development Goals).

Reporting Period

This report focuses on sustainable management activities and performance of HD Hyundai Construction Equipment from January 1 to December 31, 2023. Quantitative data includes data of four years from 2020 to 2023 for proper understanding of the trend over the years. As to some significant performance, the data of the first half of 2024 before the release of this report are included to provide timely information.

Reporting Scope

The consolidated financial statements of HD Hyundai Construction Equipment include financial information of the headquarters and 9 subsidiaries. ESG management activities and performances presented in this report focus on business center in Korea, which is the headquarters of HD Hyundai Construction Equipment. In addition, some qualitative and quantitative data include contents from global worksites, and where we have reported quantitative data from global worksites, we have presented the the separate identification of these facilities in the 'ESG Databook.'

Reporting Frequency

HD Hyundai Construction Equipment has released annual integrated reports since 2020.

External Assurance

To improve both internal and external reliability of the findings, the sufficiency and appropriateness of data used in this report is assured by BSI (British Standards Institution), an independent assurance services provider. In addition, the accuracy and reliability of greenhouse gas emissions and energy consumption data are verified by an entrusted specialized agency, D&V Business Assurance Korea. Details of the verification results are included in the 'Third Party Verification Review and Greenhouse Gas Emission Verification Review' as part of the ESG Databook.

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 elaborated 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.


Inquiries


E-mail hce.esg@hd.com


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

Interactive PDF User Guide

The integrated report of HD Hyundai Construction Equipment is produced in an Interactive PDF format for better understanding of stakeholders.

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CEO Message

Greetings to all stakeholders,

Last year, HD Hyundai Construction Equipment has achieved outstanding results despite challenging business environments. It has grown in both revenue and operating profit. The financial stability has been strengthened further. It was also awarded the Presidential Prize of Business Innovation for its encompassing innovative activities in line with the new brand identity, the value of 'Comfort Intelligence.' Indeed, HD Hyundai Construction Equipment has been highly recognized by external entities. All of members in HD Hyundai Construction Equipment who have done their best in each position to achieve the company's development and goals deserve deep appreciation. With interests of stakeholders as well as efforts and zeal of executives and employees, HD Hyundai Construction Equipment has grown one-step further. 'Global Top 5' of HD Hyundai Construction Equipment pursue a leap as a great enterprise that can contribute to local communities as well as the growth in terms of financial aspects such as revenue and profits, respecting customers and gaining recognition from employees.

To this end, all of HD Hyundai Construction Equipment have put forth various efforts to achieve objectives in the 3 areas: **Environmental**, **Social**, and **Governance**.

Environmental

HD Hyundai Construction Equipment has enhanced its climate change response strategies for both worksites and products to achieve the 2050 carbon neutrality goal for worksites and the 2040 goal of reducing product usage emissions by 25%. In addition, it has accelerated the Ulsan Campus Development Project as the very beginning of business site carbon neutrality. In combination of AI digital technology and eco-friendly technology, we also seek to develop Comfort Intelligence products that secure the highest level of convenience in the perspective of customers.

We will continue to put forth every effort to systematically identify and respond to risks and opportunities that climate change cause in relation to business activities.

Social

HD Hyundai Construction Equipment has upgraded its process to evaluate the impacts of the general management and business activities on human rights in view of stakeholders involved in the value chain. Accordingly, it has faithfully developed and implemented tasks for improvement in this regard. In addition to that, it has introduced the Supply Chain ESG assessment process since 2023 to establish the ecosystem of sustainable Supply Chain. With the range of ESG assessment widened continually in the future, HD Hyundai Construction Equipment will create synergy impacts in ESG management.

Governance

HD Hyundai Construction Equipment operates the Board of Directors including four committees such as ESG Committee, each of which secures the independence and expertise. Particularly since 2024, the CEO has been separated from the role of the board chairman to strengthen the independence. The Compensation Committee also has been established to secure the objectivity and transparency of the compensation decision process for directors and executives. Additionally, we are making efforts to enhance stakeholder value along with the company's growth by establishing mid- to long-term policies for increasing stakeholder value. HD Hyundai Construction Equipment will spare no effort to achieve endless changes and challenges so that it can provide higher values to stakeholders including customers based on the brand confidence of HD Hyundai Construction Equipment as well as its DNA of challenge and innovation.

CEO & President of
HD Hyundai Construction Equipment



ESG Chairman's Message

Dear all stakeholders who are concerned about the sustainable future,

I am Yoo Myung-Hee, the chairman of the ESG Committee, HD Hyundai Construction Equipment.

I take this opportunity to express my deep appreciation to all of our stockholders, customers, and suppliers who come along with us for this journey of making a better future for HD Hyundai Construction Equipment as well as executives and employees who work together in unity to achieve sustainable management goals. I am very glad that I could greet you through this sustainability report. This is such a meaningful opportunity for our company to share values and goals shared in the area of environmental, social, and governance (ESG) and to promote its long-term growth and development.

HD Hyundai Construction Equipment actively fulfills its responsibilities and roles for the corporate environment and society and also responds to needs for sustainable management. For the systematic decision-making, management, and supervision related to ESG management, HD Hyundai Construction Equipment has organized and operated the ESG Committee and dedicated team since 2022.

Particularly to accelerate and internalize ESG management, HD Hyundai Construction Equipment has set visions: 'a company that thinks of the future and environment,' 'promotes shared growth and win-win growth,' and 'deserves respect for the society.' It also has established goals in various division including carbon reduction for carbon neutrality by 2050, advancement in human rights impact assessment, and Supply Chain ESG implementation system.

Through ESG activity, HD Hyundai Construction Equipment responds actively to demands among stakeholders for sustainable management.

In 2023, its ESG management was recognized both domestically and internationally as it grew further and was selected by Korea Institute of Corporate Governance and Sustainability as an exemplary ESG company.

In addition to such meaningful performance in various ESG initiatives, HD Hyundai Construction Equipment intends to complete its Ulsan Campus advancement project in 2024. It will establish the foundation for further environmental and social development. Another project is also in progress to increase stockholder values by improving the governance in a way of treasury stocks buyback and retirement and governance improvement.

All such performances of HD Hyundai Construction Equipment have been possible only owing to stakeholder's support and cooperation. The company will continue to seek the sustainable future, responding to your expectations and demands. We will pay constant attention to your valuable opinions and suggestions, doing our utmost to grow continually.



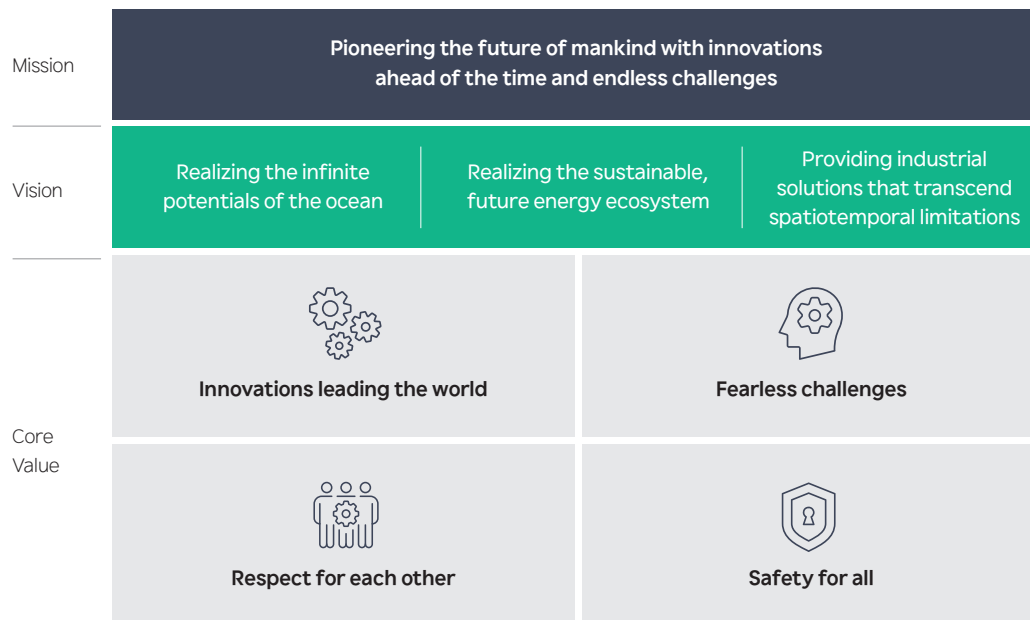
ESG Chairman,
HD Hyundai Construction Equipment

About HD Hyundai Construction Equipment Sector

HD Hyundai

HD Hyundai Group has established the holding company system based on 'HD Hyundai.' It owns affiliated companies in various sectors including shipbuilding marine industry, oil and petrochemical industry, construction equipment manufacturing, electric and electronic device manufacturing, ship engine repairing service, and industrial robot manufacturing. HD Hyundai Group has restructured the business system focusing on key business sectors. Each company under this group practices independent and responsible management, growing as a global leader continually.

HD Hyundai Value System



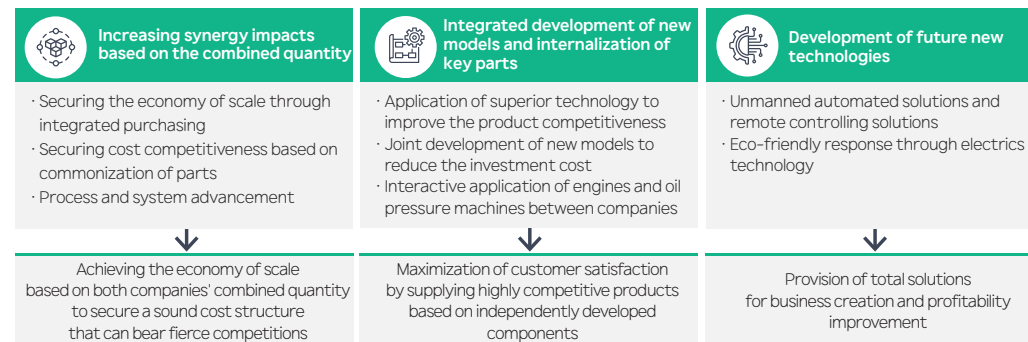
HD Hyundai Construction Equipment Sector

HD Hyundai Construction Equipment Sector focuses on HD Hyundai XiteSoutlion which is an intermediate holding company. HD Hyundai Construction Equipment and HD Hyundai Infracore are two of the affiliated companies. The HD Hyundai Construction Equipment Sector has established various product portfolios including excavators, loaders, special equipment, and industrial equipment. It also operates supporting businesses such as engine, component, and solution. HD Hyundai Construction Equipment and HD Hyundai Infracore are global companies specialized in comprehensive construction equipment. With their own independent brands as the basis, they provide industrial construction equipment, various parts, and utility facilities.

HD Hyundai XiteSoutlion will fulfill the 'global top 5' visions by creating synergy impacts in purchasing, R&D, and core parts businesses in cooperation with HD Hyundai Construction Equipment and HD Hyundai Infracore.



Roles of HD Hyundai XiteSoutlion



* As retirement of treasury stocks of HD Hyundai Construction Equipment were disposed of, the ownership percentage was changed to 34.62% on April 30, 2024.

About HD Hyundai Construction Equipment

Building a Comfortable Tomorrow we are at the forefront of building a comfortable tomorrow

HD Hyundai Construction Equipment

Initiating its business in 1985 as the heavy equipment division of HD Hyundai Heavy Industries, HD Hyundai Construction Equipment has been specialized in various types of construction equipment such as excavators, wheel loaders, backhoe loaders, and skid steer loaders, and so forth. It was newly founded as an equity spinoff business from HD Hyundai Heavy Industries Co., Ltd. on April 1, 2017. HD Hyundai Construction Equipment has supplied high-quality products through local corporations and global dealer networks over US, Europe, India, China, etc., with its excellence recognized widely in the global market. With the goal of developing world-best construction equipment, HD Hyundai Construction Equipment focuses on enhancing the product quality by improving the convenience of excavators, wheel loaders, etc. in the perspective of operators. It continues to put forth every effort to develop future eco-friendly energy solutions such as electric excavators, hydrogen excavators, and so forth.

Company Overview*

Company Name	HD Hyundai Construction Equipment
Year of Foundation	1985
CEO	Choi Cheol-gon
Headquarters	11th floor, HD Hyundai Group Global R&D Center, 447, Bundangsuseo-ro, Bundang-gu, Seongnam-si, Gyeonggi-do
Main Business	Manufacturing of construction and mining equipment
Major Product	Excavators, wheel loaders, backhoe loaders, and skid steer loaders, special equipment, etc.
Production Capacity	Producing over 40,000 units of construction equipment
Management/Employees	3,940 (global worksites)
Website	https://www.hd-hyundaice.com/en

* Based on the business report of March 2024

Vision and Management Philosophy

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.

Management Vision	A respected company with advanced technology and high quality	A trusted company with fair and transparent management	A company that contributes to social development and is loved by society		
Management Philosophy	Enhancing corporate value through sustainable growth	Practicing fair and transparent management	Pursuing safe and eco-friendly management	Implementing a labor-management culture of mutual respect and trust	Contributing to social development as a global corporate citizen

Brand Identity

HD Hyundai Construction Equipment pursues to create a foundation for all mankind to live a comfortable life tomorrow. Our brand identity manifests a commitment to a better human life with our smart products and services given rise by intelligent technology.

Comfort Intelligence

Creating a foundation for all mankind to live a comfortable life tomorrow

<h3 style="color: #1a2b3d;">Equipment Comfort</h3> <p style="color: #00a651;">Convenience among equipment users</p> <p>Intelligent and convenient equipment that reads workers' mind</p>	<h3 style="color: #1a2b3d;">Worksite Comfort</h3> <p style="color: #00a651;">Convenience in working environment</p> <p>Working environment where things are connected smartly and everyone works at ease</p>	<h3 style="color: #1a2b3d;">Life Comfort</h3> <p style="color: #00a651;">Convenience in life</p> <p>A life that unfolds better possibilities through the infrastructure we create.</p>
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History of HD Hyundai Construction Equipment

HD Hyundai Construction Equipment derived from the construction equipment research lab of HD Hyundai Heavy Industries in 1985 and was separated for in 2017 with goal of manufacturing construction equipment as well as generating revenue from it. As a company specialized in comprehensive construction equipment items such as excavators, wheel loaders, backhoe loaders, and skid steer loaders, HD Hyundai Construction Equipment operates its businesses actively.

1991-2004

- 1991** Founded the US subsidiary
- 1995** Founded subsidiary in China and Europe
- 2000** Sold more than 50,000 construction equipment within the shortest period of time in Korea
- 2002** Founded a subsidiary in Beijing, China

2017-Present

- 2017** Equity spinoff for HD Hyundai Construction Equipment
- 2020** Completed the technology innovation center in Yong-in
- 2021** Sold more than 700,000 construction equipment nationwide
- 2022** Initiated the advanced construction of Ulsan Campus
- 2023** Changed the company name to HD Hyundai Construction Equipment
Announced the new BI Comfort Intelligence

1985

Establishment of a business foundation

1985-1990

- 1985** Founded the construction equipment development studio, Hyundai Heavy Industries Co., Ltd.
- 1987** Founded the construction equipment division
- 1988** Initiated revenue in the domestic market
Developed independent models of medium-sized excavators

1991

Established global business infrastructures

2005

Proactively expanded the emerging market

2005-2016

- 2006** Founded the Istanbul branch in Türkiye
- 2008** Founded a plant in India
Founded the Moscow branch in Russia
Founded the Panama branch in Central and South America
Founded the Dubai branch in the UAE
Sold more than 150,000 construction equipment
- 2011** Founded the parts center in Jebel Ali, Dubai
Sold more than 350,000 construction equipment

2017

Launched independently as the second great leap

HD Hyundai Construction Equipment
Mid/long-term business strategies

Product portfolio innovation in markets

- Strengthening the manufacturing competitiveness
- SCM innovation
- Decision-making based on data analysis

Optimization of global business operation

- Regional differentiation
- Expansion of strategic product business areas (large-sized, MEX)
- Expansion of soft product business areas
- Securing new technologies (ACE)

Objectives

Joining Global Top 5 Club in Construction Equipment Manufacturing

HD Hyundai Construction Equipment Sector will establish a direction for mid/long-term strategies and pursue the goal to be one of the global Top 5 construction equipment producers.

Integrated synergy maximization

- Enhancement of purchasing efficiency
- Process system synchronization

ESG management acceleration

- Worksite that I can be proud of
- Strengthening the shared growth and win-win growth
- A company that earns respect from the society

Product & Service

HD Hyundai Construction Equipment produces and sells equipment designed for excavation, material transportation, shattering, etc. in various areas such as mining, farming, forestry, and other large-scale infrastructures including roads and buildings. It focuses on producing high quality products including excavators and wheel loaders with the goal of developing world-best construction equipment. As to the sustainability of product portfolios, HD Hyundai Construction Equipment spurs its projects to develop future eco-friendly energy solutions such as electric excavators.

Key Performance



2023 Highest annual performance since the foundation of its North American subsidiary

Highest annual performance since the foundation of its India subsidiary

HX360L Model winning Yellow Dot Award - Best Innovation Prize

2024 Founded the Canada PDC (Parts Distribution Center)

Excavator & loader

The Construction Equipment industry is a technology-intensive sector that requires precise machining and assembly of various components such as engines, hydraulic parts, power transmission parts, etc. The barrier to entry this industry sector is quite considerable. In the construction equipment market, the percentage of compact products such as mini excavators and compact track loaders are increasing as urbanization is a trend and labor costs increase. Accordingly, the revenue of such products are increasing in advanced markets of North America, Europe, etc. To produce eco-friendly, safer construction equipment, electric product lineups are increasing with Smart CE (Construction Equipment) technology advancing continually.



Wheel loader
HL955A

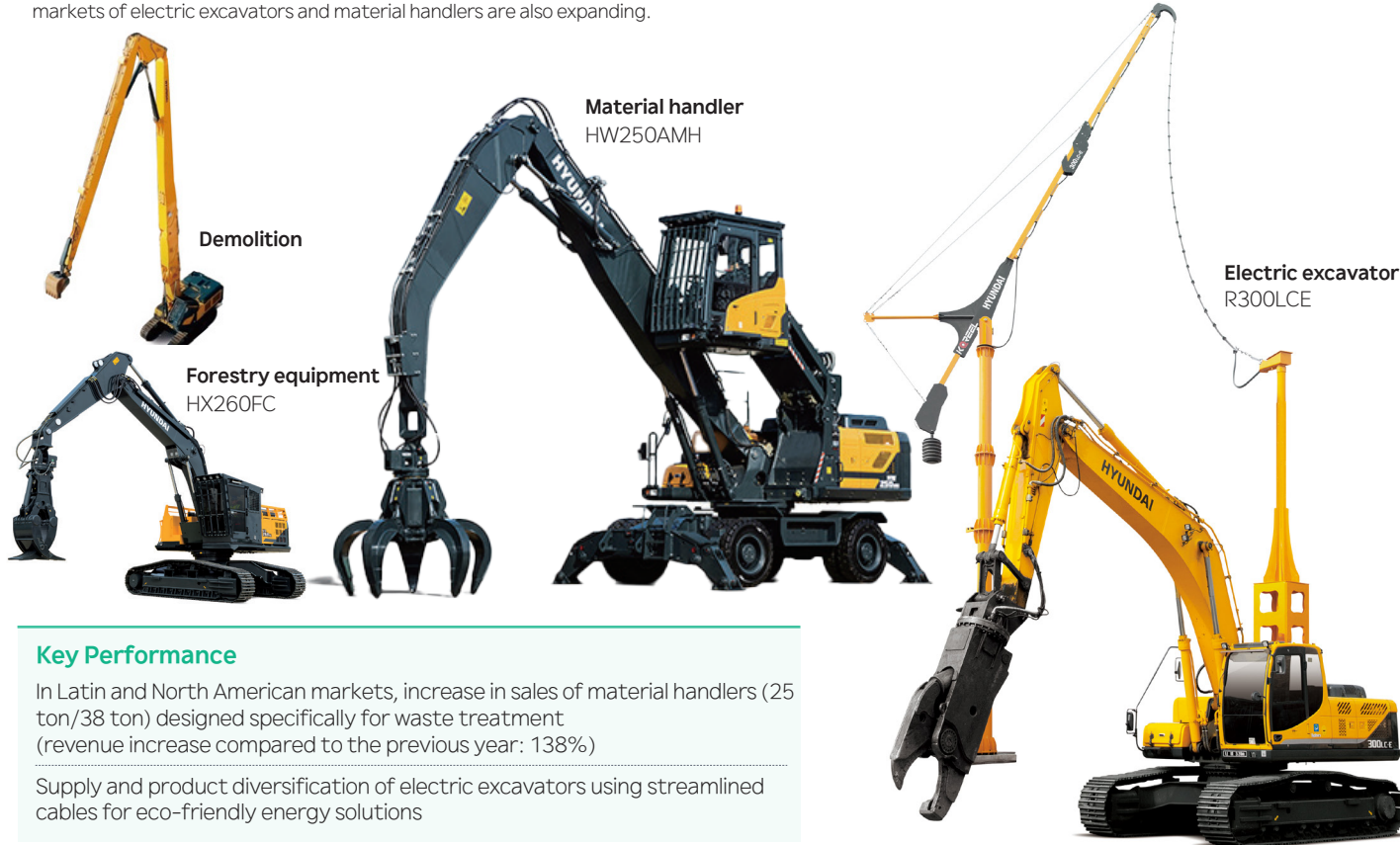
Compact track loader
HT100V

Supersized excavator
R1250

Excavator
HX360L

Special equipment

The market of construction equipment for special working environment is borderless. In Oceanian countries with wooded areas, forestry equipment for wood logging and transportation is popular. In reconstruction markets for aging buildings, machines such as material handlers necessary in the process of demolition, classification of waste, conversion into recyclable materials are in great need. In addition, as costs of steel materials and energy increase, markets of electric excavators and material handlers are also expanding.



Key Performance

In Latin and North American markets, increase in sales of material handlers (25 ton/38 ton) designed specifically for waste treatment (revenue increase compared to the previous year: 138%)

Supply and product diversification of electric excavators using streamlined cables for eco-friendly energy solutions

Parts/Service



In consideration of frequent needs of repairing services for finished products that have been sold, revenue of spare parts are stable compared to finished products. To maximize the work performance and optimize the equipment status in various on-site conditions, it is recommended to use genuine parts of HD Hyundai Construction Equipment. Otherwise, the finished product may involve an unexpected defect and even a serious financial loss.

Key Performance

Launching an economical parts brand, 'Value Mate'

Initiating the engine rebuilding business at the Rebuild Center in India

Launching the domestic HD-GPT AI call center pilot project

Launching the customer app 'Hyundai Connect'

Our Technology

HD Hyundai Construction Equipment has applied ergonomic designs and high technologies, putting forth constant efforts to enhance the driver-oriented convenience components such as auto control system. In addition to that, as Smart CE (Construction Equipment) is applied to construction sites where digitalization and automation are accelerating, HD Hyundai Construction Equipment seeks to maximize the productivity, convenience, and stability in customer businesses by strengthening the connectivity between humans and machines and between worksites.

Safety solution

The AAVM (Advanced Around View Monitoring) system is designed to see surroundings of the equipment at a glance with no blind spot by using four cameras mounted on the equipment. This technology makes it possible to prevent unexpected accidents by displaying warnings to the monitor when a moving object is detected within a certain radius. For the safety of operators, the sensor fusion technology with radars and the AI technology with camera imaging methods will be applied. When objects such as pedestrian and truck are detected, the excavators using these methods circles around, decelerates, or stops depending on the level of danger.

The RDS (Rear Detection System) detects objects and warns the operator and pedestrians using the wide-angle radar at the rear side of the wheel loaders or wheel excavators. Radar sensors specifically designed for outdoors environments are used to detect objects regardless of snow, rain, fog, dust, nighttime. Depending on the distance of a detected object, the bar gauge on the auxiliary monitor indicates the situation and issues an alarm to the operator.

Operator efficiency improvement

As working conditions of construction equipment or special equipment are harsh, the risk of breakdown is higher than that of common equipment. HD Hyundai Construction Equipment reduces the time necessary to repair and operate a machine out of order and realizes innovation to customer experience in a user perspective. HD Hyundai Construction Equipment adopts the 'AIoT module' that combines the AI troubleshooting technology and IoT to construction equipment, collecting and analyzing equipment data real-time. It also detects any error of the equipment using Machine Learning. This system makes it possible to easily check the equipment's operation status, error if any, and consumables that require regular maintenance through a computer or smartphone. Particularly, a guideline is provided to detect any signs of breakdown in advance and prevent them.

HD Hyundai Construction Equipment creates environments where the equipment is maintained in the optimal status and users operate it in a safe and stable manner through predictive service in addition to preventive service. As the uptime efficiency is enhanced, the work productivity is also maximized. The general lifespan of equipment is also extended as maintenance service is provided through experts during its lifetime. Safe disposal and recycling are also promoted in cooperation with a waste treatment agency for oil wastes discharged from the service process. As environmentally hazardous factors are removed, it is possible to maintain pleasant environments and contribute to the sustainable society. Various parts are delivered within 24 hours domestically and within 48 hours overseas through the global parts Supply Chain to the full satisfaction of customers.

Realization of the circular economy

Construction equipment tests the performance and functions in various environments through Proto and Pilot construction equipment prior to commercialization and revenue. HD Hyundai Construction Equipment has completed research and durability tests for marketed products so that parts whose use or lifespan has ended are repaired and reused for another purpose. Wheel excavators released in 2022 were followed by main wheel loader models in 2023. In consideration of the entire process from planning to disposal, these products' recycling rate was analyzed and the result was as follows: recycling rate: 81%; reuse rate: 15%; and rate of unrecyclable products: 4%. HD Hyundai Construction Equipment will continue to upgrade the product development/design process and put forth efforts to realize the long-term circular economy.

Our Performance

Major financial performance (based on consolidated financial statements)

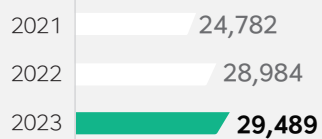
(Unit: KRW 100 million)

	2021	2022	2023
Gross Asset	35,596	34,486	32,970
Equity	15,478	16,673	17,711
Revenue	32,843	35,156	38,250
Gross margin	5,326	6,020	7,246
Operating profit	1,607	1,706	2,572
Net income for the current period	1,264	994	1,275

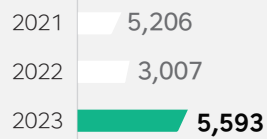
Revenue by business lines (based on consolidated financial statements)

(Unit: KRW 100 million)

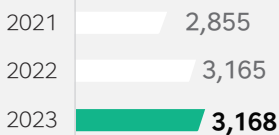
Excavators & loaders



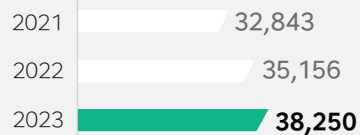
Etc. & special equipment



Parts



Total



Credit rating

Korea Investors Service

NICE Investors Service Co.,Ltd

Korea Ratings

2022
A-

2023

A

Internal/external awards and prizes

2023 Korea's Sustainable Companies

1st Prize in the sector of equipment and industrial equipment

Conducted by: Hankook Ilbo



2023 The Most Respected Companies in Korea

1st Prize in the construction equipment sector

Conducted by: KMAC

(Korea Management Association Consulting)



2023 Award for companies with an excellent Delivery Price Indexation System

Conducted by: Ministry of SMEs and Startups (MSS)



2023 Award for National Assembly members contributing to the local community

Conducted by: National Assembly members in Bundang-gu



ESG Award

2023 Award for excellent ESG companies



The 30th Presidential award for corporate innovations



Current status of global initiative participation



Our Value Creation Process



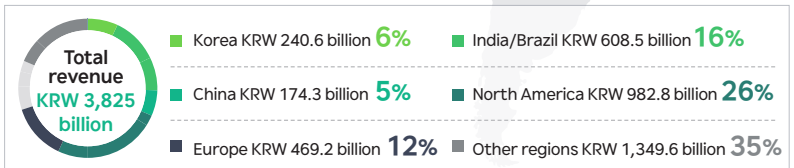
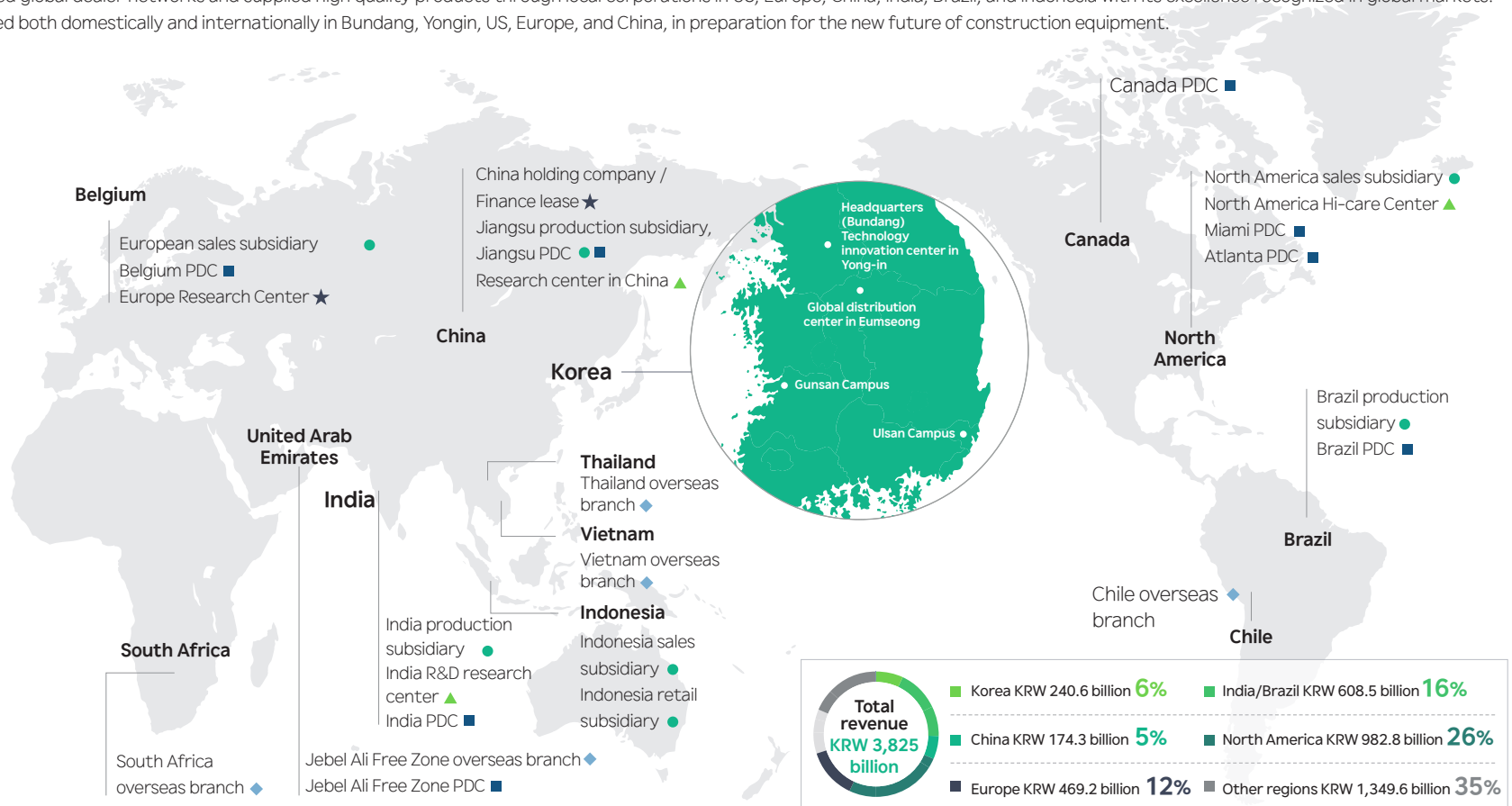
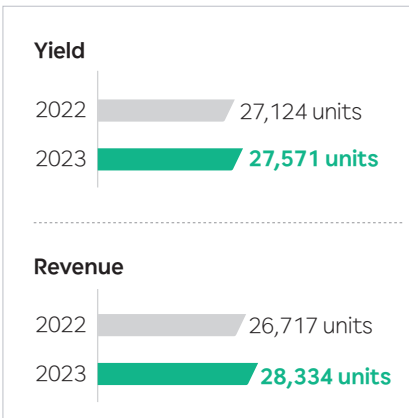
* Domestic executives and employees

Our Global Business Network

HD Hyundai Construction Equipment has established global dealer networks and supplied high quality products through local corporations in US, Europe, China, India, Brazil, and Indonesia with its excellence recognized in global markets. In addition, R&D networks also have been established both domestically and internationally in Bundang, Yongin, US, Europe, and China, in preparation for the new future of construction equipment.

Yield
27,571 units

Revenue
28,334 units



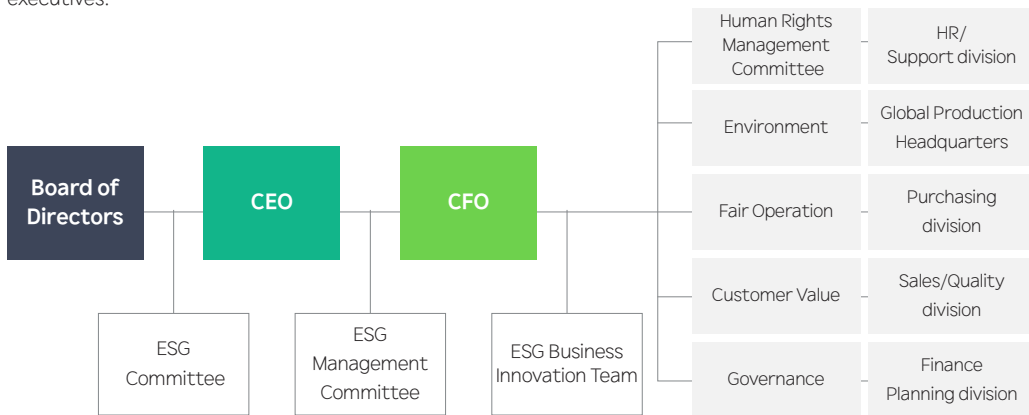
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ESG Governance

To practice ESG Management policies to create 'a better and brighter world,' HD Hyundai Construction Equipment has strengthened the sustainable implementation system beginning from the ESG Committee which led to the ESG Management Committee and ESG Business Innovation Team of the management including the CEO and major executives.



Classification	Organization	Installation purpose and role
ESG Committee	3 outside directors, CEO	<ul style="list-style-type: none"> • Deliberation and resolution on ESG strategies and plans • Management of major environment, society, and governance risks. • Deliberation and approval of the company's ESG strategies and plans
ESG Management Committee	CEO, Major headquarters and division executives	<ul style="list-style-type: none"> • ESG strategic task selection • ESG strategic task implementation review • ESG issue discussion
ESG Business Innovation Team	-	<ul style="list-style-type: none"> • ESG strategic task establishment and collaboration with related divisions • ESG performance management and support for decision-making • Integrated report release, assessment and response, and global initiative review

ESG Committee

HD Hyundai Construction Equipment operates the ESG Committee as the highest decision-making body under the Board of Directors. The ESG Committee is the highest decision-making body directly supervised by the Board of Directors. It is responsible for approval on ESG strategies and plans. It is held annually in principle and any time when necessary to review major ESG agenda. The ESG Committee is composed of at least three directors, with a majority of independent directors.

Date of convening	Bills to debate	Approval/rejection	Director attendance rate (%)
2023.2.20	[Report] 2022 report on the internal transaction records (criteria of transaction partner selection) [Report] Report on ESG materiality assessment results	-	100%
2023.7.26	[Report] ESG Management Committee first-half operation result and second-half plan [Report] ESG integrated report release result	-	100%
2023.12.7	[Report] 2023 ESG major performance [Sub task] 2024 ESG plan	Approval	100%
2024.2.21	[Report] 2023 report on the internal transaction records [Report] Report on ESG materiality assessment results	-	100%

ESG Management Committee

HD Hyundai Construction Equipment convenes the ESG Management Committee quarterly where management members participate under the supervision of the CEO to review the company's ESG risks and opportunities. In addition, annual ESG strategic tasks are selected and monitored.

Date of convening	Discussion topics
Quarter 1	<ul style="list-style-type: none"> • 2023 ESG Management Committee operation schedule • 2023 ESG Management Committee task selection process • 2023 ESG report release plan
Quarter 2	<ul style="list-style-type: none"> • Headquarters/divisions improvement tasks review • 2023 ESG report progress reporting
Quarter 3	<ul style="list-style-type: none"> • 2022 ESG integrated report release reporting • Additional tasks of each division for a higher grade in ESG assessment • Headquarters/divisions improvement tasks review
Quarter 4	<ul style="list-style-type: none"> • Headquarters/divisions improvement tasks review • Future plan for ESG-related projects




ESG Strategy

HD Hyundai Construction Equipment has established ESG strategic systems to strengthen and accelerate ESG management execution. According to the ISO 26000 guideline for social responsibilities, 5 major divisions out of 7 key themes have been selected and practiced. Detailed strategic tasks and goals are selected annually for each key area. To achieve annual goals, implementation plans are specified and implemented. The performance of ESG execution is reviewed quarterly by the ESG Management Committee and reported to the ESG Committee. To strengthen the ESG execution performance, the KPI (Key Performance Indicator) of responsible executives and working groups of headquarters and divisions are set and reviewed.

ESG strategy implementation process

Step 1	Step 2
Selection of strategic tasks	Determining implementation tasks
Step 3	Step 4
Assessment metrics selection Implementation by headquarters and divisions Responsible executives and working groups KPI setting	ESG Management Committee: Review of implementation ESG Committee: Implementation report

ESG strategic system

BRAND Slogan	Building a Comfortable Tomorrow				
ESG Mid/long-term business plan	ESG management acceleration				
ESG Vision	 A company that thinks of the future and environments	 Promoting shared growth and win-win growth	 A company admired by the society		
ESG Goals	Contributing to carbon neutrality and a leap as a global leader of eco-friendly products	Establishing a long-term trustworthy and cooperative relationship with suppliers	Practicing customer satisfaction and gaining trust from the society		
ESG Areas	Environmental	Social		Governance	
ESG Promotion strategies	<ul style="list-style-type: none"> Establishment of response to climate change system Formation of eco-friendly worksites Development of eco-friendly products Establishment of an EHS implementation system Reduction of hazardous substance emissions 	<ul style="list-style-type: none"> Enhancing Support for Supply Chain ESG Management 	<ul style="list-style-type: none"> Increase of human rights awareness Flexible organization culture Promotion of employee participation in social contribution 	<ul style="list-style-type: none"> Improvement of communication with customers Improvement of customers' quality experience Improvement of communication with stakeholders 	<ul style="list-style-type: none"> ESG governance establishment Promotion of committee operation in the Board of Directors Environment/Pollutant Worksite energy Worksite carbon neutrality
ESG Major metrics	<ul style="list-style-type: none"> Environment/Pollutant Worksite energy Worksite carbon neutrality 	<ul style="list-style-type: none"> Supplier Ethical management Reduction of carbon over Supply Chains 	<ul style="list-style-type: none"> Human rights Labor practice Local community participation/development 	<ul style="list-style-type: none"> Customer, quality Technology innovation Carbon reduction in the step of product use 	<ul style="list-style-type: none"> ESG governance Board of Directors Stakeholders (Disclosure)

ESG Roadmap

HD Hyundai Construction Equipment has established a mid/long-term roadmap for ESG management in a mid/long-term perspective.

To fulfill mid/long-term goals, the ESG Management Committee reviews the implementation results of the previous year and the current progress comprehensively, specifying, establishing, and implementing short-term goals and implementation plans each year.

Step 1 Selection of strategic tasks

Step 2 Selection of implementation tasks

Step 3 Establishment of assessment metrics

Step 4 Review and report of implementation details

	Mid/long-term goals	Management metrics	Major performance in 2023	SDGs connection		
A company that thinks of the future and environment (Proud workplace) 	Establishment of a climate change response system Building of eco-friendly worksites Development of eco-friendly products Reduction of hazardous substance emissions	2040 Global RE100 Net ZERO 2050 Global worksite carbon neutrality 5% reduction by 2028 compared to that in 2022 8% reduction by 2030 compared to that in 2022 25% reduction of carbon emissions in product use step by 2040 compared 2021 The percentage of eco-friendly products up to 98% by 2040 Forklift percentage down to zero 15% reduction of waste generation by 2025 compared 2022 20% reduction of waste generation by 2030 compared 2022	Greenhouse gas emission (Scope 1,2) Worksite ¹⁾ Energy consumption (unit: won) Carbon emissions in the step of product use Rate of diesel use (forklift) Waste generation	Initiating the advancement of Ulsan Campus with installation of solar power generation Excavator production with the 4mW roof solar power generation at plants in China Excavator production with the 2.5mW solar power generation by the India subsidiary 2023 goal: Energy consumption (unit: won per vehicle): 0.019TJ 2023 achievement: Energy consumption (unit: won per vehicle): 0.0186TJ Total: 3% reduction compared to 2022 Development of the test equipment for mid-sized hydrogen wheel excavators Production of the prototype for 1.9ton/2.7ton mini electric excavators Field monitoring of 1.8ton mini electric excavators Diesel consumption rate (per vehicle): 28% reduction compared to that in 2022 → forklift use: reduced by 26 forklifts 2023 goal: Waste generation: 166kg/unit 2023 achievement: Waste generation: 161kg/unit	SDGs connection 	
	Promoting shared growth and win-win growth 	Support for supply chain ESG management Building of safe worksite environment ²⁾ Improvement of customer communication Communication with stakeholders Improvement of customers' quality experience	Regular ESG assessment (99% of the total purchase amount) LTIR: up to 0.2 by the year of 2027 Customer satisfaction ranking 1 st Biannual meetings with business suppliers; establishment of an ESG education system Raising the customer awareness of the quality enhancement through constant field surveys; reflecting customer opinions for improvement	No. of suppliers conducting ESG assessment LTIR Customer satisfaction No. of meetings with suppliers Field survey implementation rate, VOC (quality issue) improvement rate	ESG self-assessment completed in the Supply Chain for 100 major companies LTIR: From 1.6 in 2022 to 0.5 in 2023 An app for customers (Hyundai Connect) was released for better communication with customers Held two meetings with suppliers Field survey implementation rate: 82%, VOC (quality issue) improvement rate: 69%	

1) Based on Ulsan Campus among domestic worksites

2) LTIR: Criteria for including domestic executives and employees and internal supplier



	Step 1 Selection of strategic tasks	Step 2 Selection of implementation tasks	Step 3 Establishment of assessment metrics	Step 4 Review and report of implementation details	SDGs connection
A company that deserves respect from the society 	Improvement of human rights awareness	Mid/long-term goals Advancement of human rights and governance management - Regularization of the human rights impact assessment and report system within the ESG governance (Reporting at least once a year mainly by the Human Rights Management Committee) - When human rights impact assessment results show aspects to be addressed, an improvement plan for that year is established accordingly	Management metrics Advancement of human rights impact assessment (conducted by an external, specialized agency)	Major performance in 2023 Advancement of business management metrics and development of new metrics Participation of external experts and on-site inspection to strengthen the independence, objectivity, and reliability	 
	Flexible organization culture	Creation of horizontal organization cultures and adjustment to work practices based on the core values of HD Hyundai	Analysis of organizational cultures (biennially)	Organization commitment (7.6% increase) Soft factor: 15% increase (communication, atmosphere, relation/collaboration, leadership) Hard factor: 16.6% increase (strategy, structure, operation system, personnel implementation system)	
	ESG governance establishment	Establishment of a governance system and transparency improvement	Securing business management transparency	Separation of the CEO from the role of the board chairman (outside directors) Foundation of the Compensation Committee to ensure the appropriateness and transparency of compensation for directors and executives Assessment on the board, its committees, and outside directors	
	Compliance improvement	Reduction of risks related to unfair trade/unfair competition	Assessment on the effectiveness of measures for reduction of risks related to unfair trade/unfair competition - Regular monitoring and self-review through compliance risk assessment	Anti-corruption management system ISO 37001 International standard verification completed	
	Information security	Top level of security in HD Hyundai	Security condition inspection on group companies	HD Hyundai Construction Equipment Sector security improvement and upward leveling	
	Conflict mineral	CMRT/EMRT disclosure from the secondary level of Supply Chains or higher	System establishment for conflict/responsible mineral management	-	

ESG Highlights

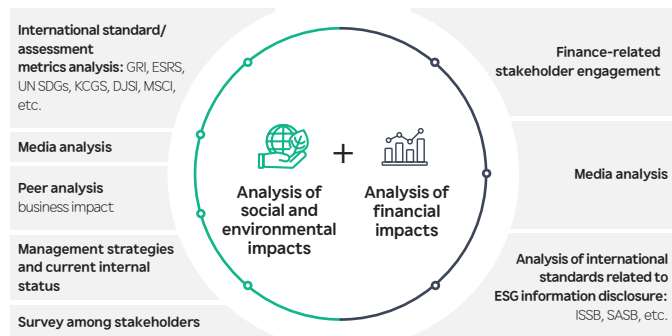


<p>Global RE100</p> <p>India Subsidiary renewable energy 70%</p> <p>China Subsidiary renewable energy 50%</p>	<p>Advancement of human rights impact assessment Development of assessment metrics and implementation of improvement tasks</p> <p>Assessment of organizational culture</p> <p>Organization commitment: 7.6% improvement compared to 2021</p>	<p>Roles and responsibilities of the board</p> <p>Separation of the CEO from the role of the board chairman Introduction of the board activity assessment system</p>	<p>ESG performance</p> <table border="1"> <thead> <tr> <th>Classification</th> <th>2021</th> <th>2022</th> <th>2023</th> </tr> </thead> <tbody> <tr> <td>KCGS</td> <td>A</td> <td>A</td> <td>A+</td> </tr> </tbody> </table>	Classification	2021	2022	2023	KCGS	A	A	A+
Classification	2021	2022	2023								
KCGS	A	A	A+								
<p>Waste generation</p> <p>Compared to the previous year 13%</p>	<p>Supply chain ESG assessment</p> <p>Self-assessment over 100 companies</p> <p>On-site Inspection over 20 companies</p>	<p>Improvement of stakeholder values</p> <p>Establishment of mid/long-term stockholder value policies</p>	<table border="1"> <tbody> <tr> <td>Sustainvest</td> <td>BB</td> <td>A</td> <td>A</td> </tr> </tbody> </table>	Sustainvest	BB	A	A				
Sustainvest	BB	A	A								
<p>Energy consumption</p> <p>Compared to the previous year 2.4%</p>	<p>Securing the effectiveness of safety and health policies</p> <p>Reduction of LTIR compared to the previous year 68.75%</p>	<p>Compliance improvement</p> <p>Anti-Bribery Implementation system ISO 37001 acquired</p>	<table border="1"> <tbody> <tr> <td>MSCI</td> <td>BB</td> <td>BB</td> <td>BBB</td> </tr> <tr> <td>CDP</td> <td>B</td> <td>B</td> <td>B</td> </tr> </tbody> </table>	MSCI	BB	BB	BBB	CDP	B	B	B
MSCI	BB	BB	BBB								
CDP	B	B	B								

Double Materiality Assessment

HD Hyundai Construction Equipment analyzes material issues for the company's sustainable management. The concept of 'double materiality' encompasses impacts of the corporate business activity on the society and environment, impacts of the company on the economy, environment, and mankind, and impacts of various environmental changes (economy, society, and environment) on the corporate value and finance. On an yearly basis, double materiality assessment is conducted. HD Hyundai Construction Equipment conducts comprehensive analysis of such impacts and derives material issues in many different perspectives with the board's review as well as participation of internal/external stakeholders including customers, executives, employees, supply chains, ESG and industry experts. The materiality assessment was conducted based on the 'double materiality' concept of the EU corporate sustainability report standard (ESRS). For the assessment of financial impacts with the focus on ISSB-based investors, a roundtable meeting was conducted with responsible persons at finance-related divisions such as Account Team and Finance Team. Double materiality assessment procedures and results are reported to the ESG Committee under the Board of Directors as well as the management.

Concept of Double Materiality



Double materiality assessment process

Step 1 ESG Issue Pool formation and analysis		Building of an issue pool that encompasses all sustainability-related areas in the company's perspective (environmental, social, and governance)
Analysis of international standards/assessment metrics		Analysis of requirements in international standards (GRI, ISSB, ESRS, SASB), related impacts, risks, and opportunities
Peer analysis		Analysis of ESG disclosure information among stakeholders such as the same industry sectors at both domestically and internationally, customer companies, etc.
Media analysis		Analysis of media-exposed ESG-related articles on the environmental/social impact of HD Hyundai Construction Equipment and the construction equipment industry.
Step 2 Double Materiality Assessment		Evaluate social, environmental, and financial impacts using the double materiality concept of the EU Corporate Sustainability Reporting Standards (ESRS)
Materiality assessment of social and environmental impacts	Analysis of international standards/assessment metrics	Analysis and application of GRI, ESRS, UN SDGs, KCGS, DJSI, MSCI, etc.
	Media analysis	Analysis of media-exposed ESG-related articles on the environmental/social impact of HD Hyundai Construction Equipment and the construction equipment industry
	Peer analysis	Analysis of ESG disclosure information among stakeholders such as the same industry sectors at both domestically and internationally, customer companies, etc.
	Management strategies and current internal status	Review of the alignment with management strategies and the direction of sustainable growth
	Participation of stakeholders	Surveys conducted among internal/external stakeholders; analysis of results
Materiality assessment of financial impacts	Analysis of international standards	Application of metrics requirements in the investor's perspective such as ISSB and SASB
	Media analysis	Analysis of media-exposed ESG-related articles on the financial impact of HD Hyundai Construction Equipment and the construction equipment industry
	Participation of stakeholders	Roundtable* meetings and surveys are conducted among finance-related internal stakeholders, and the results are analyzed. Industrial experts' interests and the infeasibility of recovery are analyzed.
* Roundtable meeting for financial impact assessment		With the double materiality assessment in 2023 as the beginning, the roundtable system was introduced for financial impact assessment surveys among finance-related divisions such as Internal Account Support Team, Account Team, Financial Analysis Team, Cost Analysis Team, Financial Team head, and ESG Business Innovation Team. For 10 risks and opportunities that were regarded as important in the financial perspective, their scale, impact, scope, likelihood, expected duration, and relevance to financial impacts were assessed.
Step 3 Conclusion on material issues and communication with stakeholders		Based on double materiality assessment results, material issues are selected and reported to the ESG decision-making organization.
Identification of material issues		Based on the analysis result of environmental, social, and financial impacts, priorities of each issue and 5 material issues of HD Hyundai Construction Equipment are determined.
Communication with stakeholders		Reporting and review of the derived double materiality assessment results by the ESG Committee

Double Materiality Assessment Result

HD Hyundai Construction Equipment comprehensively assessed the materiality of social and environmental impacts as well as financial impacts, and 5 material issues of sustainability were selected. Sustainable activities and performance of HD Hyundai Construction Equipment related to each material issue are made public in a reliable manner throughout the report. HD Hyundai Construction Equipment will continue to advance the double materiality assessment methodology to derive reliable results and to make ESG management activity known to stakeholders in a transparent manner.

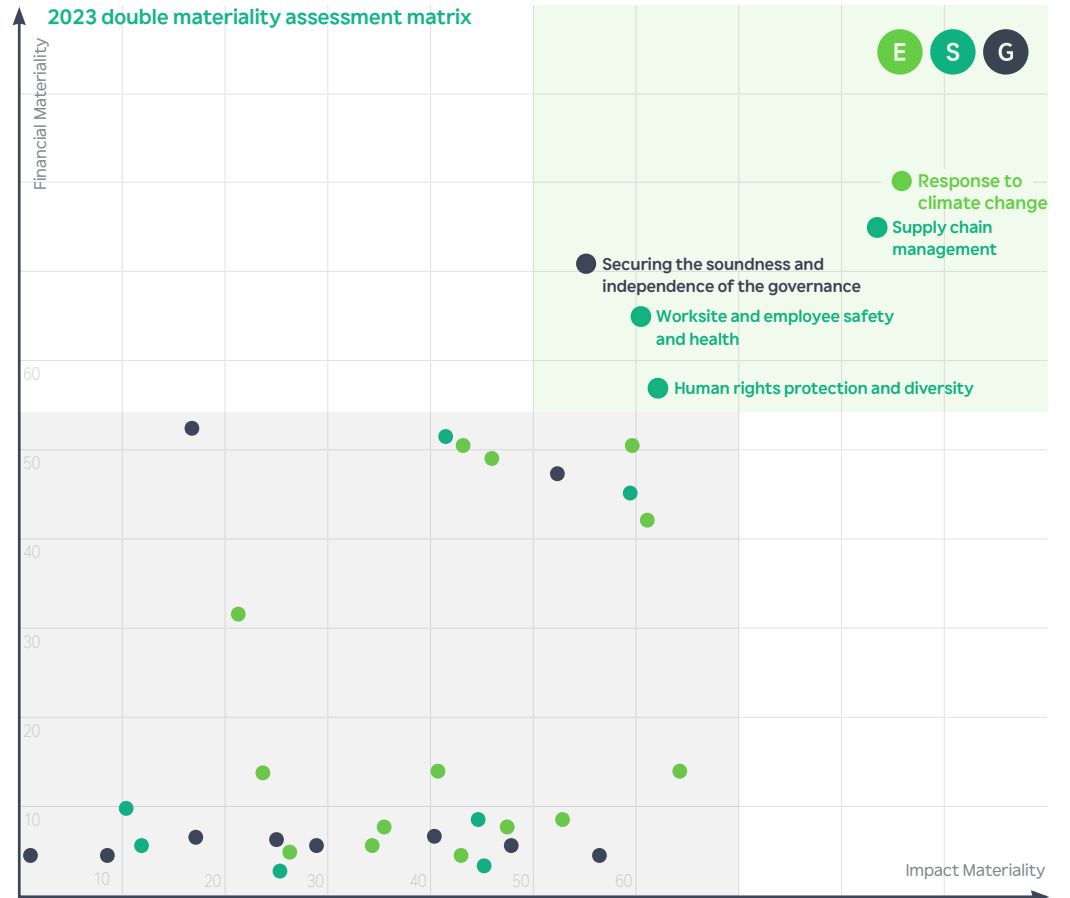
Changes to material issues

HD Hyundai Construction Equipment excluded eco-friendly R&D and local community contribution issues among 2022 material issues from 2023 material issues. Issues of governance soundness and independence, human rights protection and diversity are classified as new material issues in 2023.

Identification of 2023 material issues

Degree of impacts ●High ◐Middle ○Low

Rank	Name of issue	Social, environmental impacts		Financial impacts
		impact on stakeholders	impact on businesses	
1(-)	E Response to climate change	●	●	●
2(▲1)	S Supply chain management	●	●	◐
3(▲10)	G Securing the soundness and independence of the governance	◐	●	◐
4(-)	S Worksite and employee safety and health	●	◐	◐
5(▲5)	S Human rights protection and diversity	◐	◐	◐



Material Issue Framework

HD Hyundai Construction Equipment manages material issues of ESG based on the 4 pillars—governance, strategy, risk management, and metrics and targets—in reference to the sustainability disclosure standard No. 1 'General Requirements for Disclosure of Sustainability-related Financial Information' and No. 2 'Climate-related disclosure' of KSSB (Korea Sustainability Standards Board).

Material issue	Rationale for issue selection	Governance	Strategy	Risk management	Metrics and targets	Report Page
Response to climate change 	<ul style="list-style-type: none"> To fulfill the 1.5°C agreement of the Paris Climate Accord, the demands for social responsibilities among enterprises that are principal agents of carbon emission and reduction For some countries and regions, the carbon price system is implemented to reduce greenhouse gas emissions including carbon tax, carbon border tax, emission trading, etc 	Systematic organization for Response to Climate Change <ul style="list-style-type: none"> ESG Committee under the Board of Directors: Deliberation and resolution on 2050 carbon neutrality goals, the direction of ESG strategies, etc., and management of climate-related risks and opportunities Management: ESG Management Committee: Selection and follow-up of climate change and ESG strategic task Environmental division: Establishment of strategies to cope with climate change, implementation of greenhouse gas emissions management and reduction, and establishment and implementation of RE100 strategies Product planning/development division: Analysis of eco-friendly equipment market trends, establishment of strategies to develop eco-friendly technologies and products 	2050 carbon neutrality goal and strategy establishment <ul style="list-style-type: none"> 2030 domestic RE100 2040 global RE100 2050 Global worksites carbon neutrality strategy establishment Establishment of eco-friendly product strategies <ul style="list-style-type: none"> The percentage of eco-friendly construction equipment products to be increased to 98% by 2040, and LCA increase 	Analysis of climate change risks, opportunities, and impacts <ul style="list-style-type: none"> Effects of climate change risks and opportunities on businesses, short/mid/long-term impacts on financial conditions Establishment of a climate change risk management process <ul style="list-style-type: none"> Monitoring on the whole process of identifying and assessing climate change risks and opportunities, establishing corresponding strategies, and implementing such strategies 	Carbon neutrality goal <ul style="list-style-type: none"> 42% reduction by 2030 compared to that in 2021 71% reduction by 2040 compared to that in 2021 100% reduction by 2050 compared to that in 2021 (Scope 1, 2) 	26-44
Human rights management 	<ul style="list-style-type: none"> The importance of preventing human rights violations and reducing human rights risks is more emphasized than before in worksites and supply chains Human rights risks are directly related to corporate management risks and cause social expenses 	Human rights management implementation system <ul style="list-style-type: none"> ESG Committee of the Board of Directors: Deliberation on major decisions regarding human rights management Human Rights Management Committee: Establishment of basic plans for human rights management, human rights impact assessment, education on human rights, and deliberation on suggestions for human rights improvement Organization dedicated to human rights management: Establishment and implementation of human rights promotion plans, education on human rights, and human rights impact assessment 	Advancement of human rights impact assessment <ul style="list-style-type: none"> Establishment and implementation of improvement plans based on the results of human rights impact assessment 	Human rights risk identification and measures to be taken <ul style="list-style-type: none"> Identification of material risks of human rights based on the results of human rights impact assessment Grievance Committee and process operation 	<ul style="list-style-type: none"> Implementation of improvement task to human rights impact assessment 	54-58

Material issue	Rationale for issue selection	Governance	Strategy	Risk management	Metrics and targets	Report Page
Sustainable supply chain management 	<ul style="list-style-type: none"> The obligation of supply chain ESG management is emphasized according to international laws and regulations such as EU Sustainability Due-Diligence. The necessity to manage ESG risks in the value chain through proactive supply chain ESG management is highlighted 	Supply chain implementation system <ul style="list-style-type: none"> ESG Committee of the Board of Directors: Deliberation on decisions regarding supply chain ESG ESG Management Committee: Establishment of supply chain ESG strategies Purchasing division: Decision-making on suppliers through the internal deliberation committee, suppliers facility investment committee, etc 	Establishment of supplier codes of conduct and supply chain ESG management policies <ul style="list-style-type: none"> Establishment of management strategies related to ethics, environments, labor, human rights, safety and health, and implementation system as defined by supplier codes of conduct Establishment of the supplier ESG assessment system Establishment of the supplier ESG assessment process, operation of supporting programs for supplier sustainable management 	Identification of supply chain risks and corresponding measures <ul style="list-style-type: none"> Supply chain ESG assessment including self-assessment and On-site Inspection on major suppliers to identify supply chain risks and to determine improvement tasks 	<ul style="list-style-type: none"> Supply chain ESG assessment (increasing up to 99% of the total purchase amount) 	59-68
Safety and health 	<ul style="list-style-type: none"> Laws and regulations regarding safety and public health are strengthened including Occupation Safety and Health Act, Special Construction Safety Management Act, etc 	Establishment of the safety and health implementation system <ul style="list-style-type: none"> Board of Directors: Review on management policies, organization, budgets, performance, and activity plans regarding safety and health CSO (Chief Safety Officer): Establishment of Safety and health policies and strategies and review on implementations Safety management organization: Development and implementation of safety and health activity plan 	Safety and health policy operation <ul style="list-style-type: none"> Safety and health policy management on all stakeholders including employees and suppliers to create safe working environment Regular inspection measures for safety and health such as 3Gate Process Establishment of Safety and health cultures and capability development <ul style="list-style-type: none"> Safety culture program operation, education, and Safety and health communication channel operation 	Identification of Safety and health risks and corresponding measures <ul style="list-style-type: none"> Identifying hazards and risks and high-risk tasks through the safety and health risk assessment process 	<ul style="list-style-type: none"> 2027 Lost-time Injury Rate (LTIR): 0.2 or less 	69-84
Soundness and independence of governance 	<ul style="list-style-type: none"> A failure of securing governance soundness and independence may result in sanctions (fine, corporate disclosure restriction, etc.), difficulties in attracting investment, corporate value depreciation, and so forth. 	Board of Directors <ul style="list-style-type: none"> Organization of the Compensation Committee, Outside Director Candidate Nomination Committee, ESG Committee, and Audit Committee under the Board of Directors New formation of the Compensation Committee in 2024 	Board independence and member capability development <ul style="list-style-type: none"> Board activity assessment system The majority of the Board of Directors should be outside directors. Education and supportive programs to strengthen the expertise of board members 	company-wide financial/non-financial risks management <ul style="list-style-type: none"> Identifying hazards and risks and high-risk tasks through the safety and health risk assessment process 	<ul style="list-style-type: none"> Advancement of the board activity assessment system 	96-102

HD Hyundai Construction Equipment
for the future and the environment

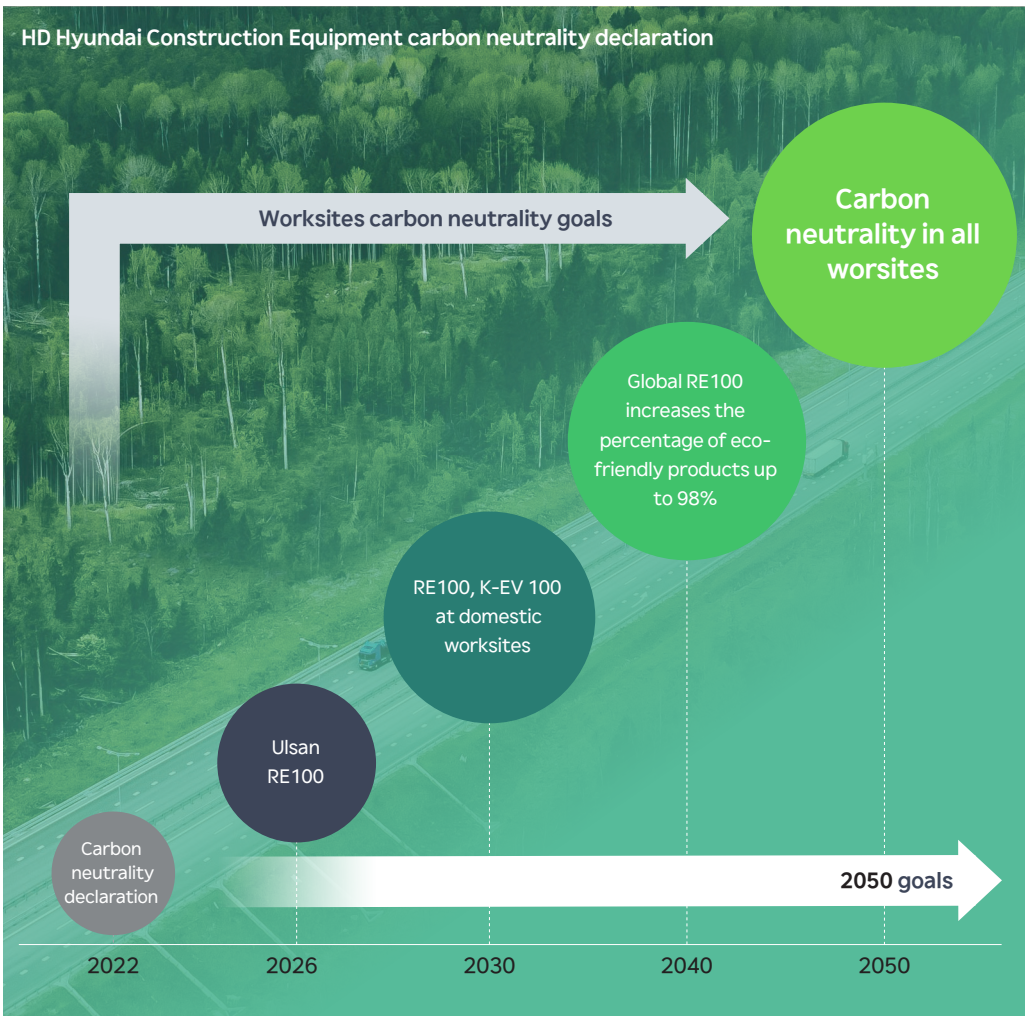
ENVIRONMENTAL

• Material Issue

26 Response to Climate Change

44 Environmental Management





Material Issue | 1

Response to Climate Change

Governance of Response to Climate Change

HD Hyundai Construction Equipment has established and operated the governance to understand and manage major ESG risks and opportunities including climate change issues affecting the company's management activity. The ESG Committee under the Board of Directors supervises and makes decisions on the company's risks, opportunities, and strategies related to climate change.

Supervision of the Board of Directors

The ESG Committee of HD Hyundai Construction Equipment is responsible for approval of the company's strategies and plans regarding climate change and ESG. The committee collects and reviews reports on various agenda about climate change, etc., and makes final decisions on issues and policies. A meeting shall be held on an annual basis, but it can be held frequently if needed. In 2023, the ESG Committee established the system to cope with major climate change, reviewed reports on activities to reduce energy consumption, wastes, and hazardous substances and approved 2024 plans regarding Response to Climate Change.

2023 ESG Committee activities

Period	Major agenda items	Attendance rate
Quarter 3	[Report] ESG Management Committee held for reporting the performance during the first-half and a plan for second-half of the year [Report] ESG integrated report release result	100%
Quarter 4	[Report] 2023 ESG performance including establishment of the climate change response system [Subtask] 2024 ESG plan	100%

Roles and responsibilities of the management

HD Hyundai Construction Equipment has established and operated the ESG Management Committee since 2022 to advance the ESG management level and cope with climate change systematically. This committee consisting of the management members led by the company's CEO holds the meeting quarterly in principle. The committee selects ESG strategic tasks about climate change, etc. and monitors the execution results. The CFO (Chief Financial Officer) is responsible for financial performance and climate change issues for the company-wide goals and corporate strategies. Since climate change issues affect the financial performance directly or indirectly, the CFO holds the additional position as Chief ESG Officer, responsible for reporting ESG agenda about climate change issues, etc. to the ESG Committee which is the highest decision-making body on ESG matters under the Board of Directors. In addition, the CFO plays the role as a decision maker who establishes and executes financial plans regarding the Emissions Trading Scheme (ETS).

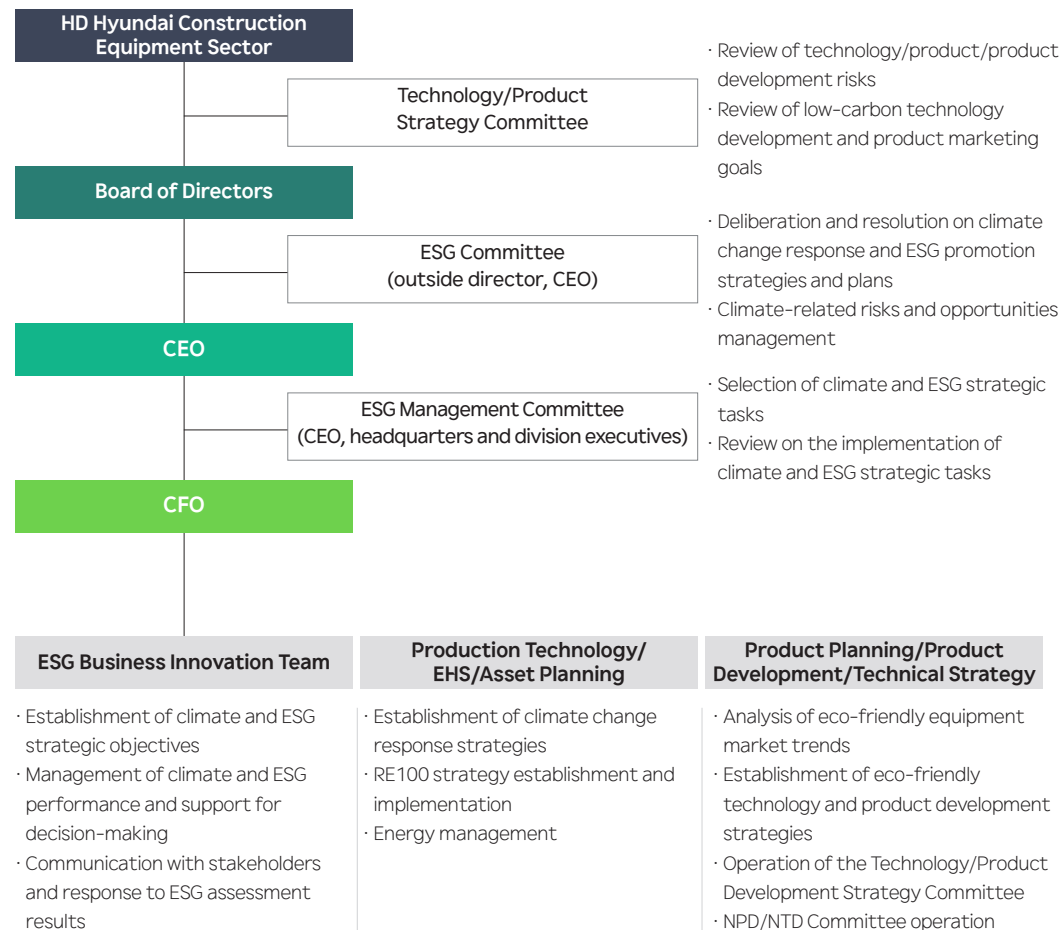
Management goal and compensation

The management of HD Hyundai Construction Equipment is responsible for coping with climate change. To reduce greenhouse gas emissions effectively, the management's achievement metrics related to climate change are reflected to their compensation. Key Performance Indicators (KPIs) account for 5% of the performance metrics of the related management members and executives/employees. The assessment is based on the greenhouse gas (ton/unit) management and climate change response system operation.

ESG Working Group

HD Hyundai Construction Equipment operates the ESG Business Innovation Team to establish ESG plans and implement improvement tasks in systematic cooperation between worksites around the globe as well as various divisions. The ESG Business Innovation Team is also responsible for detailed planning of RE100 and monitoring reductions for carbon neutrality. The Production Technology division supervises the company-wide energy consumption monitoring and energy saving activity. The Asset Planning Team is responsible for energy consumption facility management and establishment in line with the RE100 transition project. The product planning division predicts trends in eco-friendly equipment markets and establishes product revenue plans in consideration of market and technical development trends. The ESG Management Committee reviews reports about each division's ESG strategic task progress, material issues, etc.

Organization Chart in the Governance of Response to Climate Change



Response to Climate Change Strategies

Target analysis of climate change risks and opportunities

HD Hyundai Construction Equipment analyzes the impact of climate change on the company's management activity, identifies and assesses factors of risks and opportunities, and takes proactive actions accordingly. The company analyzes risks and opportunities among domestic worksites and overseas production corporations based on each country's policies and laws of climate change, stakeholders' requirements to the company, and the frequency of abnormal climate issues. It also comprehensively reviews the impact on its businesses in consideration of climate change policies and market analysis.

Classification	Types	
Risks	Physical risks	Acute (typhoon, flood, etc.), chronic (heatwave, drought, etc.)
	Transition risks	Technology, market, policy, law, and reputation
Opportunities	Product and service, market, resource efficiency, and energy source	

Timeline of analysis of climate change risks and opportunities

HD Hyundai Construction Equipment analyzes climate change issues in short/mid/long-term perspectives based on the roadmap for business strategies and carbon reduction plans.

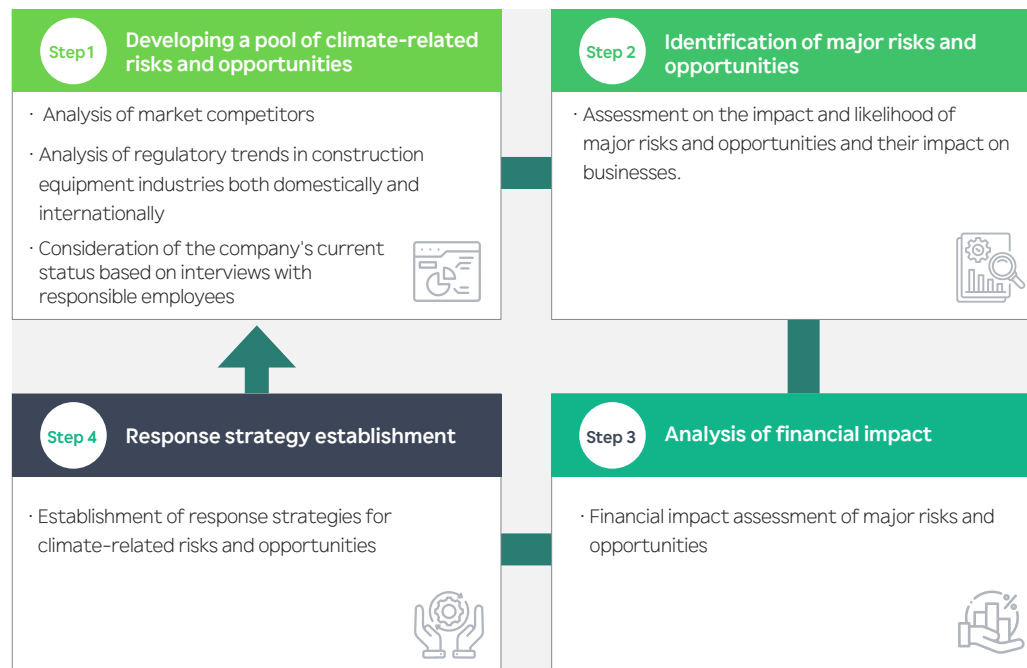


External environmental changes	Business strategies to cope with climate change
Increase of certified emissions reductions prices	Establishment of a roadmap for carbon reduction from worksites and products
Increase of demands for eco-friendly construction equipment products	Strategies to develop and sell products of a higher fuel efficiency in line with needs for short/mid-term carbon reduction
Changes in RE100 implementation policies	Strategies to develop and sell electric products in line with needs for mid/long-term carbon reduction
More frequent occurrence of extreme climate change, stricter regulation on emissions from construction equipment	

Process of determining climate change risks and opportunities

HD Hyundai Construction Equipment grasps risks and opportunities that may affect the company based on the analysis on regulatory trends in the same industry and construction equipment business sectors at both domestically and internationally. It also identifies major risks and opportunities by assessing the level of likelihood and impact on businesses. In addition, the company assesses the financial impact of climate risks and opportunities that need to be intensely coped within a mid/long-term perspective, and establishes response strategies to minimize risks and maximize opportunities related to climate change.

Process of determining climate change risks and opportunities



Identification of climate change risks and opportunities

HD Hyundai Construction Equipment identifies major risks and opportunities based on the comprehensive likelihood assessment on the following factors: revenue that may affect businesses, price of carbon emissions (carbon price), impact on needs of stakeholders and occurrence probability, impact duration after occurrence, and response capability. It is expected that physical risks in such occasions as typhoon, flood, heatwave, and drought on worksite asset values and operation both domestically and internationally. Therefore, transition risks that may affect the company in a mid/long-term perspective may include the following: strict application of the tradable permit system in Korea, delay in recyclable energy transition, weakening of competitive power due to the difference in the level of eco-friendly technology, reduction of existing products' share due to replacement with highest-efficiency products. Expected opportunities include increase of revenue of construction equipment products as a result of demand of carbon reduction products increases from the market and customers.

Pool of climate change risks and opportunities

Types of risks/opportunities			Value Chain	
Classification	Type	Definition of risks/opportunities	Worksite	Downstream
Physical risks	Acute	P1 Worksite asset value impairment and operation suspension due to typhoons, floods, etc.	●	
	Chronic	P2 Worksite asset value impairment and operation suspension due to heatwaves, drought, etc.	●	
Transition risks	Technology	T1 Weakening of competitive power due to the lower level of eco-friendly electrical technology than competitors		●
		T2 Internal combustion engines with less carbon emissions than other products of the same performance Product share decrease due to the replacement with products of (higher fuel efficiency technology)		●
	Policy and law	T3 Decrease of consumer interest in electric construction equipment depending on each country's market condition (incentive, infrastructures, etc.)		●
		T4 Insufficient electric power at overseas worksites due to instable power purchasing (India, etc.)	●	
		T5 Increasing market uncertainty regarding the potential market scale of eco-friendly products, innovation rates, industrial standards, etc.		●
		T6 Increase of mid/long-term power/LNG purchase costs as the existing energy sources (electricity, LNG, etc.) continue to be used while low-carbon energy sources are hardly used.	●	
		T7 Increasing uncertainty over the achievement of RE 100 by 2040 challenged by inconsistent domestic policies regarding RE 100 implementation (* It is required to achieve RE 100 goals by 2040 because of the global RE 100 Initiative)	●	
		T8 Strict application of the carbon price system both domestically and internationally (e.g. increasing cost for the tradable permit among domestic businesses subject to the tradable permit system)	●	
	Product and service	T9 Strict application of the duty to report emissions in each country (Scope 1,2)	●	
		T10 Negative reputation expected due to failure of achieving carbon neutrality and RE 100 goals and failure of implementing the low carbon transition requirements such as Green Washing	●	
Opportunities	Market	O1 Increasing markets of eco-friendly construction equipment due to regulations on emissions from construction equipment products (NOx, PM)		●
		O2 More investment, incentives, and supportive policies for eco-friendly products among public sectors in the process of national transition to the low carbon economy	●	
	Resource efficiency	O3 Energy efficiency improvement in the process of worksite product production and processing	●	
		O4 Improvement of the worksite energy efficiency (e.g. eco-friendly building initiatives such as LEED)	●	
	Product and service	O5 Increase of demands for construction equipment products (excavators, wheel loaders, etc.) that adopt the high fuel efficiency application for carbon reduction		●
		O6 Increase of demands for construction equipment products (excavators, wheel loaders, etc.) that adopt the electric system for carbon reduction		●
		O7 Increasing demands for ICT construction equipment (unmanned) for increasing disaster restoration sites (hurricane, heavy rain, etc.)		●

Metrics for assessment of climate change risks and opportunities



Analysis of climate change scenarios

HD Hyundai Construction Equipment conducted an analysis of climate scenarios presented by the IPCC, IEA, and NGFS to determine the impact of climate change including financial impact, on the company. For the climate change scenario analysis, various cases were considered from potential cases that a climate crisis may continue to deteriorate due to thoughtless development to cases that climate change are alleviated gradually. Potential financial impact was assessed based on scenarios corresponding to certain types of risks and opportunities. IPCC scenarios were utilized for physical risks, and IEA and NGFS scenarios were utilized for transition risks. Development scenarios of HD Hyundai Construction Equipment itself also were utilized. As to opportunities, scenarios internally developed based on IPCC scenarios were applied.

Climate scenario

IPCC scenario
Physical risk analysis

RCP (Representative Concentration Pathways) scenarios in view of radiative forcing depending on the density of carbon dioxide and SSP (Shared Socioeconomic Pathways) scenario in view of efforts to cope with and alleviate changes are suggested.

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Background of selection

Selection of SSP scenarios based on the degree of social and economic changes as well as efforts that nations put forth to actual carbon reduction

Classification	Major assumptions	Average temperature rise (2100)	Carbon price (2050)
SSP 1-2.6	Assumption of eco-friendly economic growth as a result of renewable energy use	+1.9°C	
SSP 2-4.5	Assumption of climate change alleviation and a moderate level of socioeconomic development	+3.0°C	
SSP 5-8.5	Assumption of continued or expanded use of fossil fuel and thoughtless development	+5.2°C	

IEAs scenario
Analysis of IEA scenario transition risks and opportunities

In consideration of each country's direction for climate policies and applicability of clean energy technology, 3 scenarios are suggested including information on future changes to prices of major energy sources

↓

Background of selection

These 3 scenarios are all adopted to utilize the estimated price data of each energy source that are made available annually by the IEA through the WEO (World Energy Outlook)

Classification	Major assumptions	Carbon price (2050)
NZE	Replacement of fossil fuel by 2030 Net ZERO achievement by 2050 (+1.4°C)	\$250/tCO ₂
APS	Assumption of 40% reduction by 2050 regardless of each government's fulfillment of the carbon reduction goals (+1.7°C)	\$200/tCO ₂
STEPS	Assumption that the current policy direction is still valid and existing policy means and plans are in progress (+2.4°C)	\$89/tCO ₂

NGFS Scenario
Analysis of transition risk and opportunities

4 low-carbon transition paths are all suggested depending on the intensity and timing of climate policy introduction In addition to the 3 integrated assessment models, 8 specific scenarios are suggested depending on the extent of carbon reduction and the advancement of technology.

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Background of selection

Three scenarios of characteristics are distinctive depending on the low-carbon transition path adopted for electric power pricing in each country where GCAM 6.0 models are made available.

Classification	Major assumptions	Carbon price (2050)
NZE 2050	Net Zero achievement by 2050 (+1.4°C)	\$165/MWh
Delayed Transition	Assumption that after the current policy is valid until 2030, powerful policies for Net Zero are introduced (+1.6°C)	\$160/MWh
NDC	Assumption that each country puts forth efforts to cope with climate change and to achieve the temperature goal (+2.6°C)	\$136/MWh

Physical risks HD Hyundai Construction Equipment analyzed impact of each factor by using the climate modeling tool 'Jupiter Intelligence' as well as SSP (Shared Socioeconomic Pathways) 5-8.5, SSP2-4.5, and SSP1-2.6 climate change scenarios to identify physical risks that might affect the company's business operation and their degree of impact.

Acute			
Factor	Timeline for each response strategy	Potential financial impact	Response strategies applicable to existing/new businesses
Typhoon	Within 5 years	· Gale causing expenses to restore impairments to worksites and facilities	· Establishment of a response/warning system to prevent risks
Heavy rain	5-10 years	· Heavy rain causing expenses to restore impairments to worksites · Revenue decrease due to the lower productivity	· Drainage system upgrade and expansion
Chronic			
Factor	Timeline for each response strategy	Potential financial impact	Response strategies applicable to existing/new businesses
Drought	5-10 years	· Production cost increase due to the lower productivity · Water supply decrease causing more cost to secure water resources	· Review of ways to utilize alternative water resources such as rainwater and wastewater reuse
Heat wave - cold wave	Within 5 years	· Heatwaves/coldwaves causing productivity and revenue decrease · Power consumption a consideration of possible temperature changes	· Improvement task and implementation based on continued monitoring of energy use patterns at each worksite in consideration of possible temperature changes · Proactive investment and enhancement at vulnerable facilities

* SSP (Shared Socioeconomic Pathway) ; NZE (Net ZeroZERO Emission by 2050 Scenario) ; APS (Announced Pledges Scenario) ; STEPS (Stated Policies Scenario) ; NDC (Nationally Determined Contributions) ; GCAM (Global Change Analysis Model);

The NGFS integrated assessment model provides scenarios that take into consideration available energy sources and technologies based on the data of 32 regions.

Analysis of climate change risks, opportunities, and impacts

HD Hyundai Construction Equipment continually monitors risks and opportunities that climate change bring into the company and assesses the resulting financial impact quantitatively and qualitatively. To minimize risks and maximize opportunities related to climate change, the company has developed advanced worksite carbon neutrality strategies and carbon emissions reduction strategies for the step of product use. In addition, it has established response strategies such as Net ZERO and emissions reduction monitoring to enhance resilience, an ability to flexibly respond to various environmental changes in the future.

Financial impact of each risk/opportunity resulting from major climate change and corresponding response strategies

Classification	Impact on businesses	Assessment (High ● Middle ○)		Impact in each period ¹⁾			Scenario	Financial impact	Estimation of financial impact	Amount of financial impact (Unit: KRW 100 million) ²⁾		Response strategy
		Impact	Likelihood	Short	Mid	Long				MIN	MAX	
Physical risks	Acute	●	●	L	M	H	<ul style="list-style-type: none"> SSP1-2.6 SSP2-4.5 SSP5-8.5 	Resulting in asset impairment to worksites and loss costs due to business suspension	Analysis in use of Jupiter Intelligence Tool - Analysis of climate modeling in consideration of each worksite's location, asset value, and characteristics of assets and surrounding infrastructures - Expense for asset impairment + amount of business loss	95	98	<ul style="list-style-type: none"> Establishment of a natural disaster response/warning system to prevent risks Regular monitoring of physical risks through emergency plans for natural disaster responses
	Chronic	●	●		L	M				10	11	
Transition risks	Policy and law	○	●	L	M	H	<ul style="list-style-type: none"> NZE APS Steps 	Increase in expense for regulation compliance	Amount of tradable permit purchase per year x KAU price per year	-	-	<ul style="list-style-type: none"> Implementation of the Scope 1&2 roadmap for emissions reduction at worksites 2050 Internal capacity development project for carbon neutrality and RE100 goal achievement
	Market	●	●		L	M	<ul style="list-style-type: none"> NZE Delayed Transition NDC 	Increase in operating expense for carbon neutrality and RE100	Power consumption per year x unit price of electricity per year	20	77	
	Technology	Weakening of competitive power due to the lower level of eco-friendly electrical technology than competitors Product share decrease due to the replacement of existing internal combustion engines with products of the same performance and lower carbon emissions (higher efficiency technology)	○	●			H	Internal development scenario	Decrease of sales revenue generated from electric product	Total amount of sales revenue x percentage of products applying eco-friendly technology x percentage of patented eco-friendly technology	3,051	3,572
	●	●		M	H	Decrease of sales revenue generated from higher fuel efficiency product	Amount of sales revenue in developed markets x percentage of higher fuel efficiency products		14,927	34,726		
Opportunities	Product and service	●	●			H	IPCC scenario-based internal development scenario	Increase of sales revenue generated from higher fuel efficiency product	No. of sold products that apply higher fuel efficiency technology per year x unit price of products that apply higher fuel efficiency technology	1,588	77,798	<ul style="list-style-type: none"> Establishment and implementation of portfolios for fuel efficiency improvement and electric product revenue Increase of the weight of eco-friendly product R&D
								Increase of electric product sales revenue	No. of sold products that apply electric technology per year x unit price of products that apply electric technology	-	34,507	
								Increase of unmanned product sales revenue	No. of sold unmanned products per year x unit price	482	490	

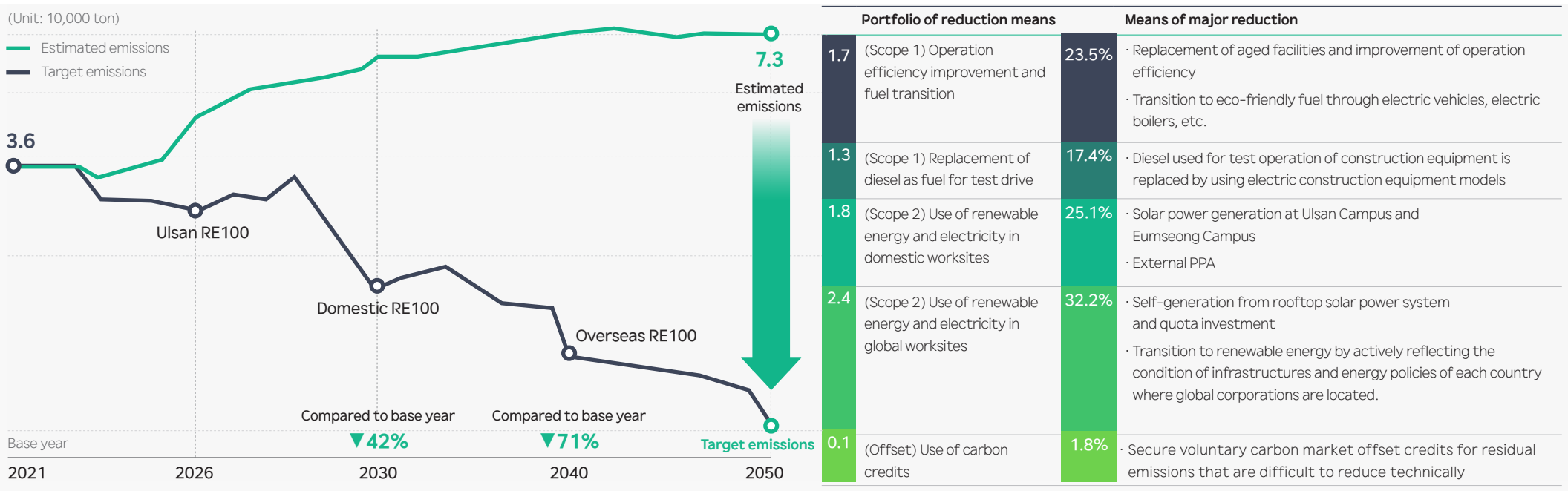
1) Criteria of project period setting: Short-term (1 year), mid-term (5 years or less), long-term (longer than 5 years) 2) Physical risks: amount of financial impact as of 2032; Transition risks and opportunities: amount of accumulative financial impact up to 2032

Response to Climate Change Strategy - Carbon Reduction at Worksites

2050 carbon neutrality

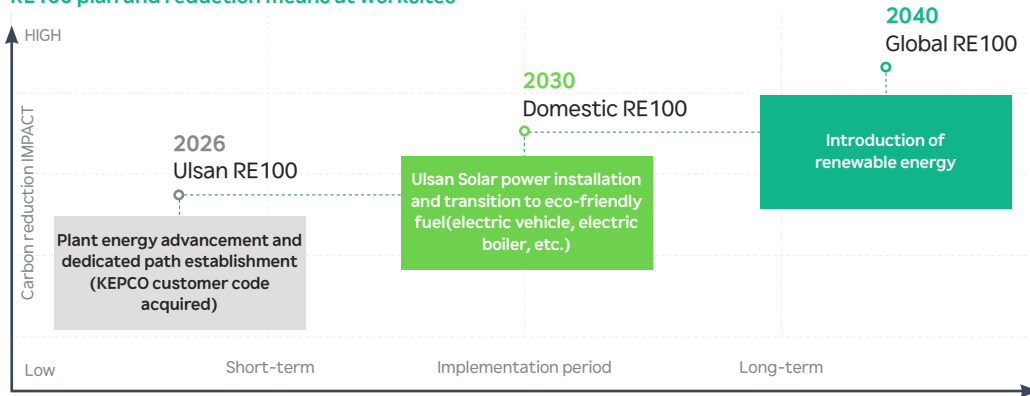
HD Hyundai Construction Equipment has declared carbon neutrality at its domestic and international worksites by 2050 and established carbon neutrality strategies based on the 1.5°C scenario of the SBTi (Science Based Target Initiative) in accordance with Paris Agreement. To achieve the carbon neutrality goal both domestic and international worksites, HD Hyundai Construction Equipment promotes energy efficiency through renewable energy and fuel transition. This project plans to achieve carbon neutrality for both domestic and international worksites by 2050 through offsetting the remaining emissions with carbon credits. In response to internal and external environmental changes and changes in the boundaries of our worksites both domestic and international, the Company reviewed the implementation status and achievability of our Climate response strategy and advanced our carbon neutrality strategy and emissions reduction roadmap for the product use process. The company also identified the pool of reduction means in order to achieve reduction goals and comprehensively reviewed the investment for each reduction means and its feasibility, estimated amount of reduction, etc. to present a portfolio of reduction means for renewable energy introduction and fuel transition. It will continue to achieve the goal of internal capability development and carbon neutrality at worksites by establishing and implementing plans for each reduction mean.

The roadmap for carbon neutrality implementation at worksites by 2050 (Scope 1,2)



Transition to renewable energy HD Hyundai Construction Equipment implements transition to renewable energy in comprehensive review of energy characteristics at each worksite, production plans, economic feasibility, realistic estimation of reduction, etc. Currently, the advancement of project is in progress at Ulsan Campus, which is the company's main production plant. In use of various renewable energy transition means such as REC purchase, PPA contract, installation of solar power generating facilities at worksites, etc., HD Hyundai Construction Equipment will achieve Ulsan Campus RE100 goals by 2026. As proper reduction means were reviewed in reflection of the estimated emissions and reduction paths according to the roadmap of carbon neutrality implementation, the conclusion was that securing renewable energy sources is the most important. Accordingly, the company has set the policy to achieve the RE100 goal for domestic worksites by 2030, the RE100 goal for global worksites by 2040, and company-wide carbon neutrality goals gradually by 2050 in active promotion of renewable policies of each country and in continuous monitoring of optimal scenarios of introducing renewable energy into worksites at both domestically and internationally.

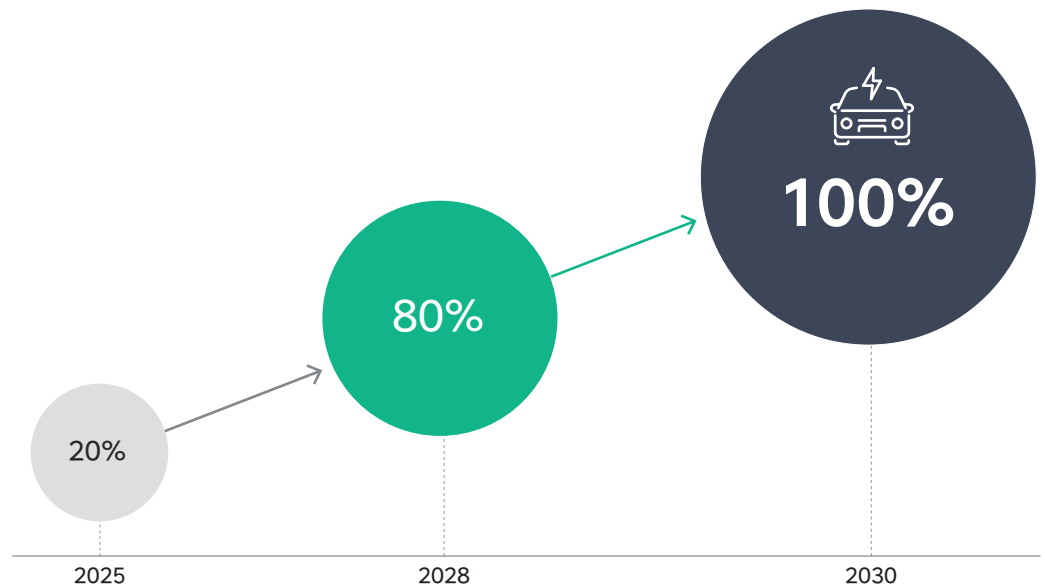
RE100 plan and reduction means at worksites



Ulsan Campus RE100 HD Hyundai Construction Equipment initially planned to implement RE100 at its domestic production site (Ulsan Campus) in 2025, and considered various measures to introduce stable renewable energy. The priority is given to the method to convert existing power with no purchased certificate involved such as REC and Green Premium into renewable energy (PPA, etc.). However, technological reconsideration on installation of a dedicated path is inevitable since Ulsan Campus receives electric power through HD Hyundai Heavy Industries. Therefore, the company is planning to make full use of all available means prior to completion of the dedicated path such as installation of solar power generating facilities in Ulsan Campus. It also plans to achieve Ulsan Campus RE100 by 2026 when the dedicated path is expected to be completed.

K-EV100 registration In 2023, HD Hyundai Construction Equipment joined K-EV100 (Korean zero emission vehicle transition 100 project) to replace all owned/leased vehicles to 100% electric and hydrogen vehicles to accelerate the distribution of zero emission vehicles for carbon neutrality in the area of transportation. The company plans to convert all owned and leased vehicles to electric and hydrogen vehicles by 2030 and install the charging stations in our all domestic worksites to support employees to ride electric or hydrogen vehicles. In 2023, 1 passenger car and 1 truck were replaced with an electric vehicle. For business purposes, electric car sharing service is available in HD Hyundai Global R&D Center. Electric car charging stations are available in HD Hyundai Global R&D Center. In 2024, these electric car charging stations will be installed at Ulsan and Yongin worksites as well.

Goal of transition to zero emission vehicles



Carbon reduction at worksites

Transition into eco-friendly energy sources at global worksites Since 2022, the Chinese subsidiary of HD Hyundai Construction Equipment has independently generated power of 3,800MWh, which is half of its annual electricity consumption, by using the 4MW solar power panel on the roof of the plant that has size of 77,000m². This applies more than 3,700ton of emissions, 1,300ton of particles, and 1,400ton of coal consumption are reduced per year. As power consumption patterns are analyzed continually, more efficient ways of using electric power will be developed.

The India subsidiary of HD Hyundai Construction Equipment has concluded a joint development agreement of 2.5 MW solar power plant with local solar power company, Ravindra Energy Ltd. Excavators will be produced by solar power energy which occupy 70% of the annual electricity consumption. This means that more than 4,200ton of carbon dioxide and about 200 million won of electricity use are reduced per year.






Completion of the India Subsidiary solar power generation plant



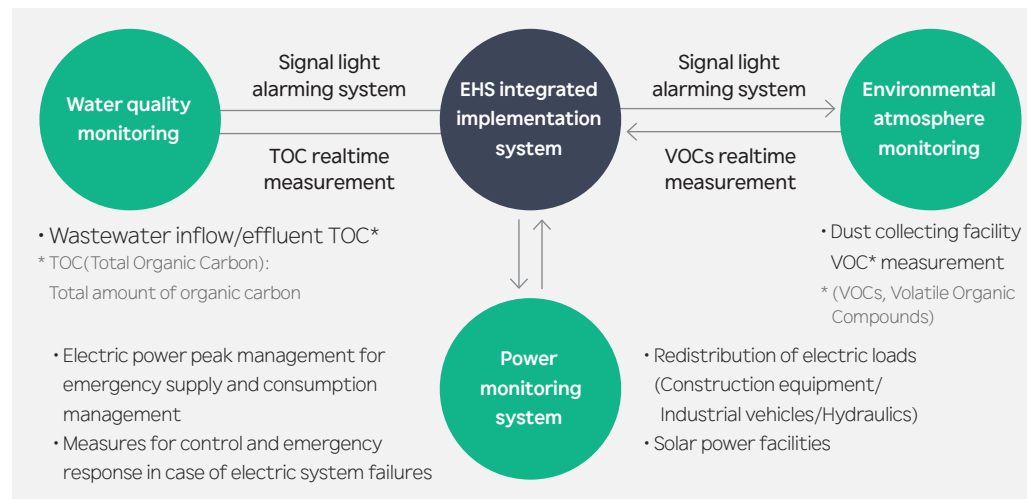
Installation of solar power panels at Jiangsu Subsidiary

Effect of transition to new and renewable energy (yearly)

	 Amount of solar power purchasing	 Electricity saving	 Reduction of carbon emissions
Ulsan Campus (2025~)	40%	700 million won	2,500ton
China Plant (2022~)	50%	400 million won	3,700ton
India Plant (2023~)	70%	200 million won	4,200ton

Ulsan Campus Advancement HD Hyundai Construction Equipment is conducting the Ulsan Campus advancement project as the major production site to secure competitiveness in the global construction equipment market and to establish an eco-friendly worksite. To achieve Ulsan Campus RE100 goals by 2026, the entire power purchasing will be replaced with renewable energy by using 3.8MW solar power roof panels, third-party PPA, etc. The company has renovated the production line which was inefficient due to plant facility aging by investing about 200 billion won into the Ulsan Campus advancement project, successfully maximizing the efficiency as a result. As the scale of construction equipment production including excavators and wheel loaders has increased, it is expected that the global top-tier production system will be built up. During the first half of 2025, the production capacity is expected to increase as much as about 50% compared to the existing capacity: The production capacity will increase from 9,600 units to 15,000 units per year. In addition, the manufacturing process is reorganized efficiently to reduce the energy consumption fundamentally and establish energy data integrated management facilities and monitoring systems, upgrading the analysis and prediction of carbon emissions. A system to minimize the risk and impact of emergency environment accidents such as leak of pollutants will be established to minimize the environmental impact on the local community and to form an eco-friendly worksite that can promptly control pollutant discharge and respond to emergency environment accidents.

EHS integrated implementation system



Response to Climate Change Strategy - Carbon Reduction in Products

Eco-friendly strategy for products

Around 98% of greenhouse gas emissions from HD Hyundai Construction Equipment Sector come from the usage of construction equipment products, and the development of eco-friendly construction equipment technologies and product is essential to reduce greenhouse gas emissions along the value chain. HD Hyundai Construction Equipment has established carbon emissions reduction strategies for the step of use in addition to reduction of carbon emissions in the step of operation at worksites. The goal is to achieve a significant transition of portfolio into eco-friendly construction equipment by reducing the amount of product carbon emissions as much as 25% by 2040 compared to 2021. To this end, the existing heavy diesel usage construction equipment portfolio will be reorganized by utilizing electric systems, hydrogen fuel cells, fuel reduction technologies (FEH, MPS, CVT), etc. in line with each country's climate change policies and market conditions. The percentage of eco-friendly construction equipment products will be increased up to 98% of the entire revenue by 2040.

Carbon monitoring enhancement HD Hyundai Construction Equipment is operating the 'Hi MATE' system to monitor the current operation status of all the equipment around the globe realtime based on Telematics data. By making Hi MATE mandatory for mid/ large-sized equipment, and by providing the ability to calculate product carbon emissions within Hi MATE, we are promoting the ongoing implementation and management of our carbon reduction strategy for product use. In addition, the project of establishing the integrated data implementation system for climate and environment protection is in progress. From the first half of 2025 when the system is completed, the computerized greenhouse gas emissions (Scope 3) data system is established and applied to enhance data accuracy and timeliness.

4. Increasing the parts recycling rate after disposal

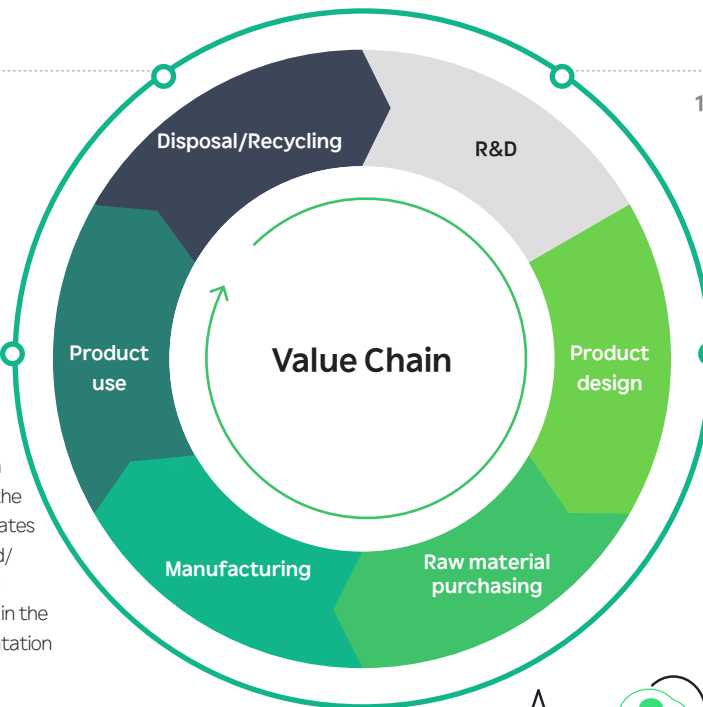
Efforts to increase the product recycling rate by reusing parts after the warranty period or in the step of disposal, remanufacturing engines (Reman), warranty extensions, remanufactured product discounts, etc

3. Carbon monitoring/LCA enhancement

· Establishment of a carbon emissions data system for the step of product use with the upgraded Hi MATE and higher mounting rates (Mandatory installation of Hi MATE on mid/ large-sized equipment, use of the carbon emissions logic system as part of Hi MATE in the step of product use, continued implementation and management of carbon reduction strategies for products, etc.)

· Establishment and implementation of measures for environmental impact minimization by developing the independent LCA capability

*Hi MATE: Cloud-based telematics service to manage the equipment remotely

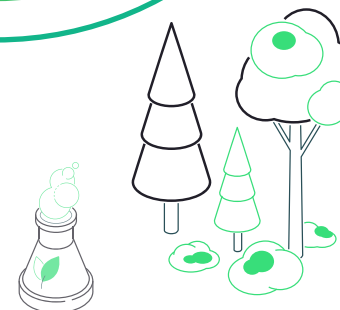


1. Consideration of eco-friendliness in the step of development

Consideration of environmental impact from the step of technology and product development

2. Minimization of carbon footprints

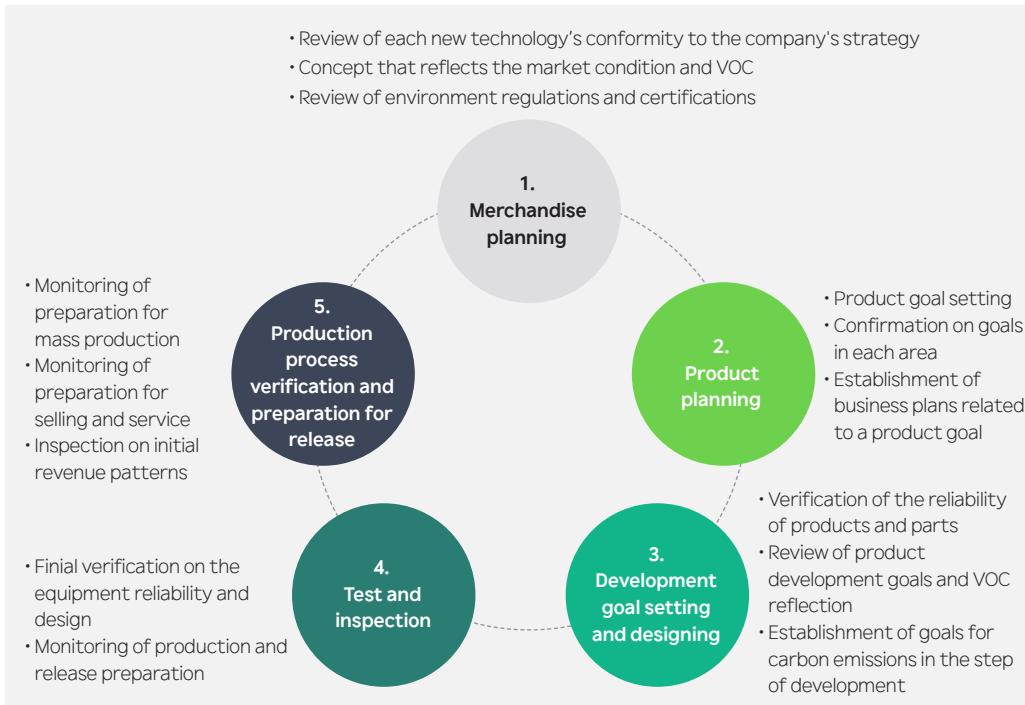
Efforts are put forth to minimize carbon footprints in the value chain by developing low-carbon product portfolios, advancing R&D at smart construction sites, and thus reducing carbon emissions at general construction sites (lightweight product design, fuel efficiency improvement, transition to eco-friendly power source, etc.)



Consideration of eco-friendliness product development

HD Hyundai Construction Equipment holds an annual Technology Strategy Committee to approve the annual technology development strategy and plan, and the NTD Committee meets monthly to discuss technology development risks, new technologies and low-carbon technology development. Each year, the Product Strategy Committee is also convened to approve merchandise/product strategy portfolios and plans. The monthly meeting of the NPD Committee is held to review risks involved in product development risks, fuel efficiency of newly developed models, and carbon emissions. In addition, the company establishes the target amount of carbon emissions right from the step of product development, and the environment impact assessment system has been adopted to set the target amount of emissions when a new product is developed and to check whether the goal is achieved in each step of development. Each month, the NTD/NPD Committee is held to check the progress of product development and implementation of establishment goals.

Product and merchandise development process



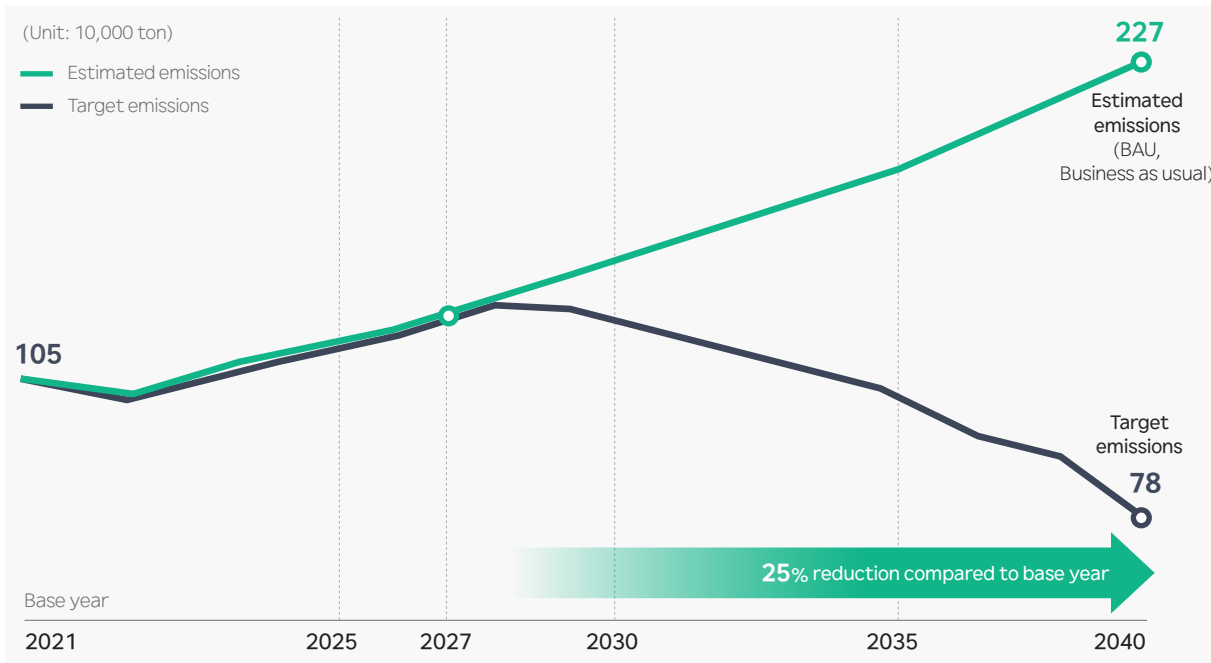
Conference system for technology and product development

Management meeting	Technical Strategy Committee	Product Strategy Committee
	<p>Frequency of meeting</p> <ul style="list-style-type: none"> • Yearly <p>Major agenda</p> <ul style="list-style-type: none"> • Approval of technology development strategies and plans 	<p>Frequency of meeting</p> <ul style="list-style-type: none"> • Yearly <p>Major agenda</p> <ul style="list-style-type: none"> • Approval of merchandise/product strategy portfolios and plans
Working level meeting system	NTD (New Technology Development) Committee	NPD (New Product Development) Committee
	<p>Frequency of meeting</p> <ul style="list-style-type: none"> • Monthly <p>Major agenda</p> <ul style="list-style-type: none"> • Review of technology development risks • Discussion on new technology, low-carbon technology development, etc. 	<p>Frequency of meeting</p> <ul style="list-style-type: none"> • Monthly <p>Major agenda items</p> <ul style="list-style-type: none"> • Review of product development risks • Discussion on new models, carbon emissions, etc.
<p>Development Purchasing Development Quality AS/PS Sales Finance</p>		

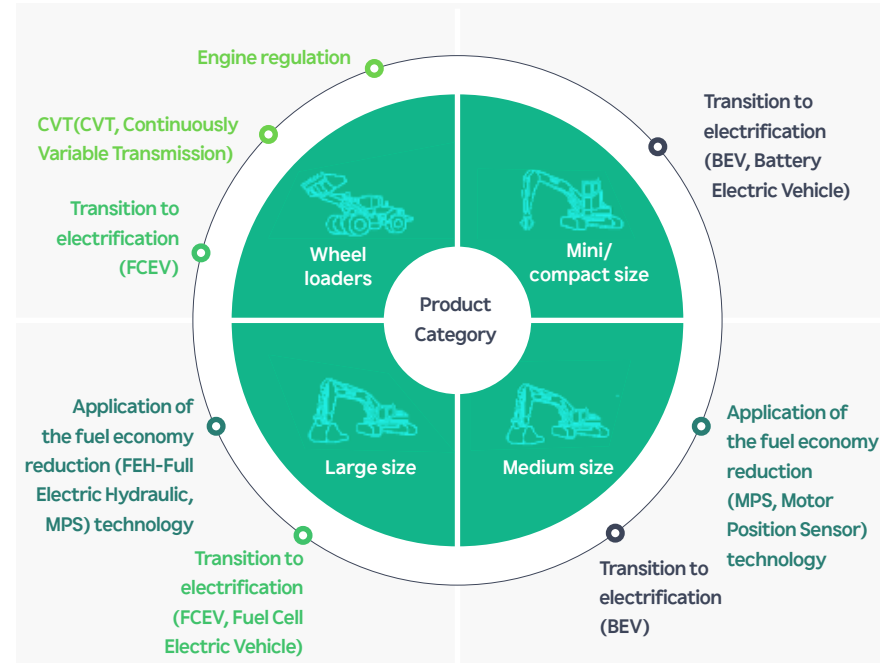
Minimization of carbon footprints

To reduce climate risks and create business opportunities, HD Hyundai Construction Equipment has established carbon emissions reduction strategies in the step of product use. The company also has set the goal of reducing carbon emissions from product use as much as 25% by 2040. To reduce carbon emissions in the step of product use, the fuel efficiency improvement technology is applied with the transition to electric and hydrogen power sources in progress. To achieve the carbon emissions reduction goal in the step of product use, the company is planning to expand the fuel efficiency improvement and electrification product portfolios up to 98% by 2040. In a short term, the 1.9ton electric mini excavators will start to be commercialized and mass-produced in 2024, accelerating development of electric models based on the exclusive electric platform. In addition to 2.7ton compact-sized electric excavators, mid-sized electric excavators models also will be developed. The beta version of hydrogen excavators was presented in an exhibition. The company will increase sales and develop various eco-friendly products with the lineup of electric excavators till 2027 to maintain the leadership as the brand of eco-friendly technology and carbon neutralization continually.

Roadmap for targets of emissions reduction in the step of product use



Roadmap for implementation strategies for emissions reduction in the step of product use



Eco-friendly product development - hydrogen excavators

In 2020, HD Hyundai Construction Equipment concluded the MOU for joint development of hydrogen fuel cell construction equipment with Hyundai Motor Company and Hyundai Mobis. Since then, 14ton hydrogen wheel excavators have been developed continually, including the largest North America Las Vegas construction equipment in 2023 and the beta version near the step of commercialization, which was presented in CONEXPO 2023, the concrete and mining machine exhibition. The company continues to conduct R&D for timely response, monitoring external situations including changes in hydrogen prices and charging infrastructures.

Social value of hydrogen excavators Recognizing the importance of non-financial value, HD Hyundai Construction Equipment has measured the value of hydrogen excavators to stakeholders in 2022 using the EY Long-Term Value method and converted it into monetary value. As a result, the created Impact Value was estimated to be about 320 million won per 14ton hydrogen excavator. As such, the company seeks to understand tangible and intangible values of products, maximize their positive impacts, and continue to maintain the sustainable, competitive power at the same time.

Result of impact valuation of hydrogen excavators

Created social value **323 million won/unit**

Customer Value

68 million won

- Taking into account of the value created to enhance the well-being of users in the long term
- Taking into account of value generated from reduced emission of fine particulate matter and reduced noise using hydrogen excavators

Societal Value

88 million won

- Taking into account of value provided to customers using the products and services of ours
- Based on actual reduction of fuel consumption and estimated reduction of Scope3(Construction customer) emissions

Financial Value

32 million won

- Taking into account of the long-term value our company contributes to our society
- Based on actual reduction of greenhouse gas and estimated reduction of air pollutants from use of hydrogen excavators.

Customer Value

135 million won

- Taking into account of value provided to customers using the products and services of ours
- Based on actual reduction of fuel consumption and estimated reduction of Scope3(Construction customer) emissions

Fuel economy reduction technology/electrification technology

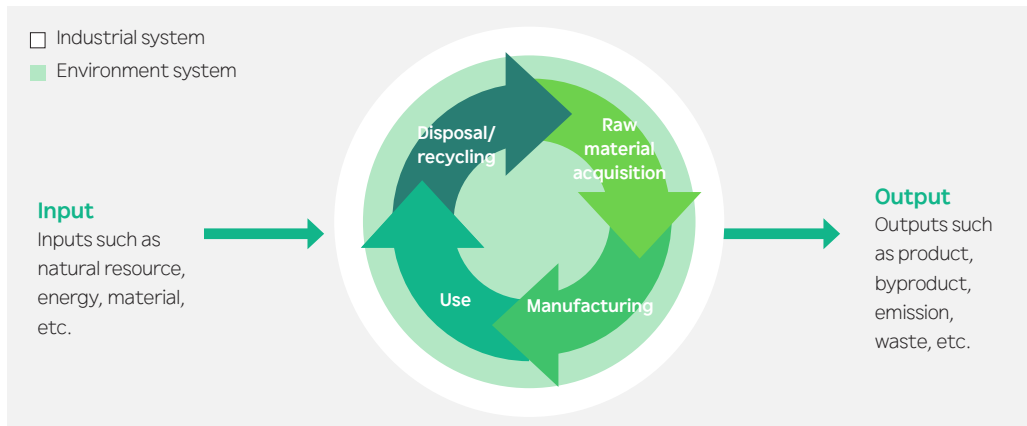
HD Hyundai Construction Equipment conducts BEV/FCEV development depending on characteristics of each product group: mini and mid/large-size wheel loaders. In addition, various fuel economy reduction technologies are applied to development and mass production continually for carbon emissions reduction. Electronic hydraulic systems are also developed to achieve the goal of reducing fuel cost from 15% up to 40%. The hydraulic energy recovery system is also developed to preserve potential energy and turning movement energy of excavator booms and to support the engine power for fuel consumption reduction. To apply the optimal carbon reduction technology depending on characteristics of each product group as well as the variety of applications in the construction equipment market, the company continues to monitor market regulations and trends.

Mini excavators HD Hyundai Construction Equipment is planning to release 1.9ton electric mini excavators by 2024. It will expand its lineup of electric mini excavators until 2026, strengthening the global competitiveness in electric excavators markets. Newly developed cabin based electric mini excavators are designed for European regions where excavators are attracting most interest. To be released in the second-half of 2024, the equipment is tailored to North European regions. The commercialization of electric models is slow compared to other commercial vehicles because of the characteristics of the construction equipment market. However, HD Hyundai Construction Equipment spares no effort to secure long operating hours with high-capacity batteries so that users can operate its products conveniently under the basic vision of "Workable E-Machine."



Life Cycle Assessment

HD Hyundai Construction Equipment has conducted thorough environment impact assessment on construction equipment products to respond to climate change and manage carbon neutrality over the value chain. Carbon dioxide emissions are measured throughout the lifecycle of the construction equipment including collection of raw and sub materials, parts processing, finished vehicle manufacturing, operation of special-purpose construction equipment, etc. Particularly for the 5 major models, the eco-friendliness is quantitatively measured (LCA) over the product's life cycle. In addition, ways to minimize environmental impact are analyzed and derived throughout the process including production and disposal of products through LCA with reduction scenarios reflected. The company has established the PCR for LCA estimation of each product. It continues to seek internalization of LCA performance, broadening the range of models to be evaluated.



Life Cycle Assessment Process

Step 1 System boundary application	Step 2 Onsite data collection	Step 3 LCA assessment and result analysis
<ul style="list-style-type: none"> Review of product functional units Review of target system boundaries Analysis of the process flow 	<ul style="list-style-type: none"> Data collection at the company's worksites Data collection at each supplier's worksite Review of collected data and estimation of emissions 	<ul style="list-style-type: none"> S/W application and utilization Comparative analysis of assessment results Assessment report preparation for the entire process

LCA assessment principle

Classification	Assessment principle
Basic standards	ISO 14040 and ISO 14044
System boundary	Cradle to grave
Data collection method	Onsite measurement data (Primary Data) Reliable literary materials (Secondary Data)
Estimation method	IPCC 2021 AR6 LCIA Method (GWP-100 application)

Global warming impact of each step of HL960A (greenhouse gas emissions) Based on the LCA assessment of HL960A which is one of the major construction equipment models of HD Hyundai Construction Equipment, greenhouse gas emissions in each step are estimated as below: The table below shows carbon dioxide emissions per unit time (kgCO₂eq / operating hours (h)) cradle to grave (from raw material collection to recycling of products after the lifecycle). These results are based on average scenarios of models with basic specifications, and emissions do not represent specific conditions.

Classification	Definition of scope	Emissions (kgCO ₂ eq /operating hours (h))
Step prior to manufacturing	Production and processing of raw materials	8.96
Step of manufacturing	Product assembly and production	0.17
Step of use	Emissions in the step of use	35.02
Step of disposal	Treatment after product disposal	0.46
Total		44.61



LCA result HD Hyundai Construction Equipment has developed a practical guideline specifically designed for construction equipment products (PCR) and prepared a comprehensive manual for all issues regarding LCA implementation. With education programs for these guidelines provided, the company secures the independent capability to estimate and manage LCA. Environmental impact in each step will be analyzed comprehensively based on LCA results, and the foundation for the sustainable operation system will be established to manage the production process. For external factors, the company will put forth efforts to share product environment information transparently.

Resource recycling

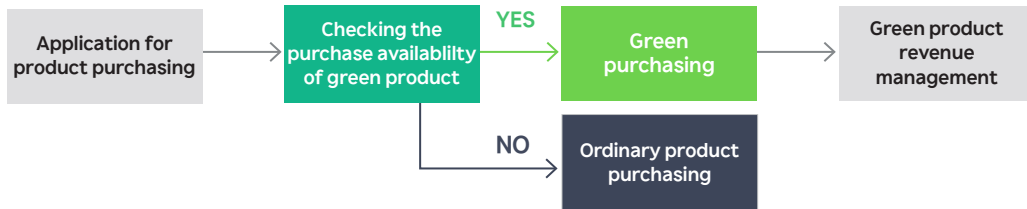
Green Purchasing System To pursue eco-friendly management, HD Hyundai Construction Equipment has established the Green Purchasing Policy and secured eco-friendliness of raw materials of products. To increase the percentage of eco-friendly parts used in each manufacturing process, the preferential purchasing rate of green products is set to 5% with the intention of promoting eco-friendly components. In addition, suppliers whose performance in green product manufacturing receive benefits of rewards as part of the eco-friendly co-prosperity scheme.

Green product* purchase status

Number of items **5** Scale (million won) **15**

* Green product: Environment product declaration, low-carbon product certification, and excellent recyclable product (GR) certification are applied to products that contribute to resource saving and reduction of pollution compared to other products of the same use.

Purchasing process



To analyze the recycling rate in the step of product disposal HD Hyundai Construction Equipment sets representative models of each weight class for products whose lifecycle ends. In addition, the likelihood of recycling is analyzed to enhance the recycling rate. In 2023, as the recycling rate of representative models of wheel loaders was analyzed, the recycling rate was calculated to be 81% recycled, 15% reused, 4% non-recyclable.

The recycling rate analysis of the representative model of wheel loaders (HL960A)



Remanufacturing

For large-scale equipment commonly used in mining sites, investment into service infrastructures for post-marketing parts replacement and repairing is essential. HD Hyundai Construction Equipment operates the Rebuild Center in India to sell recycled equipment and enhances the resource efficiency through the Reman project in Indonesia. In a long run, the company plans to increase the efficiency of resources and improve the level of customer satisfaction by recycling aging equipment while securing the quality and performance through the Reman scheme.

India Rebuild Center HD Hyundai Construction Equipment has newly established the Rebuild Center in India and conducted the equipment recycling project since 2022. The India Rebuild Center is capable of producing 15 units each month and performance/quality tests after equipment production. The India Rebuild Center sold 67 units in 2023 and currently focuses on domestic purchasing in India and will expand its overseas export to cover Middle East and Africa.

Reman project in Indonesia HD Hyundai Construction Equipment has concluded an agreement of remanufacturing with Petrosea in Indonesia for the Reman project since 2023. As the company supplies Petrosea with engines and hydraulic functional items, Petrosea proceeds with the remanufacturing process locally in Indonesia and then supplies products to customers. In the first half and second half of 2024, remanufactured products will be delivered to customers. Currently, the business partner Petrosea is entrusted with this process, but in the future, HD Hyundai Construction Equipment is planning to establish its own reman center and develop its own service capability for the business feasibility and resource efficiency.

Risk Management for Response to Climate Change

Risk management and implementation system for climate change

HD Hyundai Construction Equipment manages climate-related risks as part of the ESG risk implementation system. This process contributes to detecting major risks and opportunities related to climate change that may affect the company's business and operation strategies. Response strategies will be established based on the potential financial impact derived from the scenario analysis. Response strategies are implemented in collaboration with related divisions including the ESG Business Innovation Team. Improvement plans continue to be developed by monitoring implementation performance continually. In addition, major risks and opportunities are assessed by the Board of Directors and the management.

Risk identification and assessment

HD Hyundai Construction Equipment derives risks and opportunities that may affect its management activity in relation to climate change and identifies them in consideration of various related elements such as likelihood and impact. For identified risks and opportunities, the potential financial impact is assessed based on various climate scenarios such as IPCC, IEA, NGFS, etc. Risk assessment results are reported to the management to establish strategic tasks systematically.

Strategy establishment and implementation

HD Hyundai Construction Equipment prioritizes major climate risks based on the estimated impact in the step of risk identification and assessment. Response strategies suitable for each element are then established accordingly. To establish response strategies properly, the responsible executives and staff are appointed by the headquarters and divisions involved. Tasks are determined by headquarters and reflected in the Key Performance Indicator so that tasks are implemented effectively and actively.

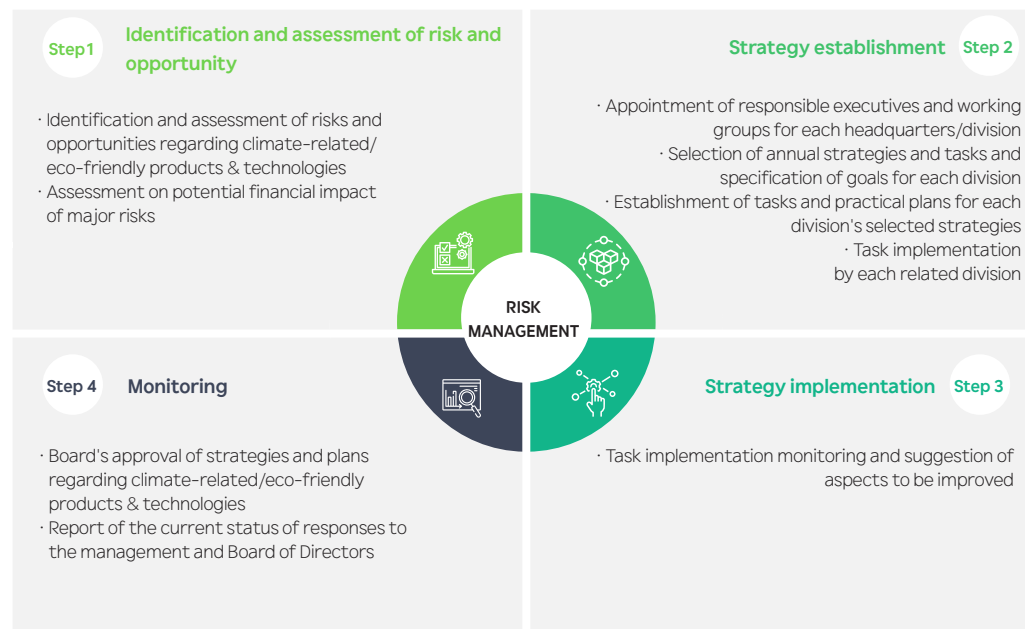
Monitoring and assessment

HD Hyundai Construction Equipment continues to monitor the current status and performance to check if major climate risk response strategies and detailed tasks are implemented effectively. Areas that need to be improved are identified by monitoring the current status and performance and analyzing the results of each response strategy and detailed task.

Report and update

For risks and opportunities related to climate change that may affect the company's businesses, HD Hyundai Construction Equipment reports the current status of response strategies, performance monitoring results, and developed improvement tasks to the management and ESG Management Committee on a regular basis. In addition, impacts of factors, not included in the list of climate risks and opportunities, are also assessed to be considered in the management of risk response strategy and detailed tasks.

Climate change risk management process



Response to Climate Change Metrics and Targets

Carbon neutrality goal

To establish and implement carbon neutrality strategies, it is important to accurately measure and manage greenhouse gas emissions from each source. When it comes to HD Hyundai Construction Equipment, worksites at both domestically and internationally account for about 0.4% of greenhouse gas emissions and the step of using construction equipment products accounts for the rest 98%. In the matter of reducing the company's carbon emissions, the key issue is to develop eco-friendly construction equipment technologies and products. To reduce greenhouse gas emissions, efforts are put forth to replace existing energy sources with renewable energy sources at worksites at both domestically and internationally and to improve the energy efficiency in addition to developing such technologies and products.

Scope 1, Scope 2 emissions

(unit: tCO₂e)

Classification	2023 target	2023 achievement	2030	2040	2050
Scope 1 + Scope 2	42,500	33,178	20,809	10,405	0

The third-party verification of greenhouse gas emissions was conducted only for Ulsan Campus, which was chosen for target implementation system of greenhouse gas and energy. Greenhouse gas emissions at domestic worksites including Ulsan Campus were estimated in accord with 「Guidelines on the operation of GHG Emissions Trading Scheme [Enforced on September 18, 2023][Disclosure No. 2023-221 of Ministry of Environment]」. Emissions at overseas worksites were estimated in accord with 「IPCC national guidelines for basic emission factors and basic calorific values of each fuel」.

(Unit: tCO₂e, tCO₂e/million won)

Classification	2020	2021	2022	2023
Scope 1 (domestic)	5,586	8,681	9,547	9,036
Scope 2 (domestic)	6,825	6,405	6,391	10,349
Scope 1 (overseas)	7,046	9,328	6,508	5,118
Scope 2 (overseas)	13,750	16,377	13,167	8,675
Sum of Scope 1 + Scope 2	33,207	40,791	35,613	33,178
Carbon intensity (domestic)	0.0092	0.0070	0.0062	0.0075

Scope 3 emissions

(unit: tCO₂e)

Classification	2023	
Upstream emissions	Supply chain (product and service purchase)	27,967.60
	Capital goods	53.44
	Activities related to fuel and energy	1,674.09
	Transportation and distribution	81,524.00
	Waste generation and treatment at worksites	987.88
	Management/employee business travel	1,530.58
Downstream emissions	Management/employee commuting	55.78
	Transportation and distribution	15,147.66
	Consumption of sold products	7,976,187.71
	Disposal of sold products	1,990.45
	Investment	0.47
	Sum of Scope 3	8,107,119.67

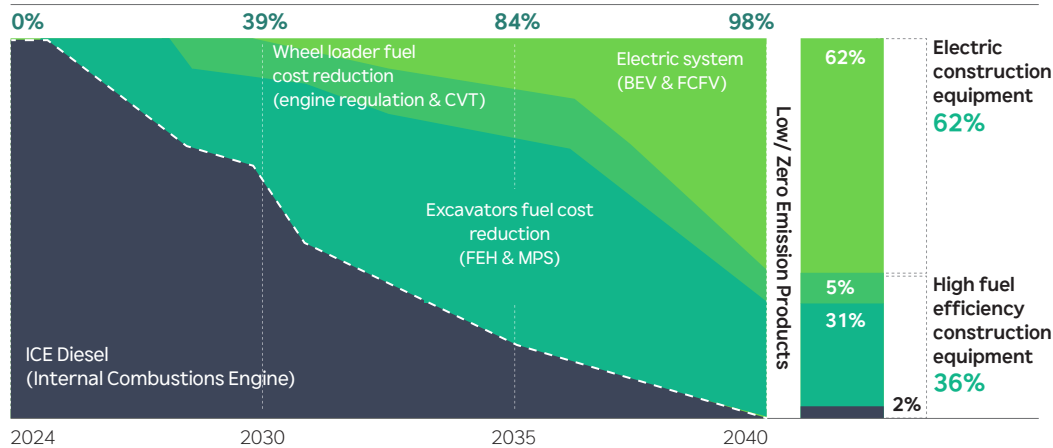
Estimated carbon emissions in the step of product use To estimate carbon emissions generated from products (Category 11: use of sold products), the time of using each product group sold during the year and the fuel cost are the basis for management. To minimize the difference due to the soil and working conditions of each construction site, the data of working hours and fuel costs were supplemented by internal test data, when necessary, which were collected by means of Hi Mate mounted on the company's equipment. The company applied the standardized durable years of excavators and wheel loaders since 2023 to estimate emissions generated during the period of product revenue and use.

* Formula of carbon emissions in the step of product use working hours (Hour/year) × fuel cost (Liter/Hour) × emission factor (tCO₂e/L) × revenue in the current year (no. of units) × durable years (year)

Reorganization of product portfolios

HD Hyundai Construction Equipment is reshaping the product portfolio to minimize climate-related risks and turn them into business opportunities, with a goal of reducing carbon emissions in the product use phase by 25% by 2040 compared to the base year of 2021. HD Hyundai Construction Equipment spur the development of eco-friendly technology/products such as fuel economy reduction technology, electric and hydrogen equipment, unmanned and automated equipment, to reduce carbon emissions in the stage of product usage and to diversify a portfolio, including eco-friendly construction equipment.

2040 eco-friendly (high fuel efficiency /electric system) product portfolios



Classification	Unit	2021	2022	2023
R&D cost	million won	67,229	59,269	79,506
R&D workforce	Persons	295	258	220
R&D cost compared to sales revenue	%	3.1	2.31	3.09
No. of applications for intellectual property rights	Cases	276	219	221
No. of registrations as intellectual property rights	Cases	209	161	162

Performance based on the eco-friendly classification mechanism

To manage development and revenue of the company's eco-friendly products in a continuous and systematic manner, HD Hyundai Construction Equipment has established its own eco-friendly product classification system based on the standards of EU Green Taxonomy and K-Taxonomy, measuring and managing the sales of eco-friendly equipment. Eco-friendly Taxonomy classifies equipment applying clean technology and meeting market regulations and solutions that reduce negative environmental impact of equipment and construction sites. In a mid/long-term, the company seeks to increase the percentage of eco-friendly products up to 98% of the entire revenue by 2040.



Eco-friendly classification system

Eco-friendly products		Eco-friendly solution	
Products that meet standards for clean technology application and market regulations		Solutions that reduce negative environmental impact of construction sites and products	
Transition to eco-friendly energy	Electric system	Smart construction solutions	Site Management
	Energy regeneration		Fleet Management
Clean energy	Operation & Maintenance		
Fuel efficiency	Fuel efficiency improvement		
	Fuel inefficiency prevention		

Tasks to develop new technology for environments (2023)

Research area	Development achievement
Air pollutant	Eco-friendly painting development, mid/large-size excavators for oil soundness management, mass production of models adopting the working fluid/engine oil status diagnosis technology, etc.
Electrification	Advance development of next-generation middle-size electric excavators, development of the technology that adopts the solid hydrogen storage system, improvement of power consumption of mini electric excavators, etc.
Energy recovery	Development of the hydraulic energy regeneration system for integrated models (step 2), etc.

Environment Management

Environment Management Process

Dedicated organization for environment management

For company-wide environment management, the company entrusts the ESG Committee under the Board of Directors with final deliberation and resolution. The CEO make decisions on material issues related to environment policy implementation and reports key issues to the highest decision-making body, which is the Board of Directors, and ESG Committee for the decisions to be made. The EHS team which is a division dedicated to environment management utilizes the environment implementation system meeting international standards to manage air pollutants, water quality, and hazardous chemicals. Worksites at both domestically and internationally have established a system meeting international standards for environment management (ISO 14001) and put forth efforts to minimize pollution and impairment to environments that may result from corporate activity. In addition, internal and external audits are conducted annually to check if regulations on environment management are complied with.

Environment management organization chart



Consultative body of environment management

Company-wide EHS meeting, resided by CEO and EHS team, is a place where safety and health related issues and activities by worksite are shared. The EHS Committee reports the latest laws regarding environment management and strategies to respond to such laws and regulations, and obtain approval on a monthly basis. In addition, the ESG Management Committee discusses issues about company-wide environment management practices such as air pollutant, water quality, hazardous chemical, etc. Persons in charge of EHS at each worksite examines measures for safety environments (EHS Patrol) within the scope of their roles and responsibilities for on-site inspection. To promote environment management implementation, environment metrics are reflected in the KPIs (Key Performance Indicators) of the responsible executives and working groups.

Classification	Frequency	Major activity details	Persons concerned
ESG Committee	Three times a year	· Resolution on agenda about major environment management	CEO, outside director, ESG Business Innovation Team
Company-wide EHS meeting	Semi-annually	· Sharing issues and activities regarding environment management at each worksite · Reporting the latest laws and responses regarding environments	CEO, EHS manager at each worksite
EHS Patrol	Monthly	· Developing and improving measures for environments based on on-site safety check conducted by the head of headquarters	EHS manager at each worksite

Environment management strategy system

Environment management strategy HD Hyundai Construction Equipment views the climate crisis as the top priority issue of all mankind. Based on its sustainable environment implementation system, the company takes the lead in creating a world of happiness and sustainability for various stakeholders including customers, business partners, stockholders, and communities.

Environment management strategy system



Environment management policy

HD Hyundai Construction Equipment puts forth every effort for all its members, subsidiaries, suppliers, and other stakeholders to pursue realization of societal values through environment management as the top priority. It also establishes and practices environment management policies for the same purpose.

[Environment management – HD Hyundai Construction Equipment](#)

Environment management implementation policy

<p>Environment management system</p>	<ul style="list-style-type: none"> Systematic management and assessment of the entire environment management process from goal setting to planning, execution, improvement, etc. Establishment of the environment implementation system and compliance with environment laws including ISO 14001
<p>Product environment</p>	<ul style="list-style-type: none"> Efforts to establish eco-friendly and sustainable product portfolios Efforts to minimize negative impacts of our products to environments such as fuel cost improvement, transition to eco-friendly energy, etc.
<p>Production environment</p>	<ul style="list-style-type: none"> Preservation of earth environments by reducing greenhouse gas emissions and minimizing pollutants Efforts to reduce greenhouse gas emissions, to improve the energy efficiency, and to expand the application of new and renewable energy Efforts to minimize waste generation from business operation and to treat generated waste properly Efforts to use water resources more efficiently by optimizing the use of water and reusing water more actively
<p>Management environment</p>	<ul style="list-style-type: none"> Efforts to transparently communicate with stakeholders about environment management details and performance Promoting green marketing and communication with stakeholders Efforts to establish a sustainable supply chain Efforts to establish advanced eco-friendly worksites such as Ulsan Campus
<p>Chemical management policy</p>	<ul style="list-style-type: none"> System operation to prevent leakage of chemicals at a worksite and to manage hazardous chemicals Raising awareness of chemical safety among executives/employees by making available and educating about MSDS (material safety data sheet) Efforts to achieve the goal of 'ZERO' hazardous chemical at worksites and to create a clean worksite safe from hazardous chemicals

Environment management strategy implementation process

Risk identification and strategy/plan approval

- Approval of EHS plans (including environmental area designation)

Selection of strategic tasks and implementation plans

- Selection of annual strategies and tasks and specification of goals for each division
- Establishment of tasks and practical plans for each division's selected strategies

Establishment of assessment metrics and implementation

- Appointment of responsible executives and working groups
- Establishment of assessment metrics for responsible executives and working groups (Key Performance Indicator)
- Task implementation by each related division

Selection of strategic tasks and implementation plans

- Task implementation monitoring and suggestion of aspects that need improvement
- Report about the current status to the ESG Management Committee (decision-making body of the management) and ESG Committee (at the level of the Board of Directors)

Identification of environmental management risks and opportunities

Classification	Risk assessment	Stakeholders concerned	Direction of strategies and detailed tasks	
<ul style="list-style-type: none"> • ESG management (risks) fail to fulfill the goal of external declaration (carbon reduction) (opportunities) mid-/long-term plans for goal achievement and eco-friendly corporate image improvement 	High risk	Worker, Customer	<ul style="list-style-type: none"> • Reduction of greenhouse gas emissions - Establishment of mid-/long-term reduction plans, goals, and detailed execution plans; management of performance - Reduction data collection and estimation of emissions 	
<ul style="list-style-type: none"> • Safety and health environment (EHS) implementation system (risks) Certification cancellation due to inappropriateness of system operation (opportunities) Compliance with standards through the strengthened system 	Medium risk	Worker, Contractor (supply chain)	<ul style="list-style-type: none"> • Improvement of EHS management system - Continued improvement and supplementation based on the result of inspection and performance assessment 	
<ul style="list-style-type: none"> • Lack of awareness of environmental regulations (risks) Inappropriate operation and treatment of pollutants (opportunities) Raising awareness of compliance with environmental laws 	Medium risk	Worker, Contractor (supply chain)	<ul style="list-style-type: none"> • Standardization of environment facilities and operation procedures - Establishment of operation procedures for each process and standards for on-site operation management • Law compliance management - Establishment of guidelines for law compliance management for environment facilities and implementation of education programs - Raising awareness of environment laws and promoting standard compliance 	
<ul style="list-style-type: none"> • Improvement of pollutant discharge practices (risks) Legal sanctions against non-compliance with laws regarding pollutant generation (opportunities) Standards for pollutant discharge management and improvement of vulnerable facilities 	High risk	Worker	<ul style="list-style-type: none"> • Discharge concentration management (Strengthening management standards [concentration] for each pollutant) • Enhancing environment facilities - Renovation of aged environment facilities (corrosion, impairment, etc.), review of investment into facilities to lessen the degree of pollution, and other measures for improvement • Establishment of an IoT-based pollutant monitoring system - Determination on major pollutants and IoT establishment (Realtime monitoring in connection with the EHS computerized system) - Analysis of pollutant causes in each situation and establishment of proactive measures for law compliance • Self measurement of environment factors (pollution level) 	
<ul style="list-style-type: none"> • Strengthening environmental laws and punishments (risks) Strengthening crackdowns on environmental practices and standards for environmental management (opportunities) Establishment of plans for proactive response to legal regulations 	High risk	Worker	<ul style="list-style-type: none"> • Establishment of an IoT-based pollutant monitoring system - Determination on major pollutants and IoT establishment (Realtime monitoring in connection with the EHS computerized system) - Analysis of pollutant causes in each situation and establishment of proactive measures for law compliance • Self measurement of environment factors (pollution level) 	
<ul style="list-style-type: none"> • Civil complaints about environments (risks) Civil complaints about environments (fine dust, bad smell, etc.) (opportunities) Information sharing with interested entities/benchmarking 	Medium risk	Local community	<ul style="list-style-type: none"> • Instructions on handling civil complaints - Monitoring on odor-evoking facilities such as coating facility, chimney, etc.; and establishment of a system to receive and handle civil complaints - Private-public cooperation for autonomous environment patrolling 	
<ul style="list-style-type: none"> • Management of compliance with laws among contractors (risks) Compliance of environmental regulations/standards of HD Hyundai Construction Equipment (opportunities) Promotion of compliance with laws among contractors 	Medium risk	Contractor (supply chain)	<ul style="list-style-type: none"> • Distribution of and education on standards and detailed management plans - Education on each area (atmosphere, water quality, chemical, and waste) • Thorough on-site monitoring, etc. 	

Raising Awareness of Environmental Management

Reduction of environment risks and prevention of environmental accidents

To comply with environmental laws that are being stricter, to prevent environmental accidents, and to minimize pollutant discharge, HD Hyundai Construction Equipment regularly inspects environment-related facilities at each worksite, improves facilities that generate pollutants such as air pollution preventive facilities, and practice waste separation before discharge. Drills to cope with emergency environmental accidents are practiced with detailed scenarios and training programs for each situation such as oil leakage, fire, joint firefighting drill with a fire station, accident at a wastewater facility or enclosed space, etc. Detailed scenarios of possible situations include 'diesel leakage in oil injection into a tank, 'handling of a fire in cooperation with a fire station,' 'malfunctioning of wastewater treatment facilities due to a natural disaster, etc.,' and 'emergency rescue due to an accident in an enclosed space.' Particularly for highly likely fire accidents, firefighting training is practiced in simulated situations. Training is practiced at major sites to maximize the accident response and training impacts. Indicators of response capabilities are selected based on evacuation and assembly time records. All executives and employees are obligated to participate in drills at each worksite to raise awareness of safety.



Firefighting practice

Environment education

HD Hyundai Construction Equipment operates environment education programs to promote establishment of the on-site safety and health implementation system and to raise awareness of environment management and safety among hands-on managers. The company provides a manual for atmosphere discharge at worksites and uses it to educate managers and hands-on workers. Training courses are provided to employees to obtain certificate of environment management (ISO 14001).

Environment management process

HD Hyundai Construction Equipment is in the process of developing a system that meets ESG requirements regarding worksite environment data retainment, and law compliance management, and chemical management at HD Hyundai Construction Equipment Sector and worksites. The system development is expected to be completed by 2024.

Environmental education program

Program name	Major content	Persons concerned	Education schedule	Attendees
Manual for environmental facility operation	Manual for facility operation, absolute instructions for worksites, instructions for law compliance management - Procedures for environment facility operation - Precautions for operation - Legitimate operation of environment facilities	Related division Manager, worker, and contractor	December 2023 (in-person education)	57
ISO internal education for persons concerned	Understanding of ISO 14001 (environment implementation system) standards and requirements - Overview and basics of the implementation system - Comments on implementation system requirements - Internal review	For each division Person in charge of EHS	February 2024 (in-person education)	24

Reduction of Environmental Impact

Management of environmental laws and regulations

HD Hyundai Construction Equipment has established and operated a system to keep up-to-date about environment management laws and regulations. As it continues monitoring trends of environment laws and regulation, the status of compliance is reported to the Board of Directors quarterly. To check the water quality and minimize air pollutant emissions, the company-wide standards that are 50% stricter than legal standards are applied. The waste treatment and system operation process is applied based on the Wastes Control Act to monitor the status of waste generation and treatment. Aspects to be improved are detected and managed. Waste is treated by an entrusted external agency. The treatment capability is inspected and directions are given regularly so that waste is treated in a legitimate manner. To reduce the burden of environmental charges according to the Framework Act on Resource Circulation, ways to fundamentally reduce the amount of waste discharge are developed and applied.

Greenhouse gas and energy management

HD Hyundai Construction Equipment has applied the greenhouse gas implementation system to worksites since 2021 in pursuit of the goal of greenhouse gas. It puts forth efforts to reduce greenhouse gas emissions through its strategy of gradual reduction of energy consumption. HD Hyundai Construction Equipment conducts systematic data management and monitoring through the company-wide GHG Management System (HGMS) as well as the third-party verification of greenhouse gas control to secure the transparency of emissions management. In addition, the company participates in the assessment of global initiative Carbon Disclosure Project (CDP) to monitor the level of response to greenhouse gas emissions and climate change. It obtained Grade B in 2023.

The company has set energy saving goals to manage its general energy (electric power, city gas, and diesel; unit: won) consumption. As it reduced diesel consumption through its enhanced distribution system, idle time of finished products, and lead time for better productivity, it achieved the reduction rate as high as 2.4% in 2023. The company is planning to establish an advanced greenhouse gas and energy monitoring system through the Ulsan Campus upgrading project that continues until 2025. It also will establish and implement an gradual reduction plan by strengthening risk management activity in consideration of global climate change.

Water resource management

Wastewater generated from the production process is monitored and treated legitimately through an entrusted treatment agency and the dedicated wastewater treatment facilities at each worksite. Wastewater treated at the facilities is thoroughly managed to comply with legal standards. As efforts are put forth to reduce pollutants mainly through the dedicated treatment facilities, the cycle of coating facility wastewater discharge has been shortened (twice/week), and it is prohibited to discharge foreign substance mixtures such as oil when car wash facilities are used. Generated wastewater is all sent to the water quality improvement center to prevent any from flowing into a natural water system (ocean, river, etc.), and thus the impact on any hydroecological system is insignificant. In case of emergency situations such as natural disaster, emergency barriers and wastewater leakage preventive facilities are also prepared. To maintain the proper standards for water treatment, the total volume of organic carbon (TOC) and 4 other water pollutants are measured every month. Since 2023, the wastewater treatment facility renovation project has been conducted to secure safety over all the facilities of Ulsan Campus including aged ones. The EHS team continues to monitor the improvement progress to secure the efficiency of the project.

2023 energy consumption management (unit: won)

(Goal: 1%)

Reduction rate **2.4%**

2023 actual water savings compared to targets

(Goal: 62,505ton; actual result: 56,553ton, Ulsan Campus)

Achievement rate **90%**

Air Pollution Management

Air pollutants generated from discharge facilities include NOx, SOx, dust, and VOCs from coating and heating facilities. To reduce pollutant generation and minimize their impact on the local community, the company has established and operated the pollutant reduction (prevention) system for each discharge facility. In addition, preventive facilities such as dust collecting facility and RTO (Regenerative Thermal Oxidizer) are operated to maintain the pollutant level under 30% which is the legal reference concentration. Measuring is performed on discharge outlets at legally required intervals, and continued monitoring is performed to cope with possible risks proactively.

Chemical Management

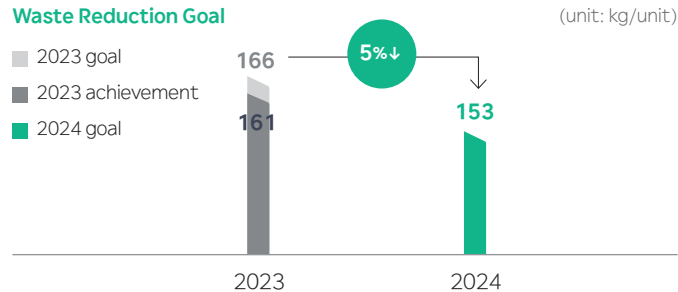
A dedicated system to prevent chemical leakage and manage hazardous chemicals at worksites is also operated. From chemical warehousing to use and disposal, the entire process is monitored. It is required to make available the MSDS (Material Safety Data Sheet) at each site and to conduct education sessions regularly so that all employees are alert to safety issues regarding chemicals. Since 2022, sodium hydroxide (toxic substance) has been replaced with a harmless substance as a counteragent for wastewater treatment. As a result, the company has achieved 'ZERO' hazardous chemical at worksites and emission of hazardous chemical is continuously monitored to achieve zero emission of hazardous chemical.

Waste Management

For waste reduction and recycling HD Hyundai Construction Equipment classifies various wastes generated from production and office work to ordinary waste and designated waste so that an entrusted specialized agency can treat them in a legitimate way. To facilitate the separated discharge of waste such as plastic, can, bottle, and waste paper, dedicated recycling bins are put near each worksite for high approachability. Classified wastes are sold to a specialized collecting agency to minimize waste for incineration and increase the recycling rate. Wastes not suitable for recycling are sent to an entrusted specialized treatment agency. To minimize incineration and landfill, a proper treatment agency is carefully selected with constant effort to minimize environmental pollution due to waste generation at a worksite. In addition, With an aim of waste reduction, contractors are encouraged to reduce delivery package and to finance community contribution and charity programs with the revenue generated from waste disposal. By 2023, we aim to reduce waste per unit by 10% compared to the previous year. We have defined and implemented reduction strategies for each type of waste with the aim of reducing waste by 10%. We have reduced the amount of waste generated to 13% by 2023 through active waste reduction efforts.

Waste Reduction Goal

- 2023 goal
- 2023 achievement
- 2024 goal



Packing material reduction activity Some raw and sub materials supplied to Ulsan Campus of HD Hyundai Construction Equipment are delivered by using disposable paper boxes as the packing material. It was suggested and discussed with contractors to replace such disposable paper boxes with reusable dedicated plastic box palletes since 2022. As of 2023, about 83% of all contractors have applied the suggested way of packing. Such ways including use of plastic boxes contribute to reducing waste generation and treatment costs. Contractors also can save costs for packing materials as such boxes are reusable. For contractors that may be difficult to adopt such a new process due to the financial burden, funding is considered as a way of minimizing the use of disposable packing materials.

2023 Waste Reduction Achievement

2023 goal of waste generation reduction (kg/unit) 166	2023 waste emissions (Accomplishment rate) 161 (103%)
Regular waste discharge (kg/unit) 37	Waste paper (paper box) discharge (kg/unit) 16

Biodiversity Management

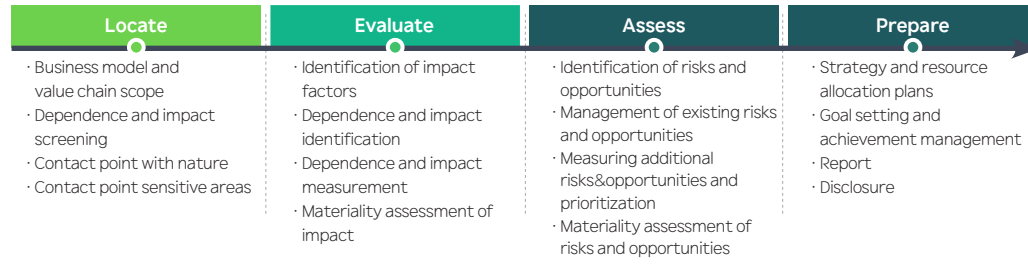
Biodiversity Policy

According to its biodiversity policy, HD Hyundai Construction Equipment puts forth every effort to review biodiversity risks that may result from its business activities at worksites both domestically and internationally, minimize impact on the ecosystem, and restore environments.

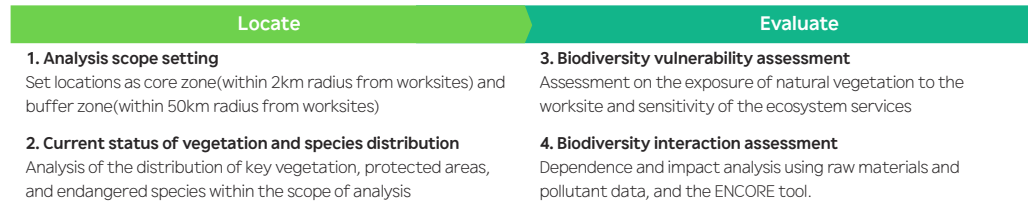
Biodiversity Assessment

HD Hyundai Construction Equipment has independently conducted biodiversity assessment on Ulsan Campus, applying the LEAP (Locate, Evaluate, Assess, Prepare) approach of the TNFD (Task-force on Nature-related Financial Disclosure), which is a global biodiversity framework for biodiversity assessment. In 2023, HD Hyundai Construction Equipment has located areas where there is an environmental impact and evaluated its level of dependence and effectiveness on such natural environment.

LEAP Approach



Ulsan Campus Locating and Evaluating Process



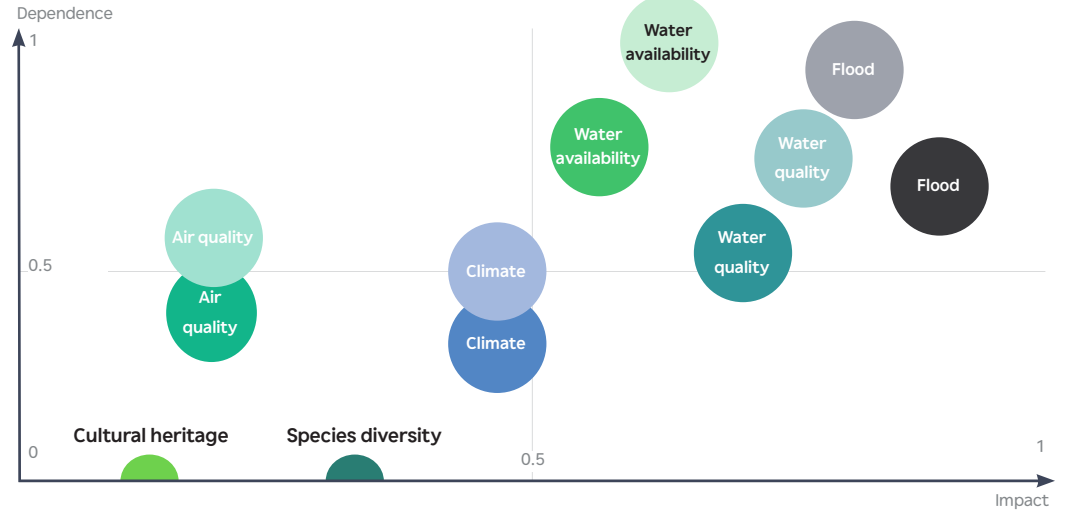
Biodiversity Assessment Result

HD Hyundai Construction Equipment analyzed the current status of worksite and surrounding areas of Ulsan Campus. As a result, it turned out that a large portion of the exposed vegetation within the key zone (2km) was waters (50%). In the buffer zone (50km), the majority were waters (57%) and forests (31%). According to the result of analysis on service sensitive to the ecosystem, that of the key zone (2km) was 0.37 on average, and that of the buffer zone (50km) was 0.50 on average.

Current status of the worksite and surrounding areas

Surrounding areas (within the boundary)	Major vegetation	Sensitive ecosystem services	Protected areas and cultural heritage zone	Species
Core zone: 2km Buffer zone: 50km	Waters (ocean, river), forests	Flood, water quality, cultural heritage	64 (KDPA: 60; UNESCO World Heritage Sites: 4)	14 (14 vulnerable species within 50km (VU))

Analysis of worksite dependence and impact



Analysis of value chain dependence and impact HD Hyundai Construction Equipment has assessed the dependence and impact of the value chain of each industrial sector on natural environments by using the ENCORE (Exploring Natural Capital Opportunities, Risks and Exposure) as recommended by the TNFD. As a result, the interconnectivity between factors affecting biodiversity and service in the ecosystem was estimated, and ecosystem service types to be managed first were identified.

Ecosystem service	Assessment ¹⁾	Value chain	Specific response strategies
Water availability	Depen- dence	H Upstream: Foundry Sand/ Silicon carbide production, power purchasing Downstream: Mineral mining	· 1-site 1-river purification activity
	Impact	H Entire value chain	
Species diversity (terrestrial ecosystem)	Impact	VH Upstream: Floor-sand production Downstream: Infrastructures construction, mineral mining	· Code of ethics between the corporation and dealer to prevent illegal mining · Compliance with essential requirements and monitoring prohibition of illegal use by Brazil dealers and education on the code of ethics · Planting Retusa Fringe trees over Soi-myeon, Eumseong-gun, Chungcheongbuk-do · Business agreement for the preservation of the Bukhansan Mountain Wuiyeonggil ecosystem with Korea National Park Service
		H Entire value chain	· Establishment and implementation of response to climate change strategies
Climate regulation (greenhouse gases)	Impact	H Entire value chain	· The cycle of coating facility wastewater discharge has been shortened (twice/week). · In case of emergency situations such as natural disaster, emer-gency barriers and wastewater leakage preventive facilities are also prepared. · To maintain the proper standards for water treatment, the Total Organic Carbon (TOC) and 4 other water pollutants are measured monthly. · Wastewater treatment facility renovation for safety and pro-cess improvement
Water quality	Impact	H Entire value chain	

1) The assessment is classified to VL (Very Low), L, M, H, and VH (Very High).

Ecosystem protection activity

HD Hyundai Construction Equipment conducts environmental protection activities related to ecosystem services identified as priorities for management based on the ENCORE analysis result.

On the Global Volunteering Day Three companies of the HD Hyundai Construction Equipment Sector had their worksites around the globe participate in the ecosystem restoration and biodiversity preservation efforts, taking the lead in preserving the earth and the environment. The Global Volunteering Day was first held in May 2023. More than 1,400 executives and employees around the globe including Korea, China, Indonesia, Brazil, and Czech Republic actively participated in environmental protection activities with specific themes near their worksites. In 2023, Eumseong Campus planted 300 Retusa Fringe trees to offset hazardous exhaust gases and carbon emissions near road sides around Soi-ro, Soi-myeon, Eumseong-gun, Chungcheongbuk-do. Early in 2024, 300 additional trees were planted on the Global Volunteering Day, total of 600 trees were planted. This business sector involves fluctuating land use that affects the inland ecosystem downstreams, but the company has utilized the equipment to create an urban forest as large as 21,000m² in total (2023: 10,500m², 2024: 10,500m²) and contributed to recovering the inland ecosystem in Eumseong-gun where 12 endangered wild species inhabit, which is of great significance. For trees to continue to grow well, regular maintenance work will be conducted including pest control, watering, etc. In addition, with the goal of forming 'HD Hyundai Construction Equipment Forest Path', the campaign will be conducted in other areas, including Ulsan.

Country	Major activity
Korea	Eumseong Campus: Planting Retusa Fringe trees over Soi-ro, Soi-myeon, Eumseong-gun, Chungcheongbuk-do
	Ulsan Campus: Garbage collection over Ilsan Beach near the worksite (50 bags)
Indonesia	Planting mangrove seedlings to restore the ecosystem in the mangrove forest, Jakarta
China	Chinese holding subsidiary: Garbage collection and free public bicycle service around Shanghai Pudong-Huangpu River and World Bridge
	Jiangsu subsidiary: Garbage collection around Yangtze River near the worksite



The Indonesian subsidiary participated in the seedling planting campaign in mangrove forests

The business agreement of Bukhansan Mountain Wuiryeonggil ecosystem preservation signed with Korea National Park Service

To realize the value of carbon neutrality in cooperation with HD Hyundai XiteSoultion and HD Hyundai Infracore, HD Hyundai Construction Equipment actively participated in the sustainable ecosystem restoration campaign through the agreement on 'Conservation of Uiryong-gil section of Bukhansan Mountain' with Korea National Park Service. Bukhansan Mountain Wuiryeonggil is an ecological trail connecting Wui-dong, Gangbuk-gu, Seoul, with Gyohyeon-ri, Jangheung-myeon, Yangju-si. It is highly worth the efforts to preserve as 13 legally protected animal species inhabit in this area. In accordance with this agreement, 100 million won is funded each year, 500 million won in total up to the year of 2027 (40 million won in 2023). The company supports the preservation and restoration project over Wuiryeonggil including trail remediation, ecological monitoring, eco-corridor upgrading, etc. Its executives/employees also will take the lead of environment purification activities to remove introduced species that disturb the ecosystem. This agreement is of great significance as a private-public cooperative project to realize carbon neutrality. HD Hyundai Construction Equipment will fulfill its social commitment to maintain sustainable ecosystems in line with its roadmap for carbon neutrality implementation and eco-friendly product development.

To Make Clean Local Communities HD Hyundai Construction Equipment minimizes environmental impact of operation at worksites on local communities and conducts local community environment purification activities. It participates in the 1-site 1-river purification project under the supervision of the competent authority. Autonomous environmental patrolling activity is conducted every week to monitor foul smell and river conditions around each worksite. It will fulfill its responsibilities and duties honestly with continued investment into local communities. In addition, three companies in HD Hyundai Construction Equipment Sector (HD Hyundai XiteSoultion, HD Hyundai Construction Equipment, and HD Hyundai Infracore) practice plogging around Tancheon (including waterside swamps), in Seongnam on a monthly basis. Ulsan Campus also practices beach purification activities in collaboration with the volunteering club. The worksite in Eumseong also participated in the national land cleaning campaign in cooperation with Soi-myeon residents as well as Eumseong Stream purification activities by using company's equipment. HD Hyundai Construction Equipment announces local volunteering opportunities quarterly and receives volunteers' application for participation. As this voluntary activity continues, HD Hyundai Construction Equipment will actively contribute to restore local community ecosystems.

Indian Subsidiary on the World Environment Day The India Corporation of HD Hyundai Construction Equipment conducted the environmental purification and planting event at the outer boundary of its plant in commemoration of the "World Environment Day" and "Arbor Day" on June 5, 2024. More than 200 resident employees and local workers participated in the cleaning campaign near the roads and drains. They planted 250 trees on a bare mountain near the company. This campaign became such a good opportunity to participate in environment purification activity not only within the worksite but also the neighboring areas as an eco-friendly company that fulfills its social commitments and roles. The company will continue to play its role as a responsible corporate citizen, going along with local communities.



The planting event of the India subsidiary on the World Environment Day

HD Hyundai Construction Equipment creates a society where everyone is safe and respects one another

SOCIAL

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Material Issue | 2

Human Rights Management

Principle and System of Human Rights Management

Principle of human rights management

HD Hyundai Construction Equipment publicly declared its commitment to human rights management in 2022 to ensure the dignity and value of stakeholders including executives and employees in all management activities.

Declaration of human rights management | HD Hyundai Construction Equipment respects, supports, and puts forth efforts to realize values of human rights, labor, environment, and anti-corruption presented by various international standards and norms of human rights such as UN Universal Declaration of Human Rights and UN Guiding Principles on Business and Human Rights.

HD Hyundai Construction Equipment strives to prevent any infringement of human rights in the process of business operation in direct or indirect relation with the company, organizes the Board of Directors, Chief ESG Officer, and related organizations to form the governance system, and establishes practical regulations for human rights management specifically regarding human rights management policies, operation of the Human Rights Management Committee, human rights impact assessments, and remedies for human rights violations.

Particularly in view of business characteristics, HD Hyundai Construction Equipment is keenly aware of the following as major human rights issues: safety and health of employees at a worksites, win-win growth and shared growth with contractors, contribution to and responsibility for environments and local communities. It will continue managing and monitoring human rights risks with such issues in mind. HD Hyundai Construction Equipment will take the lead of managing human rights so that this human rights policy can be applied not only to its executives and employees but also to all stakeholders including customer, stockholder, business partner, local community, and government.

[Human rights management of HD Hyundai Construction Equipment](#)

Practical regulations for human rights management

The company establishes and complies with practical regulations for human rights protection and management in accordance with the human rights management declaration. It strives to prevent infringement of human rights, and if any occurs, takes action to address it.

Practical regulations for human rights management

Prohibition of discrimination	The company prohibits any kind of discrimination based on gender, age, race, disability, religion, political orientation, place of origin, etc., and respects diversity.
Compliance with working conditions	The company sticks to statutory working hours of the country where the business is run. The company pays the appropriate compensation with a total compensation statement to every executive/employee.
Preventing bullying and sexual harassment in the worksite	The company understands that worksite harassment and sexual harassment are an illegal act causing lack of enthusiasm and loss of productivity at work. Every executive/employee should fully cooperate for prevention and eradication of worksite harassment and sexual harassment.
Freedom of association and bargaining	The company guarantees the freedom of association and bargaining in accordance with the Constitution and Labor Relations Act of Korea. It does not practice any disadvantages against unionization or union activity.
Prohibition of forced labor and child labor	The company prohibits any kind of forced labor and does not employ minor workers.
Prohibition of exploitation of labor	The company prohibits any kind of recruitment, transportation, transfer, harbouring receipt of persons by means of a threat or use of force or other forms of coercion, of abduction, of fraud, of deception for the purpose of exploitation.
Safety and health	The company creates safe and healthy working conditions to promote occupational safety and health.
Commitment to supply chain management	The company treats contractors fairly out of commitment to supply chain management. The company supports contractors to practice human rights management.
Human rights protection of local residents	The company pays keen attention to preventing any act of human rights infringement against local residents regarding their rights to safety and health, freedom of residence, etc.
Environmental rights	The company complies with domestic and international laws and regulations regarding environments and puts forth efforts to protect environments and prevent pollution in its business operation.
Protection of customers' human rights	The company puts forth efforts to protect customers' health, safety, and privacy.

Human rights management implementation system

HD Hyundai Construction Equipment specifies regulations on human rights management and operates a dedicated group for human rights management. To respect human rights all management activities, it organizes and operates the Human Rights Management Committee. All executives/employees support human rights management with the human rights management declaration as a basic code of conduct and criteria of valuation. The dedicated group develops and executes policies for human rights promotion with proper education programs provided. It also assesses possible impacts on human rights. In addition, the Human Rights Management Committee under the supervision of the ESG Management Committee discusses establishment and amendment of the human rights management declaration and this regulation as well as establishment of specific human rights management plans. Material issues of human rights are reported to the ESG Committee and ESG Management Committee which are part of the Board of Directors.

Governance of human rights management

Classification	Operation	Major role
ESG Committee	Committee under the Board of Directors	<ul style="list-style-type: none"> · The highest decision-making body related to human rights · Deliberation on material issues regarding human rights management
Human Rights Management Committee	<ul style="list-style-type: none"> · Chairman: Personnel management executive · Committee member: Related team leaders · Regular meeting, twice a year (extra special meeting when necessary) 	<ul style="list-style-type: none"> · Establishment of basic plans for human rights management · Human rights impact assessment, education on human rights, and deliberation on suggestions for human rights improvement · Remediation process for cases of human right infringements, deliberation for promotion of human rights protection
Human Rights Management Related Division	<ul style="list-style-type: none"> · Personnel, ESG, Purchasing, Law, etc. 	<ul style="list-style-type: none"> · Analysis of risks and improvement measures regarding human rights · Monitoring and reporting issues · Internal and external report and disclosure · Human rights management and practical implementation including education on human rights
Human Rights Management Dedicated Group	<ul style="list-style-type: none"> · Designated ones among related groups 	<ul style="list-style-type: none"> · Establishment and implementation of annual plans for human rights promotion · Internal and external report and disclosure of human rights education programs · Human rights education and impact assessment

Organization of the Human Rights Management Committee



Major agenda of the Human Rights Management Committee

Date	Major agenda	Implementation details
2023.02.20 (Quarter 1)	<ul style="list-style-type: none"> · 2022 performance report on human rights management and organizational culture · 2023 tasks on human rights management and organizational culture 	<ul style="list-style-type: none"> · 2023 plans for human rights promotion and organizational culture improvement
2023.04.18 (Quarter 2)	<ul style="list-style-type: none"> · Advancement of human rights impact assessment management 	<ul style="list-style-type: none"> · 2023 human rights impact assessment through external experts
2023.07.18 (Quarter 3)	<ul style="list-style-type: none"> · Improvement of communication between the company and its executives/employees 	<ul style="list-style-type: none"> · CA-led promotion of communication · Meeting with the CEO · Leadership education programs for workers in the production engineering sector
2023.10.31 (Quarter 4)	<ul style="list-style-type: none"> · Company-level organizational diagnosis 	<ul style="list-style-type: none"> · 2023 organizational diagnosis for office and production workers

Human Rights Risk Management

Human rights impact assessment

HD Hyundai Construction Equipment performs a human rights impact assessment to enhance its corporate sustainability and trust among stakeholders by analyzing and preventing actual or potential human rights risks in relation to business activity. 2023 human rights impact assessment upgrades the self-assessment metrics and business management metrics used in 2022. With external experts' participation and on-site inspection, the independence, objectivity, and reliability of the inspection on human rights have been strengthened. Particularly for human rights impact assessment, stakeholders in the value chain of HD Hyundai Construction Equipment were considered including its executives/employees, domestic and international supply chains, customers, business partners, local communities, etc. Human rights impact assessment was conducted among stakeholders vulnerable to human rights risks such as executives/employees and contractors.

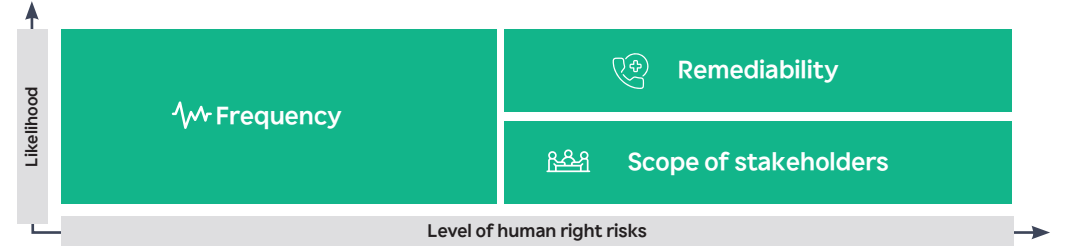
Human rights impact assessment process



Materiality assessment of human right risks

HD Hyundai Construction Equipment conducts a materiality assessment in consideration of the level and likelihood of human rights risks identified through impact assessment in the areas of management and business operation. Risks are classified to top-priority management issues (High Risk), medium-level human rights issues (Medium Risk), and ordinary management issues (Low Risk) to prioritize major human rights issues. 23 issues were identified in the area of management, and 16 in the area of business operation. For high-risk issues, improvement plans are promptly established and implemented.

Risk measurement metrics



Classification	Management metrics	Business operation metrics
Major content	Impact of the company's general management on human rights (whether human rights are considered in its corporate policy, procedure, practice, etc.)	Assessment of impact of a certain business activity or project on human rights (impact of the step of business planning, execution, and monitoring on human rights)
High Risk (Top-priority management issues)	Advancement of impact assessment, systematic development of risks management, impact assessment monitoring, and 2 more	Advancement of the environment implementation system, assembly process safety monitoring, and 5 more
Medium Risk (Medium-level management issues)	Human rights implementation system improvement, working environment improvement, and 9 more	Commitment to supply chain management, safety and health implementation system improvement, and 7 more
Low Risk (Ordinary management issues)	Promotion of consumer human rights protection, and 6 more	-

M Human Rights Management

Supply Chain Management

Safety and Health

Human Resources Management and Organizational Culture

Quality Management and Customer Satisfaction Improvement

Contribution to Local Communities

Advancement of human rights impact assessment

In the human rights impact assessment conducted internally, HD Hyundai Construction Equipment recorded low scores regarding measures necessary to establish the human rights implementation system and institutionalize human rights management. One of the suggestions for improvement was to include external experts in the human rights impact assessment for objective diagnosis. In 2023, a group of human rights experts with extensive experience in human rights management participated and advanced the human rights impact assessment in the two areas: general management and business operation. As to general management impact on human rights, 236 metrics in 11 areas were developed and applied to the due diligence in reflection of HD Hyundai Construction Equipment characteristics in reference to the manual of public agency human rights management released by the National Human Rights Commission of Korea and the UNGP RF (UN Guiding Principle Reporting Framework). As to business operation impact on human rights, 96 metrics in 8 areas were developed and applied to the due diligence based on internal and external environmental analysis, construction equipment production procedures, on-site inspection, and interviews with stakeholders to examine human rights risk in the value chain of construction equipment businesses.

Result of human rights impact assessment

According to the human rights impact assessment in 2023, more improvement tasks were suggested than 2022 assessment as the former developed more specific metrics based on international standards for human rights management report, analysis of general management and business operation in value chain, which helped secure the objectivity and reliability of the analysis of human rights risks owing to the external experts' participation. In addition, interviews with various internal and external stakeholders were conducted in addition to on-site inspection. As to the section of protection of pregnant women and disabled ones which recorded a low score in the internal assessment in 2022, detailed instructions on worksite change for pregnant workers (working from home in the early/late stage of pregnancy) were established. For improvement in safety, hygiene, and mobility convenience to secure labor rights of disabled workers, suggestions for improvement were reflected including installation of elevators and restrooms for the disabled as part of Ulsan GOC (Global Operation Center).

Result of human rights impact assessment, suggestions for improvement, and major improvement plans

Classification	No. of improvement tasks in the current (previous) term	Stakeholders	Mitigation measure	
General management	Governance that respects human rights	44(8)	All stakeholders (in the value chain)	<ul style="list-style-type: none"> Further development of the human rights management declaration and expansion of the scope of human rights impact assessment Improvement of the monitoring system for prevention of human rights infringement and current status analysis Advancement of remedy procedures for human rights infringement
	Non-discrimination in employment	1	Management/Employees	<ul style="list-style-type: none"> Establishment of plans to include specific provisions about non-discrimination in employment as part of employment rules
	Guarantee of freedom of association and bargaining	1	Management/Employees	<ul style="list-style-type: none"> Reflection of the latest trends in the union section of the organization agreement Including a provision of disadvantage prohibition for those who join the labor union as part of the organization agreement
	Prohibition of forced labor	3	Management/Employees	<ul style="list-style-type: none"> Implementation of plans to prevent forced labor through the Distributor Code of Ethics
	Prohibition of child labor	-	-	-
	Guarantee of occupational safety	1	Management/Employees	-
	Commitment to supply chain management	3(3)	Contractors at both domestically and internationally (supply chain)	<ul style="list-style-type: none"> Infringement of human rights by a contractor establishment of an infringement prevention system System advancement for commitment to supply chain management
	Protection of local residents' human rights	-	Local community	-
	Environmental rights	1	Local community	-
	Protection of consumers' human rights	1	Management/employee and customer	<ul style="list-style-type: none"> Implementation of education for CPO capability development
Business operation	Respectful treatment of workers and guarantee of their labor rights	2(2)	Management/employee, temporary workers, Contractors at both domestically and internationally (supply chain)	<ul style="list-style-type: none"> Resting facility improvement and creation of a restful atmosphere for workers' welfare
	Environment management	4	Management/employee, contractor (supply chain)	<ul style="list-style-type: none"> Monitoring the entire process from chemical warehousing to disposal
	Safety and health management	4	Local resident, customer Management/employee, contractor (supply chain)	<ul style="list-style-type: none"> MSDS posting at places that involve a risk of accident
	Support for production	1	Management/employee, contractor (supply chain)	<ul style="list-style-type: none"> Implementation of product LCA
	Performance test and delivery	2	Management/employee, contractor (supply chain)	<ul style="list-style-type: none"> Securing a safety zone over temporary shipping points
	Coating	1	Management/employee, contractor (supply chain)	<ul style="list-style-type: none"> Reorganization of the vehicle operation system
	Assembly	6	Management/employee, supplier (supply chain)	<ul style="list-style-type: none"> Separation of the forklift path from pedestrian areas Monitoring of the use of safety helmets
	Processing	7	Management/employee, contractor (supply chain)	<ul style="list-style-type: none"> Establishment of the procedural system for robot welding sites Safety system for frame processing and crane operation areas
Material management	1	Management/employee, contractor (supply chain)	<ul style="list-style-type: none"> Road surface management in production areas 	

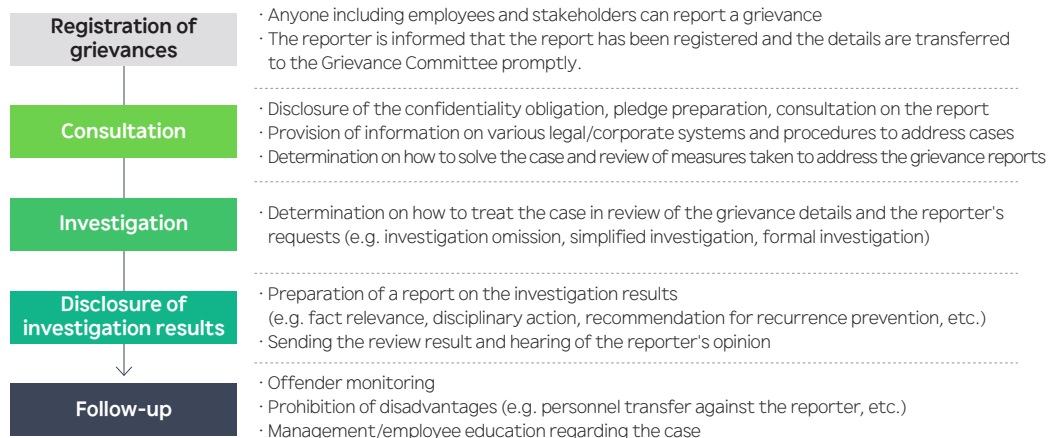
Education on Human Rights and Grievance Treatment

Education on human rights

To protect human rights and promote the values, HD Hyundai Construction Equipment supports necessary activities related to human rights. Annual education sessions about human rights are conducted for executives and employees. Education is practiced in such ways as cyber education, group education, and textbook-based education. Education for stakeholders such as contractor workers also may be conducted when necessary. In 2023, the company conducted the education session about prevention of sexual harassment at work and awareness of the disabled for executives and employees according to 'the Act on the Equal Employment for Both Sexes' and 'Employment Promotion and Vocational Rehabilitation for Disabled Person Act.' It also conducted another session as part of the obligatory education on prevention of workplace harassment and infringement of human rights.

Grievance process

HD Hyundai Construction Equipment operates the grievance process in a way that anyone who suffers an infringement of human rights can freely report it to the dedicated team and that there is no disadvantage to the whistleblower as the report is kept strictly confidential. To prevent employees from suffering infringement of human rights, various channels are utilized to receive reports both offline and online. If any risk of human right infringement is found among them, an action is taken accordingly to protect employees' human rights.



Grievance reporting channel

Classification	Major content
Employee representative body	Compensation/welfare, system, organizational culture, working hours, infrastructures, environment safety
Intranet	Personnel management/reward/education, general affairs/welfare, work, Safety and health, data processing, etc.
Hotline	Worksite harassment, etc.
Offline	Current status of various executive/employee grievance cases

2023 grievance reports
(Unit: case)

3

Grievance treatment committee To be prepared for and promptly cope with verbal and physical violences such as workplace harassment and sexual harassment, HD Hyundai Construction Equipment operates the Grievance Committee with at least two committee members from the labor and management respectively. The Grievance Committee does its best to cope with any reported infringement of employee human rights (sexual harassment and workplace harassment) and to prevent recurrence.



Committee roles

- Timely response to sexual harassment and harassment at work, and measures to prevent recurrence and deterioration (Personnel transfer of the offender in reflection of the victim's opinion)
- Consultation on employees' grievance reports and suggestions



Committee formation

- Chairman: HR/supporting division head
- Vice-chairman: People&Culture team leader
- Working staff: Consultation staff and advisory staff



Duties of the Grievance treatment committee

- Receiving reports on sexual harassment and harassment at work and hearing of and victims' opinions
- Monitoring and victim protection from secondary impairment
- Consideration of personnel transfer and establishment of recurrence preventive measures

Material Issue | 3

Supply Chain Management

Supply chain Implementation System and Policy

Supply chain management structure

HD Hyundai Construction Equipment has established the sustainable supply chain ecosystem in pursuit of creativity, challenging spirit, and driving force and create synergy impacts along with supplier around the world. The company has established and improved its supply chain implementation system and response plans for risks that may occur in the supply chain. It continues to create greater value and strengthen its environmental and social commitment along with an collaboration with supply chain partners and in accordance with global standards.



Decision-making body of supply chaining and its roles

Classification	Frequency	Major agenda of resolutions	Conducted by:
ESG Management Committee	Quarterly	Supply chain ESG strategy, ESG risks management	CEO and ESG Business Innovation Team
Internal Deliberation Committee	Monthly	Preliminary deliberation on the fairness and legitimacy of subcontract transactions of a certain scale	Purchasing division head
Supplier Facility Investment Deliberation Committee	Quarterly	Decision-making on supplier facility investment	Purchasing division head

Supply chain code of conduct

To promote a law-abiding spirit and establish a sustainable supply chain, HD Hyundai Construction Equipment has established supplier code of conduct, through which it recommends all suppliers contracted for product and service supply to the company or other transactions to comply with codes of conduct for their decision making and general business operation. Supplier codes of conduct specify detailed compliance provisions so that all suppliers comply with laws and regulations applicable to corporate management activity and practice the best possible operational practices in various areas such as ethics and fair transaction, environment, labor and human rights, safety and health, implementation system, etc. The company will continue to create opportunities for suppliers to grow along with HD Hyundai Construction Equipment as a more respectful enterprise in the society by complying with codes of conduct.

Ethics and fair transaction	Environment	Labor and human rights	Safety and health	management system
<ul style="list-style-type: none"> · Transparent management and anti-corruption · Prevention of conflict of interests · Unfair transaction prevention · Commitment to raw material management, etc. 	<ul style="list-style-type: none"> · Establishment of an environmental management system · Management of energy use and greenhouse gas emissions · Water resource management, air pollutant management · Waste management · Response to regulations on product environments, etc. 	<ul style="list-style-type: none"> · Discrimination prohibition (respect for diversity) · Compensation and welfare benefits · Working hours management · Humane treatment, etc. 	<ul style="list-style-type: none"> · Establishment occupational health and safety management system · Safety management of equipment, instruments, and facilities · Response to emergency situations · Safety diagnosis, etc. 	<ul style="list-style-type: none"> · Management system establishment · Response to legal and external requirements · Risk assessment · Education and communication, etc.

Compliance with supply chain ethics

HD Hyundai Construction Equipment prepares a written pledge of ethical management with each supplier to be sure that each supplier actively participates in practicing ethical management by complying with the code of ethics and practices transparent and fair transactions for mutual trust and growth. In addition, HD Hyundai Construction Equipment also uses the written pledge of corporate social responsibility so that each supplier can fulfill their social responsibilities in the areas of human rights, labor rules, environments, and anti-corruption.

Supply chain management policy

HD Hyundai Construction Equipment establishes and practices the supply chain management policy. The scope of the supply chain ESG management policy includes aspects defined by the supplier codes of conduct such as ethics, environments, labor and human rights, safety and health, and management system. This policy is applicable to all suppliers and their subordinate suppliers under the agreement of product and service supply to HD Hyundai Construction Equipment and related transactions. The supply chain ESG management policy is based on global standards such as UN guiding principles on business and human rights (UNGPs), OECD guideline for multinational enterprises, ILO key agreements, etc.

Four main policies of supply chain management

<p>Sustainable purchasing</p> <ul style="list-style-type: none"> Selection of suppliers that meet criteria of ESG management including ethical standards Checking whether all purchased items such as raw and sub materials, service, intellectual property rights, etc. are produced and procured in accord with ethical standards, ESG standards, and legal requirements. 	<p>Supplier responsibilities and management areas</p> <ul style="list-style-type: none"> All suppliers shall comply with supplier codes of conduct and ESG management policies of HD Hyundai Construction Equipment in their business decision making and general business operation. Supplier ESG management areas include 5 major areas—ethics, environments, labor and human rights, Safety and health, and implementation system—and 38 sub items.
<p>Supplier ESG assessment system</p> <ul style="list-style-type: none"> Supplier ESG assessment is practiced to reduce risks among Suppliers. ESG risks that a supplier may face are identified for its sustainable management. 	<p>Communication</p> <ul style="list-style-type: none"> Consistent communication with stakeholders, internal and external, regarding the current status of the supply chain ESG risks implementation system and analysis results Annual report on the sustainability, improvements, and measures of the supply chain ESG risks management

Supply chain management roadmap

The three companies of HD Hyundai Construction Equipment Sector has established the common process of purchase and supply chain ESG management. They also have established the roadmap for mid/long-term supply chain management, implementing tasks and practicing sustainable supply chain management based on that roadmap each year.

Mid/long-term supply chain management roadmap

	Short-term ~2024	Mid-term ~2025	Long-term ~2026
<p>Purchasing management principles and procedures</p>	<p>Purchasing management principle establishment</p>	<p>Global expansion of purchase management principles</p>	<p>Reflection of ESG assessment results in the purchase process</p>
<p>Management of supplier ESG performance</p>	<p>Assessment of the percentage of ESG-assessed companies</p>	<p>Global worksite inspection sampling</p>	<p>Assessment up to the coverage of 99%</p>
<p>Supplier communication and education</p>	<p>ESG education system establishment (yearly)</p>	<p>Quarterly ESG education</p>	<p>Development of model company benchmarking and education programs</p>
<p>Conflict / responsible mineral management</p>	<p>Current status diagnosis of conflicts /responsible minerals</p>	<p>CMRT development for Level 2 and higher level companies</p>	<p>CMRT/EMRT disclosure</p>

Supply chain management system

HD Hyundai Construction Equipment manages suppliers by classifying them to raw materials, parts, semi-finished products, and products. As of 2023, there are 404 Tier-1 suppliers. Critical suppliers are identified and specially managed based on the purchase volume. In addition, HD Hyundai Construction Equipment encourages ethical management and operates a comprehensive assessment system on supplier capabilities and a supply chain ESG assessment system in terms of ESG. The comprehensive assessment of suppliers is to evaluate the general quality, due date, price, safety environment, and financial status. To upgrade the ESG risk identification implementation system in the supply chain, the supply chain ESG assessment system has been established and operated since 2023. To strengthen the competitiveness of suppliers, various incentives and penalties have been applied to suppliers.

Current status of suppliers

Classification	Current status
No. of Tier-1 suppliers	404 companies
No. of Tier-1 critical suppliers (percentage)	55 companies (13.6%)
No. of domestic suppliers (percentage)	258 companies (63.9%)
No. of international suppliers (percentage)	146 companies (36.1%)
No. of ESG self-assessments on suppliers	100 companies
No. of ESG on-site inspection on suppliers	20 companies
No. of comprehensive assessments on suppliers	162 companies
No. of excellent suppliers (percentage)	10 companies (6.2%)
No. of high-risk suppliers (percentage)	11 companies (6.8%)

Fair registration and selection of suppliers

By securing the transparency and fairness of the process to select and operate suppliers, HD Hyundai Construction Equipment contributes to establishing trade order of fair subcontracting. The company standardizes procedures and assessment standards for new registration and operation of suppliers, improve the fairness and transparency of new suppliers, and accurately assess the level of suppliers to proactively minimize problems of ethics, due dates, quality, and prices. The company also conducts self-assessment on external and facility enterprises when a new supplier is registered to comprehensively monitor their quality certification, IT system setup, debt and current ratio, use of conflict minerals, social issues, etc. When a supplier is selected, the financial solvency of the target supplier is objectively examined based on assessment data collected by an external professional assessment agency. If necessary, the level of management assessment, quality assessment, financial assessment, and ethical management is reviewed through on-site inspections. In the future, the ESG assessment system will be utilized for procedures of registering and selecting suppliers as well.

Supply chain ESG risks management

Classification	Response activity
Risks and opportunities	<ul style="list-style-type: none"> · Fair trade and unfair competition · Supplier quality, global supply efficiency and economic feasibility · Supply chain ESG (human rights, labor, conflict minerals, etc.)
Risk identification and assessment process	<ul style="list-style-type: none"> · Comprehensive supplier assessment system · Regular supplier meeting and opinion collection · Supply chain ESG assessment system
Measures for risk reduction	<ul style="list-style-type: none"> · Support for improvement based on supply chain ESG assessment · Quality management of suppliers · Shared growth system (financial support, etc.) · Disclosure of 4 major execution goals of the Fair Trade Commission via HISRM (purchase portal system)
Management metrics and effectiveness assessment	<ul style="list-style-type: none"> · Tracking of supply chain ESG performance(yearly) · Shared growth performance management

Supply chain risks and opportunities

HD Hyundai Construction Equipment interacts with 258 domestic suppliers and 146 international suppliers. In the supply chain ecosystem, it is possible to enhance the efficiency by controlling the supply globalization, flexible production, global foothold establishment, due date management, etc. On the other wise, however, there are risks of supplier ecosystem complexity at the same time. Purchasing of construction equipment parts as well as services, equipment, and subordinate systems accounts for a significant percentage in the company's business activity expenses. The competitiveness of finished equipment heavily relies on the competitiveness of parts from the suppliers. The quality and technical power of parts from a supplier are directly related to consumers' trust. Therefore, the company addresses ESG risks through the supply chain ESG assessment system and develops sustainable growth drivers by strengthening the supplier quality competitiveness and using the shared growth system.

Supply Chain Management Strategy

ESG Management Areas in the Supply Chain

HD Hyundai Construction Equipment has specified 38 items under 5 major areas: ethics, environments, labor and human rights, safety and health, and implementation system. ESG capability development activities is supported by ESG guideline for supply chain.

Ethics 	Environment 	Labor and Human Rights 	Safety and Health 	Management system
<ul style="list-style-type: none"> Transparent management and anti-corruption Prevention of interest conflicts 	<ul style="list-style-type: none"> Establishment of an environmental management system Management of energy use and greenhouse gas emissions 	<ul style="list-style-type: none"> Discrimination prohibition (respect for diversity) Compensation and welfare 	<ul style="list-style-type: none"> Establishment occupational health and safety management system Safety management of equipment, instruments, and facilities 	<ul style="list-style-type: none"> Management system establishment Response to legal and external requirements
<ul style="list-style-type: none"> Unfair transaction prevention Prevention of counterfeit parts 	<ul style="list-style-type: none"> Water resource management Air pollutant management 	<ul style="list-style-type: none"> Working hours management, humane treatment Guarantee of freedom of association 	<ul style="list-style-type: none"> Response to emergency situations and control of accidents Safety diagnosis 	<ul style="list-style-type: none"> Appointment of persons in charge Risk Assessment Education and communication
<ul style="list-style-type: none"> Compliance with export restrictions Information protection 	<ul style="list-style-type: none"> Waste management Chemical management 	<ul style="list-style-type: none"> Prohibition of child labor Prohibition of forced labor 	<ul style="list-style-type: none"> Health management 	<ul style="list-style-type: none"> Information management Grievance treatment system operation
<ul style="list-style-type: none"> Commitment to raw material management, etc Ethics channel 	<ul style="list-style-type: none"> Pollutant prevention and resource saving Response to regulations on product environments 			<ul style="list-style-type: none"> Counterparts (subordinate suppliers) management Compliance with norms

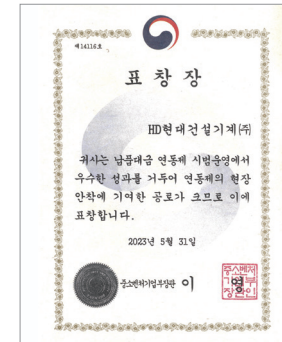
Supply chain supportive system

HD Hyundai Construction Equipment operates various supply chain support programs to establish and maintain the sustainable supply chain ecosystem.

Funding system HD Hyundai Construction Equipment assesses the financial performance as part of this supplier selection and assessment process. The company has raised shared growth funds for the stable management supplier capitals, providing financial support for 0.6% loan interests up to 1 billion won and thus contributing to securing the liquidity of suppliers. To help suppliers to secure the fund liquidity, the company pays material prices within 10 days from the issuance of the transaction specifications 100% in cash. On holidays and in summer vacation periods, material prices are paid to the suppliers earlier for its smooth fund operation.

ESG shared growth fund operation Three companies under HD Hyundai Construction Equipment Sector including HD Hyundai Construction Equipment have raised ESG shared growth funds and supported financial purchasing of supplier that participated in ESG management. Such practical funding for ESG management is applied to domestic suppliers that are included in self-assessment of supply chain ESG. The three companies in HD Hyundai Construction Equipment Sector and financial agencies performs internal screening and selects suppliers to offer borrowings at discount.

Delivery Price Indexation System In compliance with Delivery Price Indexation System introduced by Ministry of SMEs and Startups, a pilot project was performed. The project was selected for an exemplary case, resulting in winning the Prize of the Minister of SMEs and Startups in June 2023. Delivery price indexation is a policy to adjust the price of delivered goods in proportion to the fluctuation in the price of raw materials between a commissioning enterprise and a commissioned enterprise. Through this system, the company has established a stable, long-term trading relation with suppliers, contributing to the mutually beneficial partnership.



Award for the Delivery Price Indexation System

Supplier management system and support for facility investment

HD Hyundai Construction Equipment supports smart factories to strengthen the digital competitive edge of suppliers. In connection with the smart factory promotion project of the Ministry of SMEs and Startups, the company has secured the budget of 390 million won and conducted the large/medium/small sized win-win smart plant program. Through this program, eight suppliers were selected. In 2023, the on-site inspection and consultation were completed with the necessary support provided for smart factory establishment. In consideration of the transaction scale and assessment rating, beneficiary suppliers were selected through the Internal Deliberation Committee among suppliers that applied for the facility investment. Loans for facility investment such as automated facilities are also granted to these companies. The company will continue to strengthen the manufacturing competitiveness by providing support for the implementation system and facility investment for suppliers.



Agreement ceremony for large/medium/small sized win-win smart plants

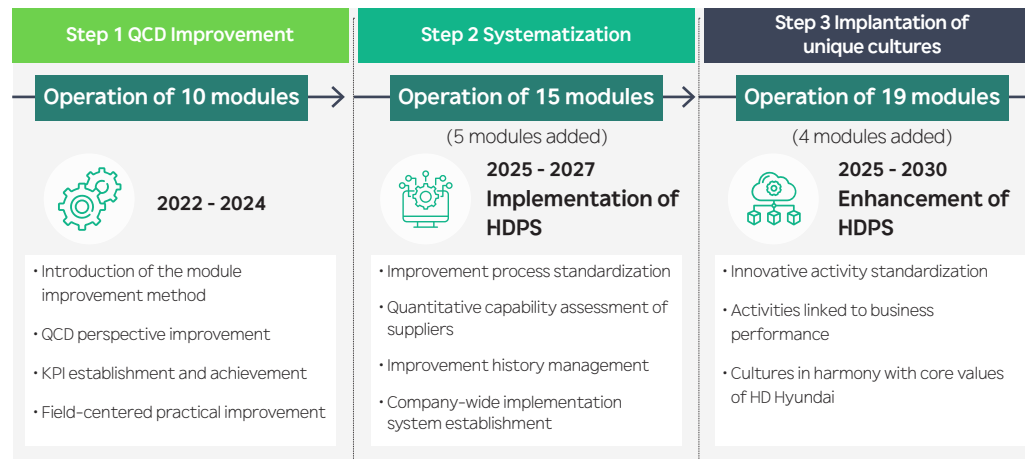


Agreement ceremony of support for supplier facility investment

Support for technology and education

HDPS (HD Hyundai Production System) program HD Hyundai Construction Equipment seeks to help suppliers address their problems through the HDPS module development activity as part of the supplier development program. In addition to that, the 3-step project up to 2030 is conducted with the goal of improving the internal capability and securing suppliers' fundamental competitiveness including the supply capacity and quality competitiveness based on the comprehensive assessment (supplier assessment). The internalization of the QCD (Quality Cost Delivery) improvement method in Step 1 was followed by the company-wide production innovation implementation system of suppliers in Step 2. Step 3 is to implant the core values and unique cultures of HD Hyundai in Step 3 with the goal of improving the global competitiveness of suppliers. To strengthen the QCD capability in the development step, the DRM (Design Review Meeting) and RTS (Review of Technical Specification) Tool will be operated for newly developed parts. This system will be implemented by 2026 after the tool development period up to 2025. To prevent recurrence of problems in the past, the company conducts thorough verification in the designing stage of newly developed parts through the DRM. Suppliers will be able to understand design specifications required by the company through the RTS and to reflect them in their products. In addition, feedback about the productivity will be collected from suppliers so that the necessity of improvement is reviewed and applied to secure the QCD competitiveness of parts prior to full-scale mass production.

Suppliers HDPS (HD Hyundai Production System) implementation plan



Support for education on vocational capabilities HD Hyundai Construction Equipment conducts the technology education program entitled 'Production Innovation Academy' four times a year among supplier executives/employees. Through this project, the company supports suppliers talent training systematically and strengthens their QCD capabilities through the production innovation method. In addition, site visits for quality technology education are conducted as part of the active support for their quality improvement.

Operation performance of the production innovation academy

Classification	No. of trainees	Major contents
Class 1	260 individuals from 60 companies	Exemplary cases of supplier improvement, introduction to the production innovation module, introduction and implementation of the 3Jung 5S system
Class 2	241 individuals from 60 companies	Necessity of paradigm transition and autonomous human resource training, line efficiency improvement between production processes
Class 3	254 individuals from 47 companies	New technology trends (laser utilization, smart factory application cases, etc.) and RTS concepts and practical plans
Class 4	204 individuals from 63 companies	Presentation of smart factory establishment performance

Supporting program for supplier assessment rating improvement HD Hyundai Construction Equipment evaluates the general rating of each supplier to secure and improve the soundness of the supply chain among suppliers. For suppliers of a lower rating, the capability improvement TF is operated to help them strengthen the competitive power. Particularly for companies of a lower rating in 2023, the improvement plan and agreement for rating improvement were established in 2024. The plant operation of each supplier was inspected to find and address quality or deadline management problems. Based on the analysis results, improvement plans have been established with the intensive improvement project for plant operation currently in progress.

Main contents of the supporting program for supplier assessment rating improvement

Quality	Deadline
<ul style="list-style-type: none"> Improvement task and implementation management (process improvement and standardization) Supplier process inspection and support for improvement Supplier education and capability enhancement, quality system upgrading, etc. 	<ul style="list-style-type: none"> The supplier management/operation status is inspected based on the supplier production innovation standards (HDSEP). Process audit for LOB (Line of Balance) inspection, etc.

Legal education for suppliers Themes that would be helpful for suppliers were selected such as response to legal revisions related to their vocations as well as direct duties and technologies, and special lectures are conducted with these themes twice a year. In 2023, the education was about revisions to the Severe Disaster Punishment Act. For smooth import/export affairs of each supplier including trading with the company, practical education programs about FTA application are also conducted specifically including issuance of the country-of-origin certificate and implementation of governmental support projects.

Support for supplier ESG Early in 2023, ESG education was conducted among managements of 53 major suppliers. During the second half as well, ESG education was conducted for hands-on workers at 100 suppliers as the ESG self-assessment was newly established. In addition, on-site inspection was conducted among 20 companies including high-risk suppliers and other entities that requested for consulting based on the ESG self-assessment results during the second half of 2023. As a result, the ESG consulting system to derive key improvement projects was also initiated. Such efforts are expected to help suppliers to internalize and develop ESG management capabilities.



Production innovation academy

Supply Chain Risk Management

Supply chain assessment

HD Hyundai Construction Equipment has operated the comprehensive supplier assessment system to generally examine the quality, deadlines, prices, safety environments, and financial status of each supplier. For high-risk suppliers of a low rating, their status of improvement measure establishment and implementation was inspected and managed. Since 2023, supply chain ESG assessment also has been implemented to analyze potential risks regarding their labor rights, safety and health, environment s, ethics, and implementation systems. Improvement plans will be established based on the assessment results with their implementation monitored.

Supply chain ESG assessment process

To analyze the level of supply chain ESG management implementation in 2023, the three companies in HD Hyundai Construction Equipment Sector including HD Hyundai Construction Equipment selected 65 metrics in 5 different areas (labor and human rights, safety and health, environments, ethics, and implementation system) in reference to the Labor Standards Act, Occupational Safety and Health Act, and RBA (Responsible Business Alliance). The supplier ESG assessment metrics was newly added and the ESG assessment project also was conducted through self-assessment and on-site inspection. In 2023, 100 critical suppliers whose purchase amount was at least 100 million won were selected. The online self-assessment was conducted to derive potential ESG risks in the supply chain, and 20 out of 100 suppliers were selected as a result. On-site inspection also was implemented to determine the actual level of ESG management implementation among suppliers.

Step 1	Step 2	Step 3	Step 4	Step 5
Awareness raising among suppliers	ESG self-assessment	ESG on-site inspection	Risk finding and assessment in the supply chain	Plans and follow-up measures for risks
<ul style="list-style-type: none"> Acceptance of the written consent of codes of conduct compliance from suppliers Reflecting ESG items in each supplier's trade contracts Support for education on ESG and supply chain management 	<ul style="list-style-type: none"> Establishment of supplier ESG assessment metrics Selection of suppliers subject to assessment Implementation of ESG self-inspection on critical suppliers 	<ul style="list-style-type: none"> On-site inspection on information provided by suppliers Sharing excellent examples of ESG management and education programs for awareness-raising 	<ul style="list-style-type: none"> Improvement plans derived based on on-site inspection results 	<ul style="list-style-type: none"> Issues on labor and human rights and corporate ethics of some suppliers Request for corrective measures

Supply chain ESG assessment result analysis and improvement task

According to the results of the supply chain ESG assessment in 2023, overseas suppliers gained a higher score than domestic ones in every section of the ESG assessment. In general, the score was outstanding in the 'safety and health' section while the score in the 'implementation system' section which was to promote ESG implementation and examine the results was relatively low. The company included each supplier's statement of social and environmental commitment and norm compliance in written plans for transaction relationships. The company will continue to help each supplier to improve their ESG level and practice such plans. With the pilot project of assessment in 2023 as the beginning, the level of each supplier's ESG will be assessed and managed. Depending on the extent that each supplier implements and improves their ESG actions, incentives and penalties will be actively applied to them accordingly.

Improvement plans in each ESG assessment section

Area	Vulnerable item	Improvement plans
Ethics	<ul style="list-style-type: none"> Commitment to material purchase Prevention of anti-corruption and interest conflicts 	<ul style="list-style-type: none"> Establishment of a policy about environmental and social commitment to raw and sub material purchasing Establishment of documentary review and due diligence procedures for the source of raw and sub materials and the process of production Establishment and operation of regulations and instructions about a reporting channel of corruptions and interest conflict among executives/employees or stakeholders
Environment	<ul style="list-style-type: none"> Energy and greenhouse gas emissions Hazardous substance management 	<ul style="list-style-type: none"> Development and management of internal regulations to save energy and reduce greenhouse gas emissions establishment of environment policies, hazard assessment of chemicals, and systematic management of ingredient and content information
Labor and Human Rights	<ul style="list-style-type: none"> Child labor and teenager labor Forced labor and voluntary labor 	<ul style="list-style-type: none"> Supplementary contents to the human rights charter and employment rules for human rights management Specific instructions on provisions of child labor prohibition and young worker protection
Safety and Health	<ul style="list-style-type: none"> Industrial accident Industrial hygiene 	<ul style="list-style-type: none"> Establishing and strengthening safety and health management regulations in reflection of the safety and health implementation system of the Occupation Safety and Health Act Management and documentation of the emergency response system, executive/employee education and training, firefighting facilities, etc.
Implementation System	<ul style="list-style-type: none"> Reflection of transaction relationships Requirement of compliance with codes of conduct 	<ul style="list-style-type: none"> Procedures for ESG or CSR performance review and improvement activity are established to internally specify goals and implementation plans Establishment of supplier codes of conduct, regular inspection of their implementation practices, and reflection of the results in trading relations

Supply Chain Management Metrics and Target

Supply chain management goal

To identify ESG risks in the supply chain, HD Hyundai Construction Equipment has conducted self-assessment and on-site inspection of supply chain ESG since 2023. Self-assessment is for suppliers whose purchase amount is at least 100 million won while on-site inspection is primarily for suppliers that need to improve the ESG among companies on which self-assessment is conducted. The company has set the goal of completing on-site inspection on suppliers that account for 95% of the total purchase amount by 2025.

Supply chain ESG assessment

Classification	Major content
2023 performance	Self-assessment: 100 companies On-site inspection: 20 companies
2024 target	Self-assessment: 267 companies On-site inspection: 25 companies
2025 target	Self-assessment: 267 companies On-site inspection: 23 companies

Supplier incentive and penalty system

To strengthen the competitiveness of suppliers, HD Hyundai Construction Equipment has applied and operated various incentives and penalties based on the comprehensive assessment on suppliers. Based on the supply chain ESG assessment that has been implemented since 2023, the supplier incentive and penalty system also will be utilized with the level of ESG implementation practices reflected in the supplier assessment.

Overview of the supplier incentive and penalty system

Incentive system

- Plaque awarded
- Acquiring a priority regarding facility investments and the financial support system
- Reduction of claim amounts, etc.



Penalty system

- The lowest rating is restricted from requests for new parts estimation
- If the lowest rating continues for 4 consecutive times, the transaction is discontinued.



Supplier support performance

Classification	Program	Support performance
Direct support	Early payment of material prices prior to national holidays or summer vacation seasons (total amount of early payment: 97.2 billion won)	100 million won (amount of interests for early payment of material prices)
	Financial support for supplier facility investment	5 billion won
	Support for supplier advance payments	900 million won
Mixed support	Establishment of shared growth funds for suppliers to offer suppliers at low interest rates	28.9 billion won
Special support	Financial support for technology available to suppliers through the agreement of technology guarantee and win-win growth	5.9 billion won
	Support for establishment of large/medium/small sized win-win smart plants	1.2 billion won
	Support for welfare of suppliers	420 million won

- Human Rights Management
- M Supply Chain Management**
- Safety and Health
- Human Resources Management and Organizational Culture
- Quality Management and Customer Satisfaction Improvement
- Contribution to Local Communities

Strengthening communication with the suppliers

For systematic and smooth communication with suppliers, HD Hyundai Construction Equipment has organized the supplier meeting and convened the meeting on a regular basis, sharing the current status of business management and hearing from them about grievances. In addition, excellent suppliers are awarded to promote their continued capability improvement. To further promote communication with suppliers, the company has opened offices at Bundang and Ulsan and provided assistance for their operation. At overseas worksites as well, meetings and invitational events are actively conducted for better communication with suppliers.

Holding a New Year's party with India Subsidiary suppliers India subsidiary of HD Hyundai Construction Equipment held a New Year's party in January 2023 where major suppliers supplying excavator parts and India subsidiary executives/employees participated. In this party, suppliers that were excellent in terms of quality, delivery before the deadline, technology development, etc. in 2022 were awarded. The presentation session explained the market conditions, production and purchase plans, and major quality management metrics in 2023. Additionally, plans for mutual development such as strengthening the supplier competitiveness and synergy impacts were also discussed.

Ulsan Campus supplier meeting and agreement ceremony for common funds In December 2023, representatives from 52 suppliers and executives/employees from HD Hyundai Construction Equipment attended this meeting where major performance in 2023 and major business plans in 2024 were presented. Excellent suppliers were awarded and 2024 supplier supporting plans including smart factory and ESG management were presented. All attendees including suppliers determined to further promote various win-win growth activities. In addition, the agreement of common funding was concluded to support business funds of suppliers. The common funds raised by both HD Hyundai Construction Equipment and suppliers will be autonomously managed by suppliers.

Agreement ceremony for supplier quality improvement and timely delivery In February 2024, the purchase division and quality division of HD Hyundai Construction Equipment held the agreement ceremony for supplier quality improvement and timely delivery while representatives and employees from six suppliers attended to strengthen the basic competitiveness of suppliers. In this agreement ceremony, general assessment results in 2023 were presented. Goals for quality improvement and timely delivery and strategies to achieve them were also discussed. In operation of the integrated improvement support team of the purchase division and quality division, plans to improve the process, capabilities, quality systems, etc. of suppliers were shared. With this agreement ceremony as the beginning, the company will visit worksites of suppliers to be improved in 2024 and conduct activities to strengthen their quality, timely delivery, and competitiveness.



New Year's party with India subsidiary suppliers



Agreement ceremony for common funding of Ulsan Campus suppliers

Conflict Mineral

Commitment to conflict mineral management

To prevent conflict minerals from being involved in the supply chain of the company's production line, HD Hyundai Construction Equipment specifies policies regarding conflict minerals as part of the supplier codes of conduct and provides support for suppliers compliance with the such policies. The company helps suppliers that manufacture and supply parts or product including conflict minerals to procure materials from a source involving no conflict. Suppliers provide related evidentiary documents such as country-of-origin certificate as requested by HD Hyundai Construction Equipment.

Conflict minerals management policy

HD Hyundai Construction Equipment continues to manage risks of conflict minerals and responsible minerals so that such minerals are not involved in the supply chain for production. To minimize such risks through proactive management, the company established the specific rules for risk management of conflict minerals and responsible minerals in March 2024, which define conflict and responsible minerals to be managed. Such minerals are managed throughout the material transaction process.

Commitment to raw material management |

- ① A supplier shall establish a process to identify the country of origin and smelter of all minerals and raw materials including conflict minerals and responsible minerals in products such as tin, tungsten, tantalum, gold, etc.
- ② A supplier shall put forth honest efforts to check if there are any social, environmental issues such as serious human rights infringement, ethical violation, negative environmental impact, etc. at any country of origin or smelter of minerals and raw materials throughout the current process.
- ③ If minerals and raw materials are handled as primary items, a supplier shall internally investigate and verify that any of the mining and processing procedures of such minerals and raw materials does not involve an infringement of human rights, ethical violation, or negative environmental impact.
- ④ If there is a reasonable suspicion that any raw material is illegal and causes negative impact on environments or procured through an unethical method, the supplier shall establish a policy to prevent such material from being used.
- ⑤ A supplier shall not use, in the company's supply chain, any raw material or mineral (tin, tantalum, tungsten, gold, etc.) from a certain country of origin according to the OECD guideline for responsible supply chains of regions involving conflicts and high risks.
- ⑥ A supplier shall provide evidentiary documents such as country-of-origin certificate as requested by HD Hyundai Construction Equipment.

Management target and working process

Classification	Management target
Conflict mineral	<ul style="list-style-type: none"> · Conflict area: Democratic Republic of the Congo, Congo, Sudan, Rwanda, Burundi, Uganda, Zambia, Angola, Tanzania, and Central Africa · Conflict mineral: Tin, Tantalum, Tungsten, Gold
Responsible mineral	Responsible mineral: Cobalt, Mica
Classification	Work Procedure
Newly traded material	<ul style="list-style-type: none"> · (When a new supplier is registered) Checking if a certain supplier handles any conflict minerals or responsible minerals, and if it does, the supplier is removed from the list of registered suppliers. · (Existing suppliers) Checking if any newly traded product involves conflict minerals or responsible minerals, and if it does, the material supplier is removed from the list of registered suppliers.
Previously traded material	<ul style="list-style-type: none"> · The CMRT (Conflict Minerals Reporting Template) and EMRT (Extended Minerals Reporting Template) are collected from the supplier to confirm the country of origin or smelter of minerals. · The supplier is advised to deal with a smelter with the RMAP (Responsible Minerals Assurance Process) certificate.

Material Issue | 4

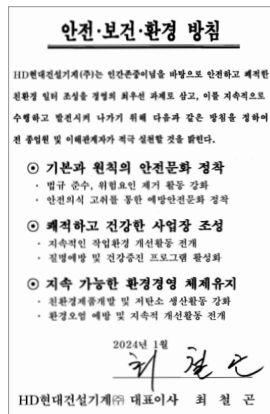
Safety and Health

Safety and Health Implementation System and Policy

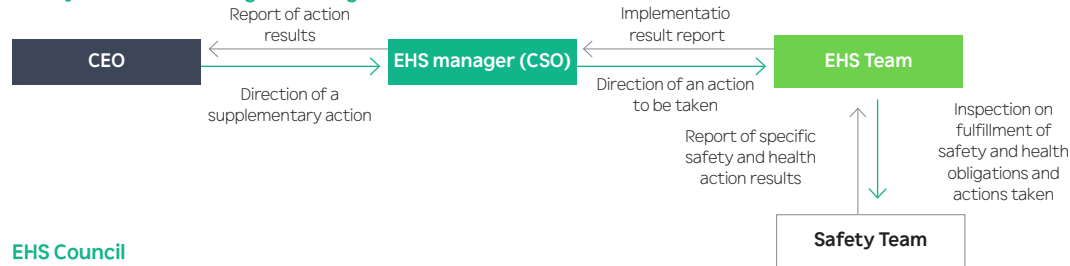
Safety and health management policy

For the top priority task—creation of safe worksites—on the basis of respect for humanity, HD Hyundai Construction Equipment has established the safety and health environment management policy and continues to have its employees and stakeholders practice safety and health activities in line with this goal each year. The company has established standards for occupational safety and health and clarified the responsibilities, applying them to all suppliers, visitors, facilities, and equipment, instruments, and vehicles as well as its own executives and employees.

Safety and health policy



Safety and health management organization



EHS Council

Type	Frequency	Agenda	Conducted by:	2023 achievement
ESG Committee	Three times a year	Review on management policies, organization, budgets, performance, and activity plans regarding safety and health	CEO, outside director	Three times implemented
Company-wide EHS meeting (EHS Session)	Monthly (semiannually)*	EHS compliance monitoring, reporting of EHS agenda and activities at each worksite	CEO, each worksite EHS officer	12 times implemented (twice)*
EHS Patrol	Weekly	Onsite safety inspection under the direction of the director of the headquarters (on-site inspection on critical risks)	EHS officer at each worksite	44 times implemented
Management-level safety inspection	As needed	Special inspection on typhoons and before/after a national holiday, and encouragement	Management and division executives at each worksite	12 times
Inspection on Safety and health obligations	Semi-annually	Safety inspection on each worksite in accord with related laws and regulations	General manager of Safety and health	Two times
Each supplier's EHS Council	Monthly	Discussion on Safety and health activity results and supports at each supplier	General manager of Safety and health	12 times
Supplier joint inspection on Safety and health practices	Quarterly	Safety and health inspection in each supplier's working areas and vulnerable areas	General manager of Safety and health	Four times

* The monthly report session is held once a month. The general semiannual report is held semiannually.

Safety and health system

HD Hyundai Construction Equipment establishes and implements Safety and health policies in cooperation with the EHS team and safety team of the CSO (Chief Safety Officer) under the direct supervision of the CEO. For each worksite, the EHS officer (executive level) is designated to strengthen the responsible safety leadership in compliance with safety rules and working standards.

Safety and health policy

HD Hyundai Construction Equipment abides by laws and standards for occupational Safety and health, pursues safety with Safety and health management as the top priority, creates safe working environment for all executives/employees and those at suppliers, and establishes and operates Safety and health policies to protect safety and health of all stakeholders including customers. In addition, this safety and health management policy recommends all stakeholders in a transaction relation including customers and business partners as well as all domestic and overseas worksites of HD Hyundai Construction Equipment to apply this policy as well.

Safety and health plans

HD Hyundai Construction Equipment complies with the Occupation Safety and Health Act which has been established for the purpose of strengthening corporate Safety and health management. Each year, the CEO establishes plans for the company's safety and health and reports it to the Board of Directors for approval.

Safety and health plan establishment and implementation process



Safety and health activity HD Hyundai Construction Equipment promotes principle-based, responsible safety cultures and practices Safety and health management activities focusing on participation and prevention in accord with ISO 45001, the international standards for Safety and health. In addition, it assesses the results of Safety and health implementation each year and reflects the results in its Safety and health plans and policies for continuous improvement activities.

Major Safety and health activity





Classification	Major activity
Strengthening the safety leadership and safety system	<ul style="list-style-type: none"> · Strengthening the safety organization · Renewal of the Safety and health implementation system (ISO 45001)
Proactive, preventive system establishment	<ul style="list-style-type: none"> · Ulsan Campus advancement project and labor-management joint safety inspection · Coaching and semi-annual reward system for risk assessment promotion · 3-Gate Process for safety verification in each step · Smooth labor-management negotiation for safety improvement
Support for supplier safety management	<ul style="list-style-type: none"> · EHS Council operation and supplier joint inspection · Incentive system operation for responsible safety managers · Direction for fire prevention among outside suppliers
Health promotion activity	<ul style="list-style-type: none"> · Onsite CPR/AED education and smoking clinic · Worker health checkup and follow-up management · Worksite environment analysis and improvement activity
Safety awareness raising activity	<ul style="list-style-type: none"> · Selection of exemplary and skillful technicals (in the area of occupational safety) · Company safety experts training (38 individuals with a safety-related certificate)
Implementation of Safety and health duties	<ul style="list-style-type: none"> · Review of the first-half and second-half term obligation implementation in accord with the Occupational Safety and Health Act

Safety and Health Risk Management

Safety and health risk assessment

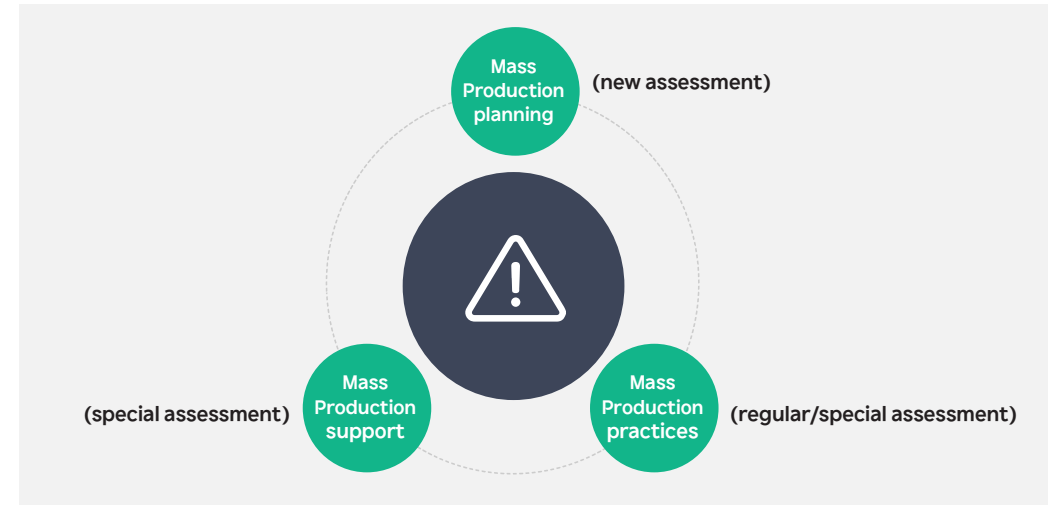
HD Hyundai Construction Equipment conducts risk assessment to identify Safety and health risks in all activities that may potentially or actually involve hazards regarding humans, facilities, materials, and working environment. The purpose of risk assessment is to analyze hazards and establish improvement plans for high-risk factors so that possible accidents are prevented. Regular annual risk assessments and special assessments upon an incident or new facility/process application are conducted separately. For such risk measures to be practical, opinions are collected from managers, workers, and experts involved in that process. As to risks of each hazardous factor, the likelihood and materiality are assessed based on on-site inspection and opinions collected. If the assessment result shows high risks, the work is suspended and actions are taken to reduce the risk with improvement plans established. As to assessment on the effectiveness of measures for safety and health risks, the extent of risk reduction is analyzed (regular assessment and special assessment upon an accident or facility introduction) and a reward is granted based on the risk assessment result semi-annually. In addition, standard work procedures may be revised in line with actions for risks, and improvement activity to reduce safety and health risks also is implemented continually.

Risk assessment process

Step 1 Planing (P)	Step 2 Implementation (D)	Step 3 Assessment (C)	Step 4 Action (D)
 <p>Risk assessment planning</p> <ul style="list-style-type: none"> • Risk assessment scheduling and assessment committee member appointment • Establishment & revision of standard work guidelines, hazardous risks assessment sheets and instructions, etc. • Analysis of hazardous risk factors 	 <p>Determination on risk assessment targets</p> <ul style="list-style-type: none"> • Standard work specification/implementation • Selection of hazardous risks to be assessed according to the standard work guideline and preparation of assessment sheets 	 <p>Risk assessment implementation</p> <ul style="list-style-type: none"> • Regular (annually) assessment and new/special (re-assessment) assessment • Inspection on assessment practices (audit) 	 <p>Establishment of improvement plans</p> <ul style="list-style-type: none"> • Corrective measures for improvement planning and establishment • Review of improvement results

Securing the validity of risk assessment

HD Hyundai Construction Equipment promotes the internalization of risk assessment cultures throughout the production activities by utilizing annual risk assessment results, putting forth efforts to improve the effectiveness of risk assessment continually. As risk assessment and improvement plans were implemented, the LTI (Lost Time Injury) decreased as much as 67% in 2023 compared to 2022.



Classification	Major content
New assessment	3-Gate Process stabilization (prior inspection → test operation → safety check)
Regular/special assessment	Regular work: Regular risk assessment and rewarding to promote active participation among team members Special work: Risk assessment for unexpected tasks, etc.
Constant assessment	Approval of dangerous work only after safety inspection and then patrolling labor-management cooperative practices with safety as top priority

Safety Management Activity

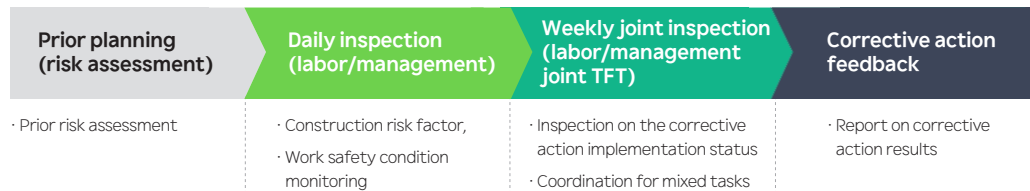
3-Gate Process

HD Hyundai Construction Equipment conducts prior inspection on a facility investment project (including construction work) at each major division to thoroughly examine compliance with safety regulations and permits. 3-Gate Process is operated to make sure each worksite is safe. Among 23 construction projects in 2023, about 73% were managed with 3-Gate Process except minor construction work. To be sure that worksites are safe, the awarding system is also applied to exemplary EHS individuals in each step.



- Upon finding any failure of complying GATE 1,2 requirements, the project is suspended until the problem is solved.
- If a new problem is found, the construction is resumed only after it is addressed.

Safety management in the Ulsan Campus advancement project HD Hyundai Construction Equipment has established and operated a process of strengthen the safety management practices in the Ulsan Campus advancement project. Its activities for this project include the following: access control over the demolition and excavating area, securing safe paths, installation of advanced facilities, prior risk inspection for plant remodeling, etc. While the Ulsan Campus advancement project proceeds, the company will proactively monitor investment facilities in the production line and compliance with related laws and EHS permits.



Integrated Safety and health implementation system

HD Hyundai Construction Equipment utilizes the integrated implementation system for HD Hyundai safety and health environments called HiSEs (Hyundai Integrated Health, Safety and Environment Implementation system). The database has been established and operated throughout related areas to monitor occurrences and safety education programs. The integrated implementation system is operated based on the standards for the global safety and health implementation system (ISO 45001) and with principles of safety management planning, practice, confirmation, and action. All executives/employees can access this system through various platforms such as PC and mobile device to look through safety and health information real-time.

Analysis of root causes of accidents



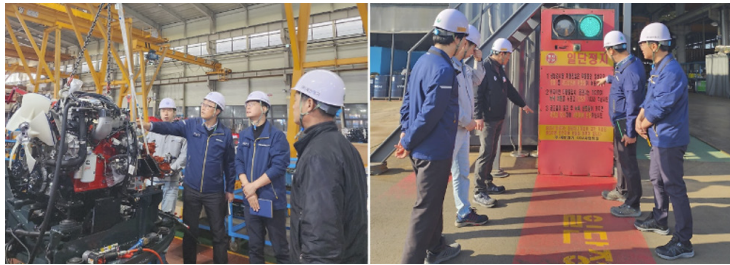
HD Hyundai Construction Equipment continues to conduct discussions with workers so that they can detect and address unsafe practices and risks. The company also establishes fundamental measures and practices improvement activities by analyzing root causes (RCA, Root Cause Analysis) rather than taking one-time measures merely for each accident. In addition, the company focuses on developing and firmly establishing the safety implementation system to prevent accidents by increasing safety education among unskillful workers such as new entrants and relocatees, analyzing high-risk tasks such as adjusted/unexpected/extraordinary procedures so that the task is initiated with a safety measure prepared. To prevent serious accidents among suppliers, efforts are also put forth into helping them improve their safety and health management capabilities. To this end, a dedicated safety manager is appointed for each supplier, and joint inspection is practiced between the EHS Council and inside suppliers with full support for proactive diagnosis and preventive measures for possible risks at supplier worksites.

Response to emergency situations

To cope with unexpected emergency situations, HD Hyundai Construction Equipment operates the integrated control center, which maintains the emergency situation coping system, reports incidents and emergency situations real-time, responds promptly, and secures the safety of each worksite and surrounding areas. In case of a natural disaster such as typhoon or earthquake, the emergency situation response manual of the company group applies to take prompt actions. Depending on the business characteristics, correspondent training is practiced for each scenario of emergency situations such as fire and oil leakage. In 2023, the company-wide emergency situation manual was renewed to strengthen the crisis management ability. For all worksites, total of 17 training sessions were conducted.

Safe worksite campaign for suppliers

To promote the spirit of safety among worksites not only of itself but also of suppliers, HD Hyundai Construction Equipment has selected eight suppliers for the pilot project of consulting and improvement on worksite safety. Worksite safety promotion will be performed in various ways including a checklist of worksite safety that can be used to detect and improve inadequate aspects.

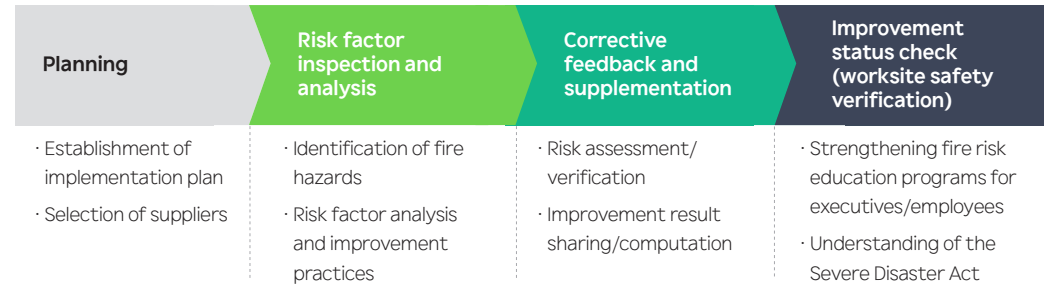


Establishment of safe worksites for suppliers

Inspection on suppliers' fire prevention practices

In 2023, HD Hyundai Construction Equipment inspected the current status of fire prevention among 42 suppliers supplying coating facilities specifically regarding their management of fire fighting facilities and high-risk substances, safe facility operation, safety check in maintenance work, etc. Improvement plans are suggested for suppliers that are found to need a supplementary action according to inspection results, and their implementation details are monitored.

Fire prevention inspection process



Safety and health education programs for suppliers (prevention of bumps, hits, etc.)

In the manufacturing industry, bump/hit accidents account for 20% of all accidents and disasters. Accordingly, HD Hyundai Construction Equipment has established safety measures to prevent bumps and hits as part of its annual safety plan. It also conducts preventive inspection activities. During the first half of 2024, education on bump/hit accidents is implemented for suppliers. Onsite visits also were already conducted on 6 suppliers for inspection on their safety prevention measures and security issues as well as their improvement plans and practices.



Safety and health education

Health Management Activity

Muscular skeletal disease and noise management

The process of construction equipment production involves high-noise activities such as welding, grinding, gouging, etc. For workers' health and safety, the company measures the noise level of working environment, analyzes the extent of exposure, and changes or supplies personal protective gears for noise reduction. There are also other mitigation measures such as shift work for reduction of exposure to noise. To reduce muscular skeletal burdens of workers who involve neck/waist bending during the work, hazardous factors are examined regularly and measures are taken such as automation, exclusion of such tasks from the process, change of working methods, etc. In addition, annual special health examination is performed for workers exposed to noise, hazardous rays, metallo-organic compounds, etc. Patients with occupational illness are offered grants for health maintenance. Each worksite operates a health promotion center including the medical consultation office, health promotion center, physiotherapy clinic, and rehabilitation room. At the medical room of each worksite, an industrial nurse is stationed as a health manager to provide quality medical service in a timely manner. For employees of absence for industrial disease or accident, rehabilitation programs such as swimming and strength exercise are operated in cooperation with an external agency. For those classified as the highest-risk group according to the health examination result, education on the brain cardiovascular system (heart disease, cerebrovascular disease, metabolic disease, etc.) is also provided.

Emergency measure enhancement program

As the risk of cardioplegic issues such as myocardial infarction increases along with the increasing occurrence of cardiovascular disease, HD Hyundai Construction Equipment regularly conducts on-site CPR (Cardiopulmonary Resuscitation) education to help employees improve their ability to cope with an emergency situation at each worksite. Employees can learn how to perform CPR and be familiar with an AED (Automated External Defibrillator) through CPR education programs and to develop the ability to cope actively with emergency situations. In 2023, 26 CPR education sessions were provided in Ulsan, Yongin, and Eumseong worksites. Since April 2024, education programs have been provided for employees at Bundang Center as well.



Onsite CPR education

Psychological support program

To help employees handle personal issues, difficulties, and struggles and enjoy a happy life, HD Hyundai Construction Equipment has established the heart garden (psychological consultation office) at Ulsan Campus and provides psychological consultation services (interview consultation) through a professional consultant every Tuesday. At Bundang Center, psychological consultation services are provided through interviews, phone calls, online chatting, and video conferences.

Management/employee health promotion program

To help employees manage three major diseases and health conditions, HD Hyundai Construction Equipment flexibly adjusts working hours for employees of a high-risk employees and operates customized programs such as exercise, nutrition, and health consultation services. The company also provides discounted medical services at more than 120 affiliated hospitals nationwide. In addition to regular health examination services for employees and their families, the company offers funds for medical expenses for employees with incurable diseases such as heart disease, cancer, leukemia, etc.

To reduce the smoking rate and create pleasant environments at work, the company also conducts on-site smoking clinic services in cooperation with local health centers in Ulsan. For those who want to participate among smokers, smoking cessation programs are also conducted.

Safety Culture Activity

Safety education

HD Hyundai Construction Equipment conducts legitimate safety education programs with the goal of raising awareness of safety and promoting safety-related knowledge cultivation. Employees at a supplier who are in charge of treating suppliers should take a safety education course. Those who handle high-risk equipment such as forklift and crane should complete an education course for qualification. Everyone who accesses company plants should complete a safety education course.

Safety education program

Program name	Persons concerned	Hours	Contents
Regular education	Production worker	Six hours per quarter	Occupation Safety and Health Act, general management, accident prevention, etc.
	Office worker	Three hours per quarter	
	Manager/supervisor	Sixteen hours per year	
Education for new recruits	Production/office workers	Eight hours	Occupation Safety and Health Act, precautions, etc.
Education upon change to working procedures	Production worker	Two hours	Risks and working order of equipment/instruments, flow tracking, etc.
Special Safety and health education	Production worker	At least 16 hours	Hazard risks of forklifts, cranes, etc.

Safety and health education channels The global education center and EHS Team of HD Hyundai Construction Equipment cooperatively operates the Youtube channel 'HETA.' Youtube videos are produced to provide useful safety information workers operating excavators for their safety such as construction equipment standard signaling methods, user guides for mid/large-size excavator users, how to maintain the equipment, lower track diagnosis, etc.



The day of Safety and health

HD Hyundai Construction Equipment designates the day of safety inspection monthly, selects main items of accident prevention and safety and health education topics, and thus manages safety and health activity in each worksite.

Schedule	Primary management items for accident prevention	Essential topics of safety and health education
Jan	<ul style="list-style-type: none"> General occupational safety Occupation Safety and Health Act Industrial Accident Compensation Insurance 	<ul style="list-style-type: none"> General theories of occupational safety Occupation Safety and Health Act (revisions to laws and regulations, etc.) Industrial Accident Compensation Insurance System
Feb	<ul style="list-style-type: none"> MSDS 	<ul style="list-style-type: none"> MSDS education Causes of and measures for getting jammed
March	<ul style="list-style-type: none"> Safety in spring and thawing season Health check-up Risk assessment 	<ul style="list-style-type: none"> Safety in spring and thawing seasons Worker health examination system Risk assessment system
April	<ul style="list-style-type: none"> Human error Prevention of hitting and bumping accidents Prevention of finished equipment accidents 	<ul style="list-style-type: none"> Causes of and measures for human errors Causes of and measures hitting and bumping accidents Prevention of finished equipment accidents
May	<ul style="list-style-type: none"> Prevention of suffocation in enclosed space Safety in handling heavy cargo 	<ul style="list-style-type: none"> Prevention of suffocation in enclosed space, safety in handling heavy cargo, and prevention of disease Safety in handling manual tools and prevention of accidents
June	<ul style="list-style-type: none"> Safety in handling manual tools, accident prevention in operating a crane, forklift, transport vehicle at work, etc. 	<ul style="list-style-type: none"> Safety in handling manual tools and prevention of accidents Accident prevention in operating a crane, forklift, transport vehicle at work, etc.
July	<ul style="list-style-type: none"> Safety in summer Prevention of electric shock accidents Emergency treatment 	<ul style="list-style-type: none"> Safety and health management in summer Prevention of electric shock accidents First aid in case of emergency situations
August	<ul style="list-style-type: none"> Prevention and management of stress and health problems Personal protective gears MSDS 	<ul style="list-style-type: none"> Prevention and management of health problems resulting from job stress, worksite harassment, etc. Personal protective gears MSDS education
Sept	<ul style="list-style-type: none"> Safety in autumn Traffic safety Protection device 	<ul style="list-style-type: none"> Safety and health management in autumn Traffic safety in commuting and at work concept and kind of protection devices
Oct	<ul style="list-style-type: none"> Prevention of noise-induced hearing loss Prevention of falls and trips 	<ul style="list-style-type: none"> Prevention and management of noise deafness Causes of and measures for falling accidents
Nov	<ul style="list-style-type: none"> Fire prevention Prevention of muscular skeletal disease Risk assessment 	<ul style="list-style-type: none"> Major causes of fire and prevention rules Muscular skeletal disease prevention and management Risk assessment system
Dec	<ul style="list-style-type: none"> Safety in winter Prevention of cardiovascular disease 	<ul style="list-style-type: none"> Safety and health management in winter Prevention and management of cardiovascular disease

Safety and Health Metrics and Target

Increase of investment into Safety and health

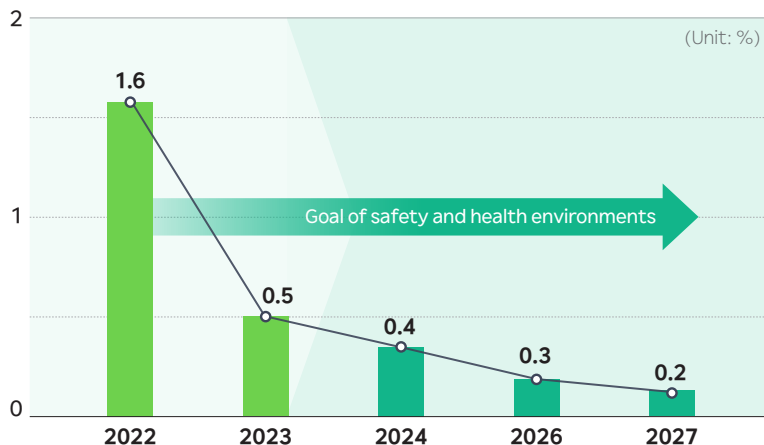
HD Hyundai Construction Equipment sets the execution principle of allotting a budget as much as at least 1.5% of the annual revenue for safety and health each year. In 2023, the budget for safety and health was 2.3% of the amount of revenue, and in 2024, about 3.2% will be allotted. In 2023 in which the Ulsan Campus construction project was conducted, the amount of investment into safety and health was 59.2 billion won, more than twice as much as the amount in 2022. In 2024, 76.5 billion won will be allotted for safety and health.

Safety and health goal and achievement

HD Hyundai Construction Equipment has set safety and health environment metrics as one of KPIs of the CSO. The KPIs and compensation system for executives/employees are utilized to achieve related goals and create safety cultures.

Safety and health achievement and goal

LTIR (including employees and contractors)



2024년 안전보건환경 목표

비전달사항 기재 가족의 안전은 그 무엇보다도 최우선으로 생각하는 자세입니다.

- **LTIR 0.4 이하 달성**
 - 위험성평가 전문기 육성 / 실행력 강화
 - 신규설비 등에 대한 사전 안전성 확보 강화
- **예방중심의 보건관리로 중립원 건강증진강화**
 - 전 직원 응급상황 대처능력 향상
 - 건강증진/예방관리 프로그램 운영 활성화
- **CDP(탄소공개제도) A- 등급 추진**
 - 기후변화 대응전략 수립 및 탄소배출 감축활동
 - 환경오염 모니터링을 통한 저감활동 강화

HD현대건설기계 주식회사 대표이사 사장 최철근

Safety compensation system

HD Hyundai Construction Equipment operates the safety rewards system to raise awareness of safety, promote safety cultures, and motivate members to comply with fundamentals and principles.

Rewarding item	Persons concerned	Period	Scale
3-Gate Process rewarding	All employees	Quarterly	20
EHS awarding at each worksite	Worksite	Yearly	100
Awarding for safety contributors	All employees	Quarterly	8
Safety qualification system	Exemplary team	Quarterly	30
Risk assessment (team, individual)	Exemplary employee	Semiannually	12 teams
Awarding for potential risk detection	All employees	Quarterly	80
ZERO-disaster awarding	Organization achieving the zero disaster duration	Monthly	No. of achieving organizations/ individuals (adjustable)
Prompt awarding for safety practices	Exemplary individuals for safety activity	Quarterly	400

Safety-related communication and consultation channel

HD Hyundai Construction Equipment conducts deliberation and resolution along with business owners and workers on material issues about safety and health at each worksite. Hazardous risk factors at a worksite are addressed in labor and management cooperation. As for suppliers, the EHS Council and each suppliers safety manager are managed to promote autonomous safety management. Safety grievances and hazardous factors are addressed based on workers' opinions and participation through the awarding system for hidden risk detection, risk assessment, on-site inspection, etc.

Classification	Frequency	Purpose
Awarding system for hidden risk detection	As needed	Awarding on a quarterly basis based on reports on risks collected around the year
Occupational safety and health committee	Quarterly (or more often when necessary)	Resolution on industrial disaster prevention
Supplier joint inspection on Safety and health practices	Financial support for technology available to suppliers through the agreement of technology guarantee and co-prosperity	Safety and health inspection in each supplier's working areas and vulnerable areas
EHS Patrol	Weekly	Onsite safety inspection under the direction of the director of the headquarters (on-site inspection on critical risks)

Human Resources Management and Organizational Culture

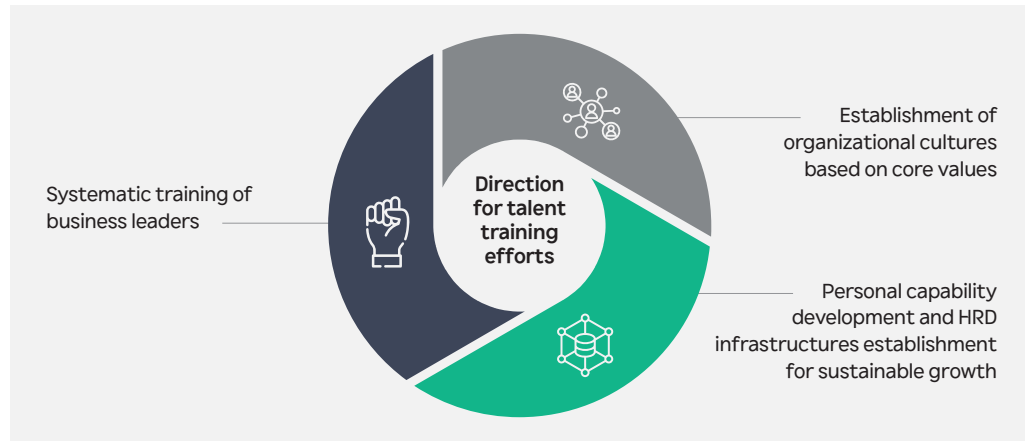
Human Resources Management

Human resource training system

To secure its competitiveness and contribute to performance improvement by helping executives/employees develop capabilities, HD Hyundai Group train talented human resources with the focus on leadership and vocational education, global and converged talent development. Efforts are also put forth to newly establish organizational cultures in line with the group vision, mission, and core values and to establish education systems and infrastructures for sustainable growth. HD Hyundai Construction Equipment seeks to train human resources for the corporate growth by obtaining performance and strengthening the competitive power through the growth of employees under the talent training system of HD Hyundai Group.

Direction for talent training efforts

HD Hyundai Construction Equipment continues to pursue the direction for talent training efforts of HD Hyundai Group with the focus on global and converged training of human resources, training leaders, and vocational experts who will lead its future, through its HR/Support Division and People&Culture Team.



Recruiting

HD Hyundai Construction Equipment abstains from recruiting, evaluating, or discriminating based on applicants' family type, family situation, child birth, race, skin color, ideology or political idea, sexual orientation, academic background, medical history, etc. The company employs new or experienced workers during the first half and second half of each year through public recruitment and ad hoc recruiting when necessary. The recruiting-connected internship system (winter, summer season) is operated for the same purpose. In addition, the company seeks to establish plans to apply diversified channels of recruiting. It will strengthen its social commitment by operating various recruiting procedures.

In-house contest system Autonomously by employees who prefer a certain division or upon a request from a division that needs more workforce, talented individuals are allotted to the division so that both the company and individuals can grow through this Job Market system.

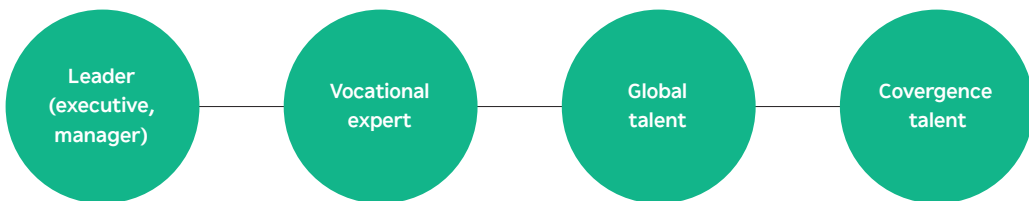
Female talent training

HD Hyundai Group has announced its female talent training plans including increasing the ratio of female workers since December 2023, female manager training, more support for female workers' child birth and infant care. HD Hyundai Group will increase the ratio of female recruits up to 30% by 2030. By increasing the percentage of female workers among key affiliated companies including HD Hyundai Construction Equipment Sector, the organization's diversity and competitiveness will continue to be improved.

Although it is challenging to secure female workforce due to the characteristics of the equipment manufacturing industry, HD Hyundai Construction Equipment will continue to put forth efforts to eliminate the bias towards female workers in the manufacturing industry. For female workers to be able to show their abilities, there is no restriction or discrimination from employment to placement. As a result, the percentage of female workers has continued to increase, and the percentage of female managers as well is gradually increasing. In addition, the company will train female leaders and female managers continually according to the female human resource training strategy of HD Hyundai Group.

Talent training program

To strengthen the vocational expertise of employees under the education system of HD Hyundai Construction Equipment Sector, HD Hyundai Construction Equipment has established the vocational capability development system, through which employees' level of capability is accurately analyzed and a roadmap for their growth as experts is completed. Accordingly, more opportunities for education are provided continually. Particularly, the vocational education system is advanced to upgrade vocational education specifically for construction equipment. As various types of education programs are provided, in and out of the company, online and offline, each one is given opportunities to develop their vocational expertise and skills effectively. To train next-generation leaders, talented individuals are selected in each class with leader training education programs in various levels.



Global leader training

HD Hyundai Construction Equipment not only provides orientation education for new and experienced recruits but also classifies talent training programs to associate manager, manager, part leaders, and team leaders under the common talent training system of HD Hyundai Construction Equipment Sector so that they can develop capabilities necessary for the changed roles upon promotion. Executives are given opportunities such as one on one coaching in the designated group.

Global leader training program

Program name	Major content
Orientation	On-boarding for soft landing of new recruits (executive, team leader, middle manager)
Introduction to New Roles	Key capability enhancement course for expected roles in each step of leadership
Leadership Insight	Leadership capability development course for continued achievement and growth of members
Business Insight	Leader training course to develop business insight based on the deep understanding of businesses and strategies

Vocational expert training To train vocational experts leading the industry, HD Hyundai Construction Equipment has operated expert education programs in various areas commonly in HD Hyundai Construction Equipment Sector such as R&D, production/quality, purchase, etc. From basic courses of construction equipment mechanisms, etc. to specialized professional courses, various programs are provided to employees.

Vocational expert training program

Program name	Major content
FC Level-up (Functional Competency)	FC-based systematic vocational expertise development course including R&D, production, quality, sales, marketing, digitalization, etc.
Global	Training of sojourning employees who will lead global businesses, global communication capability development courses
Faculty	In-house instructor training courses for vocational expertise development, technical transfer and sharing, etc.

Global talent training

HD Hyundai Construction Equipment provides various language education programs such as English and Chinese to help employees learn frequently used expressions and improve their global language capabilities. Employees are given opportunities to learn English and second foreign languages. Particularly for their learning of practical expressions and skills necessary for their duties, foreign language courses outside the company and telephone-based classes are also provided. To provide opportunities to score high on language examinations required for employees' work, the company also pays fees for language examinations such as TOEIC Speaking. To train resident employees who will lead global businesses, language learning opportunities are given not only to candidates but also to their spouses so that resident employees and their families can adapt themselves to the local environments as early as possible.

ALPs (Advanced Learning of Product & Process) program operation

To enhance new recruits' understanding of businesses, HD Hyundai Construction Equipment operates ALPs(Advanced Learning of Product & Process) programs, which are a type of group study the company's products and manufacturing processes (production plans, material operation, production, shipment, and delivery) for a certain period of time. With this program, new recruits can understand products and manufacturing processes through in-depth exploration in ways of interviews and site visits in the value chain of HD Hyundai Construction Equipment. They also can develop understanding and thinking ability to define problems that a manufacturing process may involve and to come up with various methods to address such problems.

Leadership and capability level analysis program

HD Hyundai Construction Equipment operates independent analysis programs that are commonly used by HD Hyundai or internally by the company to more systematically educate and train talented individuals based on the analysis of employee leadership and capability analysis.

Major analysis program

Classification (conducted by)	Analysis title	Purpose	Persons concerned	Analysis frequency
Group (common)	Leadership analysis	Comprehensive analysis of managers' capability in terms of leadership and assistance for further development	All executives and managers	1 time
	Capability analysis	Analysis of the level of conduct and core value internalization for value practices such as exemplary leader training in the group	All executives and office workers (including production line managers)	1 time
Internally by HD Hyundai Construction Equipment Sector	Leadership session (capability level analysis)	Back-up level analysis and improvement for common and individual capabilities of each organizational unit	Responsible executives or higher	1 time
	FC analysis ※Established by HD Hyundai Xite Solution	Training of talented work professions as individuals or groups through vocational capability analysis and assistance for further development	All employees	1 time

Core value capability analysis In commemoration of the 50th year of foundation in 2022, HD Hyundai Group proclaimed the group's new visions and core values. For all group members to understand and cultivate core values in line with the company's goals, their capabilities and the internalization level of core values are analyzed. A role model that realizes core values is defined, and 14 HD Hyundai core value capabilities of such a role model (HCC, HD Hyundai Core Values Competency) are derived accordingly to develop capability analysis questions. Analysis results will be utilized in such areas as leader and talent screening, talent training, etc.

Support for various training opportunities

HD Hyundai Construction Equipment recruits outstanding talented individuals each year and provide opportunities to take a master course so that employees can realize self-development and improve their expertise. To improve management capabilities and create more global experiences for potential leaders of the group in the future, the company operates the 'next-generation leader training system' and provides support for them to complete an MBA course at a renowned graduate school in the country. To help executives/employees develop their vocational capabilities and contribute to organizational goals according to FC Level-up plans, they are given assistance to complete legally required education courses for their work performance.

Support for self development and growth

HD Hyundai Construction Equipment supports various learning activities related to duties at work to enhance the personal and organizational cultures and expertise. For this purpose, it operates the CELL (Community of Employee Led Learning) system, which helps employees make plans to develop job capabilities, take certificates, and improve language skills, and to organize a study group voluntarily. The company also trains instructors to share their knowledge, experience, and skills based on their expertise through education courses. For them to design and prepare teaching plans and effectively develop and deliver teaching materials, the company will continue to support them through the dedicated education/training division.

Support for vocational certificates

To encourage employees to improve their vocational competency and create more opportunities to growth, HD Hyundai Construction Equipment operates the 'vocational qualification and certification system.' All employees of the company including office workers, design and research teams, office support and production technology divisions use this supportive system to take common safety (hazardous material, occupational safety, gas, firefighting) and operation competency certificates and general vocational certificates related to 12 duties such as EHS, R&D, HR, etc.

Employees who took professional certificates in 2023
(unit: Persons)

73

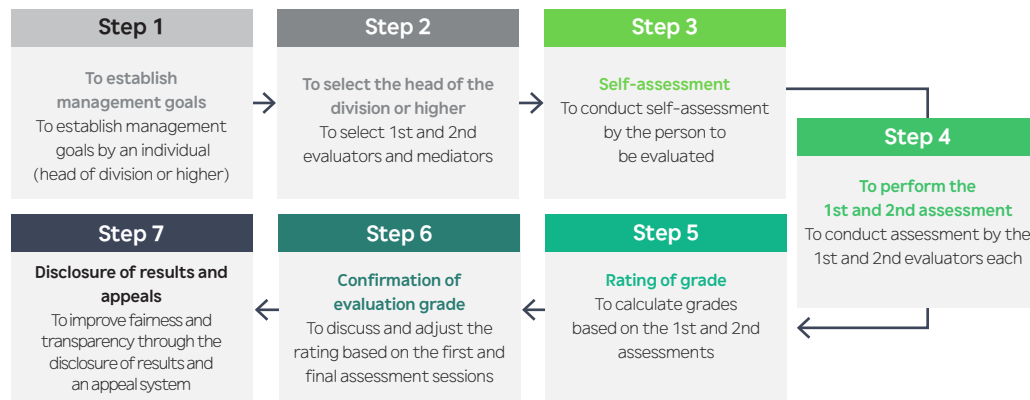
Support for retirement planning

HD Hyundai Construction Equipment provide education sessions for retirement planning and unretirement of employees aged 60 or older and preparing for retirement Education programs are for asset and health management, unretirement, and job creation after retirement. Such programs help them check their current status, understand the future society, and design the rest of their life, found a business, and manage financial affairs after retirement. In 2023, education sessions for retirement planning of 464 hours in total were provided to 29 individuals.

Assessment system

HD Hyundai Construction Equipment conducts personnel assessment on all executives and employees once in the first half and once in the second half of the year. The results are utilized for promotion, rewarding, talent training, and leader selection. Basic materials for assessment are collected by monitoring performance around the year, and employees' work performance and vocational competency are comprehensively evaluated. For all office/research work executives and managers, individuals' performance in reference to their objectives is assessed in a way of MBO (Management By Objectives). Performance assessment results are reflected in pay raises of each position, bonus payment in the following year, and key talent selection.

Performance assessment process



Rewarding system

HD Hyundai Construction Equipment does its utmost to motivate individuals and create working environment where everyone can feel a sense of accomplishment by applying the fair and objective assessment and rewarding system. Salary criteria are applied equally to all employees regardless of gender, ensuring no gender pay gap. The inflation rate is reflected in pay raises to stabilize employees' living. At the end of each year, the performance-based bonus system is applied to award each one's performance within the available financial resources on the basis of the quantified performance such as revenue and operating profit. Particularly for executives and managers, the performance-based salary system is applied so that bonuses are granted to individuals and groups depending on their performance assessment results to provide appropriate compensation corresponding to their performance.

Prizes and incentives

HD Hyundai Construction Equipment operates the prize and incentive system under the principle, 'Rewards follow performance.' To promote a challenging spirit among all employees and award their performance, various incentive systems are operated such as HCE Award System that reflects core values, Praise Your Colleague Program to encourage commendation among employees, and so forth. In 2023, 179 incentives in total were offered amounting to 61.3 million won.

Incentive name	Major contents
Employee of the Year ¹⁾	· Award Best of Best
HCE Award ²⁾	· Awarding in 4 areas of core values (innovation, challenge, respect, and safety) · Tangible/intangible, financial/non-financial performance, and technology contributions and credits
Outstanding Employee of the Year ²⁾	· Awarding excellent performance/contributions, technology developments, etc.
Praise Your Colleague Program ²⁾	· Top 3 among highest points in each headquarters/division
Outstanding Quality Award	· Awarding employees in a technical position who contributed to making the plant a safe and pleasant worksite
Ungsung Hero ¹⁾	· Awarding field engineers in areas of production/quality/purchase
Risk assessment compensation	· Finding and addressing risk factors, reducing substantial risk factors
HDPS Rewards	· Improvement in projects selected based on quality metrics and for certain needs at the production site

1) This is an awarding system newly established in 2024.

2) Outstanding Employee of the Year and Praise Your Colleague Program have been operated since 2024 as part of HCE Award.



Outstanding Employee of the Year in Q3 of 2023



HDPS awarding in Q3 of 2023

Organizational Culture

Direction of organizational culture

HD Hyundai Construction Equipment improves work methods to create environments of technological innovation, promotes free communication, and supports the growth of executives/employees. To enhance the dignity of the company and its members, HD Hyundai Construction Equipment advances work methods and establishes the culture of mutual respect based on the trust to the company.

Organizational culture

HD Hyundai Construction Equipment strives to establish environments where all employees can enhance self-esteem and pride as they focus on the current tasks, flexibility, and practice under the leadership. The company also practices change management with the dedicated group for organizational culture change in the HR organization. In addition, the company selects a Change Agent in each executive group so that the agent performs given tasks and co-work functions at the headquarters or division, finds aspects to be improved in the organization, and realizes improvements that reflect actual needs among the employees.

People&Culture Team	C.A(Change Agent)	Related division
<ul style="list-style-type: none"> • Change management • Set the direction for organizational change • Establish and share strategies to improve organizational change at the company-wide level • Conduct organizational diagnosis and align with diagnosis improvement activities 	<ul style="list-style-type: none"> • Support for change management • Active participation in changing the headquarters/division under the direction of the responsible executives • Monitoring and encouraging activities of organizational change • Presenting opinions on requirements at each headquarters/division 	<ul style="list-style-type: none"> • Change management • Active participation in practicing organizational changes while handling given tasks • Raising issues in the course of organizational change and suggesting solutions

Win-win culture of labor and management

To improve working conditions ever since its split-off in 2017, HD Hyundai Construction Equipment has renewed the collective agreement biannually and conducted wage negotiation each year. In addition, the joint labor-management conference is held quarterly to improve working conditions and promote welfare benefits of employees. The management status presentation is also held regularly for employees and the union. Such activities contribute to forming an internal consensus and develop a sense of ownership among employees, improving the company's general competitive power. For executives/employees to recognize the importance of the labor management relation and to strengthen the communication capability for themselves, education

sessions on the labor management relationship are conducted among executives/employees. At the joint labor management conference held in 2023, major agenda included revision of employment rules, publication of its booklet, replacement of safety helmet/work cap storage boxes, improvement of the Grievance Committee operation, etc. The direction of improvement was discussed and agreed upon between the labor and management.

Analysis of organizational culture

In 2021, HD Hyundai Construction Equipment analyzed organizational cultures with 89 questions in 7 areas including the following: vision of business prospects, performance environment, personnel system, leadership, organization commitment, job commitment, organization culture, etc. The following organization culture improvement activities continue to be practiced: working process improvement, addressing organization culture issues at each headquarters, strengthening communication channels, personnel and rewarding system improvement, work efficiency enhancement, creation of environments for mid/long-term development, and advancement of working processes. For objective assessment of its members regarding organizational cultures, the company conducted the survey of organization cultures among office workers and production line workers in November 2023. The survey items of organization culture analysis included expertise, teamwork (fulfillment) organization commitment, job commitment, motivation, and demotivation, etc. This survey contributed to understanding organizational visions and tasks, business goals and directivity, expertise, happiness (fulfillment) at work, satisfaction with working environment, and stress factors at work. Based on the organization culture survey results, the direction of improvement particularly for working efficiency and HR investment efficiency improvement was discussed. Accordingly, goals to for changing work practices in each division were established with support for positive improvement.

Organization culture analysis target and area

	2021	2023
Target	Office workers	Office workers/production line workers
Analysis area	89 questions in seven areas including the following: vision of business prospects, performance environment, personnel system, leadership, organization commitment, job commitment, organization culture, etc.	Office worker: 50 questions in 10 areas: leadership, communication, relationship/collaboration, atmosphere, strategy, commitment, etc. Production line worker: 42 questions in 6 areas including motivation, teamwork, change, etc.

Organization culture activities

HD Hyundai Construction Equipment puts forth efforts into the following: satisfaction improvement of recruits, motivation for voluntary growth, creation of opportunities for growth, active communication among employees, positive recognition of corporate culture changes, leaders' initiative to promote changes, improvement of competency and communication among production line workers, etc.

Classification	Corporate culture activity
Provision of various opportunities for growth	<ul style="list-style-type: none"> · More education for new recruits <ul style="list-style-type: none"> - Introduction of ALPs program, retention program, etc. · More support for voluntary learning <ul style="list-style-type: none"> - Introduction of the learning club system (CELL), social learning system, and certificate acquisition supporting system
Strengthening communication activities	<ul style="list-style-type: none"> · Active, interactive communication between the company and employees <ul style="list-style-type: none"> - Application of Hi Square to strengthen communication activities · Creation of more communication opportunities such as meeting with CEO/P&C team/CA
Expanding visible changes	<ul style="list-style-type: none"> · Promotion of company-wide changes <ul style="list-style-type: none"> - Discussion on CA-related issues and communication at each headquarters and division · Leaders' support for changes <ul style="list-style-type: none"> - 'Day of no leader (ReCo* Day) * Relationship, Refresh, Communication, Collaboration
Production line worker Corporate culture promotion	<ul style="list-style-type: none"> · Promotion of corporate cultures such as corporate core values · Strengthening the leader competency and followship · Strengthening communication among production line workers

Strengthening communication between the management and employees

To facilitate communication between the management and employees in reflection of employees' needs, HD Hyundai Construction Equipment operates the 'Wu Sa Cho (We invite our CEO.)' program. As People&Culture Team notifies employees of the Wu Sa Cho schedule each month, employees who would like to join the event can voluntarily apply and participate to strengthen communication with the CEO. In September 2023, the 'Goni Kitchen' program, which is a communication session of the CEO and management with new recruits. The Goni Kitchen session provided an opportunity for executives and new recruits to make and eat the Chuseok meal and talk about various topics together in a pleasant and comfortable atmosphere.



Goni Kitchen Session

Change Agent System

HD Hyundai Construction Equipment operates the Change Agent System to actively communicate with organization members and change organization cultures. The company's CA shares thoughts and opinions with no distortion or bias as a mediator between leaders and members, playing a role in making a pleasant and healthy company atmosphere through open communication. In addition, it supports members' understanding and embracing changes in line with the direction that HD Hyundai Group and HD Hyundai Construction Equipment pursues regarding organization culture changes. CA workshops are held each year to derive ideas of organization culture improvement, improve the efficiency of development in cooperation with all division members at work, strengthen care of new recruits and teamwork among members, catch up with the current status of organization cultures, understand cultures of meeting and reporting, and promote related activities.






CA Workshop in Q1 of 2024

Promotion of corporate cultures among production line workers

For the tasks derived based on the organizational culture analysis results including establishment of a production line worker education system and promotion of corporate cultures among production line workers, HD Hyundai Construction Equipment operates various organization culture programs.

Major organization culture programs for production line workers

	Production leader workshop	TLC (Team Leader leadership Course)	SLC (Self Leadership Course)
Purpose	Improvement of core value understanding and practices among managers in the production line	Communication/reporting capability development, OA utilization capability development	Changes to promote organization cultures
Target	Production line manager	Production line manager	Production line team members
Major content	Meeting with the CEO, internalization of core values, discussion on work guidance 	Leaders' communication/ efficient reporting skills, etc. 	Mindset, motivation, communication principles, etc. 
Satisfaction score		4.69 5.0	4.54 5.0

Workshop for production line workers HD Hyundai Construction Equipment held 'Yanado! Workshop' for production line managers. With the goal of encouraging changes in each person leading to the entire organization's changes, this event was to actively think of and practice positive changes. This workshop proceeded with topics of core values internalization, our changes, preventive safety measure practices, etc. The CEO shared experiences under the theme of 'challenge and innovation' and encouraged managers to promote cultures of tackling challenges and innovations at each worksite. For key issues derived from this 'Yanado! Workshop,' the company will select agendas for followship education programs of non-managers in the production line and promote changes over the entire organization. In the future, more education programs to strengthen the capability of production line workers will continue to be developed.

Dream Cube

To promote creative and challenging corporate cultures and 'Fearless Challenges' as one of the group's core values in HD Hyundai Group, HD Hyundai Construction Equipment encouraged all employees to participate in the internal venture system named 'DREAM CUBE.' Dream Cube is a system to help employees in HD Hyundai Group to form a team in any of the possible business areas, submit a business idea, and further develop business items. Venture teams are selected and officially founded through a contest based on market survey results. HD Hyundai Group will provide selected venture teams with a separate working space in Bundang GRC (Global R&D Center) so that they can work in association with the company venture support system of the Ministry of Small Business Venture Business. After the training period of company venture teams ends, some may be separated or developed into the company's business through the final deliberation.



2023 HD Hyundai Construction Equipment 'Yanado! Workshop'



TLC education for production line managers

Promotion of family-friendly corporate cultures

To help employees keep balance between work and life, HD Hyundai Construction Equipment operates various supportive systems. With such efforts, the company obtained the 'family-orientedness certification' in 2022 and it is still valid as of 2024. The Company strictly complies with legal requirements such as maternity leave/carers leave, etc. For family-friendly welfare of employees, various benefit systems are operated. For example, The 'Happy Mom' package including necessities and products for pregnant employees is provided. When giving a birth, the worker is granted delivery products worth about 300,000 won. All employees giving a birth (including the spouse) are given congratulatory money. Employees with a child entering elementary school is given a congratulatory package of school supplies. In 2024, such gifts and the CEO's congratulatory letter were delivered to 72 children entering elementary school. To support child rearing of employees, a daycare center for employees is operated within the corporation-site. In addition to tuition support for employees' children who are high school/college students, the company provides the fund for educational expenses of 500,000 won per 4-6 year old child.

* Family-orientedness certification: To help employees keep balance between work and family life, various benefits are provided including support for childbirth and rearing, flexible work system, creation of family-oriented corporate cultures, etc., enterprises and public institutions that operate the family-oriented system in an exemplary manner are reviewed and certified by the Ministry of Gender Equality and Family.

Diversity

HD Hyundai Construction Equipment respects diversity and pursues open communication among employees. The company also respects and supports employees' growth through various programs. Each year, awareness-raising on people with disability education programs are conducted for all employees. Regardless of the gender, age, race, disability, religion, region of origin, etc., fair opportunities are provided.

Employee welfare system

Classification	Types	Welfare system
Support for residence	Support for residential life	<ul style="list-style-type: none"> Support for housing fund loan interest rates Support for dormitory residence in Ulsan
Health promotion	Support for health management	<ul style="list-style-type: none"> Support for critical illness treatment Support for health examination and medical facilities Support for medical examination expenses of employees and their families Support for psychological consultation with specialists
Support for work family/compatibility	Maternity protection	<ul style="list-style-type: none"> Special maternity leave, working from home at during first/third trimester Operation of the Happy Mom package plan system
	Support for child care	<ul style="list-style-type: none"> Congratulatory money for pregnancy/child birth Childcare leave
	Support employees experiencing fertility struggles	<ul style="list-style-type: none"> Working from home for fertility treatment Leave for fertility treatment
	Educational support	<ul style="list-style-type: none"> Support for kindergarten expenses Tuition assistance of high school/college for dependents of employees Support for disabled child education expenses
Etc.	Support for daily life	<ul style="list-style-type: none"> Support for vehicle purchase Other membership discounts Discount support for refueling, department store, exclusive employee welfare mall
Support for work	Support for work	<ul style="list-style-type: none"> Commuter bus operation Support for housing allowance for solo expats Support for officer worker uniform, production line worker uniform, and working clothes Flexitime, selective working hours system, working from home
Support for language learning	Support for language learning	<ul style="list-style-type: none"> Discount support for books and language learning courses
Leisure and vacation	Support for leisure and vacation	<ul style="list-style-type: none"> Mileage support for recreation facilities Special awarding for long-term employed persons Leave for family events and relief/support aid money Discount support for affiliated resorts and condominiums Leave for self-development

Quality Management and Customer Satisfaction Improvement

Quality Management

Quality management governance

To strengthen the quality implementation system and management, HD Hyundai Construction Equipment operates the company-wide integrated quality consultative body to handle quality issues and risks. Once a month, the CEO convenes a meeting with executives, team leaders, and part leaders to discuss quality metrics management, key quality-related issues, and report on improvements.

Enterprise-wide quality meetings



Quality management

With quality as the top priority, HD Hyundai Construction Equipment operates a management system based on real-time quality review of products and application of quantitative metrics to maintain consumer trust. The company also operates the quality security center and seeks to minimize the cost of poor quality, focusing the company's capability on the quality competitiveness. Particularly, global quality information is shared real-time all over divisions every day. For customer satisfaction, quality posts (Q-Post) are selected for major regions such as Korea, North America, Europe, China, India, Brazil, and emerging markets. Based on specialized experts' analysis on available information, the regional metrics system is operated to respond to market requests real-time.

With the digital quality analysis and security system established, the company reduces time required for improvement and proactively responds to global market needs. In a mid/long term, the quality improvement system is advanced for continued improvement after troubleshooting. The advance quality management process also will be conducted to recognize and prevent errors in advance to further improve the quality competitiveness.

Quality management certification

HD Hyundai Construction Equipment specifies the highest quality realization focusing on markets and customers as a major quality policy to secure the validity of the quality implementation system's competitive power as well as trust from customers. At six worksites, the company has obtained and maintained ISO 9001 certification, which is an international standards for the quality implementation system.

ISO 9001 certification at worksites
Six sites at Ulsan/Bundang/Yongin/China/India/Brazil

6

HDPS (HD Hyundai Production System)

As the competition with domestic and overseas construction equipment manufacturers is getting fiercer, HD Hyundai Construction Equipment conducts HDPS as practical and continuous production innovation activity to secure the mid/long-term manufacturing competitiveness. With Ulsan Campus as the beginning, goals are set for each step and 19 modules are operated. Even in international plants, the production innovation activity is conducted horizontally. As all employees recognize the necessity of change management, they voluntarily and practically participate in improvement activities. The ultimate goal is production optimization through production standardization and fool proof at all plants.

Cultivation of a mindset for improvement	Production operation efficiency	Optimized production
<ul style="list-style-type: none"> · Change in mindset · 3 'Jung' and 5 'S' · Detection of field problems · Culture of improvement practices · Acceleration of preparation · Fool Proof · Multi-functional technical training 	<ul style="list-style-type: none"> · Shortening of production lead time · Streamlined production · Tact-time production · Line Balancing · Standardized work · Visualization management 	<ul style="list-style-type: none"> · JIT (Just In Time) logistics · Production standardization · Execution/standardization management

Operation of the quality innovation TFT

To address quality issues, HD Hyundai Construction Equipment focuses its capability on addressing key quality issues by organizing the dedicated quality innovation TFT. The 4 TFTs consisting of the best experts for fluid pressure, engine power, piping, and electric parts are formed from each division of quality, R&D, production, service, and revenue. As of 2023, 146 improvement tasks are handled and the derived improvement initiatives are applied not only to mass production models but also new models to be released. Indeed, innovative quality improvement will be achieved in a way that markets and customers can sense it.

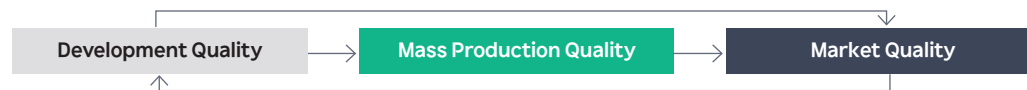
Operation of quality innovation center

To strengthen the quality competitiveness, HD Hyundai Construction Equipment has founded and operated four measurement rooms in Ulsan Campus including the material analysis room, electric powers assessment room, precise measurement room, and equipment assessment center as well as the quality security center with one assessment center. The quality security center introduces various new facilities, conducting tests and assessment tasks including material analysis, precise measurement, parts analysis, electric parts assessment, equipment assessment, etc. Particularly, the quality security center conducts analysis and self verification of parts components and impairments that have been handled by an entrusted external agency. As a result, the duration of improvement is expected to increase as well as the competitiveness of quality. In the future, the quality security center will establish and register technology standards based on the accumulated data from analysis, measurement, and assessment, and utilize them in equipment performance and technology development.

In 2023, the company operated the quality innovation center with the focus on field defect analysis, fitting salt spray test, and regular material/element analysis, and other defective product analyses. In 2024, it started the regular analysis of parts that are critical to the equipment performance as well as parts with a history of claims, putting forth efforts into quality assurance proactively. Additionally, the quality security center is operated specifically for improvement of measuring facility operation rates, automation and advancement of defective product management, and education for capability development. With accurate cause analysis and advance verification, the company will continue to improve the prevention quality and manage defective goods systematically.

Prevention quality activity strategy

To secure the prevention quality in the steps of development, mass production, and marketing, HD Hyundai Construction Equipment has established and implemented specific strategies for each step.



Classification	Activity subject	Activity name	Major contents
Development Quality	Advance quality team	Jointly developed new model verification	<ul style="list-style-type: none"> Joint assessment on developed equipment Pilot Fleet Test, etc.
	Parts quality team contractor	Parts verification	<ul style="list-style-type: none"> Common-use parts PPAP management Support for corporation PPAP process regularization
Mass Production Quality	Parts quality team contractor	Parts production	<ul style="list-style-type: none"> Hold-Point management Specialized management of modular parts
	Advance quality team	Process audit	<ul style="list-style-type: none"> Inspection on compliance with process standards
	Production quality division	Finished equipment test	<ul style="list-style-type: none"> Strengthening SQC (Smart Quality Control) management practices Total inspection on OEM equipment products
Market Quality	Quality assurance team	Early Warning Management	<ul style="list-style-type: none"> Remote data collection in use of Hi-mate Early sensing and promotion of prompt improvement Field survey

Management of the cost of poor quality

HD Hyundai Construction Equipment seeks continued achievement improvement through systematic management of the cost of poor quality. Additional costs resulting from nonconformity to market needs and company criteria are analyzed thoroughly to grasp problems, followed by improvement activity to improve the quality and reduce unnecessary costs at the same time. In 2023, quality improvement activity was conducted with the goal to reduce the cost as much as 7% compared to the previous year, and the goal was achieved 100%. In 2024, the goal was set to reducing the cost as much as 6% compared to the previous year. The company practices failure rate management and performance monitoring on each contractor every month to induce quality improvement. It also thoroughly practices process improvement audit for error prevention and approval of 5M changes for risk factor management. In addition, the quality status of each contractor is analyzed in regular and specific ways such as conclusion of an agreement of quality improvement. Efforts are put forth to secure fundamental improvement.

Improvement of Customer Satisfaction

Digital transition to improvement of customer satisfaction

To take a leap as a global top tier, HD Hyundai Construction Equipment spares no effort into changes and innovations as a smart solution supplier. Going beyond the level of smart equipment merely for the operator's convenience, minimize costs incurred from the construction of social infrastructures and industrial accidents in utilization of AI technology to improve business processes through big data analysis in application of digital technology, and to introduce data integration platforms. The ultimate goal is to go beyond the level of convenience in working environment and providing customers with new experiences and values to their satisfaction. In addition to that, by developing AI-based customer service programs, the company puts forth efforts to develop products and technologies for customers' convenience in life and to realize values of comfort intelligence.

Customer convenience

HI MATE & HI CARE Quantitative and qualitative enhancement of uptime with zero error involved is the value that customers ultimately pursue. In 2009, HD Hyundai Construction Equipment commercialized HI MATE which is designed to remotely monitor the operating hours, fuel consumption, consumable replacement cycle, etc. of the equipment. With continued upgrades thereafter, the company started to mount HI MATE in every domestically marketed excavator model as the basic option in April 2024. Through Before Service Monitoring, the company is expanding the service for customer satisfaction. In 2023, the company adopted Hi Smart Care Plus service, which is an integrated solution to advance the customer equipment lifetime case program. As equipment errors are prevented and thus its efficiency is maximized, customers' operation expenses are saved and idle hours due to failures are minimized with customer convenience improved.



AI-based call center development To improve the customer service quality, HD Hyundai Construction Equipment has completed the program to apply AI service to AS call centers by utilizing Generative AI along with Google Cloud of the global IT enterprise. FAQs are analyzed based on existing manuals and customer consultation records from call centers, and the correlation between failure types and repair details was also examined. Based on the analysis results, the chatbot service presents answers and solutions to the entered inquiry. In November 2023, a prototype of chat-bot services that give answers to questions based on service history by breakdown type was distributed. Since the end of May 2024, the official version has been applied to call centers. With the goal of reducing customer waiting time and increase the prompt response rate at AI-based call centers for customers' satisfaction with services, the company will establish an AI roadmap in a mid/long term in addition to such AI services. HD Hyundai Construction Equipment will establish itself as a leading company applying the AI mechanism to the internal operation system to enhance the work efficiency for work innovation and thus take the lead of transition into a digital industry. Currently, service development started mainly among call centers in Korea, but in the future, the system will continue to be expanded overseas.

Release of Hyundai Connect App In October 2023, HD Hyundai Construction Equipment integrated Hi Mate with Hi Service, a platform for queries regarding products and services and A/S service requests to development Hyundai Connect, an application for domestic customers, to provide one-stop services to customers such as device registration, service request, device management, workload management, component purchase, communication with the service providers.

Hyundai Connect also provides functions to share information on operation of the owned equipment, cycle of parts replacement, current status and maintenance details of the equipment, and job sheets for customer convenience. Since August 2024, customers have been able to request for customer services via this app. Upon a request, a service technician near the worksite will be dispatched to help the requesting customer. This secures timely services and establishes a foundation for convenient work environments.

Convenience of equipment users - Digital transition for better working environment

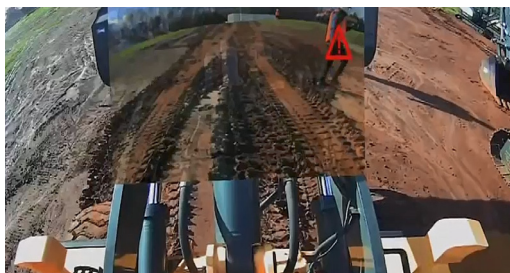
With the vision of Hyundai Connect as a digital technology for evolution into AI equipment, HD Hyundai Construction Equipment develops Hi ASSIST for operators and Hi DETECT for better safety. The company develops Hi SITE, a technology to measure the site topography and to control the analysis result and current status of the equipment fleet being operated. In addition to taking the lead of digital technology development and providing customers with new experiences and values, the company also will contribute to the development into a sustainable society by minimizing costs and accidents of social infrastructures construction.

Hi DETECT (safety) As the important of safety is more and more emphasized in construction sites, HD Hyundai Construction Equipment released AAVM (All Around View Monitoring) displaying the surrounding environment for the first time in the industry in 2015. In 2020, the company also released the RDS (Rear Detection System) technology for wheel loaders that detects obstacles nearby and issues alarms for any access in the range of risks by utilizing the radar technology. In 2021, the application was expanded to cover wheel excavators as well. The company also released a technology to enhance the future safety competitiveness: In CES 2024, Las Vegas, the US, the SAVM (Smart Around View Monitoring) system mounted on a 4.5m big unmanned excavator detected obstacles nearby and safely went over a steep slope with four independent wheels or kept the operator away from the site of accident risks. In 2024, the camera image composition technology will be used to clearly show blind spots, thereby ensuring safety of wheel loader's front view. AAVM+ technology will be commercialized designed to detect moving objects within the expected driving environment by combining AAVM and RDS technology.

The Active Stop technology to be released since 2025 will detect an object through the radar-based or camera-based sensor and then slow down or stop depending on the distance. This will be one example of advanced active safety technologies. For safety in dangerous areas the 5G communication technology was released in CES 2024. It is designed to remotely control the wheel loaders via the same station with the equipment operator seat. This remote control technology will be utilized not only for risky tasks but also for an operator's intervention in autonomous equipment operation in the future.

Hi ASSIST (productivity) HD Hyundai Construction Equipment commercialized the Smart Guidance* technology in 2019 and the Smart Control technology with semi-automatic functions added to the Smart Guidance system for HW145+ which is a 14-ton wheel excavators. In 2023 Technology Expo, the upgraded 2D Machine Guidance function was presented. Using this 2D Machine Guidance Plus technology, a customer could upgrade the previous system into the Trimble 3D Machine Guidance system in the field. The 2D·3D Machine Guidance assistance technology will minimize unnecessary measuring workload and reduce working hours, contributing to the productivity of the equipment and on-site tasks.

* The Smart Guidance technology detects positions through the mounted sensors and helps the operator check out the task result. This technology accelerates the measuring process and reduces related costs and accidents.



Hi DETECT

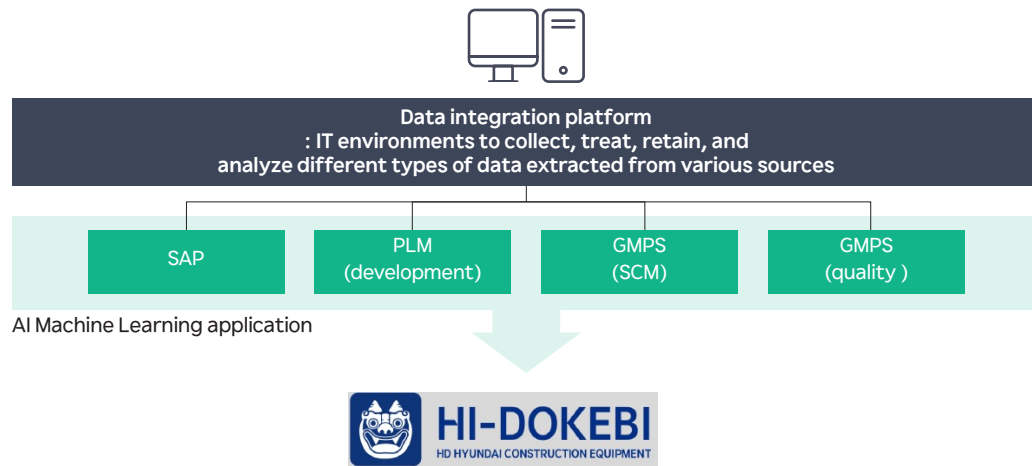
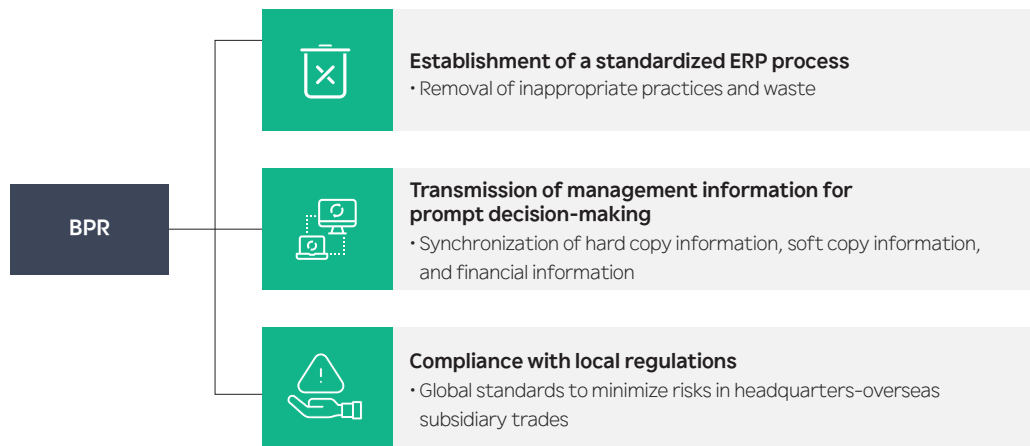
Convenience in working environment

Digital transition for project process improvement HD Hyundai Construction Equipment puts forth efforts to turn existing products, services, and business processes into a data-driven process by using digital technology for realization of organization culture innovation. For digital transition in the construction equipment industry, AI expert training courses for AI capability development were conducted for executives of three companies in HD Hyundai Construction Equipment Sector.

Establishment of a basis for advance digital technologies HD Hyundai Construction Equipment seeks ERP streamlining and synchronization of logistics and information through BPR (Business Process Reengineering). It also establishes a basis for advance digital technologies and strengthens the information competitiveness by introducing a platform for data integration and analysis and applying AI technologies.

Particularly as part of BPR (Business Process Reengineering), the company utilizes ERP standard functions for system reorganization, CBO development minimization, seeking to secure inter-system data conformity and synchronization. Based on the platform for data integration and analysis (Hi-Dokebi), the company continues to strengthen the decision-making capability through the prediction simulation that applies AI and Machine Learning.

Hi-Dokebi The platform of Hi-Dokebi has already been introduced to sales (diversified analysis of business results) and finance (analysis of contribution margins per region/product, comparison of production costs in each production-site). Now its scope is gradually expanding to cover analysis of stock management and prediction of demands and revenue for revenue/stock optimization. The company will continue to make use of the data integration and analysis platform to reduce the gap between division systems, accelerate the decision-making process, support flexible decision-making, and secure transparency of data treatment for prompt and optimized decision-making based on facts.



Contribution to Local Communities

Social Contribution Management System

Social contribution management organization

HD Hyundai Construction Equipment supervises plans, performance, risks, and opportunities related to local communities through its ESG Committee. Major plans and tasks are reviewed and resolved by the ESG Management Committee. Agenda discussed by the ESG Management Committee are reported to the ESG Committee under the Board of Directors. In 2023, performance of the foreign-cooperative and employee-participatory social contribution program were discussed.

Type	Frequency	Major agenda	Conducted by:
ESG Management Committee	Quarterly	Social contribution strategy, performance review	CEO and ESG Business Innovation Team

Social contribution strategy

In 2023, HD Hyundai Construction Equipment designated the Global Volunteering Day and since then, it has put forth efforts into the ecosystem restoration project in such ways as plogging at worksites nationwide, business agreement with Korea National Park Service for ecosystem preservation, and offering contributions. It also promotes and concludes sisterhood ties with local communities involving voluntary activity for rural communities and tree planting for co-prosperity. In 2023, the company contributed the construction equipment to Ukraine for restoration work in war. It will also establish a partnership with the local government to train local construction equipment technicians and create more business opportunities. The company will continue to create societal values through worldwide social contribution. To minimize negative impact of bad smell and noise from a worksite on the local community, elements that may cause civil complaints such as bad smell are managed proactively. With the environment improvement around each plant and the 1-site 1-river purification project, and continued investment into local communities, the company will continue to fulfill its responsibilities and obligations for communities.

In addition, to promote communication with employees and arouse their interests in environments for ESG internalization, each one is required to participate in voluntary service at least for 4 hours. Individuals may autonomously make plans for their voluntary activity in consideration of various activities available, annual plans, and personal schedules. In view of the issues of environmental impairment due to illegal mining and infringement of natives' rights in local communities around the globe, the company manages negative impact on local communities in advance. To prevent illegal environmental impairments and protect human rights and environments, the company distributes its code of ethics internally and proclaims the code externally as well.

Social contribution achievement

In 2023, HD Hyundai Construction Equipment spent 390 million won for social contribution. Our social contribution strategy will be further developed to perform activities considering the nature of construction equipment and beneficiary-centric activities and to strengthen the effectiveness of our activities.

Social contribution achievement
2023 expenses for social contribution

390 million won

Direction and main areas of social contribution

To be an enterprise loved by everyone and pursuing the development of the nation and local communities, HD Hyundai Construction Equipment conducts various social contribution activities. To realize the social contribution vision of HD Hyundai, 'a better and brighter world,' all employees participate in helping disadvantaged groups, revitalizing the local economy, and fostering the future generation through the following activities: participatory contribution through sharing, future-oriented sustainable contribution in collaboration with the company, and sympathetic contribution based on the values of social commitment and sincerity.

Vision

A better and brighter world

Direction



**Sustainable
HD Hyundai**

HD Hyundai pursues sustainable development by understanding its social, economic, and environmental impacts and fulfilling its responsibilities.



**Inclusive
HD Hyundai**

HD Hyundai aims to improve the life quality and human rights of socially disadvantaged people so that all community members are equally respected regardless of their backgrounds.



**Innovative
and active
HD Hyundai**

HD Hyundai explores and actively practices innovative ideas to address various and complicated social issues.

Main areas

We go tomorrow together



Co-prosperity with the local community

Establishment of a happy living foundation for the company and local community both prosper in harmony with the founder's spirit



Support for independence and care for marginalized community

Establishment of a foundation for economic independence and improvement of the life quality by providing various education opportunities and improving environments



Environment protection

Contribution to the sustainable growth of the local community and the health and safety of future generations through environment preservation and improvement activities

Social Contribution Activity

Co-prosperity with the local community

Providing excavators to disaster areas for restoration HD Hyundai Construction Equipment actively participates in disaster restoration activities by providing its construction equipment after natural disasters such as flood, forest fire, and typhoon. In 2023, excavators were mobilized to the victimized area of Türkiye after the strong earthquake in addition to funding for relief goods. 10 middle-size excavators worth USD 1.5 million were provided along with HD Hyundai Infracore for the restoration project. 20 excavators were provided for road and building restoration after the forest fire over Gangneung to help residents who lost a site of living to resume the normal life. For victims suffering lack of goods, lunch boxes were provided to voluntary employees dispatched to the site to help residents resume their normal life.

Supply of construction equipment for Ukraine reconstruction and conclusion of business agreements regarding education In September 2023, HD Hyundai Group concluded the business agreement in the forum for Ukraine reconstruction, conducted by the Ministry of Land, Infrastructure, and Transport. For urgent local restoration of war-struck areas of Ukraine, HD Hyundai Construction Equipment donated two 30-ton crawler excavators to Ukraine in October 2023. To train construction equipment experts in Ukraine, invitational training sessions will be conducted in Korea and on-site education programs also will be provided in the victimized areas of Ukraine in the future. A basic education center also will be founded in Kiev. With such various supportive programs and partnerships with the local government, the company will support urgent restoration of victimized regions and promote the favorable relationship with Ukraine.



Equipment for reconstruction of Nikolaev Oblast at the southern part of Ukraine



Support for men of national merit Invitational event for Korean War veterans and their families (Veterans Day)

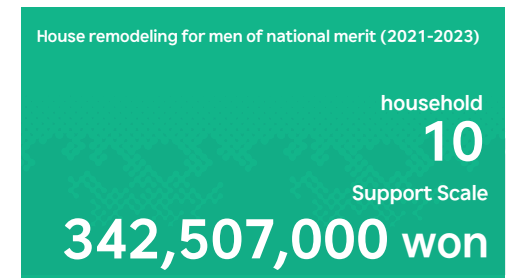
In commemoration of the 70th anniversary of Korean War Truce and Memorial Day in the US in May 2023, the North American subsidiary of HD Hyundai Construction Equipment invited 15 veterans and 20 among their families and offered them appreciation plaques and gifts and appreciated performances with some from the local community present to express thanks to them and create an opportunity to serve the local community.

House remodeling for men of national merit In co-operation with the Ministry of Patriots and Veterans Affairs, HD Hyundai Construction Equipment supports housing environment improvement for men of national merit who dedicated themselves to the nation including Korean War veterans and bereaved ones of the Cheonan sailors. In 2023, three Korean War veterans and 1 war veteran who returned were selected for the window and bathroom remodeling project. This housing environment improvement project was conducted for the convenience of these men of national merit. With the business agreement with the Ministry of Patriots and Veterans Affairs in 2024, the housing environment improvement project will be expanded up to the scale of 150 million won (4 households). The scale and scope of beneficiaries will be gradually expanded.

Support for capital corps HD Hyundai Construction Equipment has established a sister relation with capital corps and continued the supportive activity including donation of equipment and money every year. In 2023, Hotel vouchers and food worth 15 million won were offered to boost morale among military personnel of capital corps in the sister relation. For military facility maintenance and military aid to civil authorities, grass eliminators that could be used along with a 1.7 ton mini excavator were donated.



House remodeling for men of national merit

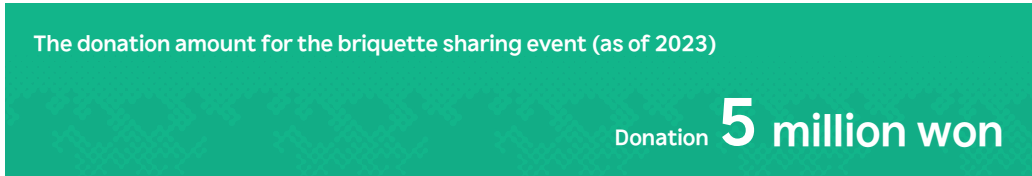


Support for independence and care for marginalized community

1% Salary Sharing Campaign HD Hyundai Construction Equipment has participated in HD Hyundai 1% salary sharing campaign since 2020. The 1% salary sharing activity is for employees to voluntarily donate 1% of the salary through HD Hyundai Sharing Foundation. 1% salary sharing is practiced with employee salary contributions of 0.5% and a company-matching contribution of 0.5%. The funds raised through the foundation (1% Sharing Foundation Happy Supporters) 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. In 2023, a total of 140 million won was donated. With Happy Supporters, 55 million won was used for welfare facilities Loving Kimchi Sharing Event, and Seongnam Silver Car Campaign. 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.

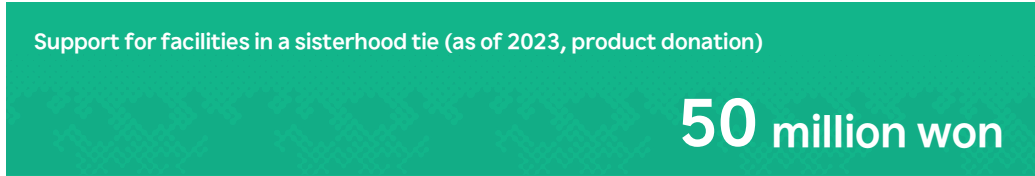


Briquette Sharing Event for Senior Citizens Living Alone Since 2015, HD Hyundai Construction Equipment has been organizing an annual briquette-sharing event in collaboration with new employees at the headquarters, aiming to support senior citizens living alone and those in need. In November 2023, over 35 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.

In 2023, 66 PCs and 66 monitors worth 30 million won were donated to seven welfare facilities including five facilities in Bundang, Seongnam-si, Gyeonggi including Somang Rehabilitation Center and Pangyo Senior Welfare association and two others in Ulsan including Dong-gu Rehabilitation Center for the Disabled and Jeonha Senior Center. Computing devices will be utilized for independent computer education and hobbies of disabled fellows, senior citizens, and low-income classes. The voluntary service club of Ulsan Campus named 'Neighborly Love Club' often visit welfare facilities in such occasions as national holiday to give disadvantaged people daily necessities and supporting money. Such programs to contribute to local communities including sisterhood ties will continue to be practiced and developed.



Donation of PCs to welfare facilities

Construction equipment repair technician training program To help employment-disadvantaged people (those preparing for independent living and discharged soldiers) find a job and adapt themselves to the organization successfully, HD Hyundai Construction Equipment Global Education Center has operated new construction equipment maintenance technician training programs in connection with the national human resource development consortium project of the Ministry of Employment and Labor. This training program is to help individuals enter the global education center, take the theory/practical education courses of construction equipment skills (maintenance and operation), and find a job at a service agency or designated maintenance shop in Korea. During the first half of 2023, 6 youths preparing for independent living (children whose protection period ended) and intending to be a construction equipment maintenance engineer were selected through the collaborative project with HD Hyundai 1% Sharing Foundation Dream Academy Employment Project. During the second half, 8 discharged soldiers were selected through the collaborative project with the discharged soldier support center under the Ministry of Patriots and Veterans Affairs. All of the trainees completed the course and were employed successfully. This project contributes to creating job opportunities for employment-disadvantaged people as well as supply of maintenance workforce for construction equipment agencies. With such efforts, HD Hyundai Construction Equipment establishes the ecosystem to train talented construction equipment maintenance workforce.



Orientation of the construction equipment maintenance technician training course (Chungbuk Eumseong Global Education Center)



Completion ceremony of the construction equipment maintenance technician training course

Voluntary service for villages in a sisterhood relation Every year, HD Hyundai Construction Equipment conducts charity activity to show compassion to neighbors in need. In May, sometime before Parents' Day, the company started growing maize with village resident over the unused land around Handeul Village in Eumseong which was in a sisterhood relation. In Yangdong Village near Ulsan Campus, the onion harvesting and environment cleaning activity were conducted in June and November. The village resident event was held and one box of harvest was given to each household. The rest was donated to groups in a sisterhood relation. Eumseong Campus helps general village cleaning and fertilizer transport in Daejang-ri, Soi-myeon, Eumseong, which is a village in a sisterhood relation. The company purchases farm products worth 200 million won to promote farm product consumption and distribute them to employees. Employees are given opportunities to purchase them to open up a selling channel of agricultural products.

Hyundai Modern School HD Hyundai Construction Equipment India subsidiary has operated 'Hyundai Modern School' since 2020, providing support for school facility maintenance and opportunities to experience education programs. In 2022, the education environment improvement project to turn the wasteland of Golegaon Village School into a playground by using HX220HD produced by India subsidiary. The 'Science Park Tour' event was held for local school students so that they could experience advanced science technologies such as engineering, emerging technology, space science, 3D show, etc. In addition, medical support also continues to be provided in such ways as aged ambulance repairing and donation to Sukalwehge Village where medical environments are poor.



Yangdong Village voluntary service



A photo of voluntary service at Handeul Village

Transparent and responsible governance of
HD Hyundai Construction Equipment

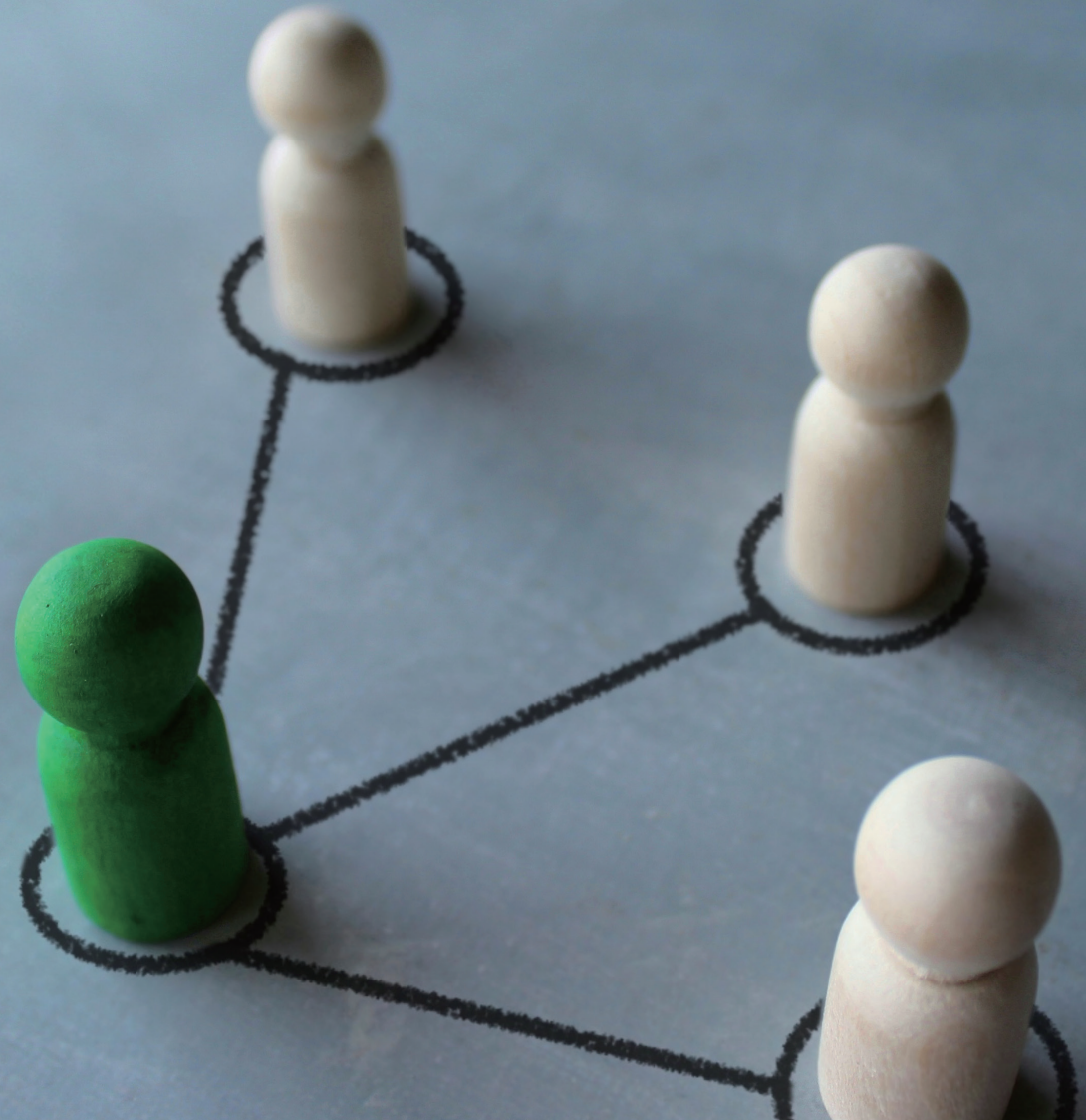
GOVERNANCE

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Governance Soundness and Independence

Governance principle

HD Hyundai Construction Equipment does its utmost to improve the life quality of stakeholders of the company including employees, customers, stockholders, and contractors. It puts forth various efforts to establish a sound governance by realizing corporate values and management principles. The company has established a charter of corporate governance, defined the independence of the Board of Directors, and specified prerequisites for independence. It also has established operation principles of the Board of Directors, complying with 13 out of 15 key metrics of corporate governance. Releasing the corporate governance report annually, the company puts forth efforts to secure the transparency of governance and guarantee stockholders' right to know.

Governance characteristics

- Ensuring independence and expertise of the Board of Directors**
 - Consisting of experts in various areas such as business management, law, accounting, etc.
 - Objective and independent decision-making led by outside directors
 - Compliance with related laws and regulations to prevent interest conflicts between the company and directors
- Strengthening the expertise of company management**
 - Decision-making led by the committees under the Board of Directors
 - Audit Committee, ESG Committee, Outside Director Candidate Nomination Committee, and Compensation Committee
- Efficient operation of the Board of Directors**
 - Convening a quarterly regular board meeting, and when necessary, a temporary board meeting
 - Attendance and resolution in board meetings either in person or through a video conference

Board of Directors

Board independence and expertise

With the comprehensive authority over the company management, the Board of Directors of HD Hyundai Construction Equipment functions to make decisions on important aspects: aspects specified by law or articles of association, aspects entrusted by the general meeting of stockholders, aspects related to the company's basic policy and business execution. In addition, the board is responsible for appointing the CEO and board chairman and supervision of the management's work performance. To secure the diversity and expertise of directors, the board consists of experts in various areas such as business management, law, accounting, etc. At least three out of five board members should be outside directors so that the decision is made in an objective and independent manner. All outside directors are appointed in compliance with outside director requirements in the Commercial Code. Outside directors shall not be a related party of major stockholders, management, or any subsidiary. Every director of the company shall comply with laws and regulations such as Commercial Code and Fair Trade Act to prevent a conflict of interests between the company and directors in such matters as transaction for oneself, usurpation of corporate opportunities, disclosure of large-scale internal trading, etc. Effective and delicate discussion and decision-making among outside directors shall be secured so that they can make a decision independently from the management and controlling stockholders. An inside director is recommended by the Board of Directors and appointed by the general meeting. As to outside directors, a outside director is recommended by the Outside Director Candidate Nomination Committee and appointed by the general meeting. For capability assessment and director appointment, there shall be no discrimination or restriction regarding the age, gender, academic background, or region of origin.

Charter of corporate governance | HD Hyundai Construction Equipment (hereafter, referred to as the "company") pursues the best general heavy industry business leading the world under the management principles of creative prescience, positive will, and strong drive. The company's management philosophies are to increase the corporate values through continued growth, practice fair and transparent management, and secure safe and eco-friendly business management. The company realizes labor management cultures of mutual respect and trust and contributes to social development as a global corporate citizen. Based on such a modernized spirit, management visions and philosophies, the company does its utmost to make customers moved, employees feel worth, and stockholders satisfied with the increasing corporate values. With this charter of corporate governance of HD Hyundai Construction Equipment, the company continues to establish and develop a healthier governance.

[🔗 Charter of corporate governance of HD Hyundai Construction Equipment](#)

Changes to the board formation

Classification	2023	2024
New appointment	Inside director Kim Wansoo Outside director Cha Kyunghwan	Inside director Jeong Yeonggeun
Retirement/ Dismissal	Inside director Song Myeongjun Outside director Shin Piljong	Inside director Kim Wansoo

Formation of the board

Classification	Name	Sex	Specialized Area and Main Career	Specialized area	Term in office
Inside Director	Choi Cheol-gon (CEO)	Male	Present) CEO of HD Hyundai Construction Equipment Former) Executive Director of Heavy BG, Doosan Infracore Former) Executive Director of Asia Operations, Volvo Construction Equipment Group	Corporate management/construction equipment industry	2021.11~2026.03 (two consecutive terms)
	Jeong Yeong-geun	Male	Present) HD Hyundai Management Planning Division 1 Former) Samil PricewaterhouseCoopers	Corporate management	2024.03~2026.03
Outside Director	Park Ki-Tae (Chairman of the board)	Male	Current) Full-time advisor, Samil PricewaterhouseCoopers Current) Member of the Capital Markets Subcommittee, Financial Development Council Former) Vice Representative, Samil PricewaterhouseCoopers	Financial/accounting	2022.03~2025.03
	Yu Myeonghui	Female	Current) Visiting professor, Graduate School of International Studies, Seoul National University Former) Economic and Trade Minister, Ministry of Foreign Affairs Former) Director-General of the Trade Negotiations Bureau, Ministry of Trade, Industry and Energy	Economy/International business	2022.10~2027.03 (two consecutive terms)
	Cha Kyung hwan	Male	Current) Attorney at law, Kim & Chang Former) Attorney at Pyeongan Law Firm Former) Chief Prosecutor, Suwon District Prosecutor's Office Former) Director at the Planning and Coordination Division, Supreme Prosecutors' Office	Judicial affairs	2023.03~2026.03

* As of the end of March 2024

* No director has any interest with the largest stockholder or any transaction record with the corporation for the past 3 years.

Education content for outside directors

Date of education	Education group	Outside directors present	Major content of education
September 14 2022	KPMG Samjong Accounting Corp	Park Gitae, Shin Piljong	· Recent trends of the Audit Committee, insights of the Audit Committee and management regarding fraud investigations · Changes in the management environments, new crises and opportunities
September 22 2023	Samil PricewaterhouseCoopers	Yu Myeonghui, Cha Gyeonghwan	· Improvement of the external audit system and ESG-related disclosure · The future of HD Hyundai Group in relation to the global uncertainty
May 25 2023	Samil PricewaterhouseCoopers	Park Gitae	· The company's future, the company in the future · Minor stockholders in the court's perspective and in the National Assembly's perspective · Cases of efficient work procedures in use of robotics AI

Board Skill Matrix

Assessment item	Choi Cheol-gon (Inside Director)	Jeong Yeong geun (Inside Director)	Park Ki-Tae (Outside Director)	Yoo Myung-Hee (Outside Director)	Cha Kyung hwan (Outside Director)	Rate
Key industry sector (Expertise on construction equipment and parts industries)	●	●				40%
Finance and accounting (Expertise of finance and accounting for business management and management supervision)		●	●			40%
International business (Expertise on dynamics of international politics and local risk management)	●	●		●		60%
Leadership (Expertise on organizational operation)	●	●				40%
M&A (Expertise for decision-making on corporate investment activity)	●	●	●		●	80%
ESG (Expertise on ESG materiality review and decision making)	●		●	●	●	80%
Laws and public policies (Expertise on analysis of and response to laws and policy risks)				●	●	40%

Committee-centered operation of the Board of Directors

To establish an independent governance system to prevent and address conflicts of interests objectively, HD Hyundai Construction Equipment separated the CEO from the Board Chairman at the general meeting held on March 28, 2024. A committee consisting of individuals with expertise for making important decisions is organized within the Board of Directors to enhance the expertise and efficiency of decision making regarding corporate management. The purpose, power, structure, chairperson and convening of Committee shall be governed by the terms of reference of each committee and resolutions made by a committee under delegation from the Board of Directors shall have the same effect as resolution of Board of Directors. A committee within the Board of Directors includes outside directors as its majority as specified in internal regulations and the Commercial Code. For efficiency and independent operation of decision making by the Board of Directors, a outside director serves as the chairman.

Committee organization chart within the Board of Directors*



● chairman ● member

Classification	Choi Cheol-gon	Park Gitae	Yu Myeonghui	Cha Gyeonghwan
Audit Committee		●	●	●
Outside Director Candidate Nomination Committee	●	●	●	●
ESG Committee	●	●	●	●
Compensation Committee		●	●	●

* As of May 31, 2024

Audit Committee The Audit Committee consists completely of outside directors, acting independently as the company's management supervisory body. The Audit Committee's regular meeting is held on a quarterly basis, and temporary meetings are held when necessary. Committee resolutions are passed when the majority of committee members are present and the majority of present members agree. The Audit Committee resolves the following agenda: general meeting, the Board of Directors (duty of report to the Board of Directors, audit report preparation and subtask, etc.), audit details (internal accounting implementation system assessment and report, etc.).

Outside Director Candidate Nomination Committee When it is necessary to appoint a outside director, the Outside Director Candidate Nomination Committee resolves candidates to be recommended to the Board of Directors. The committee consists of one inside director and 3 outside directors so that the majority are outside directors. The chairman should be a outside director to secure the independence of decision making.

ESG Committee The ESG Committee consists of 1 inside director and 3 outside directors. It resolves and approves of ESG strategies and plans including report on ESG materiality review as well as major aspects of the company's social responsibilities. In addition, the ESG Committee sets ESG management acceleration as one of the company's key management policies and establishes the governance system of ESG Committee-ESG Management Committee-ESG Business Innovation Team, putting forth efforts for continued advancement of ESG management.

Compensation Committee To strengthen the objectivity and transparency of the decision-making course of director/executive compensation, HD Hyundai Construction Equipment founded the Compensation Committee within the Board of Directors in February 2024. The Compensation Committee consists completely of outside directors, and it resolves the limit and payment criteria of direct compensation.

Organization to support the Board of Directors The Accounting Team in HD Hyundai Construction Equipment supports the general affairs of the Board of Directors as a dedicated support team. The Accounting Team actively assists outside directors to provide information on agenda prior to the board meeting and perform duties smoothly by responding to their requests necessary for work performance. In addition to the Accounting Team, the Internal Accounting Support Team also supports the Audit Committee in such matters as annual Audit Committee plan establishment and operation, education support, etc. The Board of Directors may operate its own advisory committee consisting of experts in each area to provide consultation in certain areas when necessary.

Efficient operation of the Board of Directors

HD Hyundai Construction Equipment holds quarterly regular board meetings and temporary board meetings frequently when necessary. In 2023, the regular board meeting was held four times and temporary meeting was held four times, eight times in total. The Board of Directors makes decisions as the majority of directors are present and the majority of presented directors agree. For issues regarding prohibition of usurpation of corporate opportunities and transaction for oneself according to the commercial Code, two thirds of the directors shall approve for the decision. The Board of Directors may participate in decision making through communication means transmitting voice simultaneously even if some or all directors are not present in person. This is to encourage directors to attend meeting and participate in the deliberation for efficient board operation.

Enhancing operation of ESG Committee for ESG internalization

The ESG Committee of HD Hyundai Construction Equipment is the highest decision-making body of ESG, examining and approving of ESG materiality reports, ESG strategies and plans, material issues of social responsibilities, etc. The regular meeting of the ESG Committee is held annually while temporary meetings are held when necessary.

Times	Date	Major agenda
1	2023.02.20	Report · 2022 report on the internal transaction records (criteria of transaction partner selection) · Report on ESG materiality assessment results
2	2023.07.26	Report · Report on ESG Management Committee first-half operation results and second-half plans · Result of the integrated report release
3	2023.12.07	Report · Major ESG performance in 2023
		Agenda · ESG plans in 2024

2023 Board of Directors operation achievement

8 Board of Directors meetings were held (reports: 9; agenda : 22)

Average attendance rate of directors

100%

2023 activities of Board of Directors

Times	Date	Major agenda
1	2023.02.06	Report · Report on the operation status of the fair trade voluntary compliance program
		Resolution · Approval of 6th financial statement · Approval of 6th operating report · Approval of 2023 safety and health plans
2	2023.02.20	Report · 2022 report on the operation status of the internal accounting management system · 2022 report on the operation status assessment of the internal accounting management system
		Resolution · Approval of asset acquisition from related parties · 6th regular general meeting and approval of meeting purposes
3	2023.03.22	Report · Appointment of the board chairman and the order of deputizing when the chairman is absent · Appointment of ESG Committee members · Appointment of Outside Director Candidate Nomination Committee members · Head office relocation
4	2023.04.26	Report · Business results in Q1 of 2023
		Resolution · Approval of the technical service agreement with HD Hyundai XiteSoulution (technology institute)
5	2023.07.26	Report · Business results in a half year of 2023 · Report on the analysis result of compliance control standards · 2023 first half fair report on the trade voluntary compliance
6	2023.10.25	Report · Business results in a half year of 2023
		Resolution · Appointment of compliance assistants
7	2023.11.02	Resolution · Approval of an overseas branch foundation
8	2023.12.07	Report · 2024 management plan report
		Resolution · Approval on the date of stockholder confirmation · Appointment of the fair trade voluntary compliance manager · Approval of changes to the executive compensation system, etc.

Performance assessment of the Board of Directors

HD Hyundai Construction Equipment applies the inside director performance-based salary system, connecting the management compensation with their performance. The performance-based salary is paid to each inside director in reflection of the basic annual income for each position, financial metrics such as revenue and operating profit, non-measurable metrics such as leadership and work performance expertise, etc. The performance assessment of outside directors is based on the board meeting attendance rate, industrial expertise, contribution, activeness in board work, etc. During reappointment process, such assessment results are reflected.

Activity assessment of the Board of Directors

HD Hyundai Construction Equipment assesses the appropriateness of board structure. For efficient operation of the board, the company has introduced the board activity assessment system since 2023. All board members in the annual self assessment with 25 assessment questions under five division. In 2023, there was no problem with the board structure according to the board assessment result, and the Board of Directors was fulfilling its roles and responsibilities honestly. The results of the evaluation will be used to improve the effectiveness of the Board, the effectiveness of the independent directors and the governance framework in the coming year and the development of the governance system.

Board assessment item

Roles and responsibilities of the board	Board structure	Board operation	Board Committees	Board committees and evaluation results
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Compensation for the Board of Directors

The compensation for in-house and outside directors is paid within the limit of compensation for directors approved by the general meeting of shareholders. To ensure their independence from management and controlling shareholders, Audit Committee members are compensated on the basis of the independent directors' compensation framework and are not entitled to receive any other compensation that is tied to the evaluation and other evaluation and management performance. The limit of compensation for directors and auditors approved by the general meeting of Shareholders in 2024 was 26 million won. The actual amount of compensation paid was 1,254 million won and the average compensation per head was 251 million won.

Current status of director compensation payment

Classification	No. of persons	Total amount of compensation (million won)	Average compensation per head (million won)
Registered Director ¹⁾	2	995	498
Audit Committee Member	3	259	86

1) Except for outside directors and Audit Committee members

Estimation of compensation for the management performance

The compensation of the management of HD Hyundai Construction Equipment consists of the management incentive and long-term incentive.

Management incentive The management incentive is paid early in the following year in consideration of measurable metrics such as company revenue of the current year, orders, and operating profit and leadership and expertise for management goal performance. The company's KPI assessment metrics include financial indicators, synergy performance, and major strategy metrics. Strategic mission goals include ESG management enhancement (e.g. energy consumption reduction, carbon reduction task, climate change response system establishment, etc.) to manage implementation results. In addition, the company-wide ESG KPIs are also established with sustainability KPIs set for the CEO. Goal performance are monitored for each item.

Current status of CEO compensation In 2023, the total amount of salary and bonus payment for the CEO of HD Hyundai Construction Equipment was 995 million won. According to the criteria of executive reward payment (board resolution), the position (president), title (CEO), nature of entrusted duties, company contribution, company capacity of payment, etc. are comprehensively reflected in the salary calculation. According to the criteria of group incentive compensation, quantitative metrics such as revenue and operating profit and qualitative metrics such as leadership, expertise, etc. are comprehensively considered to calculate the amount of bonus.

Mid/long-term compensation system for management At the end of 2023, the long-term incentive system was established to prevent decision-making solely based on the management's short-term performance and to maximize long-term corporate values. In comprehensive consideration of metrics such as organization assessment and net profit during the term during the qualification period (at least three years), the final amount is calculated and paid after the qualification period ends. The key management members pursue the company's sustainable growth with the goal of making mid/long-term performance, not merely in a short-term profit perspective.

Improvement of Stockholder Values

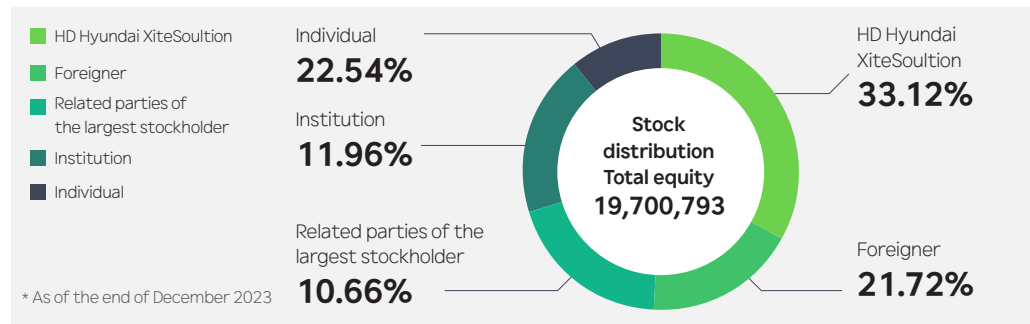
Stockholder and capital formation

As per the Articles of Incorporation, HD Hyundai Construction Equipment is authorized to issue a total of 160,000,000 shares (par value of 5,000 KRW per share). As of the end of 2023, the total number of issued shares is 19,700,793. All issued shares are common shares, each granting one voting right per share. HD Hyundai Construction Equipment operates as a subsidiary of the HD Hyundai Construction Equipment Sector, managing 9 consolidated subsidiaries worldwide (as per the business report). As of the end of 2023, the largest stakeholder is HD Hyundai XiteSolution, holding a 33.12% stake.

Stock Status

No. of stocks issued	Paid-in capital	Stock price (as of the end of 2023)	Market Capitalization
19,700,793	98,503,965,000 won	51,700 won	1,018,530,998,100 won

Stockholder Structure



Stockholders owning at least 5%

Classification	Stockholder name	No. of stocks owned	Percentage of shareholding
Stockholders owning at least 5%	HD Hyundai XiteSoultion	6,524,628	33.12%
	National Pension Corporation	994,316	5.05%

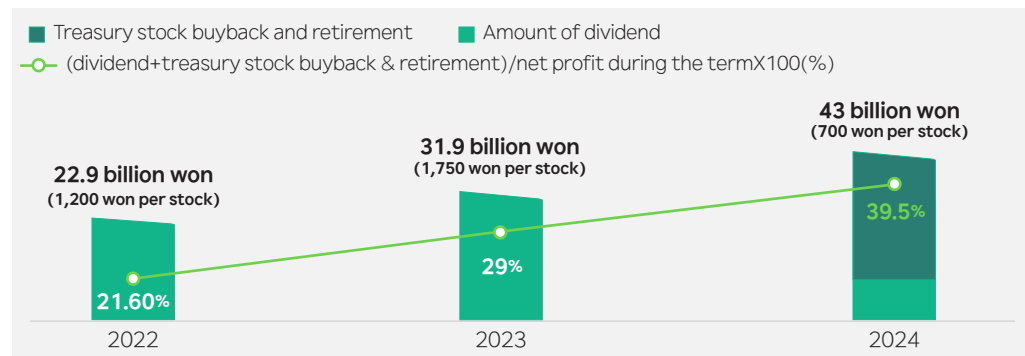
Mid/long-term stockholder value policies

HD Hyundai Construction Equipment announced in March 2023 'that the policy of mid/long-term stockholder value enrichment has been established.' For this purpose, the company will faithfully implement stock dividend as much as at least 30% based on the net profit during the term on separate financial statements for the next 3 years (2024~2026 business years) or treasury stock buyback and retirement. Continually in the future, the company will pursue investment for growth and stockholder value enrichment harmoniously in respect for stockholder rights.

Dividend policy HD Hyundai Construction Equipment has performed dividend each year since 2021 to improve stockholder values. For income capitalization and profit sharing with stockholders, the amount of dividend is determined in comprehensive consideration of the company's scale of profit within the range of profits available for dividends, investment plans for future growth, financial structure, etc. With the propensity to dividend set to 30% (net profits during the term in separate financial income statements) according to the basic dividend policy, the 6th regular dividend in 2022 was 1,750 per stock. As of April 21, 2023, the total amount of dividends paid was 31.9 billion won. The 7th regular dividend in 2023 was 700 won per stock, and as of April 26, 2024, the total amount was 12.7 billion won (propensity to dividend 12%).

Treasury stock buyback and retirement HD Hyundai Construction Equipment exercised the appraisal right by a stockholder as it transferred the industrial vehicle division to HD Hyundai XiteSoultion, and as a result, it acquired 4.3% of total treasury stocks in 2022. It acquired about 2.7% more (30.3 billion won) in 2024 and the retirement along with treasury stocks acquired in 2022 is planned for stockholder value enrichment.

Current status of stockholder value enhancement



Online dividend inquiry service

For stockholders' convenience and ESG Management, HD Hyundai Construction Equipment introduced paperless 'dividend inquiry service of HD Hyundai Construction Equipment' in March 2024. This dividend inquiry service was announced to stockholders through the company's website. Stockholders can check their dividends from 2023 through this online inquiry service real-time. This online dividend inquiry service will enhance stockholder convenience and contribute to reducing carbon emission in the course of paper use and transportation by mail. The company will continue to put forth efforts to realize ESG management.



Online Dividend Inquiry Service

[↗ Dividend inquiry service-Home](#)

Dividend status

Classification	Unit	2021	2022	2023
Net profit during the term (separate)	million won	111,285	107,160	108,876
Earning per share	Won	5,839	5,873	5,981
Dividends per share	Won	1,200	1,750	700
Total amount of dividend in cash	million won	22,868	31,856	12,742
Propensity to dividend in cash*	%	21	30	12
Ration on market values	%	2.98	2.82	1.35

* Based on separate financial statements

Stockholder rights protection

In HD Hyundai Construction Equipment, stockholders freely exercise a voting right through the general meeting of stockholders. Efforts are put forth to promote active participation of stockholders in the general meeting of stockholders through various means such as active implementation of proxy solicitation, autonomous decentralization program of the general meeting, and so forth. To protect the voting right of minority stockholders, the electronics voting system and electronic power-of-attorney system have been introduced and operated. Stockholders are encouraged to exercise the right to freely make a proposal according to related laws such as Commercial Code. The company currently does not adopt the concentrated vote system, but its application will be thoroughly discussed and considered if its introduction is obligatory or stockholders request for it.

Symmetry of Information

HD Hyundai Construction Equipment announces the result of the general meeting on the very day of the meeting. As it also announces the result of exercising voting rights in the general meeting through its website, information on the general meeting is transparently opened and provided to stockholders. In addition, the company as a security listing corporation faithfully implements regular and special notices in accord with related laws and regulations. If necessary, information is provided through the website for better understanding.

To actively reflect expectations and needs of various stakeholders including stockholders and to promote smooth communication, the company participates in corporate presentations and IR conferences both domestically and internationally held by stock firms for domestic and international institutional investors and analysts. In addition, it performs IR activities in person by holding the Corporate Day and NDR (Non Deal Road Show). Web-casting is also conducted through interactive conference calls and the company website each year or on a quarterly basis to report performance and major management information so that stockholders receive useful information in a fair and timely manner. Information is provided at the company website in Korean, English, and Chinese. In the future, the contents will be available in more languages so that all stockholders around the world can easily access the information. Aspects that significantly affect stockholders' rights such as corporate merge, business transfer, split-up, structure of procession, etc. are specified as items to be resolved through the general meeting of stockholders. Practically protective plans are come up with and implemented for both dissident stockholders and ordinary stockholders.

Ethical and Compliance Management

HD Hyundai ethics charter

HD Hyundai proclaimed its ethics charter reflecting management philosophies according to its management ethics in 2005. In December 2023, the ethics charter was revised in harmony with the core values of HD Hyundai: 'Innovations leading the world, fearless challenges, respect for each other, and safety for all.' These are made public through the ethical management website of HD Hyundai, and every effort is put forth to comply with them.

Direction of ethical management HD Hyundai Group including HD Hyundai Construction Equipment will continue to practice ethical management to be a 'company that customers and suppliers want to trade with,' 'a company that stockholders want to invest into,' 'a company that executives and employees want to work at,' and 'a company that fulfills its responsibilities for the nation and society.'

Stockholder	Consumer	Contractor/ Competitor	Worker	Government	Local community
Profitability, transparency · Corporate value enrichment · Transparent provision of management information · Equal treatment of stockholders and proper dividends	Customer satisfaction · Promotion of consumer rights and interests · Technology development · Quality improvement	Fairness · Sound transaction practices (eradication of bribes and unreasonable demands) · Technology and trade secret protection · Prohibition of unjust recruitment from a competitor	Dignity · Respect for personality/privacy · Working environment improvement · Prohibition of discriminatory treatment	Compliance · Maintaining a sound and transparent relationship · Cooperation with policies · Honest tax payment	Corporate citizen · Eco-friendly management · Social contribution activity

Ethics charter

1. We pursue an ethical corporation that complies with national and international laws and practices reasonable and transparent business management.
2. We realize customer value creation and satisfaction management by feeling needs and expectations of customers.
3. We pursue maximization of stockholder values through fair and efficient management.
4. We fulfill our social responsibilities and duties as a member of the community and contribute to the nation and mankind.
5. We do our best to create a bright, sound corporate culture by establishing an order of just competition and trade.
6. We pursue to be a company of the best talented persons and provide employees with equal and fair opportunities of self realization as well as safe and pleasant working environment.

Ethical Management

Ethical management operation system

The ethical management division of HD Korea Shipbuilding and Offshore Engineering has integrated and operated the ethical management principle of HD Hyundai Group systematically. Three companies in HD Hyundai Construction Equipment Sector has established the governance with the same process for their ethical management activity and ethics audit. The ethical management planning team of HD Korea Shipbuilding and Offshore Engineering is preparing ethical management education programs for employees and conducting investigation on unethical practices, risk inspection, and prevention activity. In addition, internal audits are conducted mainly by the ethical management division to establish improvement plans based on the audit results. There has been no critical issue according to internal audit results. Internal control mechanism designing and assessment are also conducted mainly by the internal accounting support team of HD Hyundai Construction Equipment.

Ethical Management Promotion System To practice fair and transparent business management, the company has established ethics standards such as ethics charter, code of ethics, guideline for work ethics practice, etc. and operated various education, promotion, and practical programs in this regard.

Ethics charter	Implicit declaration of HD Hyundai management philosophies on the basis of ethical management
Code of ethics	Specification of each division's ethics charter and criteria of ethical behaviors
Guideline for work ethics practice	Criteria of specific behavioral judgment and work handling for ethical management practice
Contractors' code of ethics	Code of ethics for fair and transparent trade and co-prosperity with contractors
Program of ethical management practice	Specific systems and procedures for fair and transparent corporate cultures
Education and promotion	Efforts for active practice and spread of ethical management among employees

Major activity of ethical management

Pledge of ethical practice and hearing voices HD Hyundai Construction Equipment requires all employees (including managerial and senior positions for production and technical roles) and contractors 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. Since 2023, the company's employees prepares their written pledge of ethical management practice in an electronic not manually as usual and renew it each year. Contractors also include a written pledge of ethical management practice in contracts.

Opinions are collected from employees and contractors so that the level of practicing ethical management is analyzed and aspects to be improved are reviewed based on their opinions.



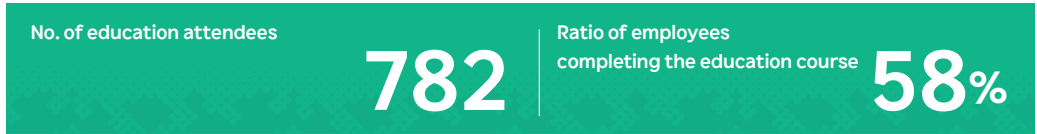
Self assessment on ethical management Management and employees of HD Hyundai Construction Equipment inspect their level of ethical management through the self-assessment (yearly) of compliance, enhancing their understanding of related regulations and finding aspects to be improved. Inspection results are utilized as a reference so that weak points of ethical management can be addressed properly in corporate education programs.

Ethical management campaign On national holidays each year, the 'practical campaign on clean and bright national holidays' is conducted with text messages sent to remind people that gifts or valuables should not be offered to employees, and that if there is such a request, it shall be reported to the ethical management division. If an employee receives any gift from stakeholders, it should be returned or donated to a social welfare organization in principle.

Ethical management education To raise awareness of ethics and compliance, HD Hyundai Construction Equipment conducts ethical management educations both in person and online each year. Education topics include actual causes of various unethical behaviors such as anti-corruption and discrimination. The Q&A session helps develop a consensus among attendees. With the theme of 'A national holiday campaign – upright job performance,' online education programs are conducted for all employees to promote the company-wide internalization of ethical management.

To firmly establish transparent and clean business transaction practices, the code of contractor ethics was also enacted in 2005 to contractor suppliers to develop their culture of ethical management practices. To help contractors also to establish ethical management regulations and practical programs, various supportive activities are conducted including providing group education programs and promotion materials for ethical management.

2023 education programs on ethical management



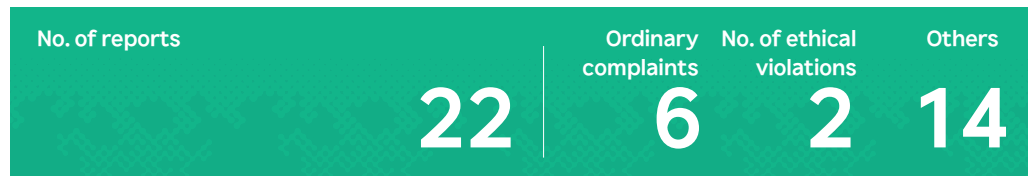
Unethical behavior internal, external reporting system

To foster fair and transparent corporate cultures, HD Hyundai operates online reporting windows that are open 24 hours a day, 365 days a year, to report violations against ethical laws and regulations such as receiving money or entertainment, using a position or authority to gain unfair profits, wrong exercise of authority, etc. The ethical management website of HD Hyundai is available in Korean, English, and Chinese so that people can report ethical violations not only in Korea but also overseas. The high accessibility is secured by receiving reports via telephone calls, fax, e-mail, and mail. Ethical violations may be reported by anyone including employees and stakeholders outside the company either by one's real name or anonymously. A reporter's identity and reporting details are kept confidential. Any disadvantage to such reporters is prohibited. To secure the effectiveness of this reporting system, criteria of rewards for whistle-blowers are also operated. All reports are treated 100% in principle promptly according to designated procedures. Whistleblowers and reporters themselves also can check the results of their reports and improvements thereof.

The ethical management division of HD Korea Shipbuilding and Offshore Engineering collects reports and from various channels each month, analyzes the results, and perform monitoring to prevent recurrence, and share the results on a quarterly basis. 22 reports were received in 2023, and three of them was investigated except the other simple complaints. Two cases turned out to be violations to ethical management rules, and the offenders were subject to disciplinary personnel transfers according to related regulations and procedures. The other 17 complaints were sent to related divisions for proper handling.

[Unethical behavior channel – HD Hyundai Ethical Management > Operation](#)

No. of unethical behavior reports in 2023

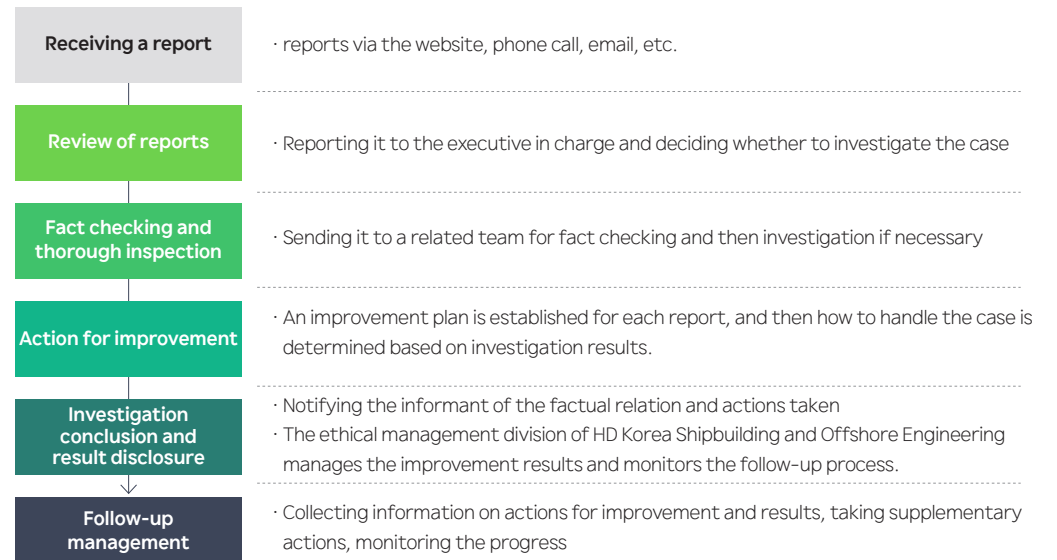


Reporting scope of ethical violations

- Conducts of receiving money or entertainment from stakeholders for one's function
- Conducts of using a position or authority to gain unfair profits, wrong exercise of authority
- Conducts of causing an economic loss to the company with unjust means or intentions
- Conducts of providing the transaction partner with economic benefits with the intention of gaining unfair advantages
- Violations of related laws in the process of transaction with the company
- Other unethical behaviors that are inappropriate at work



Procedures to handle ethical violation reports



Compliance Management

Compliance operation system

HD Hyundai Construction Equipment raises awareness of compliance among employees and sticks to laws and regulations at the same time to promote fair and transparent work performance. To secure sound development of the company and customer trust, standards for compliance control are established and applied. A compliance assistant is appointed according to standards for compliance control. The compliance assistant establishes the system to report the performance of major duties to the CEO and Board of Directors in a direct and timely manner.

To raise awareness of compliance among employees and comply with related laws and requests from stakeholders faithfully, the company's legal division collaborates with the compliance team of HD Korea Shipbuilding and Offshore Engineering. It plans and implements compliance education programs, handles legal issues on-site, and manages legal risks through constant monitoring and inspection.

The compliance team of HD Korea Shipbuilding and Offshore Engineering manages and handles subcontracts, Fair Trade Act violations, and other consultations from reporting channels such as HD Hyundai Group website. It also discusses and reviews issues expected to raise in the course of negotiation. The compliance team of HD Korea Shipbuilding and Offshore Engineering plans and supervises establishment/revision of various regulations and guidelines, compliance risks assessments, and education programs for company-wide management of compliance practices. In addition, the company's legal division regularly provides assistance and education opportunities to the autonomous fair trade compliance manager appointed according to the operation regulations and the compliance assistant appointed according to standards for compliance control. It also inspects the actual condition of compliance and reports the results to the Board of Directors. In 2023, the division reported the actual conditions of voluntary fair trade compliance program operation and compliance education programs in the first half and second half of the year.

Fair trade compliance activity



Fair trade policy¹⁾

Classification	Purpose	Major content
Contractor selection and operation	Securing transparency in the course of contractor selection and operation	Prevention of violations against the Subcontract Act and regulation on contractor selection/operation
Internal deliberation committee establishment and operation	Prevention of violations against the Subcontract Act	Advance deliberation on fairness and legitimacy of subcontracting
Exemplary document issuance and retainment	Spread and firm establishment of exemplary documentation cultures	Regulation on documentation and retainment in the course of subcontract conclusion and trade
Exemplary contract conclusion	Prevention of disturbance against the freedom of contract in abuse of the superior position in the relation with SMEs	Compliance in contracting

1) This is a policy that HD Hyundai Construction Equipment has internally established.

Operation of voluntary fair trading compliance programs

To promote the law-abiding spirit among employees and to manage risks of law offenses, the company has established standards for compliance control and applied them to all management activities. To practice compliance, the company applies 8 major elements of the fair trade autonomous compliance program (CP, Compliance Program) including fair trade education and consultation as recommended by the Fair Trade Commission. Accordingly, the fair trade autonomous compliance system has been established. To prevent risks of law offenses in the process of work performance, handbooks and checklists are prepared, distributed, and updated frequently so that employees can refer to them at work. In March 2023, the fair trade autonomous compliance handbook (subcontract division, unjust common action, concentration of economic power, market-dominating status abuse, unfair trade, etc.) was released.

8 Voluntary Compliance Activities for Fair Trade

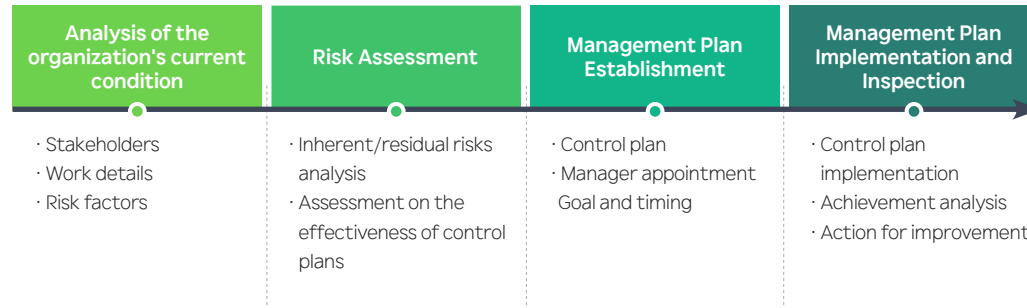
Classification	Major activity	
1. Establishment and implementation of CP standards and procedures	<ul style="list-style-type: none"> Developing regulations for operating the Voluntary Compliance Program for Fair Trade Defining fundamental procedures and criteria for employees' compliance with competition laws Defining organizational structure, responsibilities of voluntary compliance managers, and guidelines for voluntary compliance handbooks, monitoring, and training programs 	
2. Commitment and support from top management for autonomy compliance	<ul style="list-style-type: none"> Public commitment to ethical and legal management by posting an Ethical and Legal Management Practice Declaration (January 2023) Delivered a speech by the CEO on ethical and legal management practices (May 25, 2023) 	
3. Appointment of voluntary compliance managers responsible for CP operations	<ul style="list-style-type: none"> Appointing the head of the purchasing division as the voluntary compliance manager The compliance staff members of each division were appointed to support the compliance assistant (January 2023) 	
4. Production and utilization of voluntary compliance handbooks	<ul style="list-style-type: none"> The revised handbook including revisions latest cases of fair trade practices was distributed company-wide (March 14, 2023) 	
5. Continuous and systematic voluntary compliance training	<ul style="list-style-type: none"> Voluntary Compliance Training <ul style="list-style-type: none"> Regular education sessions on a yearly basis for all employees (compliance-related laws and company regulations) Essential compliance education sessions for new recruits Annual development and reporting of a yearly training plan that includes target divisions, training topics, and schedules 	<ul style="list-style-type: none"> Specialized education for currently related divisions <ul style="list-style-type: none"> Practical education on subcontract practices for production team leaders higher managers at Ulsan Campus (Feb. 8, 2023) Compliance education on related laws such as Subcontract Act, Fair Trade Act, etc. for all employees in the purchase division (May 30, 2023)
	<ul style="list-style-type: none"> Legal consultation regarding fair trade <ul style="list-style-type: none"> Legal consultation for prevention of legal risks including related laws such as Fair Trade Act, Subcontract Act, etc. 	<ul style="list-style-type: none"> Education on delivery price indexation system <ul style="list-style-type: none"> Guidance and checklist distribution regarding conclusion of a special agreement of payment metricsation, exceptions, penalties, etc. (September 2023) Education with invited experts regarding the payment metricsation system (September 2023)
6. Establishment of the internal monitoring system	<ul style="list-style-type: none"> Establishing channels for reporting through the ethical management website, email, phone, and fax Early identification of legal violation risks* Checking and investigating the voluntary compliance status of employees (documentation or on-site inspections, as necessary, in consultation with HD Korea Shipbuilding and Offshore Engineering Compliance Team) Disclosure of legal compliance to prevent violations regarding provision of subcontract technical data (June 16, 2023) 	
7. Sanctions for employees violating fair trade regulations	<ul style="list-style-type: none"> Imposing appropriate sanctions corresponding to the level of violation for individuals found to be in violation of competition laws based on compliance checks 	
8. Effectiveness assessment and improvement measures	<ul style="list-style-type: none"> Reporting of voluntary compliance operation status through semi-annual checks to the Board of Directors 	

Compliance Risk Management

To detect, control, and reduce compliance risks such as legal violations throughout the business operation, HD Hyundai Construction Equipment performs compliance risks assessment at each division based on the results of the risk assessment survey conducted by the compliance team of HD Korea Shipbuilding and Offshore Engineering. Each division of the company fills out the questionnaire of compliance risks assessment, examine the current status, and autonomously assess and manages the unique and residual risks in each part of the organization accordingly.

The company's legal division checks if the management plans are implemented as specified by the compliance team of HD Korea Shipbuilding and Offshore Engineering and other divisions concerned. For employees of a division (team) found to involve high risks as a result of the risk assessment, additional compliance education and consulting programs are conducted. Assessment results are utilized as reference materials for education and work process inspection among employees as well as for impactive improvement plans and regular monitoring.

Compliance Risk Assessment and Management Process



Current condition of consultation and legal action for fair trade

Classification	Unit	2021	2022	2023
No. of legal consultations regarding fair trade	case	86	73	79
Legal action against unfair trade practices	case	2	1	-
Penalty for unfair acts against laws/regulations	billion won	-	-	-

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 February 2023, the online education session about compliance was conducted among 452 individuals from 67 teams. In May, the education and consulting sessions were conducted regarding the Subcontract Act and Fair Trade Act (collusion, agency, unfair support) for 153 individuals from 10 teams including the purchase division and other teams exposed to high risks. In the second half year, the division-specific education session was conducted among 243 individuals from 14 teams including divisions exposed to mid/high risks based on the inspection results of the autonomous inspection conducted in 2023 on each risk and area. For divisions highly related to fair trade tasks, special education sessions for their duties concerned are also conducted to improve the effectiveness of such education activity.

Current status of fair trade education

Date	Attendees	Subject
February 2023	Compliance staff in each division/team	Assessment on relevant aspects and compliance risks including roles of the compliance system/compliance staff
February 2023	All divisions/teams	Advance deliberation on fairness and legitimacy of subcontracting
May 2023	Purchasing division employees	Compliance education on purchase practices (Subcontract Act, Fair Trade Act)
June 2023	Devisions/teams exposed to risks middle-level and above detected in each area of risk inspection	Compliance inspection and education in the second half
September 2023	All employees	Education on standards for upright work performance
September 2023	Purchasing division employees	Practical preparations including precautions for trades under the price metricsation system, agreements of metricsation, and agreements of non-metricsation, and corresponding cases of other companies

Spreading a Culture of Compliance

The Company has 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

1	Revisions to enforcement ordinances of the Subcontract Act	8	Sanctions against unfair internal trading of the conglomerate, Hoban Construction Co., Ltd.
2	Recent regulations for eradication of technology misuse	9	"The revision plan for the Subcontract Act, regarding the Delivery price indexation system was passed at the National Assembly
3	Pre-announcement of revisions to the guideline of offering unfair benefits to a specially related person	10	The revision plan for the enforcement ordinance of the Anti-solicitation Act was resolved at the Cabinet Council.
4	Pre-announcement of revisions to regulations on strategic material export pe rtasks	11	Form establishment of the standard agreement of price indexation and agreement of non-indexation
5	Enactment of the 「Guideline for preparation of request forms for technical documents and confidentiality agreements」	12	The revision plan for the enforcement ordinance of the Subcontract Act was passed at the Cabinet Council
6	Revision and implementation of the guideline of offering unfair benefits to a specially related person	13	Implementation of delivery price indexation system
7	Sanctions against the unfair request for technical data of Hyundai AutoEver Corp.	14	Circumvention against the US sanction against Russia, and sanctions against assistant enterprises and individuals

Cyber Counseling System for Contractors Related to Unfair Trade Practices Suspicious behaviors of unfair trade against subcontract-related laws and regulations can be reported to the compliance team of HD Hyundai through the unfair trade consultation system for contractors. As such, efforts are put forth to establish fair subcontract transaction cultures. 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, an action of protection or aid may be requested to the compliance team or ethical management team of HD Korea Shipbuilding and Offshore Engineering.

ISO 37001 certification of the anti-corruption implementation system To examine and improve the conformity and effectiveness of the existing anti-corruption implementation system, HD Hyundai Construction Equipment received the certification process by a global certification agency and obtained the international certificate of ISO 37001 for its anti-corruption implementation system in October 2023. With its corruption risk management capability recognized, the company has passed all the examination on 45 detailed items including corruption risk assessment and anti-corruption in 7 areas including organizational situation, leadership, planning, and support. In the initial certification process in 2023, there was no critical nonconformity issue. For minor nonconformity issues, improvement plans were established: The corruption risk identification process, the competent internal auditor's report about internal audit plans and anti-corruption management plans to the Board of Directors report will be implemented by the first half of 2024. The company has posted the declaration of ethical compliance and conducted compliance education programs for all employees. with risk assessments, the company practices diagnosis and improvement activities to prevent corruption continually. To strengthen the ethical compliance, it also has established the efficient anti-corruption implementation system that is applied both domestically and internationally so that the ESG implementation system is recognized as trustworthy among various stakeholders.

Certificate of Approval

The anti-corruption implementation system has obtained the international certification of ISO 37001:2016.

October 17, 2023

**Approval Number:
ISO 37001-00042247**

Legal Compliance To thoroughly comply with governance-related laws such as regulations on internal trading and cross-shareholding and to prevent conflicts of interests between the company and directors in large-scale internal transactions, HD Hyundai Construction Equipment follows related laws and regulations such as Commercial Code and Fair Trade Act.

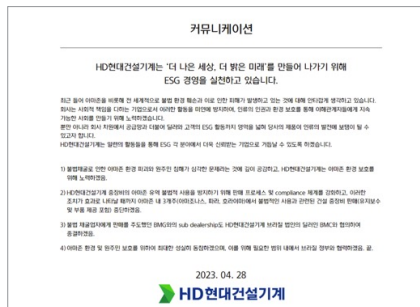
Contractor technology protection HD Hyundai Construction Equipment specifies provisions of subcontract technical data in the handbook of autonomous fair trade compliance (subcontract division) and announces actual practices of law compliance nationwide. Requests for and misuses (disclosure) of technical data with no just reason and prohibited by the Fair Transactions in Subcontracting Act are prohibited and prevented. To protect technical data of contractors, such data may be requested only through the integrated implementation system (GIS, Global Integration System) after the internal confirmation about whether the reason is just. In this case too, the non-disclosure agreement must be concluded, and after the valid period, the received technical data must be disposed of.

Integrated Risks

Risk Management Governance

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 nonfinancial 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 assessments and discusses ways to enhance corporate value by strengthening internal and external stakeholder communication.

For impactful risk management, the ESG Business Innovation Team classifies risks to ordinary customers and internal employees and establishes and implements communication strategies for short-term, mid-term, and long-term responses. For proactive responses to risks related to ESG activities such as human right and environment protection, the company distributes communication letters through its website and dealer portal sites as an enterprise faithfully fulfilling its social responsibilities. The code of ethics is included in each agreement between the corporation and a dealer for continued monitoring and response. The provision of illegal use prohibition of equipment is included in each dealer-customer agreement. Particularly for sales persons at Brazil dealer agencies, general education was conducted on prohibition of illegal use and provisions of ethics to reduce risks.



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. Market risks are monitored mainly regarding foreign exchange rates and interest rates. As to foreign exchange risks, the hedge on next exposure is performed to reduce the profit/loss variation due to exchange rate fluctuation. Regulations on foreign exchange risk management are also established as part of the company's policies for risk management. The company has organized the foreign exchange risk management committee as the highest deliberation and resolution body in this regard. To minimize value fluctuations and material losses in foreign currency-denominated transactions due to foreign exchange changes, meetings are held on a quarterly basis with more support provided for active decision making. 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

At HD Hyundai Construction Equipment, 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. Particularly to recognize risks related to climate change and take them as opportunities, the company is preparing for ways of strategic responses.

Activities to Address Non-Financial Risks

Product	Ethics and Compliance	Disaster Risk
<ul style="list-style-type: none"> · Promoting activities to strengthen product quality · Activities to secure product safety 	<ul style="list-style-type: none"> · Establishing our code of ethics · Compliance activities 	<ul style="list-style-type: none"> · Operating an integrated control center 
Environment	Safety	
<ul style="list-style-type: none"> · Reducing environmental impacts at worksites and strengthening the environmental accident prevention system · Enhancing the efficiency of resource use 	<ul style="list-style-type: none"> · Safety accident prevention monitoring (including in-house contractors and outsourced construction companies) · Emergency response training 	

Emerging Risk Management

HD Hyundai Construction Equipment identifies highly uncertain, emerging risks that are likely to occur from a long-term perspective. Strategic plans to respond to each risk are established proactively.

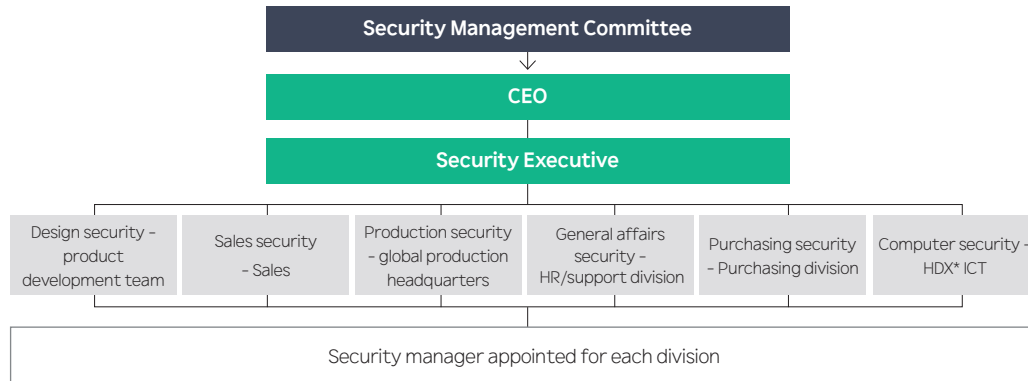
Emerging risk	Risk of acquiring skilled talents	Geopolitical Risk
<p>Definition</p>	<ul style="list-style-type: none"> · The total fertility rate of Korea is 0.72 as of 2023. In this era of ultra-low birth rates, population decrease, and aging, the work force is reduced with risks of product/service demand reduction increasing. · As youths are reluctant to work at a construction site and the existing construction workers are aging rapidly, skillful workers are reducing in this industry (According to '2022 survey of the general life of construction workers' conducted by the Construction Workers Mutual Aid Association, the average entry age of construction site workers is 37 and the current average age is 53.1.) 	<ul style="list-style-type: none"> · Failure of securing a sustainable supply chain due to international conflicts · Crisis of global supply chain collapses due to Russian invasion into Ukraine and skyrocketing of raw material prices
<p>Impact on businesses</p>	<ul style="list-style-type: none"> · Due to the lack of skillful workers in the construction industry, it is challenging to secure workforce for large-scale projects and to secure the technical quality in construction projects. 	<ul style="list-style-type: none"> · Supply chain collapses and skyrocketing of raw material prices
<p>Response plan</p>	<ul style="list-style-type: none"> · Productivity enhancement of human resources <ul style="list-style-type: none"> - Automation in worksites - Diversity in workforce (gender, age, etc.) - Digital transformation for work efficiency - Contractors smart factory supporting programs 	<ul style="list-style-type: none"> · Strengthening supply chain management and monitoring strategies <ul style="list-style-type: none"> - Monitoring the operation status of businesses and distribution chains in the supply chain - In expectation of supply chain risks, countermeasures are established and implemented in cooperation with related divisions such as production team. - Raw material price monitoring, EBIT IMPACT estimation and management in consideration of raw material price rises, monitoring trends in the industry and proper response

Information Protection

Information protection system

To improve its information protection and management and minimize business risks, HD Hyundai Construction Equipment Sector newly established the information security team in December 2022. The information protection and implementation system is an integrated system for three companies in HD Hyundai Construction Equipment Sector. This integrated information security team promptly provides feedbacks to requests for information protection, strengthening synergy impacts. In 2023, 40 systems in HD Hyundai Construction Equipment Sector were interconnected to establish the common criteria of data sharing among three companies in HD Hyundai Construction Equipment Sector. With specific criteria of security, the convenience and efficiency were improved among executives and employees both domestically and internationally. HD Hyundai Construction Equipment has appointed the security executive to plan, coordinate, and implement company-wide security management policies and investments. The security executive conducts and supervises information protection tasks strategically and conducts the meeting of the Security Management Committee regularly at least once a year to discuss measures for security issues and facility investments. In addition, the national key technology protection and organization system will be established to protect national key technologies under the company's management and actively respond to compliance issues including the Act on Prevention of Divulgence and Protection of Industrial Technology.

Organization chart of company-wide security management



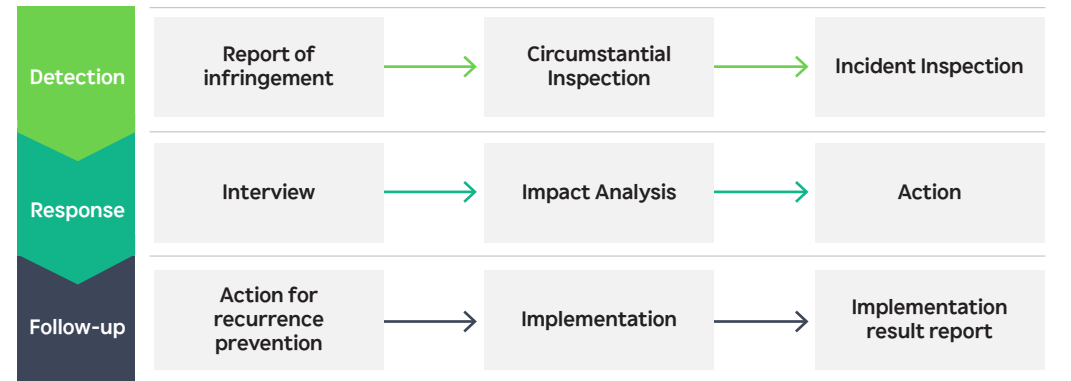
* HD Hyundai XiteSoultion

Security manager system operation HD Hyundai Construction Equipment appoints a security manager for each division to conduct autonomous security check each month. The manager at the information security team shares autonomous check results company-wide.

ISO 27001 information security Implementation system certification To improve the information security and legal conformity and to establish the information security system, HD Hyundai Construction Equipment acquired ISO 27001 information security and implementation system certification in 2022 and has renewed the certification through the annual review.

Process to cope with information breach issues HD Hyundai Construction Equipment Sector has established the process to handle each type of information breach issues in a timely manner.

Breach issue handling process



ESG DATABOOK

- 114 ESG Data
- 133 GRI Index
- 136 TCFD Index
- 137 SASB Index
- 138 UN SDGs
- 140 UN Global Compact
- 141 Independent Assurance Opinion Statement
- 145 Greenhouse Gas Emissions Verification Review
- 146 Scope3 Verification Review
- 147 Stakeholder Participation
- 148 Association Membership and Certification



ESG Data

Economic Data

Operating Performance

Metrics	Unit	Data Scope	2020	2021	2022	2023
Revenue	million won	Consolidated	2,390,510	3,284,340	3,515,612	3,824,967
operating profit			87,437	160,709	170,610	257,228
Net income			8,505	126,434	99,406	127,451
Revenue		Separate	1,350,818	2,143,145	2,571,209	2,574,570
operating profit			12,206	67,065	145,071	214,771
Net income			31,013	111,285	107,159	108,876

Financial Soundness

Metrics	Unit	Data Scope	2020	2021	2022	2023
Total assets	million won	Consolidated	3,355,861	3,559,566	3,448,587	3,296,953
Total liabilities			1,768,328	2,011,758	1,781,300	1,525,880
Total equity			1,587,533	1,547,808	1,667,287	1,771,073
Total assets		Separate	2,145,520	2,353,816	2,418,818	2,343,772
Total liabilities			1,086,821	1,171,790	1,108,403	965,716
Total equity			1,058,699	1,182,026	1,310,416	1,378,056

R&D

Metrics	Unit	Data Scope	2020	2021	2022	2023
R&D workforce	persons	Korea	302	295	258	220
R&D cost	million won		61,499	67,229	59,269	79,506
R&D investment per revenue ¹⁾	%		4.6	3.1	2.3	3.1

1) Based on revenue in separate financial statements

Intellectual Property Right

Metrics	Unit	Data Scope	2020	2021	2022	2023
Application ¹⁾	each	Global ³⁾	296	276	219	221
Registration ²⁾			225	209	161	162

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

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

3) Number of intellectual property rights applied and registered both domestically and internationally (based on consolidated financial statement)

Quality Management

Metrics	Unit	Data Scope	2020	2021	2022	2023
No. of ISO 9001 certified worksites ¹⁾	each	Global	8	4	4	6

1) Ulsan/GRC/Yongin Technology Innovation Center/Jiangsu/India/Brazil (as of 2023)

Defined Benefit (Retirement Plan)

Metrics	Unit	Data Scope	2020	2021	2022	2023
Subscriber (DB)	persons	Korea	-	-	1,180	1,169
Operation money (DB)	million won		64,910	72,314	81,062	78,797
Subscriber (DC)	persons		-	-	28	41
Operation money (DC) ¹⁾	million won		1,121	2,214	2,286	2,511

1) Criteria of retirement pensions

Governance Data

BOD Governance Structure

Metrics	Unit	Data Scope	2020	2021	2022	2023
BOD participation rate	%	Korea	95	98	97	100
Ratio of female directors			0	20	20	20
Average term of directors	Year		-	2.80	1.00	1.55

Management-Employee Compensation

Metrics	Unit	Data Scope	2020	2021	2022	2023
Total compensation of CEO ¹⁾	million won	Korea	650	2,197	743	995
CEO-employee compensation rate	times		9.3	28.2	8.4	10.3

1) Stockholding rate compared to CEO compensation as of 2023 25.98%

Compliance Management

Metrics	Unit	Data Scope	2020	2021	2022	2023
No. of compliance education sessions conducted	each	Korea	2	2	2	2
No. of compliance education attendees	persons		300	1,313	1,255	848
No. of legal consultations regarding fair trade	each		3	86	73	79
No. of legal consultations regarding anti-corruption and economic sanction			3	6	9	6

Major Legal Violations regarding Environments/Society (Major Legal Violations)¹⁾

Metrics	Unit	Data Scope	2020	2021	2022	2023
No. of major legal violations regarding environments/society	each	Korea	0	2	1	0
No. of legal violations regarding environments			0	0	0	0
No. of legal violations regarding fair trade ²⁾			0	2	1	0
No. of violations of the Anti-graft Act			0	0	0	0
Etc.			0	0	0	0
Type of sanction (No. of financial/non-financial sanctions)			0	0	0	0
Financial sanctions			0	1	0	0
Non-financial sanctions			0	1	0	0
Fine for environmental law violation ³⁾	hundred million won		0	0	0	0

1) Modification to 2020-2022 data due to indicator definition adjustment

* Major financial sanctions: Financial sanctions of at least USD 10,000 including charges/fines/sanctions on legal violations and lawsuits regarding environments/society during the reporting period

* Major non-financial sanctions: Non-financial sanctions including license revocation/business suspension due to legal violations and lawsuits regarding environments/society during the reporting period

2) 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.

3) Although they are not major legal violations, there were 2 environment law violations during the current term (fine: 880,000 won). One incident was a failure of completing the environmental education course. Measures for recurrence prevention of such cases are legitimate dismissal and thorough management of education course completion. This is an issue caused by not entering information about the handover and acceptance of waste into the 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

Metrics	Unit	Data Scope	2020	2021	2022	2023
Total political donation ¹⁾	million won	Korea	0	0	0	0
Total contributions to related organizations and associations			3,292	2,663	2,135	5,410

1) Strict compliance with Article 31 (limitation of contribution) of the Political Funds Act which prohibits political funding by a corporation or organization. No political fund, election fund, or funding for political maneuvering to a certain political group or party that may affect policy making directly. No registration to or activity in an association that violates the Paris Convention. No climate-related maneuvering activity among related associations in 2023.

Top 5 Largest Expenditures to Associations

Metrics	Unit	Data Scope	2023
Hyundai Academy	million won	Korea	1,071
Korea Foundation for Cooperation of Large & Small Business, Rural Affairs			923
HYUNDAI Oilbank 1% Sharing Foundation			762
Social welfare foundation, Community Chest of Korea			477
Hyundai Foreign School			274

Ethical Management

Metrics	Unit	Data Scope	2020	2021	2022	2023
No. of worksites that conducted ethical audit	each	Global	3	4	4	4
Ratio of worksites that conducted ethical audit	%		33	40	40	40
Individuals who completed an education course about the code of ethics ¹⁾	persons		-	-	-	782
Ratio of Individuals who completed an education course about the code of ethics	%		-	-	-	58
No. of employees sharing the anti-corruption policy (ethical management guideline) ²⁾	persons	Korea	1,193	1,166	0	893
Ratio of employees sharing the anti-corruption policy (ethical management guideline)	%		84	77	0	67
No. of partners sharing the anti-corruption policy (ethical management guideline)	each		291	324	258	219
Ratio of partners sharing the anti-corruption policy (ethical management guideline)	%		93	92	95	92
No. of violations against the code of conduct ³⁾	each		1	3	7	1
Dismissal/disciplinary action for HD Hyundai Group anti-corruption policy	persons		0/3	1/5	1/24	0/2
No. of contracts terminated and not renewed due to corruption	each		0	0	0	0
No. of disciplinary actions for violation of the ethical management policy⁴⁾	persons		9	6	17	4
No. of individuals subject to disciplinary actions against the violation			9	6	10	4
Individuals subject to warnings or less severe actions against the violation			0	0	7	0

1) Domestic executives/employees and sojourning employees. As the scope of report has been adjusted to 'Global,' the data from 2023 onwards are reported.

2) Non-collection of hard copy pledges in light of digitization since its electronic format started to be used in 2022.

3) Including corruption/bribery, discrimination/harassment, conflict of interest, and money laundering/inside transaction

4) Including issues of human rights harassment at worksite, sexual harassment, corruption and graft, information security, conflict of interest, fair competition (contractor and fair trade, etc.)

Environmental Data

Investment into environments

Metrics	Unit	Data Scope	2020	2021	2022	2023
Investment into environments and operation expenses	hundred million won	Korea	31.70	14.23	18.67	55.70
Eco-friendly technology development expenses			36.40	54.73	51.94	63.88
Eco-friendly (electrification)			6.00	12.96	16.49	7.91
Smart (automation, unmanned system)			18.89	23.19	24.61	51.52
Fuel efficiency (performance, air pollutant reduction)			11.51	18.58	10.84	4.45
Eco-friendly Revenue	hundred million won	Global	-	773.60	1,549.60	1,257.80
Percentage of eco-friendly revenue ¹⁾	%		-	2.30	4.40	3.30
Ratio of zero-emission vehicles			-	0	0	2.00
Total of eco-friendly purchases	million won	Korea	-	-	18.90	15.20
Percentage of eco-friendly purchases ²⁾	%		-	-	0.0932	0.0621

1) The percentage of revenue is based on consolidated financial statements.

2) Data has been adjusted in 2022 based on the updated metrics.

Environment Implementation System

Metrics	Unit	Data Scope	2020	2021	2022	2023
No. of ISO 14001 (EMS) certified worksites ¹⁾	each	Global	1	3	3	4
Ratio of ISO 14001 (EMS) certified worksites ¹⁾	%		25	50	60	80

1) Criteria of estimation: Domestic worksite (including R&D centers) and overseas production corporations

Non-Recyclable Raw Material

Metrics	Unit	Data Scope	2020	2021	2022	2023
Steel material	ton	Korea	2,669	5,721	6,164	3,576
Steel material (unit: won) ¹⁾	ton/million won		0.0020	0.0027	0.0024	0.0014

1) The amount in won is based on revenue in separate financial statements.

Recyclable Raw Material

Metrics	Unit	Data Scope	2020	2021	2022	2023
Sand ¹⁾	ton	Korea	0	0	0	0
Sand (unit: won) ²⁾	ton/million won		0	0	0	0
Ratio of recyclable raw materials	%		0	0	0	0

1) Molding sand is all recyclable.

2) The amount in won is based on revenue in separate financial statements.

Product Remanufacturing

Metrics	Unit	Data Scope	2020	2021	2022	2023
Sales revenue of remanufactured parts ¹⁾	hundred million won	Korea	16.5	0	0	5.6

1) Based on the generation from usage and end-of-life equipment.

Energy use (domestic)

Metrics	Unit	Data Scope	2020	2021	2022	2023
Total use of energy ¹⁾	TJ	Korea	282	332	356	317
(unit: won) ²⁾	TJ/revenue (million won)		0.00021	0.00016	0.00014	0.00012
Amount of energy saving	TJ		0	44	1	55
Energy cost saving ³⁾	million won		530	(1,273)	(1,257)	1,272
Ordinary energy⁴⁾						
Direct energy (fuel) consumption	TJ	Korea	84	116	121	101
Indirect energy (electricity) consumption			141	217	235	217

1) 2020 data were collected only from Ulsan Campus while 2021-2023 data were collected from Bundang, Ulsan, Gunsan, Boryeong, and Yongin worksites. 2021-2022 data were modified as the data collecting range was expanded.

2) The amount in won is based on revenue in separate financial statements.

3) The total energy consumption in 2022 decreased compared to that in 2021, but as the energy unit price increased in 2022, the energy cost increased compared to that in 2021.

4) direct energy: city gas, diesel, gasoline+lamp oil Indirect energy: Ulsan Campus electric power + purchased power

Energy use (overseas)

Metrics	Unit	Data Scope	2020	2021	2022	2023
Total use of energy ¹⁾	TJ	Overseas	-	-	143	139
Total amount of general energy consumption			-	-	140	126
Direct energy (fuel) consumption ²⁾	TJ	Overseas	-	-	66	64
Indirect energy (electricity) consumption			-	-	74	62
Total use of renewable energy ³⁾			0	0	3	13
Renewable energy	TJ	China	0	0	3	7
Renewable energy	TJ	India	0	0	0	6

1) Scope of report: China, India, Brazil 2) Direct energy: LNG+LPG+diesel

3) Renewable energy: Purchased or generated renewable energy (wind power, solar heat, biomass, hydroelectric, geothermal, etc.)

Water intake (domestic)

Metrics	Unit	Data Scope	2020	2021	2022	2023
Total amount of water intake	ton	Korea	51,223	81,537	81,800	65,917
By type						
Salinity water/sea water	ton	Ulsan Campus	0	0	0	0
Rainwater	ton		0	0	0	0
Underwater			0	0	0	0
Waterworks (industrial water+domestic water) ¹⁾			51,223	75,796	72,423	56,553
(supplied by another organization) reused water			0	0	0	0
By type						
Salinity water/sea water	ton	Yong-in technology innovation center	-	0	0	0
Rainwater			-	0	0	0
Underwater			-	0	0	0
Waterworks(industrial water+domestic water)			-	5,741	9,377	9,364
(supplied by another organization) reused water			-	0	0	0

1) Correction to data errors in 2022

Water discharge (domestic)

Metrics	Unit	Data Scope	2020	2021	2022	2023
Total amount of water emissions ¹⁾	ton	Korea	3,311	3,726	3,094	3,957
Wastewater emissions (third-party commissioning)			3,311	3,726	3,094	3,957
Intensity of wastewater emissions ²⁾	ton/ million won		0.0025	0.0017	0.0012	0.0015

1) Correction to data errors in 2020

2) The amount in won is based on revenue in separate financial statements.

Water use (domestic)

Metrics	Unit	Data Scope	2020	2021	2022	2023
Water use ¹⁾	ton	Korea	47,912	77,811	78,706	61,960
Intensity of water use ²⁾	ton/million won		0.0355	0.0363	0.0306	0.0241
By type						
Salinity water/sea water	ton	Ulsan Campus	0	0	0	0
Rainwater			0	0	0	0
Underwater			0	0	0	0
Waterworks (industrial water+domestic water) ¹⁾			47,912	72,070	69,329	52,596
(supplied by another organization) reused water			0	0	0	0
By type						
Salinity water/sea water	ton	Yong-in technology innovation center	-	0	0	0
Rainwater			-	0	0	0
Underwater				0	0	0
Waterworks (industrial water+domestic water)				5,741	9,377	9,364
(supplied by another organization) reused water			-	0	0	0

1) Correction to data errors in 2022

2) The amount in won is based on revenue in separate financial statements.

Water reuse (domestic)

Metrics	Unit	Data Scope	2020	2021	2022	2023
Reused and recycled water	ton	Korea	1,999	1,806	1,806	1,806

Water intake (overseas)

Metrics	Unit	Data Scope	2020	2021	2022	2023
Total amount of water intake	ton	India	-	-	-	41,072
By type						
Salinity water/sea water			-	-	-	-
Rainwater			-	-	-	-
Underwater			-	-	-	-
Waterworks (industrial water+domestic water)			-	-	-	41,072
(supplied by another organization) reused water			-	-	-	0

Water discharge (overseas)

Metrics	Unit	Data Scope	2020	2021	2022	2023
Total amount of water discharge	ton	India	-	-	-	0
Wastewater emissions			-	-	-	0

Water use (overseas)

Metrics	Unit	Data Scope	2020	2021	2022	2023
Total amount of water use	ton	India	-	-	-	41,072
By type						
Surface water			-	-	-	0
Underwater			-	-	-	0
Sea water			-	-	-	0
Produced water			-	-	-	0
Waterworks (industrial water+domestic water)			-	-	-	41,072

Water reuse (overseas)

Metrics	Unit	Data Scope	2020	2021	2022	2023
Reused and recycled water	ton	India	0	0	0	381

Discharged water quality

Metrics	Unit	Data Scope	2020	2021	2022	2023
BOD	ton	Korea	0.15	0.07	0.18	0.02
TOC ¹⁾			0.26	0.45	0.27	0.27
Suspended solids			0.02	0.02	0.02	0.01

1) COD data collected up to 2021. Changed to TOC since 2022

Greenhouse Gas Emissions

Metrics	Unit	Data Scope	2020	2021	2022	2023
Total of emissions (Scope 1 & 2)	tCO ₂ eq	Global	33,207	40,791	35,613	33,178
Scope 1			12,632	18,009	16,055	14,154
Scope 2 (local)			20,575	22,782	19,558	19,024
Total of emissions (Scope 1 & 2)	tCO ₂ eq	Overseas	20,796	25,705	19,675	13,793
Scope 1		Overseas	7,046	9,328	6,508	5,118
Scope 1 emissions		China	4,326	4,831	2,114	524
Scope 1 emissions		India	1,794	3,220	3,032	3,593
Scope 1 emissions		Brazil	926	1,277	1,362	1,001
Scope 2 (local)		Overseas	13,750	16,377	13,167	8,675
Scope 2 emissions		China	7,223	7,794	4,419	2,662
Scope 2 emissions		India	4,777	6,596	6,614	5,500
Scope 2 emissions		Brazil	1,750	1,987	2,134	513
Total of emissions (Scope 1 & 2)	tCO ₂ eq	Korea	12,411	15,086	15,938	19,385
Total of emissions (Scope 1 & 2) Emissions (unit: won)	tCO ₂ eq/ million won		0.0092	0.0070	0.0062	0.0075
Scope 1	tCO ₂ eq		5,586	8,681	9,547	9,036
Intensity of scope 1 emissions	tCO ₂ eq/ million won		0.0041	0.0041	0.0037	0.0035
Scope 2 (local)	tCO ₂ eq		6,825	6,405	6,391	10,349
Intensity of scope 2 emissions	tCO ₂ eq/ million won		-	-	-	0.0040
Scope 1 & 2 & 3 Total of emissions	tCO ₂ eq		842,806	1,080,259	1,013,338	8,126,504.67

* The amount in won is based on revenue in separate financial statements.

Greenhouse Gas Emissions

Metrics	Unit	Data Scope	2020	2021	2022	2023
Scope 3	tCO ₂ eq	Korea	830,395	1,065,173	996,400	8,107,119.67
① Purchased goods and services			-	631.9	675.0	27,967.60
② Capital goods			-	-	-	53.44
③ Fuel-and energy-related activities			-	9,661.2	6,947.7	1,674.09
④ Upstream transportation and distribution			-	-	15,190.0	81,524.00
⑤ Waste generated and treated in operations			-	144.7	154.0	987.88
⑥ Business travel			-	112.0	427.0	1,530.58
⑦ Employee commuting			-	197.0	192.0	55.78
⑧ Leased Property			-	-	-	(Excluded from estimation)
⑨ Downstream transportation and distribution			-	-	-	15,147.66
⑩ Processing of sold products			-	-	-	(Excluded from estimation)
⑪ Use of sold products			830,395	1,054,426	972,814	7,976,187.71
⑫ Disposal of sold products			-	-	-	1,990.45
⑬ Leased assets			-	-	-	(Excluded from estimation)

Metrics	Unit	Data Scope	2020	2021	2022	2023
⑭ Franchise	tCO ₂ eq	Korea	-	-	-	(Excluded from estimation)
⑮ Investment			-	-	-	0.47

1) Estimation and report of categories related to business activities as of 2023

2) Criteria of internal estimation for each category of Scope 3 emissions

① Purchased goods and services: Energy use of suppliers that account for top 50% of the purchase prices

② Capital goods: Purchase of office suppliers

③ Fuel-and energy-related activities: Energy used in domestic worksites

④ Upstream transportation and distribution: Marine/inland transportation of products (company expenses)

⑤ Waste generated and treated in operations: Waste discharge at domestic worksites

⑥ Business travel: Use of airplanes and hotels for business travels

⑦ Employee commuting: Commuting buses (domestic worksites)

⑨ Downstream transportation and distribution: Marine/inland transportation of products (external expenses)

⑩ Use of sold products: Discharge before disposal of sold products

⑫ Disposal of sold products: Discharge due to disposal of sold products (domestic)

⑮ Investment: Energy consumption of related companies

Major Air Pollutant Emissions

Metrics	Unit	Data Scope	2020	2021	2022	2023
NOx	ton	Korea	0.38	0.32	0.26	0.19
SOx			0	0.18	0	0.28
VOCs			17.29	22.74	16.39	18.70
dust ¹⁾			2.50	1.37	1.41	0.92
Intensity of dust emissions ¹⁾	ton/ million won		0.0000019	0.0000006	0.0000005	0.0000004

1) Correction of errors in 2020-2022

Waste Generation

Metrics	Unit	Data Scope	2020	2021	2022	2023
Total waste generation	ton	Korea	1,892	2,421	2,459	2,608
Waste generation of each type						
Generation of ordinary waste	ton	Korea	1,593	2,188	2,151	2,263
Generation of designated waste			299	233	308	345
Intensity of waste¹⁾						
Intensity of ordinary waste discharge	ton/ million won	Korea	0.0012	0.0010	0.0008	0.0009
Intensity of designated waste discharge			0.0002	0.0001	0.0001	0.0001

1) The amount in won is based on revenue in separate financial statements.

Waste Treatment

Metrics	Unit	Data Scope	2020	2021	2022	2023
Total of waste treatment	ton	Korea	1,892	2,421	2,461	2,609
Waste landfill			54	34	52	139
Waste incineration			635	703	701	726
Incineration with thermal energy recovered			0	0	0	0
Incineration with thermal energy not recovered			635	703	701	726
Waste recycling rate	%	Korea	63.6	69.6	69.4	66.9
Ordinary waste						
Amount of landfill	ton	Korea	36	32	29	38
Amount of incineration	ton		553	602	602	638
Incineration with thermal energy recovered(Ordinary waste)			0	0	0	0
Incineration with thermal energy not recovered(Ordinary waste)			553	602	602	638
Recycling			1,004	1,554	1,521	1,588
Sub-total			1,593	2,188	2,152	2,264
Designated waste						
Amount of landfill	ton	Korea	18	2	23	101
Amount of incineration			83	101	99	88
Incineration with thermal energy recovered(Designated waste)			0	0	0	0
Incineration with thermal energy not recovered(Designated waste)			83	101	99	88
Recycling			199	130	187	156
Sub-total			300	233	309	345

Social Data

Privacy protection

Metrics	Unit	Data Scope	2020	2021	2022	2023
Violations of customer data privacy	each	Korea	0	0	0	0
No. of information security infringements			0	0	0	0
No. of customers and employees affected by information security infringements			0	0	0	0
Percentage of investment into information protection	%		-	5.28	3.00	1.34

Product labeling

Metrics	Unit	Data Scope	2020	2021	2022	2023
Legal violations of product and service regarding Safety and health regulation	each	Korea	0	0	0	0

Customer Satisfaction

Metrics	Unit	Data Scope	2020	2021	2022	2023
Customer satisfaction survey result ¹⁾	points	Korea	4.51	4.49	4.50	4.58
Percentage of customer satisfaction survey participants ²⁾	%		16.30	16.80	12.90	10.30

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

2) Percentage of customers participating in the survey

Industrial Safety and Health

Metrics	Unit	Data Scope	2020	2021	2022	2023
Industrial disaster rate (employee) ¹⁾	%	Korea	0.25	0.19	0.95	0.44
LTIR (employee, domestic) ²⁾	200,000 hours	Korea	1.40	1.46	2.01	0.61
LTIR (employee, international) ³⁾		Overseas	-	0.56	0	0.26
LTIR (contractors) ⁴⁾		Korea	0.69	0.23	0	0.23
TRIR (employee, domestic) ¹⁾			1.25	3.03	2.50	1.68
TRIR (employee, international)		Overseas	2.66	7.80	11.24	11.34
OIFR ⁵⁾		Korea	0.43	0.14	0.53	0.29
LWSR ⁶⁾			375.62	107.03	294.81	204.77
No. of deaths/death rate (contractors)	(Persons, %)	Global	0	0	0	0
No. of deaths/death rate (supplier)	(Persons, %)		0	0	0	0

1) Data adjustment in 2020-2022 according to the updated metrics definition

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 adjustment in 2020-2022 according to the updated metrics definition

3) Unable to estimate it since there are no data of the number of European subsidiary employees in 2020.

4) Based on inhouse contractors

5) 2020-2022 data modified due to the change of the reporting unit (from 1 million hours to 200,000 hours)

6) LWSR (Lost Workday Severity Rate): No. of lost days per 100 workers, total no. of lost days/total working hours*200,000,
Data adjustment in 2020-2022 according to the updated metrics definition

Safety Education

Metrics	Unit	Data Scope	2020	2021	2022	2023
Safety education participant (employee)	persons	Korea	1,360	1,483	1,432	1,308
Safety education participant (contractors)			257	299	270	270

Safety and Health Certification

Metrics	Unit	Data Scope	2020	2021	2022	2023
No. of ISO 45001 certified worksites ^{1,2)}	each	Global	1	4	2	4
Ratio of ISO 45001 certified worksites ³⁾	%		25	57	40	80

1) Individuals working in the certified worksites are included in the scope of completed internal/external reviews.

2) As the parts industry was transferred to HD Hyundai XiteSoutlion in 2022, the no. of worksites is different from that in 2021.

3) Criteria of estimation: Domestic worksite (including R&D centers) and international production subsidiaries

Safety and health related grievance handling

Metrics	Unit	Data Scope	2020	2021	2022	2023
Ratio of completed safety and health grievance	%	Korea	100	100	83	78

Current state of the Supply chain

Metrics	Unit	Data Scope	2020	2021	2022	2023
No. of contractors ¹⁾	each	Korea	390	372	380	404
No. of 1st tier contractors			51	65	76	55
Ratio of 1st tier contractors	%			17	20	14
Percentage of payment to key 1st tier contractors			-	-	-	44

1) No. of businesses to which products and services are supplied in a contracted relation with the company for any other trade

Supply Chain ESG Management

Metrics	Unit	Data Scope	2020	2021	2022	2023
No. of suppliers that received an ESG audit	each	Korea	-	-	163	100
Supplier with positive/negative impacts identified¹⁾						
Ratio of excellent supplier	each (%)	Korea	-	-	3(1.8)	10(6.2)
Ratio of high risk supplier			-	-	8(4.9)	11(6.8)
Ratio of high risk suppliers with whom contract relationship was terminated			-	-	0(0.0)	0(0.0)
No. of suppliers provided with improvement measures/support						
Ratio of high risk suppliers which agreed to establish improvement measures	each (%)	Korea	-	-	0(0.0)	11(100)
No. of suppliers that received ESG improvement support	each		-	-	6	142
New supplier ESG screening						
Ratio of suppliers that received an ESG inspection	%	Korea	-	-	0	16.7
Supplier grievances handling						
No. of supplier grievances reception	each	Korea	-	-	123	114
No. of supplier grievances issues raised			-	-	108	66
Ratio of supplier grievances handling	%		-	-	88	58
Supplier capacity building program						
Scale of capacity building program support	hundred million won		-	-	10.5	62.5
No. of suppliers participating in capacity building program	each		-	-	6	142

1) Criteria of supplier rating

Shared growth

Metrics	Unit	Data Scope	2020	2021	2022	2023
No. of contractors with financial support	each	Korea	8	22	35	319
Amount of financial support ¹⁾	hundred million won		57	202	322	422
Ratio of cash payment	%		100	100	100	100
No. of payments	Times		2 times a month	2 times a month	2 times a month	2 times a month
No. of supports for technical development	each		-	8	9	6
No. of education courses	each		-	27	18	8
Contractor personnel completing a training course	persons		-	656	550	938
No. of days of support for competitiveness development ²⁾	man-day		-	-	8 persons -790days	10 persons -623days
Support for casting mold to strengthen contractors' parts development capability	companies		-	31	13	16
Support for casting mold to strengthen contractors' parts development capability	hundred million won		-	55	55	61

1) Indirect support excluded

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

Workforce of each employment type

Metrics	Unit	Data Scope	2020	2021	2022	2023
No. of employees¹⁾	persons	Global	3,762	4,007	3,980	3,940
No. of employees²⁾		Korea	1,373	1,505	1,357	1,316
Permanent position			1,293	1,382	1,204	1,192
Permanent position(male)			1,204	1,287	1,118	1,090
Permanent position(female)			89	95	86	102
Temporary position			80	123	153	124
Temporary position(male)			13	77	131	96
Temporary position(female)			67	46	22	28
No. of employees³⁾		Overseas	2,389	2,502	2,623	2,624
Permanent position			1,648	1,893	1,884	1,870
Permanent position(male)			1,393	1,600	1,587	1,584
Permanent position(female)			255	293	297	286
Temporary position⁴⁾			741	609	739	754
Temporary position(male)			728	582	714	712
Temporary position(female)			13	27	25	42

1) Modification to 2020-2022 data due to data merge of three companies in HD Hyundai Construction Equipment Sector

2) In-house (registered) directors are not counted among employees. Unregistered executives are counted among individuals in a temporary position

3) scope of estimation: China (holding company, Jiangsu), Brazil, India, Europe, North America, and Indonesia

4) Workers who are not employees (dispatched workers: 11, Type of work: secretary) are excluded.

Workforce by age

Metrics	Unit	Data Scope	2020	2021	2022	2023
Senior¹⁾	persons	Korea	210	240	226	262
Senior executive			5	11	10	8
Senior manager			133	172	174	218
Senior employee			72	57	42	36
Workforce by age			1,399	1,520	1,373	1,316
Less than 30			198	213	199	228
30-50			805	866	789	726
Older than 50			396	441	385	362

1) Older than 55 (among entire personnel in Korea)

Workforce by sex

Metrics	Unit	Data Scope	2020	2021	2022	2023
Male	persons	Korea	1,288	1,390	1,265	1,186
Female			125	129	108	130

Diversity¹⁾

Metrics	Unit	Data Scope	2020	2021	2022	2023
Disability	persons	Korea	32	30	28	17
Executive			0	0	0	0
Manager			12	12	10	9
Staff			20	18	18	8
Patriots and veterans²⁾			47	46	46	45
Executive			0	0	0	0
Manager			16	15	15	19
Staff			31	31	31	26

1) Staff: Manager+engineer+staff(including full-time/contract jobs),

Senior managers: Senior managers+higher levels(including full-time/contract jobs)

2) National veterans based on MY HR (those recognized as veterans)

Female workforce

Metrics	Unit	Data Scope	2020	2021	2022	2023
Female manager						
Percentage of management	%	Korea	0	0	0	0
Ratio of position managers ¹⁾			2.8	3.0	2.8	2.9
Ratio of general manager ²⁾			5.5	4.7	5.5	5.3
Ratio of female managers ³⁾			2.0	1.8	2.0	2.1
Ratio of female managers in revenue-generation divisions ⁴⁾			-	-	5.5	5.0
Ratio of female managers in STEM divisions ⁵⁾			-	-	4.9	3.7

1) Ratio of female managers among all team/part leaders

2) Female manager level among all managers

3) Ratio of manager and higher positions to all employees

4) Revenue-generation division: Divisions contributing to direct production of goods or services. Management supporting groups such as finance management, management planning, general affairs, personnel, asset planning, IT, and legal affairs are excluded. 2022 data were modified as data from three companies were HD Hyundai Construction Equipment Sector integrated.

5) STEM: Modification to 2020-2022 data due to data merge of three companies in HD Hyundai Construction Equipment Sector (including Science, Technology, Engineering, and Math)

New recruits

Metrics	Unit	Data Scope	2020	2021	2022	2023
No. of new recruits	persons	Korea	27	104	79	119
New recruits by sex						
Male	persons	Korea	27	84	70	97
Female			0	20	9	22
New recruits by age						
Less than 30	persons	Korea	18	54	47	76
Older than 30 Younger than 50			9	50	32	43
Older than 50			0	0	0	0
Ratio of new recruits in Korea	%		1.97	6.91	5.82	9.04
Ratio of internal recruitment	%		-	-	-	53.85
Average cost of employment	won		1,214,209	1,139,557	1,098,895	2,447,360

Turnover Rate and Length of Service

Metrics	Unit	Data Scope	2020	2021	2022	2023
Voluntary turnover rate (total turnover)	%	Korea	1.7	3.0	2.9	4.3
Less than 30			5.5	10.3	11.9	12.3
Older than 30			1.2	2.5	1.8	3.6
Younger than 50						
Older than 50			0.2	0.3	0.6	0.8
Average continuous years of service	Year		2.79	3.51	4.19	4.90
Average continuous years of service (male)			2.92	3.62	4.27	5.10
Average continuous years of service (female)			1.50	2.34	3.11	3.20

* Transfers in and out of an affiliate during the reporting period are excluded. There is no other voluntary turnover or retirement

Maternity leave and child-care leave

Metrics	Unit	Data Scope	2020	2021	2022	2023
No. of employees on maternity leave (male)	persons	Korea	54	45	44	41
No. of employees on maternity leave (female)			5	0	2	4
No. of employees on parental leave (male)			6	6	7	7
No. of employees on parental leave (female)			11	1	1	4
No. of employees returning to work after parental leave (male)			3	6	6	4
No. of employees returning to work after parental leave (female)			6	6	2	2
12-month work after return to work from parental leave (male)	%		67	67	83	71
12-month work after return to work from parental leave (female)			83	67	100	100

Assessment and Compensation

Metrics	Unit	Data Scope	2020	2021	2022	2023
Percentage of employees who received performance appraisal (total)	%	Korea	99.0	92.1	95.2	91.4
Percentage of employees who received performance appraisal (office position)			93.3	90.3	98.1	93.1
Percentage of employees who received performance appraisal (technical position)			92.6	95.1	91.1	89.3
Percentage of employees who received performance appraisal (male)			96.3	92.3	95.3	92.7
Percentage of employees who received performance appraisal (female)			89.4	89.0	93.0	78.4

* The ratio of employees receiving performance bonus aligned with the Performance appraisal in 2023: 38.5% (scope of report: Korea)

Employee salary

Metrics	Unit	Data Scope	2020	2021	2022	2023
Average salary of employees (total)	million won	Korea	70.1	78.2	88.5	96.2
Average salary of employees (male)			72.0	81.0	91.0	100.3
Base Salary of managers			-	-	-	94.0
Base Salary of managers + performance bonus/incentive, etc.			-	-	-	114.0
Base Salary of non-managers			-	-	-	66.8
Average salary of employees (female)			47.0	49.0	59.3	59.5
Base Salary of managers			-	-	-	73.1
Base Salary of managers + performance bonus/incentive, etc.			-	-	-	89.3
Base Salary of non-managers			-	-	-	43.1

Human Resource Training

Metrics	Unit	Data Scope	2020	2021	2022	2023
Total no. of trainees	persons	Korea	1,846	1,259	1,373	1,130
Total education hours	Hours		-	-	-	27,997
Average hours of education per capita			18	13	13	25
Total investment into education	thousand won		-	-	-	923,524
Average cost of education per capita			205	204	725	817
Average education hours by sex						
Male	Hours	Korea	-	-	-	25
Female			-	-	-	25
Average education hours by age						
Younger than 30	Hours	Korea	-	-	-	40
Older than 30			-	-	-	23
Younger than 50			-	-	-	16
Older than 50			-	-	-	16
Average education hours by employment type						
Permanent position	Hours	Korea	-	-	-	26
Temporary position			-	-	-	12
Average education hours by job group						
Office work	Hours	Korea	-	-	-	25
Technical Post			-	-	-	24
Average education hours by position						
Executive	Hours	Korea	-	-	-	13
Managerial Post			-	-	-	17
Non-managerial post			-	-	-	28

Employee commitment

Metrics	Unit	Data Scope	2020	2021	2022	2023
Ratio of employee commitment survey participants	%	Korea	-	-	-	80.3

Performance of social contribution activities

Metrics	Unit	Data Scope	2020	2021	2022	2023
No. of executives/employees participating in social contribution activity (including overlapping participation)	persons	Korea	309	462	547	532
Total hours of voluntary activity	Hours		1,970	3,101	2,730	3,714
Total sum of donation	hundred million won		1.4	1.9	3.6	3.9
Social contribution expenditure per revenue ¹⁾	%		0.01	0.01	0.01	0.01
No. participants in salary fraction donation and 1% sharing campaigns	persons		378	363	287	236
Ratio of participation in salary fraction donation and 1% sharing campaigns	%		27	24	22	18

1) Social contribution expenditure/revenue of separate financial statements

Labor union

Metrics	Unit	Data Scope	2020	2021	2022	2023
Trade union membership rate ¹⁾	%	Korea	80.7	77.7	76.7	79.0

1) The minimal period of disclosure is in accord with the group agreement.

Human Rights

Metrics	Unit	Data Scope	2020	2021	2022	2023
Ratio of human right impact assessment implementation (employee)	%	Korea	-	-	-	100.0
Risk identification ratio based on human right impact assessment (employee)			-	-	-	100.0
Ratio of actions taken after risk identification through human right impact assessment (employee)			-	-	-	100.0
Ratio of human right impact assessment implementation (level-1 supplier)			-	-	-	10% 이내
Risk identification ratio based on human right impact assessment (level-1 supplier)			-	-	-	100
Ratio of participants in human right/sexual harassment prevention education			97.1	100.0	91.0	93.9
No. of human rights grievance issues	each		0	0	2	3
Ratio of human rights grievance issues handled ¹⁾	%		100	100	100	100

1) All human rights grievance issues must be handled in principle.

Social Value Measurement Data¹⁾

Classification	Unit	2022	2023
By category of value			
Customer Value ²⁾	million won	115,579	96,451
People Value ³⁾		86,111	100,677
Societal Value ⁴⁾		(12,032)	(2,946)
Financial Value ⁵⁾		190,909	227,970
Total		380,567	422,152
By stakeholders			
Customer	million won	114,940	95,979
Contractors		32,839	42,652
Employee		181,777	191,378
Earth environments		(12,309)	(1,297)
Government/local community		315	34,882
Investor		63,005	58,558
Total		380,567	422,152

- 1) Period of measurement: Jan. 1 to December 31, 2023 Accounting standard: Based on separate financial statements and worksites: Domestic worksites
- 2) Values that the corporation generates to customers with its products and services in a long-term perspective.
Values that can be provided to customers in a long run other than values (revenue) directly exchanged through a purchase behavior
- 3) Values provided for the long-term life quality improvement of employees of the company and suppliers
- 4) Values with long-term influence on the society and environments where the company exists.
- 5) Values provided to stakeholders for long-term and sustainable growth of the company's financial values

GRI Index

HD Hyundai Construction Equipment reported the following based on GRI standards during the reporting period (from Jan. 1 to December 31, 2023).

Metrics	Metrics	Page	Remark
General Disclosures			
General Disclosures	2-1 Organization details	6-7,14	
GRI 2: General Disclosures	2-2 Entities included in the organization's sustainability reporting	2	
2021	2-3 Reporting period, frequency and contact point	2	
	2-4 Restatements of information	-	No significant change
	2-5 External assurance	141-144	Third-party verification review
	2-6 Activities, value chain and other business relationships	7-11, 13-14, 65	
	2-7 Employee	127-128	Refer to the Appendix
	2-8 Workers who are not employees	127-128	Refer to the Appendix
	2-9 Governance structure and composition	96-100	
	2-10 Nomination and selection of the highest governance body	96-99	
	2-11 Chair of the highest governance body	96	
	2-12 Role of the highest governance body in overseeing the management	16	
	2-13 Delegation of responsibility for managing impacts	16	
	2-14 Role of the highest governance body in overseeing the management	16	
	2-15 Conflicts of interest	96-100	
	2-16 Communication of critical concerns	16	Refer to the business report, p.262-263 VI. Aspects of the company system including the Board of Directors 1. Aspects about the Board of Directors

Metrics	Metrics	Page	Remark
General Disclosures			
	2-17 Collective knowledge of the highest governance body (expertise)	96-97	Refer to the business report, p.260-266 VI. Aspects of the company system including the Board of Directors
	2-18 Assessment of the performance of the highest governance	100	
	2-19 Compensation policies	100	
	2-20 Process to determine compensation	-	Refer to the business report, p.281 VIII. Aspects about executives, employees, etc. 2. Executive compensation
	2-21 Annual total compensation ratio	116	Median values of compensation increase rates are confidential.
	2-22 Statement on sustainable development strategy	4	CEO Message
	2-23 Policy commitments	7, 26-27, 44, 50, 55, 60, 70, 103, 106	
	2-24 Embedding policy commitments	47, 58, 63-64, 75, 104, 108	
	2-25 Processes to remediate negative impacts	104-105, 110-111	
	2-26 Mechanisms for seeking advice and raising concerns	105, 109	
	2-27 Compliance with laws and regulations	116	Refer to the business report, p.299-30 XI. Other aspects necessary to protect investors 3. Aspects about sanctions, etc.
	2-28 Association membership	148	Refer to the Appendix
	2-29 Approach to stakeholder engagement	147	
	2-30 Collective bargaining agreements	132	Refer to the Appendix

Metrics	Metrics	Page	Remark
Material Topics			
GRI 3: Material Topics 2021	3-1	Process to determine material topics	21-22
	3-2	List of material topics	22-24
Response to Climate Change			
GRI 3: Material Topics 2021	3-3	Management of material topics	26-27, 44
GRI 302: Energy 2016	302-1	Energy consumption within the organization	121-122, 145 Verification review on greenhouse gas emissions
	302-3	Energy intensity	121-122
	302-4	Energy consumption reduction	121-122
GRI 305: Emissions 2016	305-1	Direct emissions of greenhouse gases (Scope1)	145 Verification review on greenhouse gas emissions
	305-2	Indirect emissions of greenhouse gases (Scope2)	145
	305-3	Other indirect emissions of greenhouse gases (Scope3)	146 Scope3 Verification Review
	305-4	Intensity of greenhouse gas emissions	121-122
	305-5	Greenhouse gas emission reduction	121-122
	305-6	ODS emissions	122
	305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	122

Metrics	Metrics	Page	Remark
Human rights management			
GRI 3: Material Topics 2021	3-3	Management of material topics	54
Diversity and Equal Opportunity 2016	405-1	Governance mechanism and employee diversity	127-128
	405-2	Comparison of the base pay and compensation between male and female employees	130
Non-discrimination 2016	406-1	Discrimination cases and corrective actions	116
Labor Management relations 2016	402-1	Minimal period of disclosure regarding operational changes	132
Sustainable supply chain management			
GRI 3: Material Topics 2021	3-3	Management of material topics	59
Supplier Environmental Assessment 2016	308-1	New suppliers that have passed the review of environment standards	61
	308-2	Negative environmental impact of the supply chain and related actions	61, 65, 126
Anti-competitive behavior 2016	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	108, 116 Refer to the business report, p.299-300 : 3. Aspects about sanctions, etc.
Supplier Social Assessment 2016	414-1	New suppliers that were screened using social criteria	61
	414-2	Negative social impacts in the supply chain and actions taken	61

Metrics	Metrics	Page	Remark
Safety and Health			
GRI 3: Material Topics 2021	3-3	Management of material topics	69, 76
GRI 403: Occupational Health and Safety 2018	403-1	Industrial Safety and Health Implementation system	69, 124-125
	403-2	Hazard identification, risk assessment, and incident investigation	71-73
	403-3	Occupational health services	74
	403-4	Worker participation, consultation, and communication on occupational health and safety	69-73
	403-5	Education on occupational health and safety	72, 76, 125
	403-6	Promotion of worker health	74
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	73, 75-76
	403-8	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	69-71, 125
	403-9	Workers covered by an occupational health and safety implementation system	69-71, 125
	403-10	Work-related disease	124

Metrics	Metrics	Page	Remark	
Soundness and independence of governance				
GRI 3: Material Topics 2021	3-3	Management of material topics	96	
Anti-corruption 2016	205-1	Worksite corruption risk assessment	117	Refer to the Appendix
	205-2	Communication and education on anti-corruption policies and procedures	117	Refer to the Appendix
	205-3	Existing corruption cases and actions	117	Refer to the Appendix
Anti-competitive behavior 2016	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	116	Refer to the business report, p.299-230 XI. Other aspects necessary to protect investors 3. Aspects about sanctions, etc.

TCFD Index

HD Hyundai Construction Equipment actively participates in climate change response efforts in line with the global society's demands.

It analyzes substantial and potential impact of climate change on its financial affairs and has established the direction and implementation system for company-wide strategies.

Based on TCFD recommendations, the company will make public the current status of its Response to Climate Change transparently, communicating actively with stakeholders.

Category	Accounting Metric	Page
Governance	a) The board's supervision on risks and opportunities related to climate change	17, 26
	b) The management's roles in assessment and management of risks and opportunities related to climate change	26-27, 36
Strategy	a) Risks and opportunities related to climate change that the organization has clarified in short/mid/long term perspectives.	28
	b) Impact of risks and opportunities related to climate change on the organization's businesses, strategies, and financial plans	28-40
	c) Flexible strategy management depending on climate change scenarios including the 2°C scenario	28-40
Risk Management	a) The organization's process to identify and assess risks related to climate change	36, 41
	b) The organization's process to manage risks related to climate change	41
	c) How the process to identify, evaluate, and manage risks related to climate change is integrated into the organization's general risk management mechanism	41
Metrics and Targets	a) Indicators for assessment of risks and opportunities related to climate change according to the organization's business and risk management strategies	42-43
	b) Scope 1, 2 and 3 (if applicable) greenhouse gas emissions and related risks	42
	c) Organizational goals and performance regarding management of risks and opportunities related to climate change	42-43

SASB Index

SASB Metrics are determined according to Industrial Equipment & Goods industry standards of the Resource Transformation (RT-IG) sector.

Topic	Type	Code	Accounting Metric	Page	Remark
Energy Management	Quantitative	RT-IG-130A.1	(1) Total energy consumption (GJ)	119	
			(2) Percentage of consumed energy from the electrical grid		
			(3) Percentage of renewable energy		
Safety and health of risk management staff	Quantitative	RT-IG-320A.1	(1) Total rate of work-related injuries and diseases (TRIR)	124	TRIR: 1.68 (Domestic worksites. Suppliers excluded)
			(2) Rate of deaths resulting from industrial accidents		0
			(3) Near Miss Frequency Rate (NMFR)		-
Fuel cost and emission (Fuel Economy & Emissions in Use-phase)	Quantitative	RT-IG-410A.1	Total fuel cost efficiency in mid/large size vehicle revenue	-	N/A
	Quantitative	RT-IG-410A.2	Fuel cost in non-road equipment revenue	-	Not reported
	Quantitative	RT-IG-410A.3	Fuel efficiency in fixed power generator revenue	-	N/A
	Quantitative	RT-IG-410A.4	(a) Marine diesel engines - Emissions of NOx and PM from diesel engines	-	
			(b) Locomotive diesel engines - Emissions of NOx and PM from diesel engines	-	
			(c) On-road heavy equipment - Emissions of NOx and PM from diesel engines	-	
			(d) Non-road heavy equipment - Emissions of NOx and PM from diesel engines	-	
Resource purchasing	Qualitative	RT-IG-440A.1	Strategies to specify risks from key resources and types of key resources that may cause risks and to address such risks	-	
Remanufacturing design and service	Quantitative	RT-IG-440B.1	Sales revenue of remanufactured products and services	118	
Activity Metric	Quantitative	RT-IG-000.A	Yield of each product	13-14	Yield: About 27,571 units
			(1) Vehicle, and agricultural and construction equipment		
			(2) Engine and power generation equipment		
			(3) Parts and components		
	Quantitative	RT-IG-000.B	No. of employees	127-128	Domestic: 1,316 Overseas: 2,624

* Regarding fuel costs and emissions, metrics of product fuel cost and improvement are managed internally. Emissions from products will be reported as part of company-wide management metrics.

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.

Major SDGs	Specific goals	Major activities in 2023	Page
3 GOOD HEALTH AND WELL-BEING Healthy lives for all at all ages	3.4	Prevention and treatment of non-infectious diseases, promotion of mental health and well-being	74, 84
	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	48-49
4 QUALITY EDUCATION Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	4.4	Increase in the number of people with professional and vocational skills for employment, decent work, and business activities	94, 96-97
	4.5	Gender gap in education, participation in education and vocational training for the disabled, local residents, and vulnerable groups	
6 CLEAN WATER AND SANITATION Ensure availability and sustainable management of water and sanitation for all	6.3	Reduction of pollution, minimization of emissions of hazardous chemicals, reduction of wastewater and improvement of water quality through water reuse	48-49
7 AFFORDABLE AND CLEAN ENERGY Ensure access to affordable, reliable, sustainable and modern energy for all	7.2	Increase the share of renewable energy	32-33
	7.3	Increase energy efficiency improvement rate	34
8 DECENT WORK AND ECONOMIC GROWTH Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	8.2	Improvement of economic productivity through industrial diversification, technological development, and innovation, including high value-added industries	32
	8.3	Encouraging 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	62-64, 80
	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	
		<ul style="list-style-type: none"> · Increase economic productivity and create jobs through the expansion of high value-added industries by operating the global information integration system and providing smart construction solutions · Creation of decent jobs through employment · Implement a fair and objective personnel assessment and reward system for all employees · Providing education and financial services for shared growth with suppliers · Join the UN Global Compact and support the Ten Principles of UNGC 	

Major SDGs	Specific goals	Major activities in 2023	Page	
	Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation	9.4 Increase resource utilization efficiency and adopt clean and environmentally sound technologies	<ul style="list-style-type: none"> · Increase resource efficiency by developing fuel-efficient excavators · Establish a process to reduce carbon throughout the product lifecycle 	35-38
	Reduce inequality within and among countries	10.4 Introduction of policies such as financial policy, compensation policy and social protection policy and progressive achievement of higher levels of equality	<ul style="list-style-type: none"> · The practice of sharing spirit through caring for the underprivileged, win-win with local communities, and aiding in future generations' self-reliance 	90-94
	Ensure sustainable consumption and production pattern	12.2 Sustainable management and efficient use of natural resources	<ul style="list-style-type: none"> · Acquired international environmental implementation system certification · Minimize the emission of pollutants through the installation of prevention facilities, education of environmental staff, and periodic inspection of emission concentrations · Reduce the amount of waste by producing collection boxes dedicated to recycling waste · Substitution of hazardous chemicals and regular inspection of facilities 	44-49
		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		
	Climate change and its impacts	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"> · Achieving RE100(Renewable Electricity 100) in domestic worksites by 2030 and achieving carbon neutrality in global worksites by 2050 · Establishment of product carbon emission reduction strategy · Green purchasing system to reduce carbon in the product life cycle, and efforts to increase the recycling rate of parts 	26-43
	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build impactful, accountable and inclusive institutions at all levels	16.3 Improvement of economic productivity through industrial diversification, technological development, and innovation, including high value-added industries	<ul style="list-style-type: none"> · Implementation of transparent and responsible management through compliance management and ethical management · Implementation of rational governance that maintains checks and balances · Pursuing inclusive management activities by engaging various stakeholders in management such as communication with the labor union 	103-109
		16.5 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		
		16.6 Disabled and young people, creation of decent jobs, and equal pay for work of equal value		
		16.7 Decreasing youth unemployment		

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	Criterion	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	140	· UN Global Compact
	2 Practicing the UNGC 10 principles across the value chain	59, 103, 106-107	· Code of Conduct for suppliers · Code of Ethics
Human Rights Management Policy and Procedure	3 Human rights commitment, strategy, and policy		· Human Rights Management Declaration · Support for UNGC 10 Principles
	4 Effective implementation system to incorporate the human rights principles into business and management procedures		· Human rights grievance handling channels · Human rights impact assessment
	5 Monitoring and assessment mechanism to ensure compliance with the human right principles in business and management procedures	54-58	
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 implementation system to incorporate the labor principles into business and management procedures		
	8 Monitoring and assessment mechanism to ensure compliance with the labor principles in business and management procedures		
Environmental Management Policy and Procedure	9 Environment commitment, strategy, and policy	26, 32, 35, 44-45	· Environmental policy and goals · Declaration of a strategy for Net ZERO at worksite and carbon reduction in product use stage
	10 Effective implementation system to incorporate the environmental principles into business and management procedures	44, 47, 62, 65	· Environmental management organization (EHS Team) · Environmental implementation system (ISO 14001)
	11 Monitoring and assessment mechanism to ensure compliance with the environmental principles in business and management procedures		· Supply chain ESG assessment
Anti-corruption Policy and Procedure	12 Anti-corruption commitment, strategy, and policy		· Charter of Ethics and Code of Ethics · Code of Conduct for suppliers · Ethical management process
	13 Effective implementation system to incorporate the anti-corruption principles into business and management procedures	103-109	
	14 Monitoring and assessment 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		· 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	90-94, 140, 147	
	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	16-17	· ESG Committee and ESG decision-making system
	21 Stakeholders	21-22, 147	· Stakeholder communication, double materiality assessment

Independent Assurance Opinion Statement

To: The Stakeholders of HD Hyundai Construction Equipment

Overview

The British Standards Institution (hereinafter referred to as the "Assurer") was requested to verify the 2023 Sustainability Report (hereinafter referred to as the "Report"). The Assurer is independent to HD Hyundai Construction Equipment and has no major operational financial interest other than the assurance of the Report. This assurance opinion statement is intended to provide information related to the assurance of the HD Hyundai Construction Equipment 's report relating to the environment, social and governance (ESG) to the relevant stakeholders and may not be used for any other purpose. This assurance opinion statement is prepared based on the information presented by the HD Hyundai Construction Equipment. The verification does not extend beyond such information and is solely based on it. In performing such verification, the Assurer has assumed that all such information is complete and accurate.

HD Hyundai Construction Equipment has responsible for managing the relevant information contained within the scope of assurance, operating the relevant internal control procedures, and for all information and claims contained in the Report. Any queries that may arise by virtue of this independent assurance opinion statement or matters relating to it should be addressed to HD Hyundai Construction Equipment only.

The Assurer is responsible for providing HD Hyundai Construction Equipment 's management team with an independent assurance opinion containing professional opinions derived by applying the assurance methodology to the scope specified, and to provide the information to all stakeholders of HD Hyundai Construction Equipment. The Assurer will not, in providing this Independent assurance opinion statement, accept or assume responsibility (legal or otherwise) or accept liability for or in connection with any other purpose for which it may be used, or to any person or party by whom the Independent assurance opinion statement may be read.

Scope

The scope of engagement agreed upon with HD Hyundai Construction Equipment includes the following:

- Report contents during the period from January 1st to December 31st, 2023, included in the Report, some data of 2024 are included.
- Major assertion included in the Report, such as sustainability management policies and strategies, goals, projects, and performance, and the Report contents related to material issues determined as a result of materiality assessment.
- Appropriateness and consistency of processes and systems for data collection, analysis and review.
- Confirmation of the Report's compliance with the AA1000 AccountAbility Four Principles and, where applicable, the reliability of the sustainability performance information contained within the Report, based on the type of sustainability assurance performed in accordance with AA1000 AS v3.

The following contents were not included in the scope of assurance.

- Financial information in Appendix.
- Index items related to other international standards and initiatives other than the GRI.
- Other related additional information such as the website, business annual report.

Assurance Level and Type

The assurance level and type are as follows;

- Moderate level based on AA1000 AS and Type 2 (confirmation to the four principles as described in the AA1000 Accountability Principle 2018 and quality and reliability of specific performance information published in the report.)

Independent Assurance Opinion Statement

Description and sources of disclosures covered

Based on the scope and methodology of assurance applied, the Assurer reviewed the following disclosures based on the sampling of information and data provided by HD Hyundai Construction Equipment.

[Universal Standards]

- 2-1 to 2-5 (The organization and its reporting practices),
- 2-6 to 2-8 (Activities and workers), 2-9 to 2-21 (Governance)
- 2-22 to 2-28 (Strategy, policies and practices)
- 2-29 to 2-30 (Stakeholder engagement),
- 3-1 to 3-3 (Material Topics Disclosures)

[Topic Standards]

- 205-1~3
- 206-1
- 302-1
- 302-3~4,
- 305-1~7
- 308-1~2,
- 402-1,
- 403-1~10,
- 405-1~2
- 406-1
- 414-1~2

Methodology

As a part of its independent assurance, the Assurer has used the methodology developed for relevant evidence collection in order to comply with the verification criteria and to reduce errors in reporting.

The Assurer has performed the following activities;

- Validation of the materiality assessment and internal analytical process for determining assurance priorities, and a toplevel review of issues that may be raised by external stakeholders in the context of sustainability.
- Discussion with managers and representatives on stakeholder engagement.
- Review of the supporting evidence related to the material issues through interviews with senior managers in the responsible divisions.
- Review of the system for sustainability management strategy process and implementation.
- Review of the materiality issue analysis process and prioritization and verifying the results.
- Verification of data generation, collection and reporting for each performance index and document review of relevant systems, policies, and procedures.
- An assessment of HD Hyundai Construction Equipment 's reporting and management processes against the principles of Inclusivity, Materiality, Responsiveness and Impact as described in the AA1000 AccountAbility Principles Standard (2018).
- Visit of the Global R&D center of HD Hyundai Construction Equipment to confirm the data collection processes, record management practices.

Limitations and approach used to mitigate limitations

The Assurer performed limited verification for a limited period based on the data provided by HD Hyundai Construction Equipment. It implies that the Assurer is therefore subject to limitations relating to inherent risks that may exist without the identification of material errors. The Assurer does not provide assurance on possible future impacts that cannot be predicted or verified during the verification process and any additional aspects related thereto.

Independent Assurance Opinion Statement

Competency and Independence

British Standards Institution (BSI) is a leading global standards and assessment body founded in 1901. BSI is an independent professional institution that specializes in quality, health, safety, social and environmental management with over 120 years history in providing independent assurance services globally. No member of the assurance team has a business relationship with HD Hyundai Construction Equipment. The Assurer has conducted this verification independently, and there has been no conflict of interest. All assurers who participated in the assurance have qualifications as an AA1000AS assurer, have a lot of assurance experience, and have in-depth understanding of the BSI Group's assurance standard methodology.

Opinion Statement

The assurance was conducted by a team of sustainability report assurers in accordance with the AA1000 Assurance Standard v3. The Assurer planned and performed the verification and collected sufficient evidence to explain HD Hyundai Construction Equipment 's approach to the AA1000 Assurance Standard and to provide confidence in its self-declaration of compliance with the GRI Standards. On the basis of our methodology and the activities described above, it is our opinion that the information and data included in the Report are accurate and reliable and the Assurer cannot point out any substantial aspects of material with mistake or misstatement. We believe that the economic, social and environment performance indicators are accurate and are supported by robust internal control processes.

Conclusions

The Report is prepared in accordance with the GRI Standards. (Reporting in accordance with the GRI standards). A detailed review against the AA1000 AccountAbility Principles of Inclusivity, Materiality, Responsiveness and Impact and the GRI Standards is set out as below.

Inclusivity: Stakeholder Engagement and Opinion

HD Hyundai Construction Equipment defines key stakeholders that have a significant impact on business activities as employees, shareholders/investors, customers, suppliers, communities, governments/local governments, and the media. To collect opinions on the positive and negative impacts of business activities, HD Hyundai Engineering & Construction actively collects opinions from stakeholders based on communication channels by stakeholders and reflects them in business activities such as strategy establishment and implementation. It also collects expectations and various opinions from each key stakeholder group, reflects the derived major issues in making decisions related to sustainability, and discloses the process through the report.

Materiality: Identification and reporting of material sustainability topics

HD Hyundai Construction Equipment has established a strategy related to sustainability management, established a process to derive reporting issues, and based on the results of the financial impact and environmental and social impact assessment for each issue, HD Hyundai Construction Equipment has selected five key issues such as climate change response, sustainable supply chain management, workplace and employee safety and health, governance soundness and independence, and human rights management

Responsiveness: Responding to material sustainability topics and related impacts

HD Hyundai Construction Equipment has established a management process for key reporting issues related to materiality topics and related impacts. In order to respond appropriately to consider the expectations of stakeholders, we disclose policies, task performance, activities, and response performance including improvement measures on key reporting issues through the report

Independent Assurance Opinion Statement

Impact: Impact of an organization's activities and material sustainability topics on the organization and stakeholders

HD Hyundai Construction Equipment has established the process to identify and evaluate the impact on organizations and stakeholders related to key reporting issues. LX Hausys used impacts, risk and opportunity factor analysis results for key reporting issues to make decisions to develop response strategies for each issue and disclosed the process in the report.

Findings and conclusions concerning the reliability and quality of specified performance information

Among the GRI Topic Standards, an assurance Type 2 were conducted against the following disclosurers based on the information and data provided by HD Hyundai Construction Equipment. In order to verify the reliability and accuracy of the data and information, internal control procedures related to data processing, and management were verified through interviews with the responsible division, and accuracy was verified through sampling. Errors and intentional distortions in sustainability performance information included in the Report were not found through assurance processes. The HD Hyundai Construction Equipment manages the sustainability performance information through reliable internal control procedures and can track the process of deriving the source of the performance. Errors and unclear expressions found during the assurance process were corrected and the Assurer confirmed the final version of the Report prior to its final publication.

- GRI Topic Standards: 205-1~3, 206-1, 302-1,302-3~4, 305-1~7, 308-1~2, 402-1, 403-1~10, 405-1~2, 406-1, 414-1~2

Recommendations and Opportunity for Improvement

The Assurer provides the following observations to the extent that they do not affect the assurance opinion;

- The contents of the report describe the major ESG management performance of HD Hyundai Construction Equipment in 2023 and its 2024 plan, as well as its efforts to develop such activities. At the same time, deriving underperforming sustainability issues and specifying related mid- to long-term strategies and goals can help ensure the balance of the report

GRI-reporting

HD Hyundai Construction Equipment has self-declared compliance with GRI Standards. Based on the data and information provided by HD Hyundai Construction Equipment, the Assurer confirmed that the Report is prepared in accordance with the GRI Standards, and confirmed there are no errors in the disclosures related to the Universal Standards and Topic Standards Indicators.

No sector standard is applied.

18/06/2024

For and on behalf of BSI (British Standards Institution):

BSI representative

Greenhouse Gas Emissions Verification Review

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 2023 (“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. 2023-221 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 verification opinion.

Scope of Assurance

The GHG emissions data covered by our examination is set for 100% of SGC Energy’s 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 2024 and performed in accordance with the verification principles and tasks outlined in the guidelines on the operation of GHG ETS (Notification No.2023-221, 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 CO2 equivalent. As part of the verification process;

- We have reviewed the GHG emissions and energy consumption report for the calendar year 2023
- 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 of HD Hyundai Construction Equipment for the year 2023 were confirmed as below;

GHG Emissions and Energy Consumption of HD Hyundai Construction Equipment for Yr 2023 (Unit: tCO₂e)

Ulsan Campus of HD Hyundai Construction Equipment	GHG Emissions (ton-CO ₂ equivalent)			Energy Consumption (Terajoule, TJ)		
	Scope1	Scope2	Total	Fuel	Electricity & Steam	Total
2023	8,073.795	5,149.575	13,223	87.313	107.607	194

* Total emissions might be different from the sum of direct and indirect emissions by applying the rule that emissions should be summed after truncating decimal places at the business site level.

May 2024 Seoul, Korea

Country Manager DNV Business Assurance Korea Ltd **Jang-Sub Lee**



Scope3 Verification Review

Scope:

Other indirect greenhouse gas emissions in 2023 (Scope 3)

2023 HD Hyundai Construction Equipment 's Domestic Business Sites

Data Verified

Emissions (Scope3) for product manufacturing and disposal of products at domestic worksites in 2023 are as follows.

(Unit: tCO₂e)

Category	Scope of business establishment	Total Emissions in 2023
Purchased Goods and services	Worksite	27,967.60
Capital Goods	Worksite	53.44
Fuel-and Energy-Related Activities Not Included in Scope1 or Scope 2	Worksite	1,674.09
Upstream Transportation and Distribution	Worksite	81,524.00
Waste Generated in Distribution	Ulsan, Yongin	987.88
Business Travel	Worksite	1,530.58
Employee Commuting	Ulsan, Yongin, Bundang	55.78
Downstream Transportation and Distribution	Worksite	15,147.66
Use of Sold Products	Worksite	7,976,187.71
End-of-Life Treatment of Sold Products	Worksite	1,990.45
Investments	-	0.47
Total		8,107,119.67

GHG Criteria & Protocols used for Verification

The verification was carried out at the request of the HD Hyundai Construction Equipment Co., Ltd. using:

- ISO14064-1:2018&ISO 14064-3:2019
- WBCSD/WRI GHG Protocol
- 2006 IPCC Guidelines
- Guideline for Reporting and Certification of Emissions in the Greenhouse Gas Emissions Trading Scheme(2023-221)
- BSI GHGEV Manual

The standard confidentiality principle of BSI Group Korea is applied to all verification activities.

Verification Opinion

BSI Group Korea's verification opinions on the result of carrying out verification in accordance with the GHG criteria and protocols mentioned above are as follows.

- Scope 3 other indirect emissions for HD Hyundai Construction Equipment's domestic business sites were carried out with limited verification.
- The quality of the data is in line with overarching international principles for verification of greenhouse gas emissions.
- During the verification process, no material weakness found in the calculation of greenhouse gas emissions, and it was confirmed that the relevant activity data and evidence were appropriately managed.
- Therefore, the BSI Group Korea verification team provides an "appropriate" verification opinion." 8/5/2024

Managing Director Korea, **SeongHwan Lim**

Stakeholder Participation

HD Hyundai Construction Equipment categorizes major stakeholder groups into employees, stockholders 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.



Association Membership and Certification

Association Membership

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

Certification

Certificate No.	Validity Period
ISO 27001 (Information Security Implementation system)	Ulsan/Bundang/Yongin/Europe: 2022.01.27~2025.01.26
	Ulsan/Bundang/Yongin: 2023.03.24~2026.03.23
ISO 9001 (Quality Implementation system)	China: 2022.09.06~2025.09.11
	India: 2022.05.29~2025.05.28
	Brazil: 2023.10.16~2026.10.15
ISO 14001 (Environmental Implementation system)	Ulsan/Yongin: 2023.04.05~2026.04.04
	India: 2024.04.02~2027.04.02
	China: 2023.09.20~2026.09.21
ISO 45001 (Safety and Health Implementation system)	Ulsan/Yongin: 2023.04.05~2026.04.04
	China: 2023.09.20~2026.09.21
	India: 2024.04.02~2027.04.02
ISO 37001 certification of the anti-corruption implementation system	Ulsan/Bundang: 2023.10.17~2026.10.16

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