

# MOVING YOU FURTHER



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# ABOUT THIS REPORT

## REPORTING PURPOSE

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. In this year's report, the material issues identified through the materiality analysis are organized around the Group's five management philosophies, in order to provide practical information to stakeholders.

## REPORTING PROCESS

To comprehensively report the company's financial and non-financial performance and social and environmental values, the departments in the fields of management innovation, finance, ICT, HR, legal, purchasing, sales, R&D, production, quality, EHS, IR and communication participated in the planning and writing of the integrated report, which is focused on the achievements of HCE's management activities in 2021 and future plans.

## REPORTING PERIOD

This report presents quantitative data about the company's performance during the 2021 calendar year. However, the company's qualitative activities mentioned in the report, including the composition of the BOD, include developments recorded until the end of June 2022.

## REPORTING SCOPE

This report is mainly on the activities and accomplishments made by the company's worksites in Korea. Some qualitative activities, however, include those undertaken at the company's overseas worksites. The ESG Facts & Figures section includes the quantitative outcomes of the worksites in Korea for the last three years.

## REPORTING PRINCIPLE

Global Reporting Initiative Standards (Report in accordance with the GRI Standards)

## EXTERNAL ASSURANCE

This report has been assured by Ernst & Young Han Young, an independent assurance service provider, to ensure the propriety and integrity of the reporting processes as well as the accuracy and credibility of its contents. The Independent Assurance Report is attached in the Appendix section.

## DISCLAIMER

This report contains details of some future activities, events and situations based on the company's plans and estimations of future financial outcomes, which may turn out to be inaccurate in the event of changes in the global business landscape. The plans and estimations draw upon the best information available at the time of completion of this report, with due consideration given to future business environments as well as the company's elaborate business strategies. 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.

## REPORTING METHOD

Printed Material

This report is published in Korean and English to communicate better with our global stakeholders.



### PDF

This report is available in PDF format which can be downloaded at <https://www.hyundai-ce.com>



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### INTERACTIVITY

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



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# Construction Machinery Sector of Hyundai Heavy Industries Group



Hyundai Genuine will grow into a global top-tier company that represents Korea's construction machinery industry.

As an intermediate holding company in the construction machinery sector of Hyundai Heavy Industries Group, Hyundai Genuine seeks to grow into a business holding company by maximizing synergies between its subsidiaries and fostering its own businesses such as industrial vehicles. At Hyundai Genuine, we will continue to provide optimized solutions so that Hyundai Construction Equipment and Hyundai Doosan Infracore can create synergy in development, sales, purchasing, and international business. And by growing together with our business partners and stakeholders, we will create a blueprint for the future of the construction machinery industry in Korea.

## Synergies in the Construction Machinery Sector

Each company is run independently with concentrated efforts being made to enhance competency in construction equipment, our key business area, thereby developing global competitiveness.

1

### Integrated Purchasing

Benefits of price negotiations based on integrated purchase volume

- Ready-to-run parts without complex design changes
- Small engines, foreign MCVs, etc.
- Creation of an integrated purchasing planning organization
- Procurement integration and expansion of global sourcing

**72 types** (240 items in total)  
Items subject to the core integration strategy

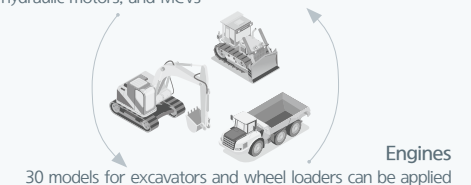
2

### Internalization of core parts

Mutual application of engines/hydraulic equipment of both companies

#### Hydraulic parts

Step-by-step application of hydraulic cylinders, hydraulic motors, and MCVs



Engines

3

### Strengthening product line-up

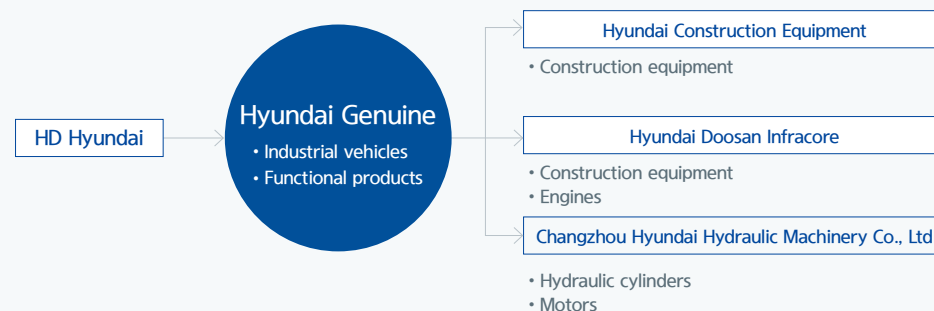
Mutual complementation to and cross-selling of non-overlapping lines of both companies



Special equipment + Loader + ADT

## Hyundai Genuine Business Structure

Each subsidiary operates independently, and we will secure global competitiveness by concentrating our capabilities on our core business: the construction equipment business.







Hyundai Construction Equipment (HCE) is a specialized general construction equipment company that produces various construction equipment such as excavators, wheel loaders, backhoe loaders, and skid steer loaders. It started as a Heavy Equipment Division of Hyundai Heavy Industries in 1985, and has made great leaps since it was newly established through a spin-off from Hyundai Heavy Industries Co., Ltd. on April 1, 2017.

## AT A GLANCE

### Company Name



Hyundai  
Construction Equipment

### Year of Establishment



2017

### CEO



Choi  
Cheol-gon

### Main Business



Manufacturing of construction and  
mining equipment

### Number of Employees

(Unit: Person)



1,519

## FINANCIAL HIGHLIGHT

### Sales

(Unit: KRW million)



3,284,340

### Operating Profit

(Unit: KRW million)



160,709

### Total Assets

(Unit: KRW million)



3,554,288

### Total Equity

(Unit: KRW million)



1,547,808

\* As of the end of 2021, based on the consolidated financial statements

\*\* Reflected the discontinued operation of the industrial vehicle business according to the transfer of the business as of January 1, 2022

## COMPANY HISTORY

**1985**

- Established the Construction Equipment Development Office of Hyundai Heavy Industries Co., Ltd.

**1986**

- Signed a contract for the OEM supply of bulldozers and loaders with DRESSER of the US

**1987**

- Separated into the Construction Equipment Division of Hyundai Heavy Industries and completed the first phase of the plant construction

**1988**

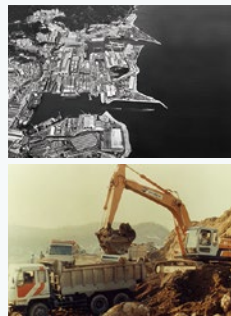
- Started sales in Korea, developed the company's own model for medium-sized excavators

**1989**

- Incorporated as Hyundai Heavy Equipment Industry Co., Ltd. and expanded the plant

**1990**

- Launched the ROBEX Series of medium-sized excavators
- Internally developed a wheel loader and started exports to Europe



**2000**

- Manufactured more than 50,000 units of construction equipment within the shortest period of time ever in Korea
- Unified manufacturing and sales of Hyundai Heavy Industries

**2002**

- Established a joint venture in Beijing, China

**2003**

- Established a joint venture (Hyundai Jiangsu) in China
- Seven series of excavators were selected as world-class products

**2004**

- Completed construction of the Hyundai Jiangsu Factory

**2005**

- The electric reach forklift was selected as the "Best Design Product" at the Hong Kong Design Exhibition
- Manufacturing of construction equipment exceeded 100,000 units
- Expanded and relocated a Parts Distribution Center to Eumseong, Chungcheongbuk-do



**2010**

- Started the construction of a wheel loader plant in China

**2011**

- Manufacturing of construction equipment exceeded 350,000 units
- Established the Jebel Ali Parts Center in Dubai

**2013**

- Signed a strategic alliance with Atlas of Germany
- Launched six road equipment models
- Completed the construction of a plant in Brazil

**2015**

- Manufacturing of construction equipment exceeded 500,000 units

**2016**

- Hyundai Heavy Industries and CNHI formed a strategic alliance for mini excavators

**2017**

- Established Hyundai Construction Equipment Co., Ltd.
- Completed a new integrated company building in Europe
- Became the first in Korea to launch a used construction equipment auction business



**1985-1999**

**2000-2009**

**2010-**

**1991**

- Started the construction of the second factory in Ulsan
- Established a local corporation in Chicago in the US

**1992**

- Launched operation of Ulsan Factory 2
- Opened office in Rotterdam, Netherlands

**1993**

- Merged into Hyundai Heavy Industries Co., Ltd.

**1994**

- Launched the ROBEX-3 Series excavators with a new concept

**1995**

- Established a local assembly plant in Belgium
- Established and relocated a local subsidiary in Europe (Netherlands → Belgium)
- Established a local joint venture in Changzhou, China

**1996**

- Completed the construction of the Changzhou Factory in China



**2006**

- Established the Istanbul branch in Turkey
- Established a technology training center in Eumseong, Chungcheongbuk-do
- Received the Grand Prize in the Construction materials category at the Korea Construction Culture Awards

**2007**

- Established the India corporation
- Established the hydraulic equipment corporation in China

**2008**

- Constructed a factory in India
- Established the Moscow branch in Russia
- Manufacturing of construction equipment exceeded 150,000 units
- Established the Panama branch in Latin America
- Established the Dubai branch in the UAE

**2009**

- Established the Jiangsu A/S Training Center
- Launched 9 Series excavators in the market



**2018**

- Established a branch in Vietnam

**2019**

- Established Hyundai Core Motion independently

**2020**

- Established a branch in Thailand
- Completed the construction of Gunsan Forklift Factory
- Completed the construction of Yongin Technology Innovation Center

**2021**

- Manufacturing of construction equipment exceeded 700,000 units
- Completed the construction of the Quality Assurance Center
- Completed the construction of the Eumseong Global Education Center
- Hyundai Core Motion merged
- Transferred industrial vehicle business and mass-production parts business to Hyundai Genuine



## KEY PRODUCTS OF HCE

HCE has established a network of approximately 500 dealers in 140 countries around the world and has been recognized for its excellence in the global market by supplying high-quality products through local subsidiaries in the US, Europe, China, India, Brazil, and Indonesia. In particular, we are enhancing our brand power by introducing products with ergonomic design and cutting-edge technology, developing regionally customized models, and supplying economical models using regional production plants.

### Construction Equipment Product Lineup

#### Excavator

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



#### Wheel Loader

- 10 to 32 tons



#### Backhoe Loader

- H940S
- H940S-4WS
- H940C



#### Skid Steer Loader

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



#### Roller

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



#### Special Equipment

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



#### Attachment

- HDB S Series
- HDB Series



#### Motor Grader

- HG130
- HG170
- HG190
- HG220



### HX520AL Crawler Excavator

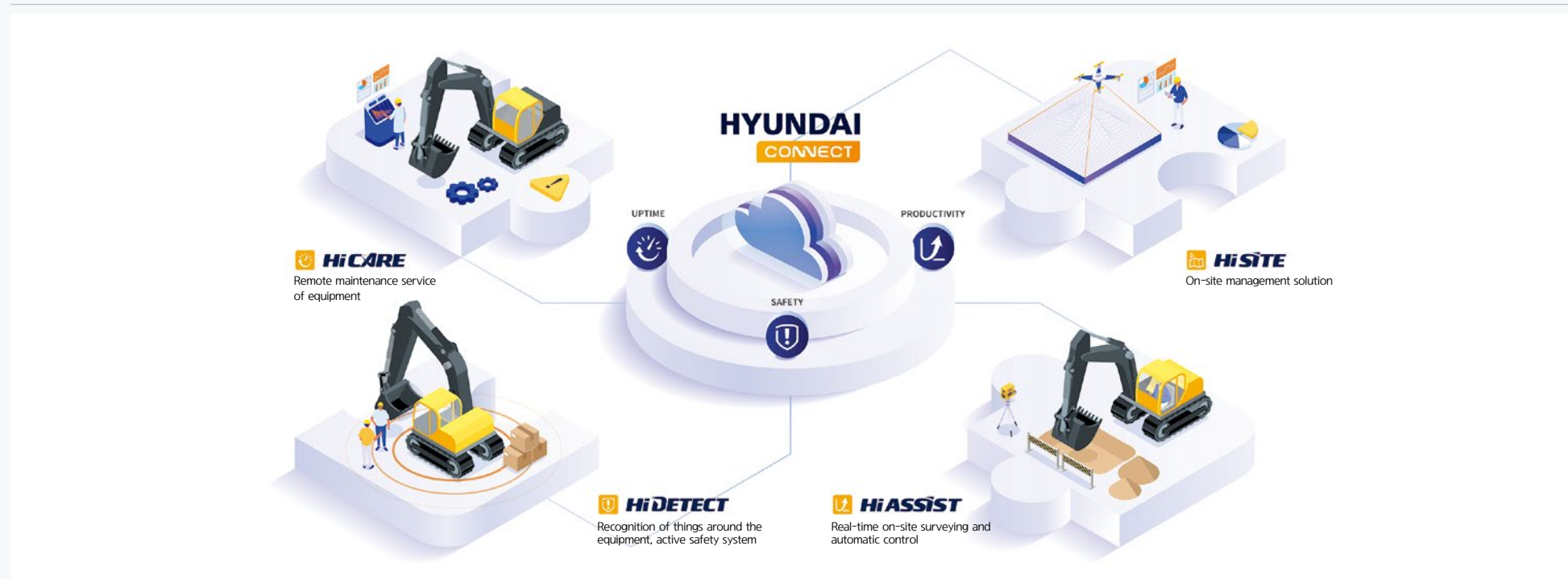
The HX520AL is a modern 50-ton crawler excavator built on the STAGE V engine platform. By applying advanced power control technology, it is faster than the previous model and fuel efficiency is also improved by more than 10%, contributing to enhanced user productivity and maximizing customer profits. The new X12 engine without EGR minimizes the difficulty of engine management and is customer-friendly equipment with many latest technologies to improve customer convenience and safety, such as remote start, automatic safety lock, and forced engine off function.



HX520AL Crawler Excavator

### HCE Construction Equipment Technology Brand

Based on the "HYUNDAI CONNECT" technology, HCE has been developing technologies, such as the Hi ASSIST to assist drivers, Hi DETECT to enhance safety, and the Hi CARE to qualitatively and quantitatively improve the equipment uptime. As of late, we are developing the Hi SITE technology that can control the survey and analysis results of on-site terrain and equipment fleet operation status.



#### HiSITE

- Insight improvement through topographical survey/analysis and visualization
- Drone surveying and analysis
- Site management

#### HiASSIST

- Productivity improvement through posture recognition and automatic control
- Smart guidance
- Smart control

#### HiDETECT

- Safety reinforcement by detecting the surrounding environment and warning of danger factors
- Rear detection system (RDS)
- E-Bounds (electronic/virtual boundaries)
- Smart guard system (SGS)

#### HiCARE

- Uptime Care through remote monitoring of equipment status
- Website and app for Hi MATE
- Fleet management
- ProAct Care



## CEO Message



### Greetings to all HCE stakeholders!

In 2021, despite a COVID-19-induced global economic crisis, Hyundai Construction Equipment (HCE) set a record in sales on the strength of market diversification, supply lines expansion, and profitability-oriented sales strategies. As unfavorable business conditions are expected to continue this year, such as rising raw material prices and logistics costs, semiconductor shortages, and an intensifying exchange rate volatility, in addition to the prolonged COVID-19 pandemic, we will focus on strengthening internal capabilities through change and innovation while also securing competitive advantages that stand apart.

### We will make 2022 as the first year when ESG management is fully implemented.

ESG management is becoming a global trend in corporate management today, and transition to carbon neutrality and renewable energy is turning into a matter of corporate survival. Starting this year as the first year of full implementation of ESG management, HCE will take steps toward establishing a foundation for fulfilling its social responsibilities and for eco-friendly management. In particular, as carbon neutrality is no longer an option but a necessity, in the first half of 2022, we drew up a roadmap for achieving carbon neutrality by devising climate change strategy and action plans, including how to coordinate company-wide efforts to reach carbon neutrality.

### We will become a leader in ESG management.

HCE will enhance its corporate value as a sustainable company by strengthening the management of ESG factors related to the environment, social responsibility, and governance, as well as financial soundness. To this end, we plan to build a pleasant and safe workplace at the Ulsan Factory through facility advancement, improve production efficiency, and minimize pollutant emissions. By pushing a soon-to-be-launched mini electric excavator and the world's first hydrogen-powered excavator, we will also lead the eco-friendly construction equipment market.

Furthermore, we will prioritize the interests of shareholders by ensuring the transparency and independent decision making of the Board of Directors, while also doing our utmost to create a win-win culture for suppliers by introducing various financial support and other assistance programs. Through these and other related activities, we will take the lead in promoting social values that will benefit us all in the long run.

Going forward, HCE will enhance its status and value as a global company by proactively responding to market changes. On behalf of HCE and all its employees, I ask all of you to continue your unstinting support for and interest in the new future HCE is constructing.

**Choi Cheol-gon**





President & CEO

Hyundai Construction Equipment Co., LTD

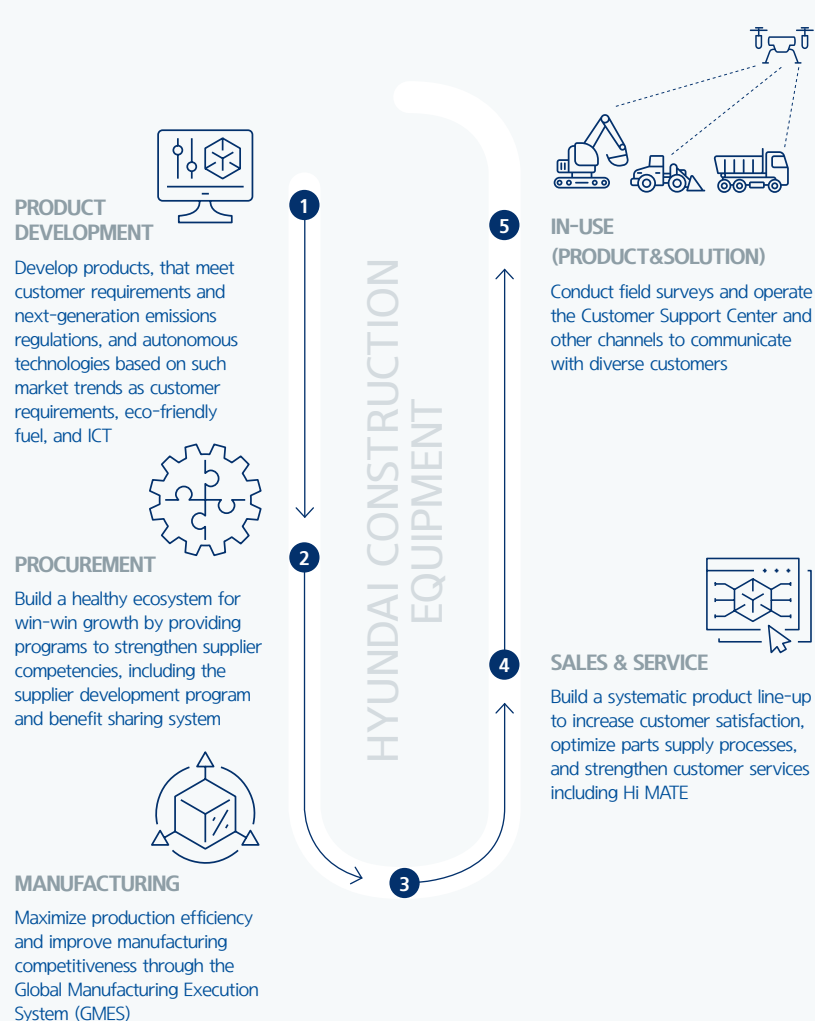
# Business Model

Hyundai Construction Equipment strives to maximize its corporate value by effectively investing its financial and non-financial resources in its value chain. We actively address social and environmental issues related to our business operations, while pursuing our vision of becoming a “Global Leader in Infrastructure Solutions” as a means to ensure sustainable growth and contribute to social development.

## CAPITAL INPUT

FINANCIAL		Funds that are generated through management, investments or financing, and that can be used by an organization to produce products or provide services
MANUFACTURED		Manufactured articles, such as facilities and buildings, that can be used by an organization to produce products or provide services
INTELLECTUAL		An organization's knowledge-based intangible assets, such as patents, copyrights, software, rights, and licenses
HUMAN		Members' capabilities and experiences that drive innovation and allow the understanding, development, and execution of an organization's strategies
SOCIAL/NETWORK		Stakeholder relations and trust, and other intangible assets related to brands and reputation developed by an organization
NATURAL		All environmental resources, both renewable and non-renewable, that can be used to provide products or services

## VALUE CHAIN



## KEY PERFORMANCE IN 2021

FINANCIAL <sup>1)</sup>	Sales	KRW 3,284.3 billion	Operating income	KRW 160.7 billion
	Construction equipment market in 2021 grew on the back of economic stimulus measures by governments around the world and base effects from COVID-19 in 2020.		Debt ratio	130%
MANUFACTURED	Production facility investments	KRW 12.0 billion	Production	
	Investments to increase production capacity and improve the plant environment		Construction equipment and industrial vehicles	43,665
	LTIR <sup>2)</sup>	1.52	Excavators and wheel loaders	21,195
INTELLECTUAL	Domestic and overseas intellectual property rights <sup>4)</sup>		Industrial vehicles	13,481
	Applications (including 226 patents)	276	OIFR <sup>3)</sup>	0.001
	Registration (including 164 patents)	209	Percentage of R&D on autonomous technologies among R&D projects of the company	32%
HUMAN	Training expenses per person	KRW 204,000	Voluntary turnover rate	3.0%
	Training hours per person	12.9 hours		
	Continued to offer online-based trainings in response to COVID-19-induced situation where face-to-face training was postponed or cancelled			
SOCIAL/NETWORK	Joined in UN Global Compact since 2021		Local community donations	KRW 2.7 billion
	CDP (Carbon Disclosure Project)	B grade		
NATURAL	Energy consumption <sup>5)</sup>	238 TJ	Greenhouse gas emissions	15,085 tCO <sub>2</sub> e

<sup>1)</sup> Based on consolidated financial statements

<sup>2)</sup> 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 (Number of incidents is based on incidents by employees of HCE)

<sup>3)</sup> OIFR (Occupational Illness Frequency Rate): Number of workers who have occupational illness and other related illness/Total workers (Number of workers is based on employees of HCE; and application of calculation formula of the Korea Occupational Safety and Health Agency)

<sup>4)</sup> Based on consolidated entities as of 2021 year-end

<sup>5)</sup> Based on business sites in Korea

# Performance Review

## Performance Overview

HCE started its business as a heavy machinery division in 1985. Currently, our plants, with a total surface area of 247,900 square meters (75,000 pyeong), produce a wide range of construction equipment including excavators, wheel loaders, backhoe loaders, and skid steer loaders. We conduct our sales activities through an extensive network comprising approximately 500 dealers in 140 countries and local subsidiaries in the US, Europe, China, India, Brazil, and Indonesia.

Aiming to develop the world's best construction equipment, we are now concentrating on upgrading our products by improving the design of excavators and wheel loaders including new styling, automatic control system, and driver-friendly convenience. In particular, we have introduced the product data management (PDM) system, which shortens the process cycle time and enables efficient data management. In addition, for the development of new technologies, such as a simulation program for each functional field, an automatic excavation control system, ergonomic technology, and special specifications, we are promoting the exchange of technology information through industry-academia cooperation and with in-house research institutes and overseas specialized companies. We are also using 3D CAD design to improve and develop our current technology in future-oriented ways.

We will diversify our product promotions to increase customer trust and strengthen the financing function to expand financial support services for customers. In order to swiftly respond to customer needs, we are actively implementing innovative marketing strategies such as product introduction, technical information, and parts support through our Internet channels. In addition, while continuing to pioneer and expand new markets, we continue to secure excellent dealers and develop new ones in our pursuit of more market-friendly sales.

### Key Performance in 2021



Global Production

**700,000**  
units +



KCGS Overall ESG Rating

**A**





Became the first in Korea to develop 14-ton

**Hydrogen-powered excavator**



## Financial Performance

### 1. Business Performance

In 2021, on the back the global economic recovery that followed the easing of the COVID-19 crisis, HCE recorded revenue of KRW 3,284.3 billion, a year-on-year increase of 37%, on the strength of its sales and production activities in emerging and advanced markets. In addition, we generated an operating profit of KRW 160.7 billion, a year-on-year increase of 84% year, and profit from continuing operations of KRW 109.8 billion. As such, we have achieved significant improvements not only in sales but also in profitability.

### Consolidated Statements of Comprehensive Income

(Unit: KRW billion)

Classification	2019	2020	2021
Revenue	2,648.7	2,390.5	3,284.3
Cost of sales	2,153.6	1,962.2	2,751.7
Gross profit	495.1	428.3	532.6
Selling, general and administrative expenses	343.0	340.9	371.9
Operating profit	152.1	87.4	160.7
Finance income	65.2	56.4	51.5
Finance costs	79.3	97.1	56.7
Other non-operating income	10.6	7.3	26.0
Other non-operating expenses	73.9	43.0	23.8
Profit before income tax	74.7	11.1	157.6
Income tax expense	17.9	1.0	47.9
Profit from continuing operations	56.8	10.1	109.8
Profit (loss) from discontinued operation, net of tax	(5.9)	(1.6)	16.7
Profit for the year	50.9	8.5	126.4

\* Reflected the discontinued operation of the industrial vehicle business for 2021 according to the transfer of the business



Smart Construction Challenge 2021 hosted by  
the Ministry of Land, Infrastructure and Transport

## Winner of two awards

- Innovation Award in the construction automation category
- Innovation Award in the smart safety category



Industrial Safety Golden Bell hosted by  
the Ministry of Employment and Labor

## Awarded by the Head of MOEL's Ulsan Branch

ESG Information, Analytics & Investment  
**SUSTINVEST**

Sustinvest ESG Grade

# BB



CDP Management

# B Grade



MSCI ESG Rating

# BB



Issuance of ESG bond

# KRW 50 billion



Became the first in Korea to launch HW145+

## Equipped with Smart Control



Development of Korea's first

## AI-based construction equipment diagnosis technology



Became the first in the construction equipment industry  
to commercialize

# AAVM\* System

\* AAVM: Advanced Around View Monitoring





## 2. Financial Status

As of the end of 2021, HCE's total assets stood at KRW 3,554.3 trillion, a year-on-year increase of KRW 198.4 billion. Total liabilities increased by KRW 238.2 billion to KRW 2,006.5 billion, and total equity amounted to KRW 1,547.8 billion, a year-on-year decrease of KRW 39.7 billion.

### Consolidated Statements of Financial Position

(Unit: KRW billion)			
Classification	2019	2020	2021
Assets	2,151.5	2,265.0	2,469.5
Cash and cash equivalents	222.8	713.4	446.3
Short-term financial assets	414.8	176.4	75.3
Trade and other receivables	629.1	612.6	721.3
Inventories	856.7	720.7	1,012.8
Others	28.2	41.9	213.9
Non-current assets	1,036.5	1,090.9	1,084.8
Property, plant and equipment, net	669.2	744.0	713.7
Intangible assets, net	184.5	153.9	142.9
Others	182.8	193.0	225.2
<b>Total assets</b>	<b>3,188.1</b>	<b>3,355.9</b>	<b>3,554.3</b>
Current liabilities	1,052.8	1,156.5	1,499.1
Non-current liabilities	558.1	611.8	507.4
<b>Total liabilities</b>	<b>1,610.9</b>	<b>1,768.3</b>	<b>2,006.5</b>
Equity	98.5	98.5	98.5
Capital surplus	774.7	774.7	783.2
Capital adjustments	(42.1)	(42.1)	(82.1)
Accumulated other comprehensive income	72.7	88.9	118.6
Retained earnings	306.9	298.3	408.5
Non-controlling interests	366.5	369.2	221.1
<b>Total equity</b>	<b>1,577.1</b>	<b>1,587.5</b>	<b>1,547.8</b>

## 3. Performance by Business

**3-1. Construction Equipment** In 2021, demand for key raw materials increased amid widespread anticipation of a global economic recovery on the back of the development of coronavirus vaccines, which significantly boosted the demand for construction equipment in most regions. In particular, emerging markets such as Latin America, the Middle East, Africa, and Southeast Asia showed a virtuous cycle structure in which increased demand for large-sized equipment, driven by increased demand for raw materials, and expanded government finances, attributable to increased raw material exports, led to investments in infrastructure to revitalize the economy. This in turn boosted demand for all types of construction equipment, including medium-sized excavators. In advanced markets, such as the US and Europe, the economy has been recovering since the second half of 2021, gradually boosting market demand. Meanwhile, the Chinese market has been driving demand for construction equipment due to a faster economic recovery than other regions since the second quarter of 2020. However, since the second quarter of 2021, the market has been undergoing a correction due to concerns about inflation stemming from rapid economic growth. We will continue to maintain a stable volume of sales by diversifying the composition of regional portfolio.

Our construction equipment business recorded sales of KRW 2,497.4 billion in 2021 on the back of growth centered on emerging and advanced markets amid the post-COVID global economic recovery in 2021.

**3-2. Industrial Vehicles** Industrial vehicles showed sales growth in North America after the second half of 2021, on the back of a gradual economic recovery. Expectations for economic recovery and increased economic activity led to increased logistics activities, which helped boost demand for industrial vehicles. In addition, in line with a shift in the market paradigm from the internal combustion engine to eco-friendly power in the wake of the COVID-19 crisis, HCE is developing a range of hydrogen-powered forklifts, with the aim of consolidating its leading position in the eco-friendly forklift market.

Meanwhile, on January 1, 2022, HCE transferred its industrial vehicle business to Hyundai Genuine, an intermediate holding company, and used the proceeds from the transfer to acquire a 100% stake in the Brazilian subsidiary, thus completing global governance related to construction equipment. Going forward, we will further strengthen our capabilities as a construction equipment company. Despite the transfer of the industrial vehicle business, we plan to maintain sales of industrial vehicles in advanced markets through our overseas subsidiaries so as to minimize the decrease in top-line growth due to business transfer.

**3-3. A/S Parts** A/S parts are continuously supplied to the finished equipment sold in the past, generating a relatively stable sales flow compared to the finished equipment. HCE is therefore aiming to increase the sales of its parts business, based on which the company maintains overall sales stably and thus mitigates the impact of changes in the sales of finished equipment due to economic fluctuations.

(Unit: KRW billion)

Classification	2019	2020	2021
Construction equipment	2,136.8	1,994.5	2,497.4
Industrial vehicles	477.0	383.3	501.4
A/S parts, etc.	238.4	239.7	285.5

\* Reflected the discontinued operation of the industrial vehicle business for 2021 according to the transfer of the business

#### 4. Cash Flow & Solvency

In 2021, cash flow from operating activities decreased by KRW 470.7 billion year-on-year to - KRW 196.0 billion, and cash and cash equivalents decreased by KRW 267.1 billion from KRW 713.4 billion at the beginning of the year to KRW 446.3 billion at its end. While the transfer of industrial vehicle business, expected to generate cash inflows in 2021, was completed in early January 2022, while there was a temporary decrease of cash flow due to the cash outflow resulting from the acquisition of a 100% stake in the Brazilian subsidiary and a 40% stake in a holding company in China.

Liquidity risk rises in the event where the counterparty of a payment agreement forgoes its contractual obligation due to a liquidity issue, or where the company becomes unable to raise funds for normal operations. HDI establishes three-month and annual fund balance plans to predict the balance of funds in sales/investment/ financial activities, and secures an adequate level of liquidity in advance against unexpected liquidity risks.

#### Consolidated Statements of Cash Flows

(Unit: KRW billion)

Classification	2019	2020	2021
Cash flows from operating activities	155.3	274.8	-196.0
Cash flows from investing activities	-363.5	135.9	87.2
Cash flows from financing activities	108.0	82.9	-175.3
Cash and cash equivalents at January 1	322.4	222.8	713.4
Cash and cash equivalents at December 31	222.8	713.4	446.3

#### 5. Production Assets

The facilities and equipment of HCE's consolidated entities include land, buildings and structures, machinery, and assets currently under construction. As of the end of 2021, the book value was KRW 713.7 billion, a decrease of KRW 30.3 billion from the beginning of the year. Accumulated acquisition and substitution stood at KRW 64.3 billion as of the end of 2021, while the depreciation cost amounted to KRW 41.7 billion.

#### 6. Intellectual Assets

Our R&D activities are focused on the development and design of key parts and electronic components such as construction machinery and industrial vehicles, and technology to improve performance and reliability.



# ESG MANAGEMENT

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# ESG Decision-making System

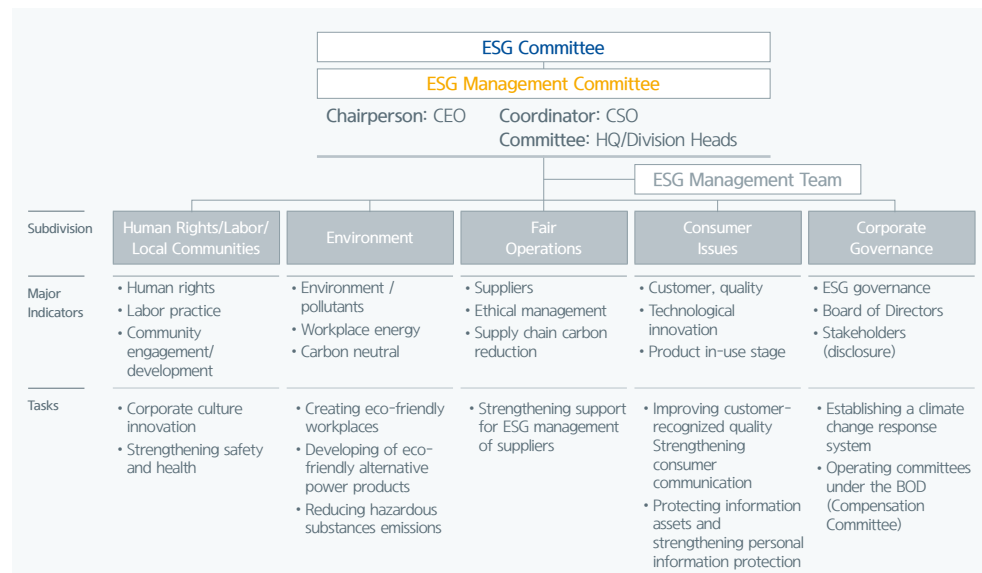
## ESG Organization

At HCE, ESG Management Committee and ESG Management Team work together to establish ESG initiatives and manage ESG improvement tasks in worldwide workplaces. The ESG Management Team collects and responds to the ESG-related requirements of internal and external stakeholders, and is responsible for submitting agenda to the ESG committee under the BOD in line with the promotion of ESG improvement tasks. In addition, the team is responsible for diagnosing the ESG level of domestic and overseas workplaces, identifying ESG strategic tasks, monitoring performance, and responding to external evaluations.

## ESG Management Committee

The ESG Management Committee under the supervision of the CEO, with the participation of key executives, reviews ESG opportunities and risks and selects and monitors annual ESG strategic tasks so that the entire organization can think collectively, cooperate closely, and respond to the improvement of the company's ESG management level. The Committee, which is held four times a year from 2022, discusses issues in 5 divisions (human rights, labor, environment, fair operations, customer value, and local community) together with the key executive heads of various business units. When the Committee makes decisions on major issues such as determining ESG strategic tasks and approval of operations and processes, the Working Group, made up of working staff, draws up and implements specific action plans.

### ESG Implementation Organization



## ESG Committee under BOD

In April 2021, HCE created the ESG Committee under the BOD consisting of three outside directors and one inside director. The ESG Committee, which expanded the functions of the existing Internal Trade Committee designed for inspecting the company's inside trading operation status, is a supreme council that makes decisions on company-wide ESG promotion strategies and plans and deliberates on major matters regarding the company's corporate social responsibility. In 2021, the Committee reviewed HCE's ESG promotion strategy and approved a plan to establish the foundation for ESG management.

### Composition of the ESG Committee

Committee Name	Composition	Purpose of Installation and Authority
ESG Committee (Former Internal Trade Committee)	3 Non-executive Directors	<b>PURPOSE</b> <ul style="list-style-type: none"> <li>Internalization of sustainability in corporate management decisions</li> <li>Management of key ESG risks and opportunities</li> </ul>
	Park, Soon-ae <sup>1)</sup> (Chairperson)	
	Park, Ki-Tae	
	Sin, Pil-jong	<b>AUTHORITY</b> <ul style="list-style-type: none"> <li>Deliberation and approval of the company's ESG implementation strategy and plan</li> <li>Deliberation and approval of major matters related to corporate social responsibility</li> </ul>
	1 Executive Director	
	Choi Cheol-gon	

<sup>1)</sup> Director Park, Soon-ae resigned from the position of non-executive director on May 26, 2022 for personal reasons.

### ESG Committee Activities in 2021

Date	Agenda items	Approval	Director Participation Rate (%)
Feb. 17	Report on the operating status of the business counterparty selection criteria	-	100
Mar. 23	Appointment of the Chairman of Inside Trade Committee	Passed	100
Apr. 26	Appointment of the Chairman of ESG Committee	Passed	100
	Appointment of Chief Sustainability Officer	Passed	100
Jul. 22	Approval of ESG implementation strategy and plan	Passed	100
Dec. 14	ESG report on key performance in 2021 and approval of plan for 2022	Passed	100

### ESG Evaluation (Overall Grade)

	2019	2020	2021
KCGS	B+	A	A
Sustainvest	C	B	BB
MSCI	BB	BB	BB
CDP	-	-	B

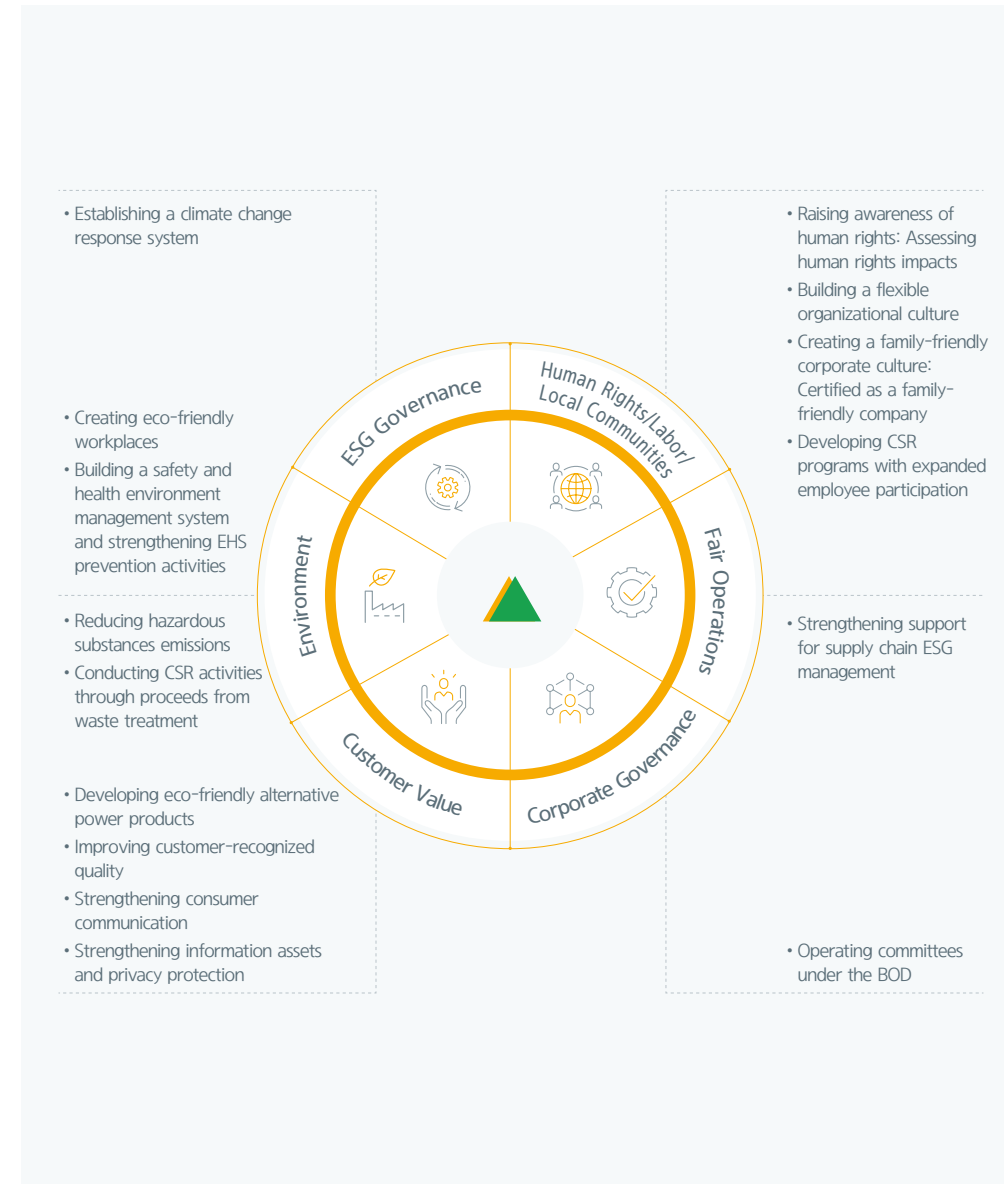


# ESG Strategy

ESG Strategy of Hyundai Heavy Industries Group



2022 ESG Strategic Tasks

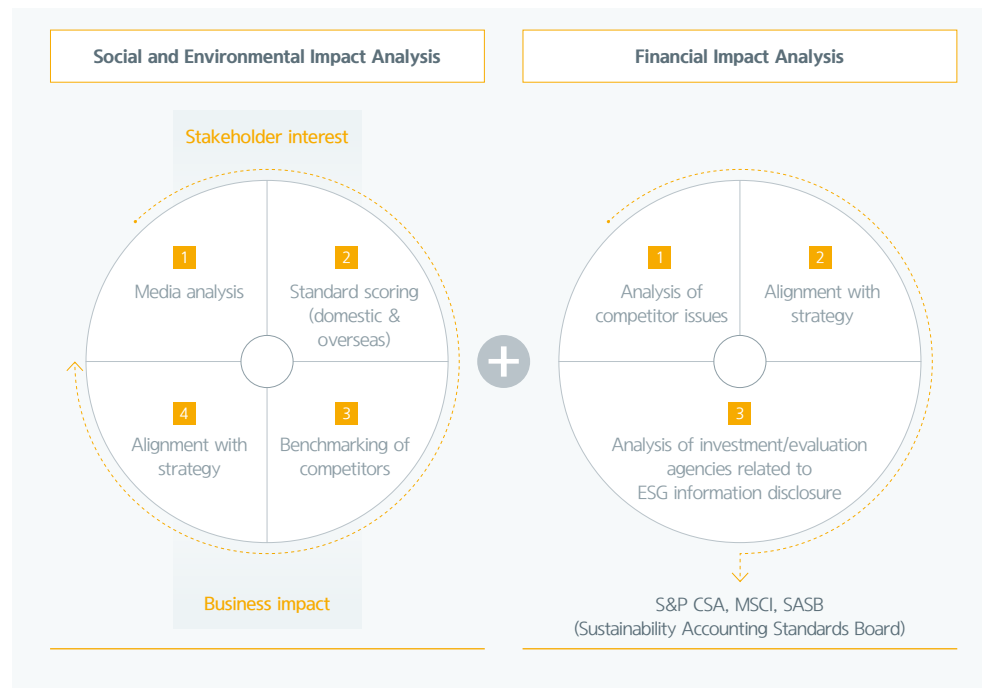


# Materiality Analysis

HCE implements a materiality analysis process every year to derive key issues by analyzing matters that stakeholders are interested in, matters that require improvement, and impact of corporate activities. The materiality analysis was conducted by applying the concept of double materiality based on such international standards and guidelines as GRI Standards and UN SDGs, social issues, and ESG management information in the same industry. This report discloses approaches and major achievements on material issues derived from the double materiality assessment.

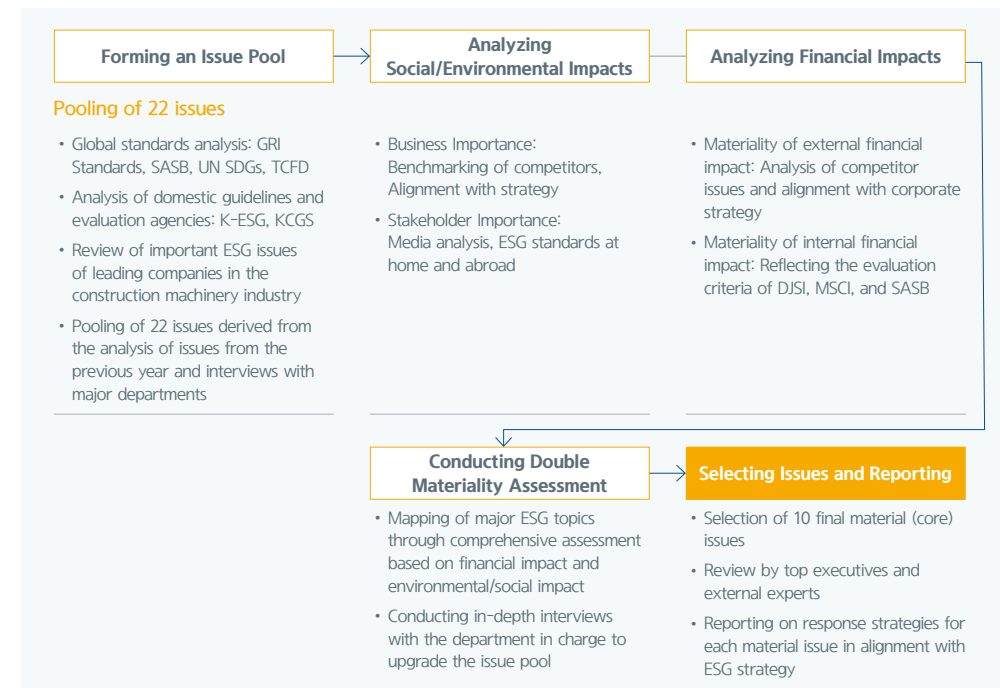
## Double Materiality

"Double materiality" is a concept that simultaneously considers the importance of social and environmental impact (impact materiality) and financial materiality. As such, it considers the impact of a company on the economy, the environment and humanity, along with the impact of various environmental changes (economic, social and environmental) on the company's values and finances. The traditional guidelines for sustainability management, CSR, and social responsibility focus on external-oriented aspects. Meanwhile, financial-based standards, such as SASB, MSCI, and International Accounting Standards Board (IASB), while paying attention to ESG and emphasizing investment and evaluation, focus on the internal-oriented aspects. Through the double materiality assessment that comprehensively considers these two perspectives, the company can clearly understand the concerns and expectations of stakeholders and reflect them in its management strategy to expect improvement in business performance. At the same time, environmental and social values can be more closely reflected throughout corporate activities.



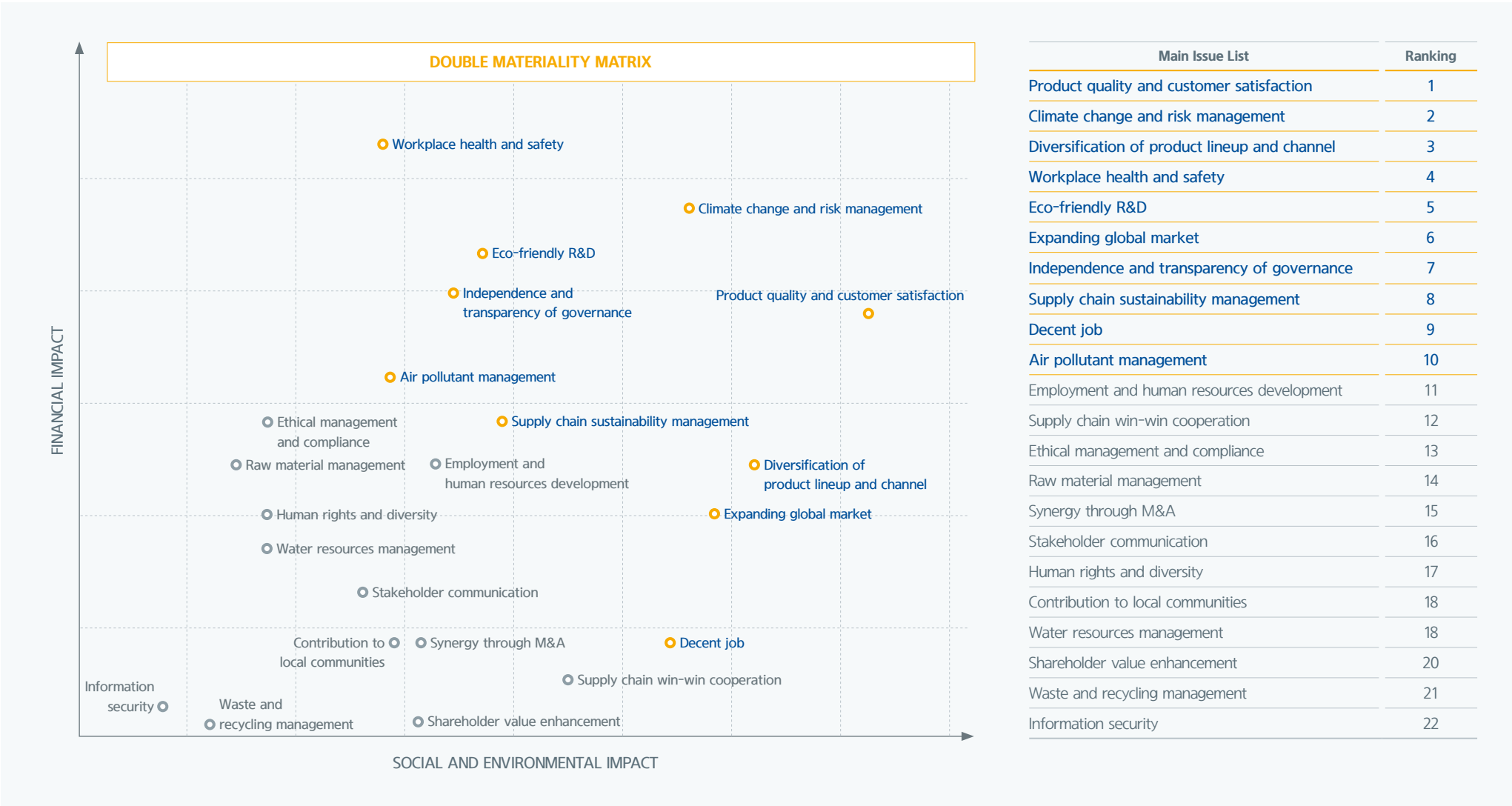
## Double Materiality Analysis Process

HCE introduced and analyzed the concept of double materiality for the first time this year to identify key ESG issues in a more transparent and reliable way and to respond to changes in global initiatives. In 2021, by quantifying the results of analyzing issues exposed to the press and media, competitor material issues, and various international ESG standards, the social and environmental impact of each issue was first identified. Then, the financial impact was identified based on the analysis factors of key investment and rating agencies and the perspective of HCE's internal strategy. By synthesizing the results of analyzing social and environmental impacts and financial impacts, we identified the overall results of the materiality analysis and overall priorities for each issue.








Double Materiality Analysis Result

By synthesizing the analyzing results of social/environmental impacts and financial impacts, we identified the overall results of the materiality assessment and overall priorities for each issue.



# Material Issues

For the top 5 material issues with high social interest and business importance, HCE reviews potential risks and opportunities from the external environment for each issue and discloses its strategic direction for responding to them, and its achievements.

	Issue Management Direction	2021 Achievements	Mid-to-long-term Plan	Page
<b>Product quality and customer satisfaction</b>  	<ul style="list-style-type: none"> <li>Establishing a stable business foundation as a global manufacturing company despite external environmental uncertainties</li> <li>Strengthening manufacturing competitiveness by improving production and supply of optimal products by global region and product</li> <li>Creating customer value through proactive quality management based on digital technology</li> <li>Customer management that overcomes geographical restrictions in special situations such as pandemics</li> <li>Implementing the Industry 4.0 technology innovation to create social value based on increased production efficiency and safety through unmanned construction and automation of construction sites</li> </ul>	<ul style="list-style-type: none"> <li>Made facility investment in Ulsan Factory to expand production capacity and simplify manufacturing process</li> <li>Established the Quality Assurance Center, improvement of its own verification and quality analysis level</li> <li>Expanded the ProAct Care service for remote equipment diagnosis using Hi MATE</li> <li>Provided Machine Lifetime Care program tailored to the equipment life cycle</li> <li>Commercialized unmanned and autonomous technology: Launched HW145+, a 14-ton wheel excavator with semi- autonomous function added to SG (Smart Guidance)</li> </ul>	<ul style="list-style-type: none"> <li>Continuing to reinforce the original manufacturing competitiveness through reorganization and advancement of global production bases</li> <li>Advancing all-round quality management levels such as leading quality, supplier quality, field quality, etc.</li> <li>Upgrading the equipment uptime service based on Hi MATE system</li> <li>Developing failure diagnosis, cause analysis, and predictive technology by applying AI technology to remote management service</li> <li>Commercialization of comprehensive control solutions at construction sites, including unmanned and automated equipment</li> </ul>	22-27, 39-40
<b>Climate change and risk management</b>  	<ul style="list-style-type: none"> <li>Increasing demand from investors to respond to strengthening environmental regulations on climate change and to achieve net-zero</li> <li>Continuous efforts to improve the energy efficiency of workplaces</li> <li>Strengthen efforts to reduce environmental impact in the product life cycle from product development</li> </ul>	<ul style="list-style-type: none"> <li>Set a plan to reduce energy consumption and carbon emissions by improving the production process and facility efficiency with the approval of the advancement of the Ulsan Factory</li> <li>Accelerated ESG management by establishing an ESG Committee under the BOD</li> <li>ESG Management Team, a dedicated ESG team, was established to respond to external evaluations and strengthen communication with stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>Establishing/checking detailed ESG tasks by establishing the ESG Management Committee as an organization directly under the CEO</li> <li>Establishing a carbon-neutral strategy for global workplaces</li> <li>Managing/reducing product carbon emissions to respond to Scope 3 and prepare a portfolio of eco-friendly products</li> <li>Establishing a carbon reduction strategy across the value chain through supply chain management</li> <li>Establishing business strategies related to climate change</li> </ul>	28-30, 59-60
<b>Diversification of product lineup and channel</b>  	<ul style="list-style-type: none"> <li>Developing and investing in products that meet market-specific regulations and demand to expand our influence in various markets as a global manufacturing company</li> <li>Providing products that meet market-specific regulations and diverse customer needs and strengthening service competitiveness</li> <li>Securing the ability to respond agilely to changes in the external environment through digital-based marketing innovation</li> </ul>	<ul style="list-style-type: none"> <li>Diversified product portfolio including special equipment</li> <li>Began to operate official social media channel (7 major channels)</li> <li>Operated YouTube channel in both Korean and English and had non-face-to-face launching event</li> <li>Created a digital showroom, a platform for expanding customer experience</li> </ul>	<ul style="list-style-type: none"> <li>Diversifying product portfolio</li> <li>Increasing customer value and enhancing brand image through digital-based marketing and sales</li> <li>Value-selling that provides integrated solutions such as product sales, consulting, and services</li> </ul>	31-36
<b>Workplace health and safety</b>  	<ul style="list-style-type: none"> <li>Securing a stable revenue base by diversifying market and product portfolios to improve business resilience in crisis situations such as economic fluctuations and pandemics due to increased global market uncertainty</li> </ul>	<ul style="list-style-type: none"> <li>Achieved 70% year-on-year growth in emerging markets (direct export regions and India/Brazil)</li> <li>Strengthened channel competitiveness in advanced markets such as North America and Europe</li> </ul>	<ul style="list-style-type: none"> <li>Expanding channel capabilities to fit the characteristics of each market</li> <li>Strengthening our position in advanced markets</li> </ul>	37-38
<b>Eco-friendly R&amp;D</b>  	<ul style="list-style-type: none"> <li>Expanding efforts to reduce the environmental impact with eco-friendly power sources and products due to the increasing importance of climate change</li> <li>Strategies and product development to respond to strengthened global regulations on internal combustion engines and exhaust gas</li> </ul>	<ul style="list-style-type: none"> <li>Developed electric mini excavators</li> <li>Unveiled 14-ton hydrogen wheel excavators (2021 Hydrogen Mobility Show, Alpha Version)</li> </ul>	<ul style="list-style-type: none"> <li>Launching electric platform-based 1.8-ton mini excavators (2024)</li> <li>Commercializing hydrogen-powered wheel excavators (2026)</li> </ul>	29-30



# Our Impact

## Creating value through corporate activities from a long-term perspective

HCE recognizes the importance of non-financial value, and in order to examine the value delivered to stakeholders by the company's management activities in 2021, we measured it by using the EY Long-term Value method and converted it into financial value. There is not only value that can be explained by financial statements but also different value according to diverse forms and perspectives, and all types of tangible/intangible value should be measured and managed according to a company's strategic priorities. EY Long-term Value recognizes the limitations of the value measurement method that is commonly used in the market, and aims to explain the company's long-term value by measuring intangible value and non-financial value. HCE measured value delivered to stakeholders from a company's long-term growth perspective, among corporate activities conducted throughout 2021, by categorizing it into four value categories of the EY Long-term Value Framework, and discloses the results in this report.

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

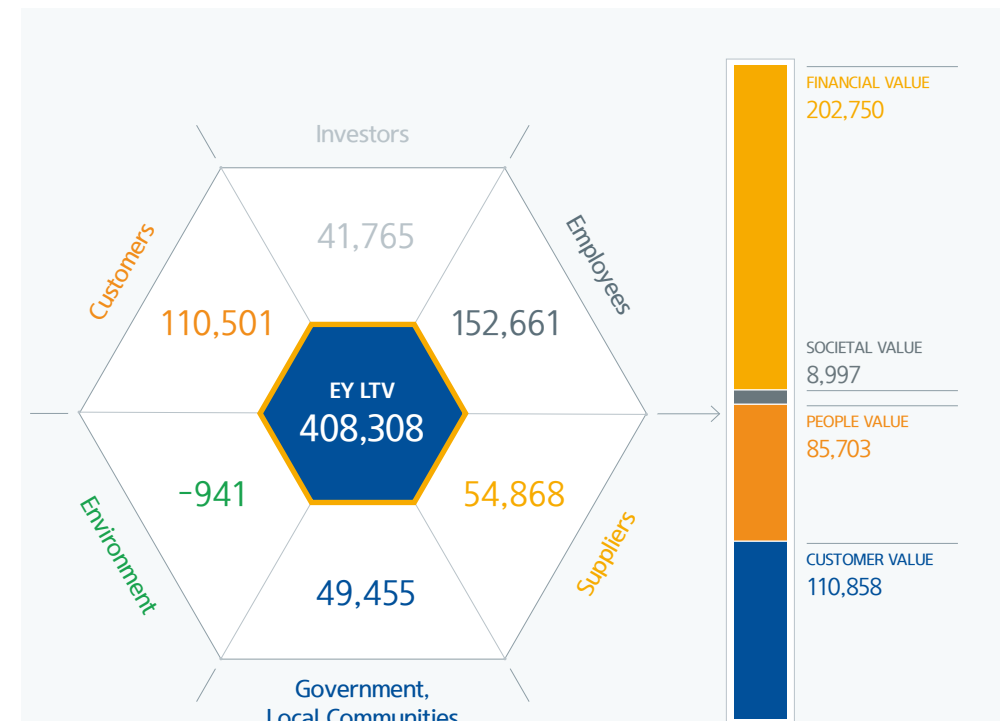
Category	Value Recognition Criteria	Major Measurement Indices
<b>CUSTOMER VALUE</b>	<ul style="list-style-type: none"> <li>Value that is generated for the customer in the long term through a company's provision of products and services. Recognizes value that can be provided to the customer from a long-term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

## HCE's long-term value measurement results

Non-financial of HCE value calculated using the EY Long-term Value Framework is KRW 408.3 billion. It can be estimated that long-term intangible value and non-financial value that are provided to stakeholders through our management activities but are not measured or discussed total KRW 408.3 billion. Going forward, we will continue our businesses with the goal of offering long-term value to our stakeholders.

### HCE's Long-term Value Measurement Results

(Unit: KRW million)



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

\* Measurement period: Jan 1 - Dec 31, 2021; and based on separate financial statements and business sites in Korea

# BUSINESS STRATEGY

- 01. Building a Foundation for Sustainable Growth 22
- 02. Climate Change Response and Eco-friendly Technology 28
- 03. Building Market-friendly Portfolio and Channel 31
- 04. Expanding Global Market 37
- 05. Digital Solution 39



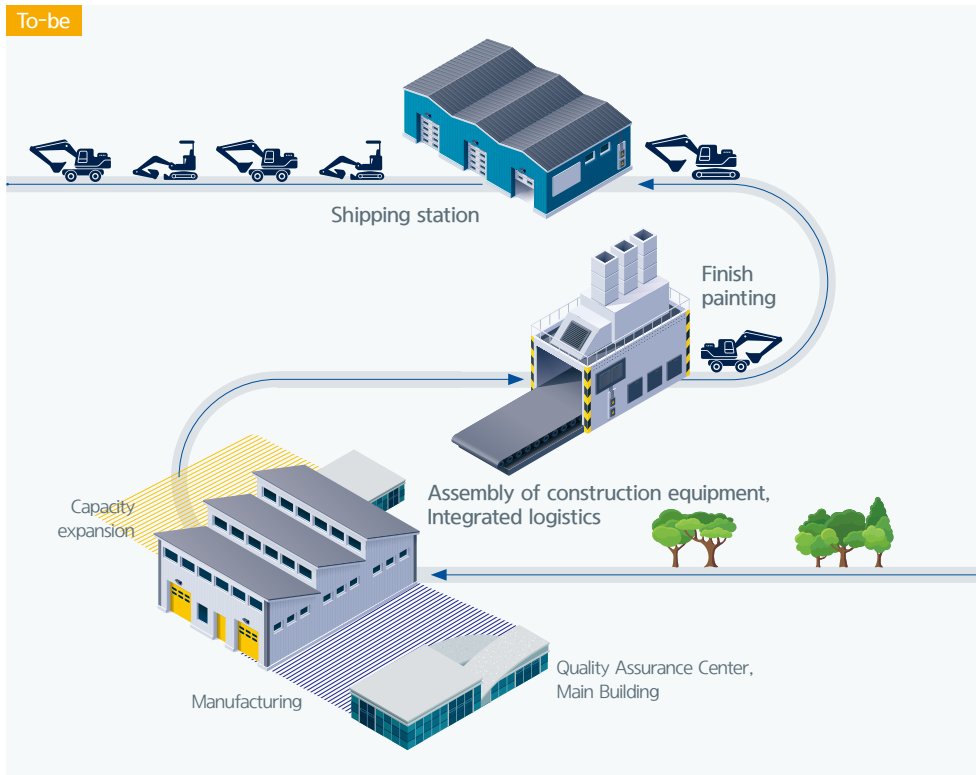


## 01. Building a Foundation for Sustainable Growth

### Strengthening Production Capacity

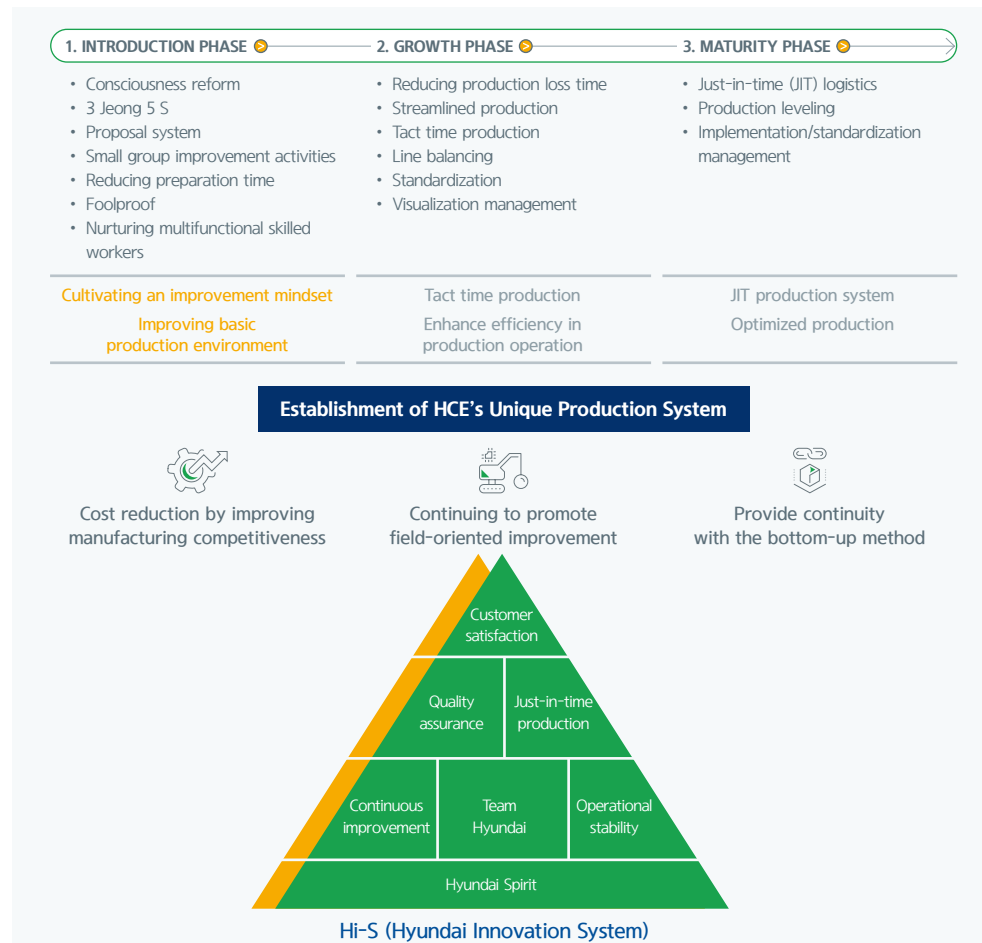
#### Ulsan Factory Advancement Project

Hyundai Construction Equipment is advancing the Ulsan Factory, its main production base, to secure competitiveness in the global construction equipment market and to respond quickly to changes in the business environment. In December 2021, we decided to make a large-scale investment in the Ulsan Factory to strengthen the inherent competitiveness of a construction equipment manufacturer. The investment scale was about KRW 200 billion, and in the first half of 2025, when the investment is planned to be completed, the production capacity is projected to increase by 50% compared to the existing one, and is expected that it will be able to produce about 15,000 units per year. This is the largest investment since HCE was spun off from Hyundai Heavy Industries in 2017 and launched as a new corporation, and this will maximize the efficiency by reorganizing the production line that has been inefficient due to the aging of the factory. In addition, we expect to build a global top-tier production system by expanding the production scale of construction equipment such as excavators and wheel loaders.



**Production Innovation Activities (Hi-S)** HCE is implementing “Hi-S”, a continuous production innovation activity centered around the field, to secure mid-to-long-term manufacturing competitiveness as competition with domestic and foreign construction equipment manufacturers intensifies. In early 2022, we set a step-by-step goal for the Ulsan Factory and operate several modules, starting with activities such as material supply, quality, and standardization, and are spreading the innovation efforts across the board. As all employees recognize the need for managing changes to ensure that voluntary and site-led improvement, we aim to realize the highest goal of optimized production by leveling production, establishing standardization, and making all factories foolproof.

#### Step-by-step Goal of Production Innovation (Hi-S)



**Eco-Friendly Factory** The Ulsan Factory advancement project is being implemented simultaneously with building an eco-friendly workplace to respond to climate change risks. We plan to radically reduce energy consumption by efficiently reorganizing the manufacturing process, and advancing and forecasting carbon emissions analysis by establishing energy monitoring and data integrated management facilities and systems. In addition, we aim to minimize the environmental impact on the local community by establishing a system to minimize the possibility and impact of emergency environmental accidents such as the leakage of pollutants, and to newly create an eco-friendly workplace that can control the emission of pollutants and respond immediately to emergency environmental accidents. In addition, we will establish and implement a step-by-step emissions reduction plan by strengthening risk management activities in response to global climate change. We plan to actively reflect ESG factors, such as reducing risk factors between work processes by using eco-friendly subsidiary materials for interior and exterior construction of the factory, and by constructing a production line that considers worker safety and realizing a zero forklift in the factory.

#### Advancement of Global Production Base Operation

HCE has manufacturing plants in Korea including the Ulsan Factory, as well as production bases in China, India, and Brazil. Based on these operations, we are pursuing an optimal supply strategy in connection with global mid-to-long-term sales plans. Shifting from the structure where the proportion of the global supply of existing Korean factories was high, we plan to advance the operation in the direction of boosting the market and product response for each base. To this end, we are reviewing the operation of globally optimized production bases by considering potential risks such as regional sales plans, market access, the securing of the supply chain, total supply cost, legal and political environment, and natural disasters.

Our domestic plants will focus on supplying high-standard equipment and equipment designed to cope with emission regulations in Korea and advanced markets, while plants in China, India and Brazil will focus on emissions controlled and economical equipment in their respective regions. This will enable us to gradually shift from domestic market-oriented production to a global flexible production base and maximize global production efficiency by standardizing the manufacturing technology and operating system of each factory.



## Enhancing Quality Competitiveness

### Quality Strategy

**Early Sensing, Quick Response** Quality is an uncompromising priority at HCE. In particular, in order to meet customer trust, we are operating a systematic management system based on real-time quality monitoring and quantitative index management. We are concentrating our company-wide capabilities on strengthening quality competitiveness by establishing the Quality Assurance Center and minimizing the cost of quality failure.

**Sharing Global Quality Information** We assess global quality information on a daily basis and share it among all divisions across the company in real time. For greater customer satisfaction, we select Q-posts for each major region, such as Korea, North America, Europe, China, India, Brazil, and emerging markets, and operate a regional/model matrix system based on the analysis by the person in charge of each model to respond to market requests in real time. In addition, by establishing a digital quality analysis assurance system, improvement time is being shortened, and the system is continuously being improved to preemptively respond to the global market. In the mid-to-long term, we will go one step further from improving the quality improvement system after a failure occurs, and further enhance quality competitiveness by recognizing failures in advance and preventing customer equipment failures preemptively.

### Establishment of the Quality Assurance Center

To strengthen quality competitiveness, HCE remodeled an existing test building of about 1,900m<sup>2</sup> at the Ulsan Factory and invested KRW 3.1 billion to build a Quality Assurance Center. Established in June 2021, the Center has four measurement rooms and one evaluation center, including a material analysis room, an electronic system evaluation room, a parts analysis room, a precision measurement room, and an equipment evaluation room. In addition, using 53 newly introduced facilities, the Center can perform a total of 54 tests and evaluations, including material analysis, precision measurement, parts analysis, electrical system evaluation, and equipment evaluation. In particular, as the analysis of parts materials and damage, which used to be conducted externally, can be carried out through the Quality Assurance Center and self-verification becomes possible, the speed of improvement will be dramatically improved and quality competitiveness will be strengthened. Based on the data accumulated through the analysis, measurement, and evaluation at the Quality Assurance Center, we plan to establish and register technical standards to improve equipment performance and develop the technology.

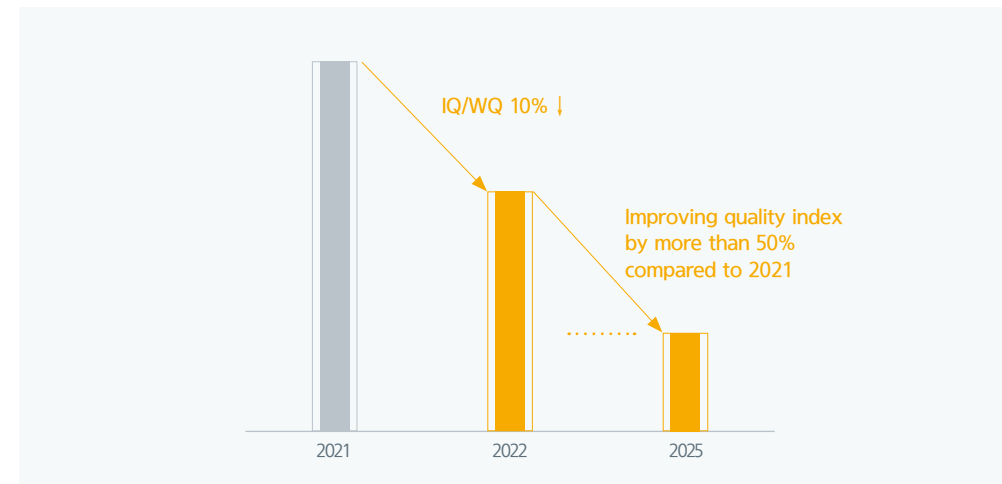


Quality Assurance Center

### Management of Quality Index

HCE receives information on field quality problems occurring in the global market regardless of the warranty period in real time and monitors quality levels by indexing them into IQ (initial quality) and WQ (warranty quality). In 2022, we are carrying out quality management activities with the goal of improving about 10% compared to the previous year. We aim to improve the quality index by more than 50% compared to the present in 2025 by promoting quality improvement by more than 10% annually. In addition to receiving information through data, survey activities are conducted every quarter by visiting customers and listening to their opinions, and the various voice of customers (VOCs) collected are actively reflected in improving mass-produced models as well as new models.

#### 10% Improvement in Market Quality (2022)

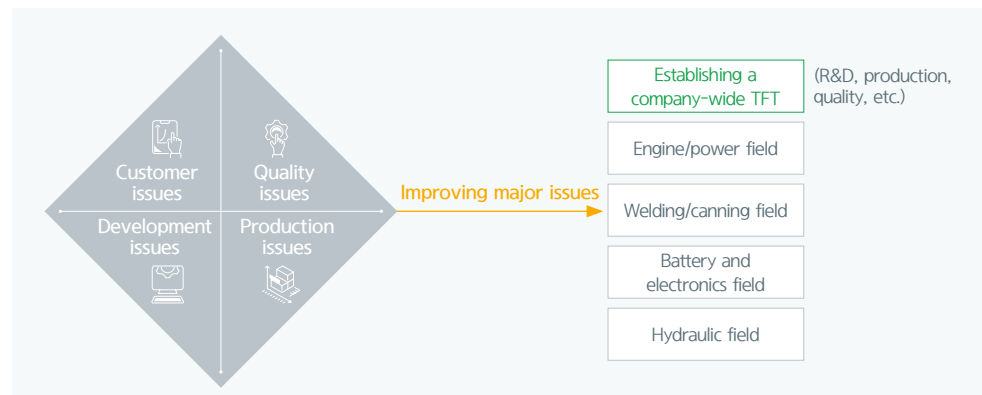


**Management of Quality Failure Cost** HCE is continuously promoting performance improvement through systematic management of quality failure costs. By analyzing the additional costs that are inconsistent with the market requirements and the company's standards from various angles, we identify problems and carry out improvement activities to not only enhance quality but reduce unnecessary costs at the same time. In 2022, we are conducting various activities for quality improvement with the goal of reducing costs by 5% compared to the previous year. In connection with the improvement of the market quality index, we also plan to reduce the cost of quality failure by more than 20% in 2025 compared to 2021.

### Preventive Quality Enhancement

**Quality Innovation TFT** In order to address chronic quality problems in the market, HCE has formed a quality innovation TFT to focus its capabilities on resolving key quality issues. In addition to quality, we are operating four TFTs for hydraulics, engine power, canning, and electronics made up of top experts in all fields including in-house R&D, production, service, and sales. From January to March 2022, 80 improvement tasks were completed, and 60 additional tasks will be carried out between April and May. The improvement (plan) derived from these efforts will be applied not only to the current mass-production models but also to the models to be released, to achieve remarkable quality improvement that can be sensed from the market and customer perspectives.

#### Operation of Quality Innovation TFT



**Supplier Quality Control Enhancement** Since the quality of suppliers leads to the quality of HCE, the company is doing its utmost to manage part quality of its suppliers. We are inducing quality improvement by implementing defect rate management and performance monthly monitoring for each supplier. We thoroughly implement process improvement audits for prevention and 5M change approval to manage variable risk factors. In addition, by signing quality improvement cooperation agreements, we regularly analyze the quality status of each major supplier in detail and strive to achieve fundamental improvements.

**Quality Education** Since 2018, HCE has been operating TTC (Technical Training Center), an internal professional technical training program, to provide systematic competency-building training. By operating training courses for each job, such as leading quality, supplier quality, and field quality, we are improving the capabilities of job performers. We are also actively promoting education through external organizations such as RED-X education to strengthen problem-solving capabilities. Thus, we aim to foster new manpower and improve the skills of existing manpower, and ultimately achieve professionalization of all employees.

### Supply Chain Management

#### Establishment of Eco-Friendly Supply Chain

HCE is committed to building an eco-friendly supply chain that considers the environmental impact of the entire value chain, from procurement of raw materials and parts to final sales. We manage not only our own environmental performance but also Scope 3 emissions. To this end, we have been implementing a comprehensive rating system since 2022 that evaluates ethical management, fair trade, human rights, and the environment, targeting 160 domestic suppliers. In addition, through the green purchasing system, we are expanding the number of suppliers that sell eco-friendly products.

#### Win-win Growth with Suppliers

HCE is making continuous efforts to achieve win-win growth with its suppliers as a way to strengthen its own competitiveness as well. We help them secure financial stability by supporting the procurement of operating funds through a fund for shared growth and a mutually beneficial agreement on technology guarantee. To spread the smart factory business, we are providing technical support for the establishment of manufacturing execution system (MES) of suppliers for the establishment of a single digital platform as well as for the establishment of a facility monitoring system. In addition, we are striving to lay the foundation for supplier growth through HEP (Hyundai Education Program) and various collective trainings for suppliers' employees in order to strengthen the capabilities of human resources. Through this improved capability, we contribute to the improvement of the completeness and quality of our products, and we are working together to share the results with suppliers through the performance sharing system.

**Establishing Process for Fair Trade** By launching the HCE Suppliers Council, we are improving all necessary matters by listening to voices of suppliers through regular meetings. In order to strengthen these activities, the Partner Companies Fostering Team was established in 2021. To create a transparent and fair process, we plan to disclose the supplier selection procedure and results, and from 2022 onwards, we will evaluate the mutually beneficial growth index set by the National Commission for Corporate Partnership and disclose the results.

## Enhancement of Service Capabilities

The AMPS (After-Market & Product Support) Sector of HCE has optimized inventory operations based on its eight directly-run global parts distribution centers (PDCs) and a global parts supply network in 140 countries. We are doing our best to improve customer satisfaction, such as maximizing the uptime of customer equipment by establishing a system designed supplying parts within 48 hours around the world. In addition, by defining the soft product area of the machine lifetime care concept, we strive to provide stable service that is not shaken by external factors in the market based on stabilization of the parts supply, the highest level of service capability, and synergy creation with global partners.

Furthermore, in order to improve product support quality and expand aftermarket (AM) business opportunities, we are developing digital-based customer service tools and diversifying dealer training programs to increase the capture rate of genuine parts. In addition, to provide a versatile solution of equipment for the working environment of construction sites, we are promoting special equipment and construction equipment attachment business in earnest.

# 140 Countries 540 Dealers

- Overseas subsidiaries:  
5 locations (USA, Europe, India, Brazil, China)
- Overseas depots: 2 locations (Dubai, Miami)

### 2. CHINA

Establishment	Area (m <sup>2</sup> )	Coverage (1,000 USD)
2004	6,500	11,000

### 3. EUROPE (BELGIUM)

Establishment	Area (m <sup>2</sup> )	Coverage (1,000 USD)
2017	13,970	20,000

### 4. INDIA

Establishment	Area (m <sup>2</sup> )	Coverage (1,000 USD)
2007	5,940	6,800

### 7. DUBAI PDC

Establishment	Area (m <sup>2</sup> )	Coverage (1,000 USD)
2011	4,950	7,400

### 1. SOUTH KOREA

Establishment	Area (m <sup>2</sup> )	Coverage (1,000 USD)
2005	26,400	65,200

### 5. NORTH AMERICA (ATLANTA)

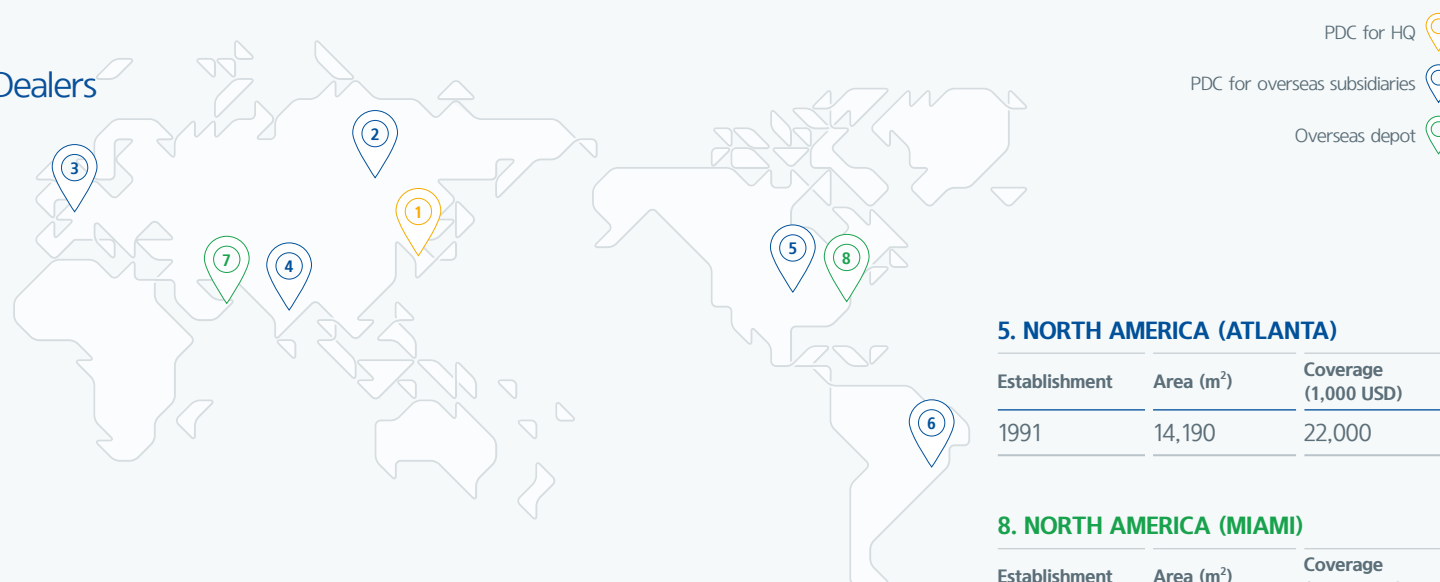
Establishment	Area (m <sup>2</sup> )	Coverage (1,000 USD)
1991	14,190	22,000

### 8. NORTH AMERICA (MIAMI)

Establishment	Area (m <sup>2</sup> )	Coverage (1,000 USD)
2020	1,750	2,800

### 6. BRAZIL

Establishment	Area (m <sup>2</sup> )	Coverage (1,000 USD)
2013	5,490	51,000



**Enhancing Digital-based Customer Service** HCE continues to invest in the customer service tools using digital technology. Based on the telematics information applied to the equipment, we are operating the “Hi MATE” system that can check the operating status and status of equipment around the world in real time. We also have been operating a remote diagnosis program called “ProAct Care” since 2020. These efforts have enabled us to offer prior customer equipment diagnosis and on/offline service, and job consulting in line with the job application, thereby maximizing customer equipment uptime.

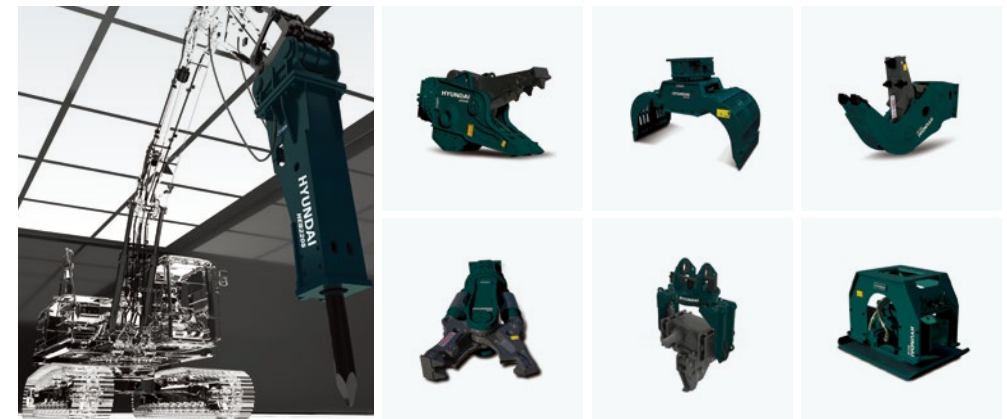
In addition, we plan to provide a higher level of machine health care service through the machine lifetime care for customized management and the “Hi-SmartCARE Plus”, a maintenance service package program.

**Expanding Soft Product Business** Soft product is defined as a comprehensive concept of a related derivative business that occurs after the sale of finished products, and the related business consists of three areas - aftermarket product, extended product offering, and service offering. HCE is contributing to the realization of customer satisfaction and the creation of high-margin new sales by diversifying products combining parts and services and investing in various dealer support to expand the soft product business. As part of strengthening the aftermarket business competency, we are strengthening the retail service capabilities of dealers by developing an advanced dealer evaluation program in 2021 and developing parts training curriculum for each core area. In the second half of 2021, as part of maximizing the parts marketing effect, we developed an online marketing web portal to increase the use of genuine parts by customers with various contents every month. In addition, to compete with non-genuine parts, we are continuously developing a variety of high-quality replacement parts to provide economical options for repairing equipment out of warranty.



“ProAct Care” service that uses ICT and digital technology to monitor equipment status in real time and support immediate action for abnormalities

**Expanding Extended Product Business (Special Equipment, Attachment)** In order to meet customer needs for the versatility of construction equipment products, which have been accelerating recently, HCE established a specialized organization for special equipment and attachment products in the second half of 2021, laying the foundation for full-fledged business growth. In the special equipment business, we have expanded the partner pool of remodeling companies that have secured fundamental capabilities on the basis of product-specific R&D cooperation system, production process, and after-sale service system to meet customer expectations of quality and supply lead time. The main product lineup includes electric excavators, material handlers, demolition excavators, telescopic dippers, amphibious, and pile drivers, and we are pushing to supply them all over the world. In the attachment business, we successfully launched the breaker, a representative product, in both general and economical lineups in 2021, and unveiled differentiated premium special products such as vibration hammers and vibration rippers in the domestic market. In addition, we plan to introduce a full lineup of demolition attachments (multi-processor, pulverizer, etc.) in the second half of 2022 in order to supply regional-specific products that meet the needs of each market to secure comprehensive attachment solution capabilities.



Expansion of attachment and special equipment lineup



## 02. Climate Change Response and Eco-friendly Technology

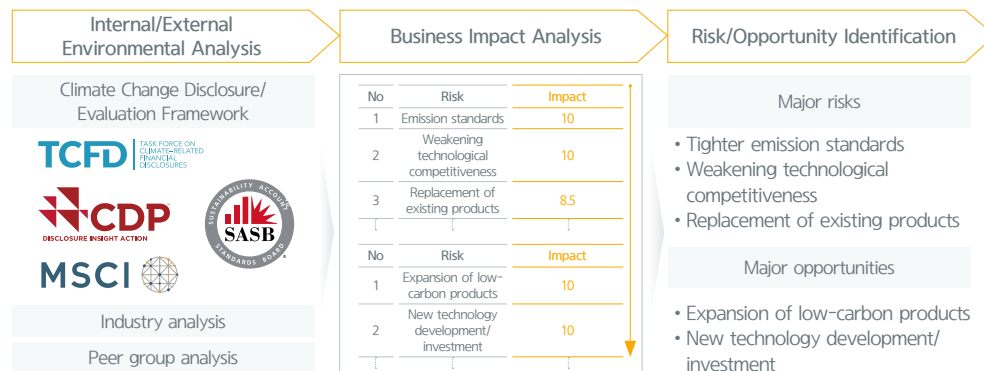
### Climate Change Response Strategy

HCE established a carbon emissions reduction plan based on the SBTi 1.5°C scenario to participate in the efforts to curb climate change adopted in the Paris Agreement and declared to achieve worksite carbon neutrality by 2050. The establishment of a corporate response plan related to climate change is not limited to the problem of environmental protection, but is also aligned with the corporate management strategy so it is recognized as a survival risk and opportunity for the future strategy. Thus, we are making relentless efforts to stay one step ahead.

### Climate Change Risk and Opportunity Identification Process

Since risks from climate change can also be recognized as opportunities, we plan to secure future growth through strategic responses. By analyzing the internal and external climate change framework and industrial environment, we are establishing a process to identify climate risks and use them as opportunities. These efforts will enable us to derive the financial impact of climate risks and opportunities required by the TCFD recommendations, based on which we will stay ahead of the climate information disclosure that will gradually materialize.

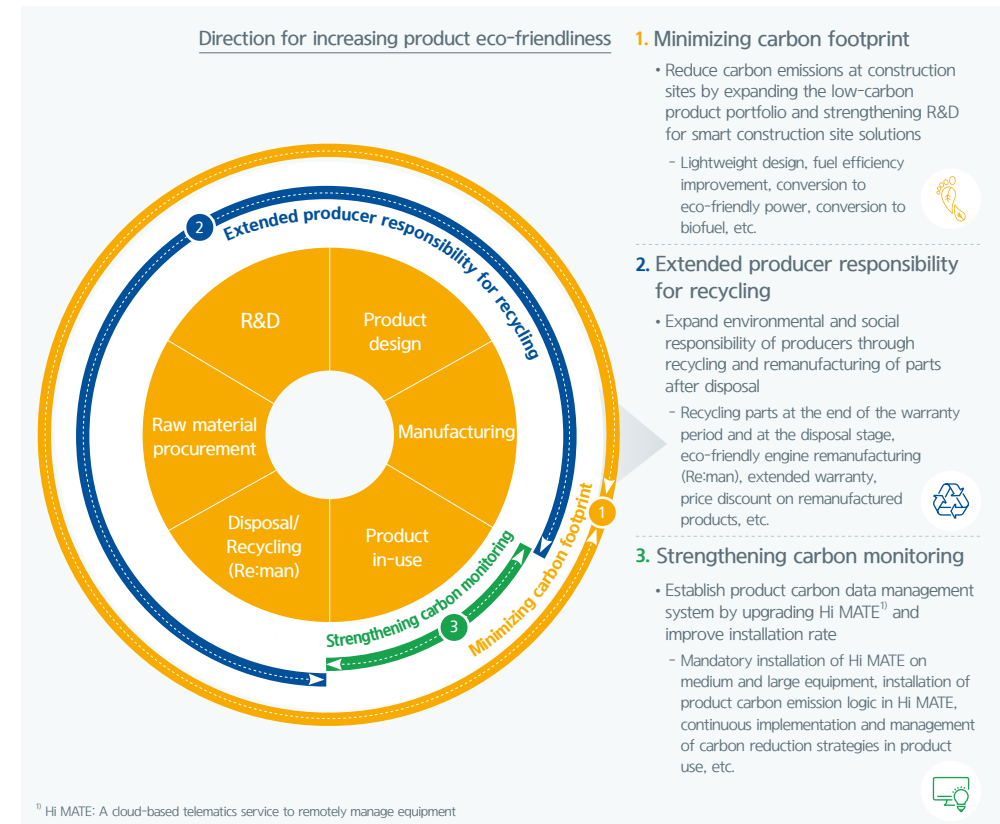
#### Process to Identify Climate Risks and Opportunities



### Strategies for Carbon Emissions Reduction

In accordance with the GHG Protocol (classification of greenhouse gas), HCE is making continuous efforts to identify and reduce Scope 1 and 2 emissions within our business sites as well as Scope 3 emissions outside our business sites. We will achieve carbon neutrality at our global business sites by 2050 and global business sites by 2050 by advancing our Ulsan Factory by 2025 to increase energy efficiency and installing solar panels on the roofs. To reduce Scope 3 emissions, we aim to reduce carbon emissions by 25% compared to 2021 by 2040 through conversion to eco-friendly power and fuel economy technologies to reduce carbon emissions when using products that account for the largest portion of emissions.

### Framework to Promote Product Eco-friendliness



### Strategy for Product Eco-Friendliness

To minimize the negative impact of our products on the environment, we are strengthening ESG management through eco-friendly design. Eco-friendly design is an effort to comprehensively evaluate the impact of a product on the external environment and minimize negative impacts by considering the life cycle assessment from the product planning stage to the disposal process. We are establishing an internal process that can reduce the overall carbon emissions from the manufacturing process, use process, and disposal process as well as the eco-friendliness of raw and subsidiary materials supplied from suppliers. To this end, we are expanding not only internal improvement activities, but also encouraging environmental performance and activities of suppliers through supply chain management and by providing incentives to excellent companies.

## Eco-Friendly Technologies and Products

The perception that a sustainable life is impossible without solving environmental problems such as global warming is now becoming widespread. HCE is also keenly aware of the need for eco-friendly technologies and is concentrating on the development of construction equipment operated by electric power using lithium-ion batteries (LIB) and hydrogen fuel cells (HFC) to replace the existing diesel engines. As the use of electric vehicles continues to be active and the electric charging infrastructure continues to expand, the transition to the electric power era is accelerating. In the construction equipment industry, it is expected that electric mini equipment using batteries will be commercialized first, and the scope of commercialization of electric equipment will gradually expand to medium- and large-sized equipment using hydrogen fuel cells.

In response, HCE plans to launch a 1.8-ton electric mini excavator in the domestic market first, and then expand the lineup of electric mini equipment to 2.7-ton and 3.5-ton by 2024 while checking consumer reactions. In addition, to facilitate the electric power construction equipment ecosystem, we will actively build a cooperative network with related companies such as charging infrastructure companies.

**Electric Mini Excavator** As a result of continuous R&D on electric power, we unveiled 1.8-ton and 3.5-ton electric mini excavator prototypes at the 2020 CONEXPO, a construction trade show in North America. The first equipment to be commercialized is a 1.8-ton electric mini excavator, which will be released first in the domestic market after the development for mass-production has been completed. This equipment has the same work performance features as diesel engine equipment, but it releases no exhaust gas, and has significantly reduced noise and maintenance cost. It is therefore expected that there will be significant initial demand from livestock farms that want to protect livestock from noise and exhaust gas, as well as from eco-friendly companies and industrial complexes.

The 1.8-ton electric mini excavator to be first introduced at the BAUMA 2022 construction machinery trade to be held in Germany in October is an initial model of electric power equipment based on the existing engine equipment platform. Its successor models, electric platform models, are scheduled to be released by 2024. The electric platform mini lineup consisting of 1.9-ton, 2.7-ton and 3.5-ton class increases the operating time, a core performance, by more than 1.5 times. By 2025, when the electric power era begins in earnest, it is expected to become a flagship model in advanced markets such as Europe and North America, as well as in Korea.



1.5-generation 1.8-ton electric mini excavator scheduled to be released in early 2023

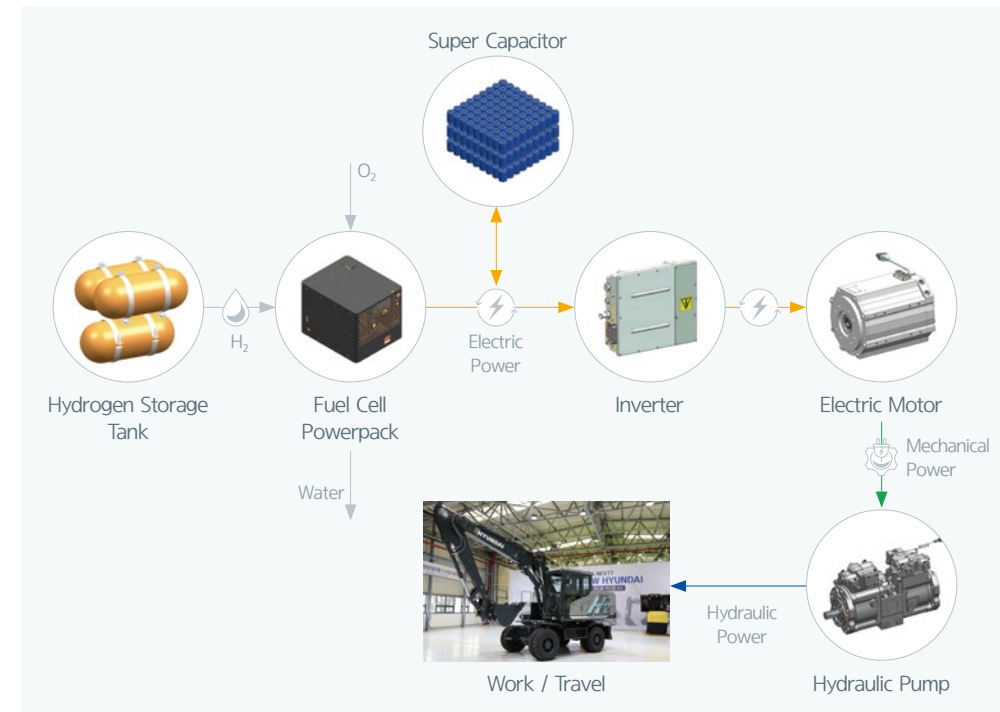
**Hydrogen Fuel Cell Wheel Excavator** Hydrogen fuel cell is an eco-friendly alternative technology that can be applied to medium-to-large construction equipment that requires long-term operation because it can store more energy and has a shorter charging time than batteries. Various construction equipment companies are therefore actively conducting R&D. HCE signed an MOU for cooperation in the joint development of hydrogen-powered construction equipment with Hyundai Motor Company and Hyundai MOBIS in 2020, and since then we have been developing a 14-ton hydrogen-powered wheel excavator. As an outcome of this cooperation, we were able to exhibit prototypes at various domestic exhibitions such as the Hydrogen Mobility Show in 2021. This prototype is an alpha version, and has yet to solve technical issues, including its own technical issues and charging infrastructure, but we are aiming to commercialize it in 2026 by steadily accumulating technology.

In 2022, a beta version prototype that is close to the commercialized model will be developed and presented to global customers at the BAUMA. As one of the topics of this trade show is hydrogen energy, the prototype is expected to receive considerable attention. Afterwards, we expect to hear the voices of various customers at the CONEXPO in 2023, and we will thus be one step closer to creating a sustainable world.



Hydrogen-powered excavator showcased at 2021 Construction Equipment Exhibition

Energy Flow Chart of Hydrogen Fuel Cell Wheel Excavator



MOU for cooperation on joint development of hydrogen fuel cell



### 03. Building Market-friendly Portfolio and Channel

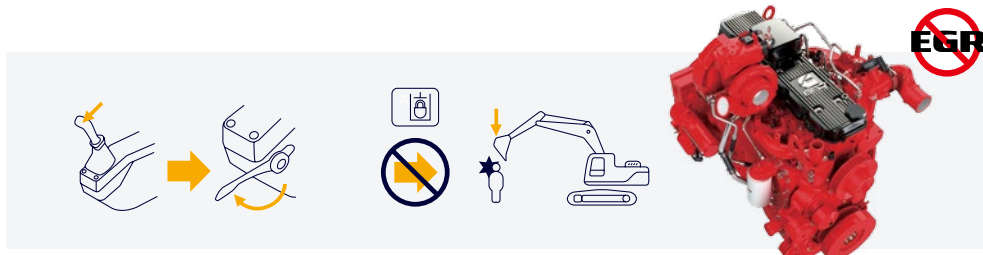
## Product Portfolio Enhancement

## Large Equipment

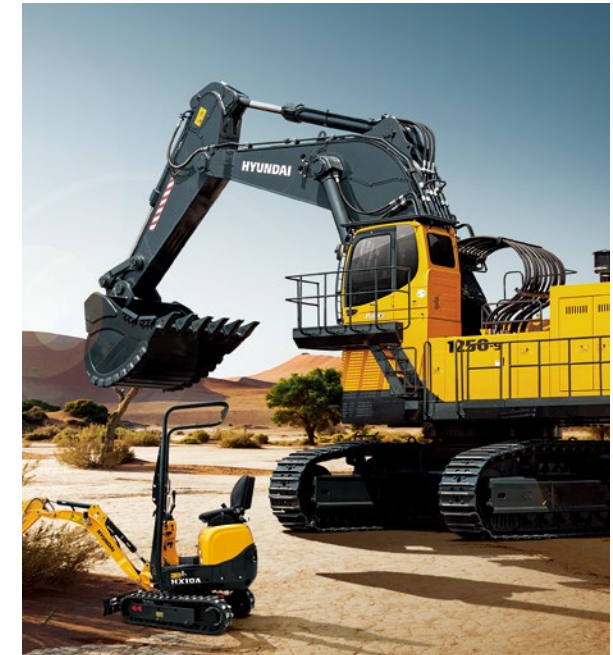
HCE is the only company in Korea with a 120-ton flagship model, leading the sales of large excavators. The newly launched HX-A Series is an eco-friendly, high-efficiency model that satisfies Stage V (Korea Tier 5) standard. By applying advanced power control technology, it is faster than the existing model and fuel efficiency is improved by more than 10% compared to the previous model. As a result, it is contributing to the enhancement of customer productivity and profits. In addition, it is customer-friendly equipment with the huge application of the latest technology to fundamentally block the causes of frequent failures during work while eliminating the EGR, which causes chronic problems in the latest diesel engines, and to improve customer convenience and safety, such as remote start and auto safety lock functions.

In 2021, there were many difficulties due to the prolonged COVID-19 situation, material supply and demand problems, material cost hikes, and logistics disruptions. However, we were able to achieve results that exceeded our expectations after continuing our efforts to pioneer the market. In emerging markets, sales increased over the previous year, and in Indonesia, one of the top five countries with high demand for large-sized equipment, we recorded the highest sales performance (160 units of 33 tons or more) and ranked first with a 26% market share in the 85-ton ultra-large market. We also successfully delivered a 125-ton flagship model for the first time since entering Indonesia. In addition, in India and China, we released new models specialized for each region such as HX380L, R495LVS, and 505LVS to further solidify our image of modern large equipment amid fierce competition.

HCE is making continuous efforts to become a global leader in heavy excavators. Sales, PM, PS, and development personnel, who used to be in charge of large excavators, were organized as a separate independent organization to serve as the center of sales of large-scale equipment and to further improve their capabilities with the help of external experts. Through these efforts, we are diagnosing top priority regions for large excavators such as North America, China, Indonesia, and Turkey, which are difficult to target due to fierce competition. Based on the diagnosis, we are analyzing measures to successfully target the countries, and establishing and implementing customized strategies. Ultimately, we are striving to achieve a 10% global market share for large excavators by 2025, solidifying our position as a true market leader.



Auto Safety Lock - a safety-enhancing features of the new HX-A - and Cummins engine that meets the Stage V standard



R1250-9 - the only 125-ton excavator in Korea,  
launched specifically for mining development



Large equipment HX320A-1





Streamlined electric excavator capable of performing various tasks such as buckets, waste handling, and hoppers with the powerful output of the electric motor mounted on the equipment



Material handler equipped with an eco-friendly/high-efficiency engine that meet Stage V emission regulations

### Special Equipment

HCE is pioneering new markets through product diversification in line with changing market trends. Leading example includes the market development through special equipment solutions that can be applied to special work sites in addition to the conventional bucket excavator specialized for civil engineering and construction sites. In response to the increase in raw material prices and energy costs, we have commercialized a material handler and a streamlined electric excavator to offer waste sorting and recycling solutions, opening up another avenue not only in the domestic market but also in the overseas market.

Material handler is an equipment necessary for the process of classifying waste materials/waste and converting them into recyclable materials. A special boom and arm are applied to our material handler to freely use a clamp-type attachment called an "Orange Grappler", and a cabin lifting structure is applied to dramatically improve the driver's visibility. HCE supplies special products that satisfy CE certification to advanced markets such as the US and Europe and to direct-export countries. Meanwhile, the streamlined electric excavator, which uses an eco-friendly energy source, is equipped with various lines that can handle both bucket and grapple work, and 30 to 40 units per year are sold in Korea, with the R300LC-E model maintaining its No. 1 position in domestic market share. From 2022, large electric excavators weighing 40 tons and 52 tons are being introduced to the market as an additional lineup.

The market for construction equipment dealing with special working environments is limitless. In Oceanic countries, where forests are plentiful, the demand for special equipment for the logging and transport of timber is increasing. HCE has been supplying forestry excavators exclusively for forestry operations in Australia and New Zealand. From 2022 onwards, we are implementing an aggressive sales policy by newly developing the latest model, the HX Series forestry excavator. Through product diversification, we were able to sell 84 units of special equipment in 2021, and we are focusing on improving product quality with the goal of increasing sales by more than 30% every year.

There is also a demand for special equipment in the reconstruction market due to the aging of the buildings. Demolition excavators that safely carry out demolition from the outside of buildings were commercialized and released in 2021 with new models (HX400ADM, HX520ADM) that greatly strengthened work expertise and safety with a modular joint and TMI<sup>1)</sup> system.

<sup>1)</sup> TMI: Total movement indicator, a safety management system that transmits the working trajectory of the demolition boom arm in 2D to the monitor in real time (preventing overturn)

### Launch of Eco-Friendly Strategic Model - A Series

In 2021, HCE introduced nine models of new 6- to 52-ton class excavators and four models of wheel loaders as its new eco-friendly and high-efficiency strategic model "A Series" for the first time in Korea. HCE's A Series excavators and wheel loaders are equipped with eco-friendly engines that can satisfy "Stage V", stricter European emission standards for non-road mobile machinery, and have improved fuel efficiency by up to 20% compared to existing engines. In addition, they are equipped with "machine control" and "machine guidance" systems, which are advanced control technologies for smart construction, enabling autonomous and semi-autonomous work, and they can perform work without a separate surveyor. In particular, they maximize the safety and efficiency of work with the application of state-of-the-art technologies such as the "radar system" that detects and informs of hazards around the workplace in advance and the "tiltrotator" that allows the excavator bucket to move freely a whole 360 degrees, instead of only being able to move up, down, left, and right, and thus to implement even the minute of movements.

With the launch of the A Series, we have been able to meet the needs of various customers by launching a full lineup of high-tech equipment. We plan to enhance customer satisfaction and brand credibility by reinforcing differentiated equipment circuit-inspection services. HCE's A Series products have proven their excellent quality by recording a cumulative sales volume of 5,200 units by 2021 after launching in Europe in 2019 and North America and Korea in 2020. In addition, it is more meaningful in that they were launched one year before the emission regulations corresponding to the Stage V standards were fully implemented in Korea, thereby meeting all of the strengthened emission standards and moving forward to take the lead in the market.

In the Red Dot Design Award, the best designs are selected and awarded in three categories of product design, communication design, and design concept by comprehensively evaluating the creativity, innovation, and functionality of design targeting submissions from around the world every year. This year, HCE's three next-generation mini excavator series (HX35Az, HX40A, HX48Az) were honored the Winner in the product design category. The mini excavator series, which won the Product Design Prize, has a "Tiger Eyes" design with the motif of a dynamic and strong tiger, and received favorable reviews for its design that prioritized eco-friendly elements and work convenience. With this award, HCE has proven its design competitiveness in the global arena.

The new HX-A Series mini excavators will be released sequentially starting November 2022, and a total of seven models will be released by the first quarter of 2023, establishing a lineup of mini excavators with global competitiveness. In addition, envisioning 2023 as the first year of the launch of eco-friendly electric excavators, we plan to launch the R18E, a 1.8-ton electric excavator. Through these efforts, HCE will lead the electric excavator market, which is expected to grow rapidly in the future, mainly in Europe.



"Tiger Eyes" design with the motif of a dynamic and strong tiger



reddot winner 2022



3 next-generation mini excavator series (HX35Az, HX40A, HX48Az) -  
Winners in the product design category at the 2022 Red Dot Design Award



### Release of Region-specific Equipment

**Emerging Markets** HCE started flexible production through manufacturing plants in India and China to satisfy the diverse needs of customers around the world and to meet the delivery time promised with customers. Flexible production is the concept of producing products with the same appearance, performance and quality as the products produced by the head office, in overseas plants. Our Indian plant launched the 22-ton excavator HX220HD in the second half of 2021 and is selling it to Southeast Asia, Africa and the Middle East. We are strengthening our global competitiveness by expanding flexible production as the 30-ton and 34-ton excavators HX300HD and HX340HD models are scheduled to be released at our Chinese plant in the middle of 2022.

In 2022, our 50-ton premium models HX500L and HX520L were released. They reflect the latest design of the HX Series, and are equipped with a Cummins X12 engine that meets the Tier 3 emission standards and IPC Upgrade hydraulic system to dramatically improve fuel efficiency. In addition, they are expected to establish themselves as a strong player in large equipment in emerging markets by improving durability and maintainability by reflecting the VOCs of large equipment.

In the case of wheel loaders, the unification of the 9 Series aimed at lineup integration is expected to be completed in 2022. Tier 3 engine and load sensing system are applied to the 9 Series wheel loader, and a large-capacity bucket is installed to improve operability and productivity. In addition to some design improvements, various functions and options such as the bucket weighing system, tool master option, and joystick steering option have been added to reflect customer needs.

**Korean Market** In Korea, emission standards similar to Europe's Stage V came into effect, and several new models of the HX-A Series were released accordingly. Cummins engines have been applied to the entire lineup, and fuel economy, operability, and maintainability have also been significantly improved. The HX140ACR, a small slewing excavator that does not require urea water; the HX150A and HX150ACR with increased output and lifting capacity compared to the existing ones; and the HW155A, a representative model in the Korean market, were also launched. HW155A, which boasts the best operability and performance thanks to the 6-cylinder Cummins B6.7 engine and the application of the new hydraulic system EPFC, has a cabin with improved visibility, a horizontal type wiper, a ventilated seat, a thin steering handle and a support to maximize convenience while working. In addition, remote start and auto brake functions were applied, and efforts were made to improve customer convenience by placing the forward/reverse switch on the control lever.

We also launched HX320A and HX400A, which are model year changes for 30-ton and 38-ton excavators. A ventilated seat and remote start function have been applied, and productivity has been enhanced by adding options of a large-capacity bucket and extended counterweight. Lastly, the 8.5-ton HX85A with a load sensing system was also released, drawing attention from customers at forests and demolition sites.

50-ton premium model (released in 2022)



Main product lineup for the Korean market

## Brand Communication Enhancement

### Strengthening Brand Identity

Based on reliable technology and customer-oriented business development, HCE is steadily promoting its brand value in the domestic market as well as overseas markets through a network of 500 dealers in 140 countries and local subsidiaries in the United States, Europe, China, India, Brazil, and Indonesia. In particular, a vital communication activity centered on digital channels has become a major keyword in enhancing HCE's brand awareness and securing brand competitiveness in a more efficient way in an environment where non-face-to-face interaction has become a hot topic.

We live in an era where crises and opportunities both exist. It is necessary to swiftly adapt to the new change to a non-face-to-face environment and to make efforts to create sustainable value. In response, HCE is wisely unraveling the issue of global communication in a non-face-to-face manner, reflecting a new vision for a new era with a customer-centric agile promise. While accumulating trust and value for the brand, we put the customer first at the center of all values, and all our members are actively participating in customer value innovation to effectively commercialize and deliver this value to customers.

HCE is about to take off as one of the global top 5 construction equipment specialists. We are therefore actively preparing for the future by providing high-quality information to customers around the world and improving communication with dealers and agencies in line with the current time. To listen to our customers and get more ideas, we are monitoring consumer reactions and actively collecting opinions through social media and VOCs. In addition, with smart construction equipment that combines safety and innovative technology, we are providing solutions tailored to the customer's in-use environment, while also constantly striving and challenging for a better future through the development of eco-friendly fuel such as batteries and hydrogen.

### Global Online Launch of HX Series

As part of online contactless marketing, HCE planned an online launching event for the next-generation excavator lineup, the "HX Series" for emerging markets, and the "A Series" in Korea, reflecting the trends of the times and changing customer needs. Starting with the release of a teaser video that amplifies the curiosity and anticipation of the new model, we showed off cutting-edge technologies such as Hi CARE and 2D MG/MC, and the event was spread to global customers through YouTube livestreaming. Through the online launching event of a new concept that connects customers to new values in the world, HCE was evaluated as leading the construction equipment industry and maximizing customer experience.

In order to intuitively deliver HCE's unique story to more customers, we are introducing product launches using an online platform for overseas markets. In Europe and North America, we have provided video content containing stories of the simulated situations of customers and dealers. In May, a launching event was held to introduce the HX Series models through YouTube for direct export countries. Direct export regions such as Russia, Oceania, Africa, South America, and Southeast Asia where new models of the HX Series are sold where our dealer network, instead of local subsidiaries, offers products and services to customers. As such, the online launching platform will open a forum for continuous communication with dealers and customers in each country.

### Brand Journalism and HCE Upcycling Collection

HCE has launched brand journalism, an article-type content that is useful and customized to consumers, showing the values that the company pursues, and at the same time conveying industry knowledge and insights to readers (consumers). The in-depth story of products and how to utilize the new technology is expected to attract the attention of various readers who are interested in technology beyond the construction industry. We are delivering a newer look to customers through various brand merchandisers that are in contact with customer lifestyles, such as fashion, miniatures, stationery, and outdoor activities. Through collaborating with upcycling brands and partners, we are increasing the rarity of HCE brand collections and forming a consensus with customers. Going forward, we will instill a fresh image of the new HCE not only in customers but also in young generation, including the millennials and Generation Z, through the release of goods reflecting the renewed visual identity.



Brand Journalism Equipment.H

Goods created through upcycling brand collaboration



## Digital Channel Expansion

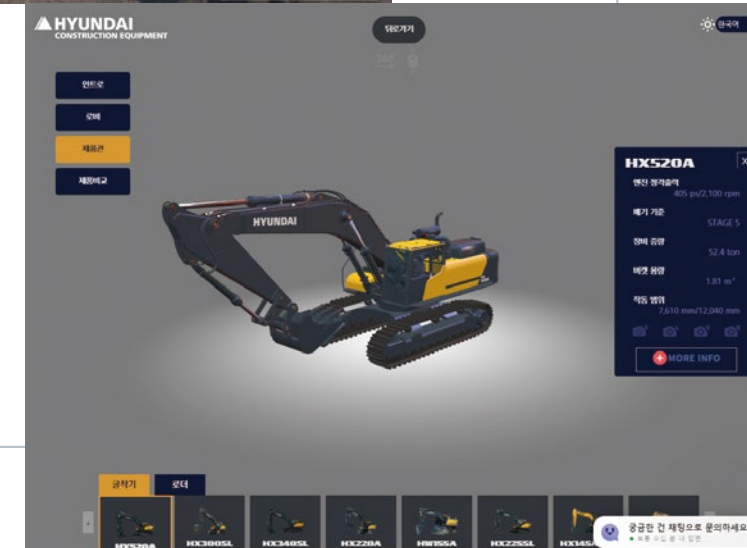
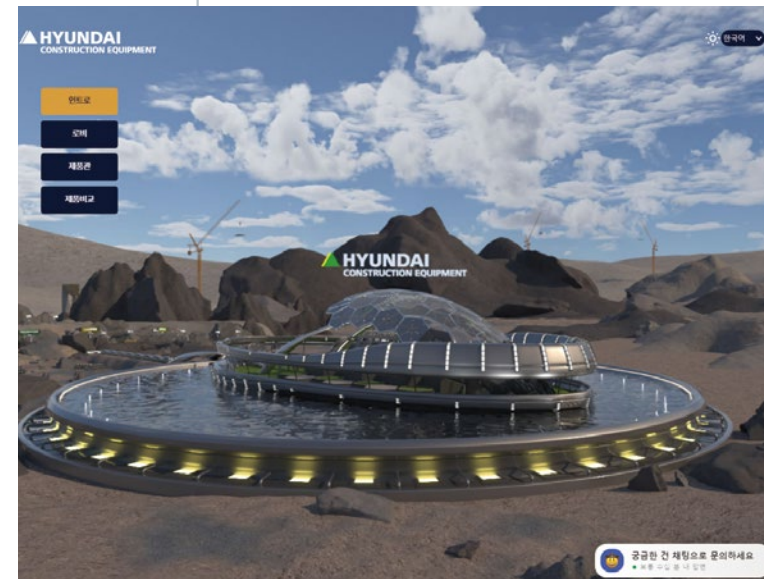
**Boosting Customer Communication through Digital Marketing** For the first time in the construction equipment industry, HCE held a metaverse-based virtual-reality conference with dealers in foreign countries. At the dealer conference, which shared past performance, policies and operation directions, and awarded dealers who achieved excellent sales performance. Approximately 155 overseas dealers from 73 countries, including Asia, Oceania, Africa, Turkey, the Middle East, Russia, and Latin America, participated by accessing the virtual space built by HCE through their personal avatars. Through the 2022 Global Dealer Conference held in the unique environment of Metaverse, we were able to further strengthen the communication between dealers and HCE in the digital age, and to find opportunities to expand information, communication, and experience in virtual reality.

HCE also seeks to enhance communication with its customers through its digital showroom. In order to provide a meaningful and new experience to customers, we have opened a digital showroom where the equipment can be viewed from all directions in a digital environment. In 2021, 10 models of excavators and six models of wheel loaders were featured in the showroom. We will continue to improve so that the showroom can be used as a web brochure for sales activities and to expand the product search experience for customers.

As HCE is promoting marketing to enhance customer communication through digital channels, we plan to more actively collect VOCs through online channels and systematically establish a manual to increase customer satisfaction. In addition, we will strive to build a system by which we can make two-way communications by gathering opinions on products, after sale services, events, and content. In addition, through an integrated digital platform, we will analyze sales and customer behavioral data from multiple channels across the entire customer journey, from product recognition to brand search, product comparison, and purchase. This will enable us to create a true customer experience that connects each stage of the journey, thereby optimizing customer's purchasing and service journey.



Held the global conference using the metaverse platform, first in the construction equipment industry



## 04. Expanding Global Market

### Performance and Strategy in Emerging Markets

In 2021, despite the COVID-19 situation, we achieved a year-on-year growth of more than 37% in the global market, and in emerging markets (direct exports and India/Brazil), in particular, our performance nearly doubled compared to the previous year.

**Middle East, Africa** With the recovery of the Middle East and the resumption of project orders due to the recovery of the global economy and rising oil prices, 56 units of the new model HX300SL X were supplied to the lagoon (sewage treatment) project in Qatar for Hyundai E&C, and 50 excavators were supplied to Bin Delramah, a large rental company in Saudi Arabia. As such, we are strengthening our sales for key accounts in the Middle East market. In addition, by launching a new economic model made in India, we are enhancing brand loyalty by broadening the choice of price-sensitive customers.

As Africa is a major market in which the demand for construction equipment is rapidly increasing over the past decade, we are currently operating our business in a total of 24 countries of the African continent, and are striving to secure additional growth engines by accelerating the strengthening of our sales network.

**Asia** In Indonesia, we are expanding our market share by balancing the three factors of the Indonesian subsidiary's active response and prompt delivery, and the excellent quality of our products. In 2021, a total of 658 excavators and wheel loaders were sold in Indonesia, recording a sales increase of more than 2.5 times compared to the same period of the previous year. For the first time since entering Indonesia, we also achieved a sales record of 125-ton super-large excavators. As the price of mineral resources rises, demand for large/extra-large equipment is expected to remain strong in the future. We plan to respond to the market in a timely manner by improving our large/extra-large equipment supply capacity.

**Brazil, Latin America** To target the Latin American market, HCE focused on improving the productivity of its Brazilian plant, a local production base, and secured an annual production capacity of a total of 2,500 units of construction equipment, including 2,000 excavators and 500 wheel loaders. In particular, by producing about 59% of the 2,800 units sold in Latin America in 2021 at our local plant in Brazil, we were able to minimize transportation and logistics costs and respond immediately to increasing local demand. As the demand for mining construction equipment is expected to remain strong in Latin America in the future, we plan to lead the market by developing and supplying equipment specialized for the local working environment.



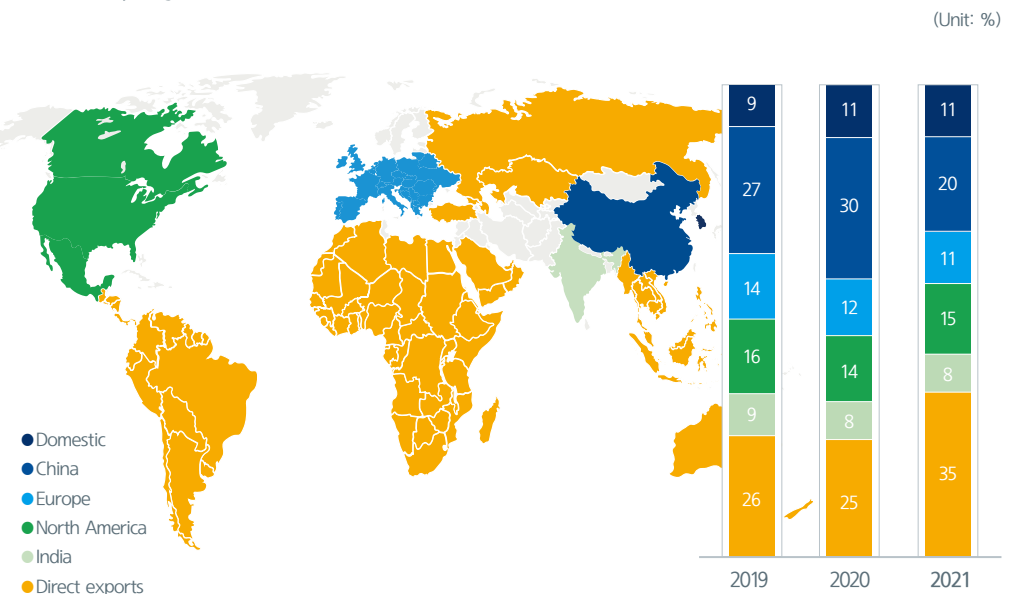
Launching event with the invitation of 150 local customers and dealers in Indonesia

#### Sales

(Unit: KRW billion, %)

Category	2019	2020		2021	
			YoY		YoY
Direct exports	679.3	602.2	-11%	1,161.5	93%
India	243.5	201.0	-17%	267.2	33%
China	716.2	726.0	1%	653.4	-10%
North America	413.3	323.9	-22%	489.8	51%
Europe	362.8	282.2	-22%	364.0	29%
Domestic	233.7	255.3	9%	348.5	37%
Total	2,648.8	2,390.6	-10%	3,284.4	37%

#### Sales (%) by Region



## Performance and Strategy in Advanced Markets

In order to become a global company, we are focusing on strengthening our market position not only in emerging markets but also in advanced markets such as North America and Europe. In 2021, sales of about 5,000 units were recorded, up 40% compared to the previous year, thanks to the booming economy in advanced markets.

**Strengthening Distribution Network, Expanding Market Coverage** HCE is making continuous efforts to improve its position in the North American and European markets. In 2021, we focused on expanding sales and strengthening customer support based on the expansion of market coverage and larger dealers. In particular, we expanded the European market coverage to more than 90% by developing new dealers in France, Germany, and Italy, which are major European markets. In North America, sales volume increased by raising the level of customer service, such as adjusting the dealer area of responsibility (AOR) and expanding dealer business scale through dealer support programs.

This policy of strengthening sales channels will continue to be pursued in 2022. In addition, we plan to expand our North American and European customer satisfaction by implementing policies that meet the needs of large customers, such as key account sales so that we can increase sales. The European subsidiary formed a specialized organization to enter the key account business in 2021, and in early 2022, won equipment orders from the key accounts, and plans to gradually expand the scale. In North America, we are also looking forward to winning large-scale fleet deal orders by expanding our services to large rental customers and major construction/mining customers.

**Responding to Market Requirements and Strengthening Service Competitiveness** HCE is strengthening customer support by supplying customized equipment to meet customer requirements in advanced markets. The European subsidiary operates a Customization Center in Belgium to respond to various options locally, and actively responds to the growing European market demand and diverse customer requirements, resulting in increased sales volume and market share in Europe. In North America, we will expand the lineup of high-demand compact equipment, such as compact track loader (CTL), skid steer loader (SSL), and mini excavator (MEX) to gain traction in the compact equipment market.

**Expanding Eco-Friendly Products and New Technology-based Products** HCE launched an eco-friendly A Series wheel excavator in North America and Europe in 2021, completing a lineup of eco-friendly products that meet Stage V emission standards. Next-generation automation technologies such as remote control wheel loaders, smart guidance, and smart control have been commercialized and applied sequentially to equipment. We are taking the lead in technology commercialization through the Global Technology Innovation Center established in Korea in 2020. Eco-friendly products such as electric mini excavators will soon to be launched in Europe and other advanced markets. In the mid-to long-term, we plan to commercialize hydrogen-powered excavators to grow into a global leader in the next-generation eco-friendly construction equipment industry.



All models of "HX-A Series", a new eco-friendly and high-efficiency model, were launched in the European market



Participated in the world's largest recycling event hosted by the Institute of Scrap & Recycling of the US in March 2022



## 05. Digital Solution

### Digital Technology for Customers

The construction equipment industry recently is seeing a fast pace in the development of productivity innovation and safety enhancement through digital and intelligent technology. In line with these changes in the industrial environment, construction machinery and equipment are also developing into AI equipment that utilizes AI technology to achieve optimum stand-alone productivity while emphasizing safety, going beyond the smart equipment that simply supports operators to work conveniently.

HCE has established a digital technology vision called “Hyundai Connect” to evolve into a provider of such AI equipment. Under this vision, we are developing “Hi ASSIST” that supports operators, “Hi DETECT” that enhances safety, and “Hi CARE” that improves the equipment uptime both qualitatively and quantitatively. Recently, we developed “Hi SITE” technology that can control the survey and analysis results of on-site terrain and the status of equipment fleet operation. We aim to contribute to the development of a sustainable society by providing new experiences and values to customers by leading the development of digital technology in the future, while minimizing the cost and safety accidents required for social infrastructure construction.

#### Hi ASSIST (Productivity)

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



Hi ASSIST's remote start and HVAC control app



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

Currently, the commercialized smart guidance supports only some tasks such as leveling, but in the future, we will further develop support functions for various tasks such as lifting and loading onto vehicles to further enhance the value of technology. Moreover, we will develop 3D smart guidance technology in-house, which are currently provided by professional companies in the aftermarket, and commercialize it by 2023. In addition to smart guidance and smart control technologies, various digital technologies are being commercialized to improve productivity and convenience. For example, in winter and summer, the technology to remotely control preheating, heating, and cooling before boarding with a smartphone app was commercialized in 2021 and receive positive assessment from customers.

#### Hi DETECT (Safety)

The importance of safety in construction sites has been on the rise. In 2015, HCE launched all around view monitoring (AAVM) system that shows the surrounding environment of equipment for the first time in the industry. In 2020, we launched the rear detection system (RDS) technology for wheel loaders. The technology uses the radar technology to detect nearby obstacles regardless of the weather and raises an alarm when the equipment approaches them within a dangerous range. In 2021, we expanded the application of the technology to wheel excavators. In 2023, we plan to commercialize AAVM+ technology, which combines the AAVM and RDS technologies. Eventually, the technology will evolve into a technology that optimizes the response level from warning to automatic stop according to the level of danger by determining whether there are workers, trucks, or simple obstacles in the vicinity through AI-based image recognition.



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

### Hi CARE (Uptime)

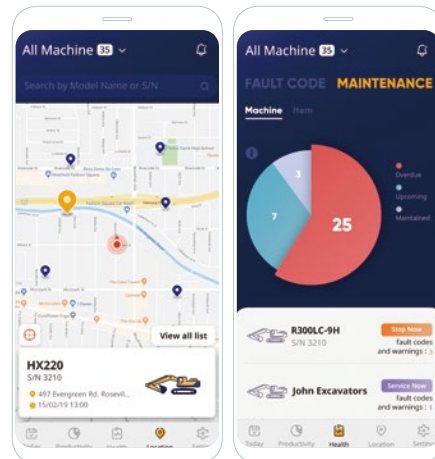
The quantitative and qualitative improvement of uptime for proper use of equipment without failure is the ultimate value that customers desire. HCE has been making continuous effort to improve customer's uptime by commercializing Hi MATE, which enables remote monitoring of equipment operation time, fuel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

We will apply AI technology to the remote management service to enable remote equipment failure diagnosis, cause analysis, and prediction. To this end, we plan to develop and apply the technology to determine the type and cause of failure in 2022, and the AI failure diagnosis and prediction technology by 2023 to be applied to the next-generation model.

HCE's digital technologies mentioned above won two awards at the Smart Construction Challenge 2021 hosted by the Ministry of Land, Infrastructure and Transport -the excavator smart guidance and smart control technologies of Hi ASSIST won the Innovation Award in the construction automation category and RDS technology of Hi DETECT received the Innovation Award in the smart safety category.



An example of using the Hi ASSIST and Hi CARE technologies of HYUNDAI CONNECT



Hi MATE Fleet Manager App

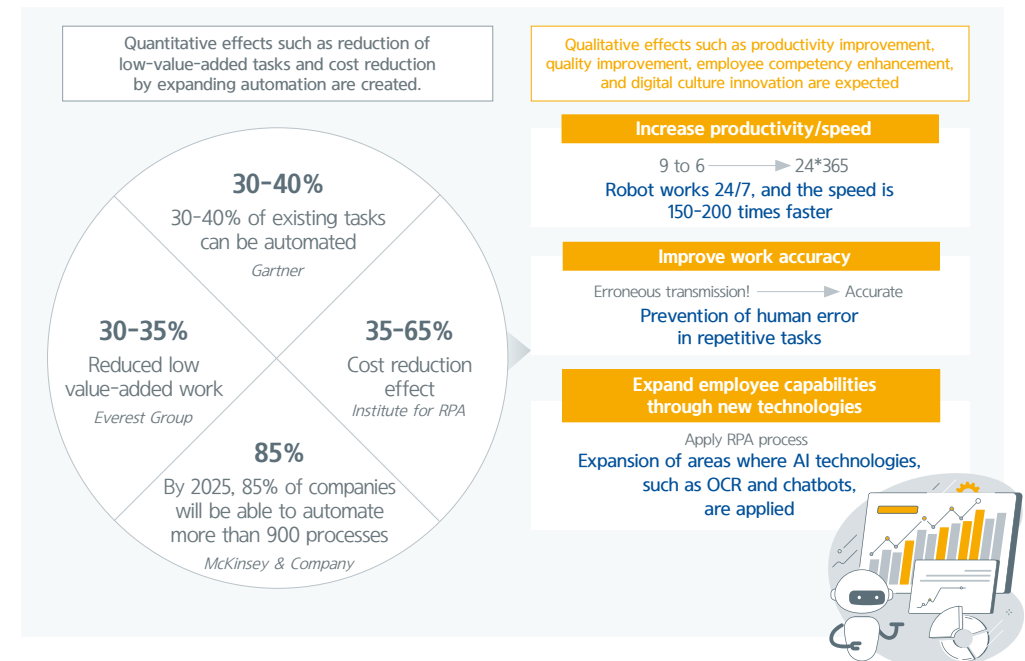
## Digitalization of the Way of Working

### Adopting RPA

HCE has adopted robotic processing automation (RPA), an office automation IT tool, to eliminate low value-added, simple repetitive tasks, thereby increasing work efficiency as well as improving employee work environment satisfaction. RPA means that software robots automatically perform repetitive, rule-based tasks previously performed by humans. The robot performs tasks such as data input, download, data search, verification, comparison, and report writing for in-house core systems (S/4HANA, GPDM, GSRM, GMES, HR system, groupware, etc.).

Through the pilot project carried out in February 2021, we confirmed that RPA is helpful in improving work productivity and speed, preventing human errors, and improving work accuracy through compliance verification. Since then, a total of 65 tasks have been identified and applied to all divisions. According to the satisfaction survey of the application of RPA, we achieved a reduction of 822 man-hours per month for simple repetitive tasks and a satisfaction score of 4.3 points out of 5. Based on these achievements, we are spreading a digital culture through stable operation and discovery of additional RPA tasks.

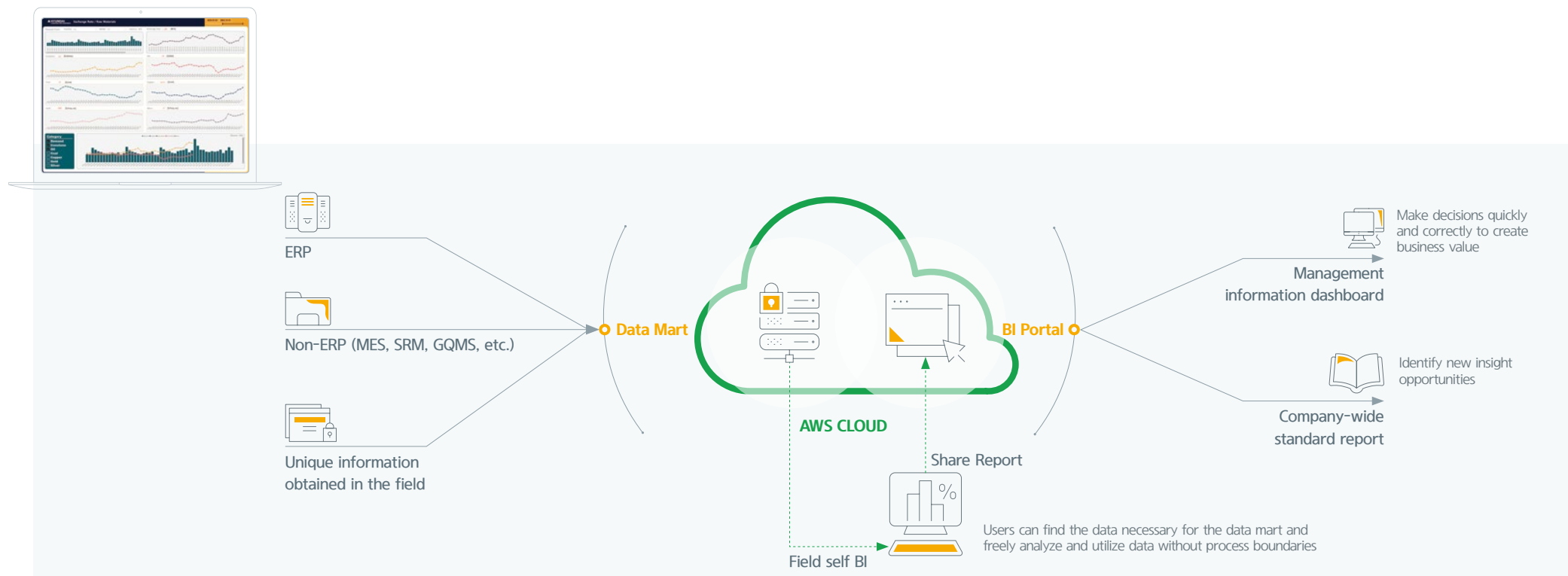
### Expected Effects of RPA



### Adoption of the GBI (Global Business Intelligence) System

HCE is establishing a process and culture that synchronizes major indicator operating systems operated by sector to utilize system data. As a first step, we introduced Power BI as a company-wide data visualization tool. In the past, the IT department provided analysis data and screens, but by introducing the self-service method led by the user department, users can directly compose the data and screens required for analysis, thereby enhancing the user's data utilization and understanding capabilities.

Through the system, the company has secured a monitoring system for key indicators and data of the head office and overseas subsidiaries. In addition, we can shorten the time required to obtain and process data required in the field. For example, in sales, we share global market demand. In R&D, we analyze equipment utilization rates and use them for product improvement. In quality, we contribute to quality improvement and customer satisfaction by analyzing regional quality trends. The system has been applied to headquarters, and Chinese and European subsidiaries, and will be expanded to other subsidiaries such as North America moving forward.



### Remote Work Collaboration Tool

We are actively using collaboration tools for remote work to overcome spatial and temporal differences in a situation where the demand for telecommuting and global collaboration between headquarters and factories and between headquarters and overseas subsidiaries is rapidly increasing due to the spread of COVID-19. Thus, we are overcoming the limitations of the working environment, resulting in the reduction of meeting time and domestic and international business trips, in increased communication among all employees, and in overcoming social distancing due to COVID-19 quarantine. The system also contributes to increased employee satisfaction while providing flexibility in work space and time.

As a basic tool for remote work, virtual desktop infrastructure (VDI) is provided. VDI is an environment in which users can freely perform work while complying with the company security regulations in a work environment outside the office, such as at the residence. Through prior application, VDI allows users to use core in-house systems (S/4HANA, CRM, GPDM, etc.) required for work or to conduct office work such as e-mail and approval in the same environment.



# ESG PERFORMANCE

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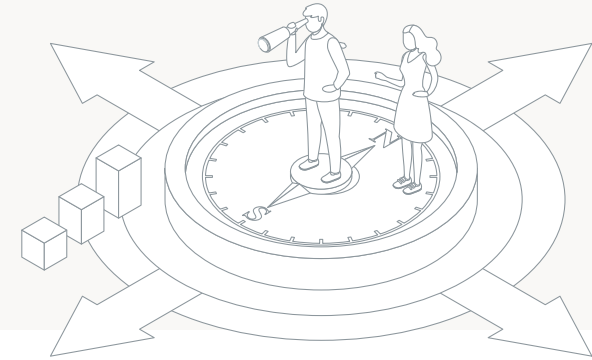
# GOVERNANCE

HCE has established a BOD-centered governance structure with independence and expertise, based on which we strive to run our business in a responsible way and to communicate transparently with stakeholders. In addition, based on such advanced governance structure, we are enhancing our corporate value by examining various risks and opportunities, making rational decisions, and taking action promptly.

- 1 Corporate Governance
- 2 Integrity & Risk Management

## 01. Corporate Governance

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



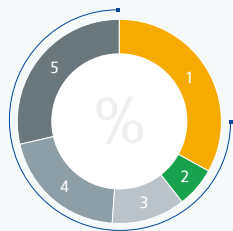
### Corporate Governance

#### Shareholders and Capital Structure

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

#### Stock Ownership

(Based on the number of shares issued as of December 31, 2021)



1	Hyundai Genuine	33.12
2	Persons specially related with the largest shareholder	6.43
3	Institutions	11.60
4	Foreigners	20.30
5	Individuals	28.55

#### Shareholders with 5% or More Shares

(As of December 31, 2021)

	Ownership
Hyundai Genuine	33.12%
National Pension Service	5.86%

#### \* Changes in consolidated entities

Changzhou Hyundai Hydraulic Machinery Co., Ltd. and MINGHE Machinery Co., Ltd. became subsidiaries of Hyundai Genuine Co., Ltd. as of August 1, 2021.  
Hyundai Heavy Industries Brasil-Manufacturing and Trading of Construction Equipment became a subsidiary on December 31, 2021.  
Hyundai Core Motion Co., Ltd. merged with Hyundai Construction Equipment Co., Ltd. on October 1, 2021.

#### Shareholder and Investor Communication

##### Communication Channel

When making major decisions, we actively collect the expectations and demands of various stakeholders, including shareholders, investors, and customers. In addition, based on the company's growth potential and technological prowess, we strive to attract investment by having our company value appropriately evaluated in the global market. To this end, we have established IR strategies that are easy for investors to understand and are conducting shareholder-friendly communication. We provide various and reliable information through IR briefings, conferences with securities companies, and business site visits for institutional investors.

##### Protecting Shareholder's Rights

All common stocks of HCE have one voting right per share, and dividends are paid to enhance shareholder value. In the case of dividends, whether or not to pay dividends and the amount is decided in consideration of business conditions. If there is a need to pay dividends, the company decides whether to pay dividends as well as their amount according to its internal dividend policy. When a dividend decision is made, the dividend resolution is announced and notified to shareholders, and a dividend notice is sent to the shareholders. Matters that have a significant impact on shareholder rights, such as changes in the business and ownership structure of the company, such as mergers, business acquisition and transfer, and splitting of the company, are specified in the articles of incorporation as resolutions at the general meeting of shareholders. We have devised and implemented practical protection measures for opposing and general shareholders.

#### Dividend Overview

	2017	2018	2019	2020	2021
(Separate) Net Income (KRW million)	67,582	54,538	-12,875	-31,013	111,285
(Separate) Earnings per share (KRW)	4,523	2,780	-675	-1,627	5,839
Total cash dividends (KRW million)	-	16,430	-	-	22,868
Cash dividend payout ratio (%)	-	30	-	-	21
Dividend yield (%)	-	2.02	-	-	2.98

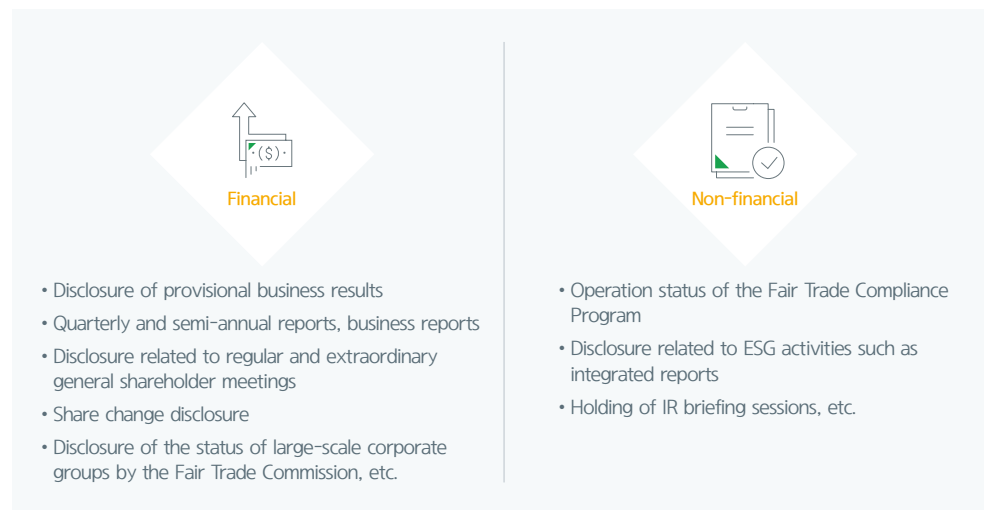


**Protecting Minority Shareholders** To protect the voting rights of minority shareholders, the company has introduced and operated a written ballot system, an electronic voting system, and an electronic proxy solicitation system. When sending a notice pertaining to a convocation of a general meeting of shareholders, a written ballot paper is enclosed so that each shareholder can express his or her opinion on individual agenda items at the general meeting of shareholders. Shareholders can exercise their voting rights in writing by specifying whether they agree or not on the agenda and sending it to the company one day before the date of the general meeting of shareholders.

### Company Information Disclosure

HCE complies with the disclosure regulations stipulated by the law, and discloses the current status of fair-trade compliance program operation and ESG activities through voluntary disclosure to ensure a balanced disclosure of financial and non-financial activities.

#### Status of Disclosure Activities



## Independent Operation of BOD

### Composition and Operation of BOD

The Board of Directors (BOD) is the top decision-making body that has been delegated decision-making rights related to corporate management by shareholders in accordance with relevant laws and the articles of incorporation of the company. It makes independent decisions on the company's long-term growth and major management issues, and plays the role of checks and balances for transparent management.

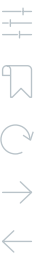
Since its establishment in April 2017, our BOD consists of two executive directors and three non-executive directors who are transparently appointed through the general shareholders' meeting (GSM). Non-executive directors are recommended through the Committee for Recommending Non-executive Director Candidates from among those suitable for establishing transparent governance and enhancing the expertise of the BOD. The appointment of directors is made in consideration of stake ownership in the company, interests with the company, work for competitors, diversity and stakeholder representation. As of the end of December 2021, the average tenure of members of the BOD is 2.8 years. As committees under the BOD, the company has three committees: an Audit Committee to ensure transparency and independence of the audit process, an ESG Committee to manage and supervise performance and issues related to sustainability management through inspection of the company's sustainability strategy direction, and the Committee for Recommending Non-executive Director Candidates, which has the right to recommend candidates for external directors.

**Enhancing Director Expertise** HCE provides education to non-executive directors to help them faithfully perform their duties. In 2021, we improved the expertise of Audit Committee members by offering education from Ernst & Young Han Young on the consolidated internal accounting management system, the role of the audit committee, the ESG era and the role of the audit committee, and future restructuring strategies in the post-COVID-19 era. In 2022, we plan to continue to provide education through external professional organizations.

**BOD Communication on Main Issues** Since the membership of the BOD's subcommittees each includes three non-executive directors, issues between committees are frequently shared. Before the field departments forward material issues to the BOD annually, they check the BOD and Disclosure Standards and then prepare and report matters to be reported and approved at the Board meetings.

#### Internal Decision-Making System





## BOD Composition

(As of March 15, 2022)

Category	Name	Specialized Area	Main Responsibilities	Main Career	Appointment Date	Number of Terms
Executive Director (CEO)	Choi Cheol-gon <sup>1)</sup>	Management, Industries	<ul style="list-style-type: none"> <li>Chair of the Board</li> <li>Overall management of the company</li> <li>Committee for Recommending Non-executive Director Candidates</li> </ul>	Current) Chair of the BOD, Hyundai Construction Equipment Current) Vice President, HCE Former) Executive Director of Heavy BG, Doosan Infracore Former) Executive Director of Asia Operations, Volvo Construction Equipment Group	Nov. 30, 2021	
Executive Director	Song, Myung-jun	Finance, Planning	<ul style="list-style-type: none"> <li>Company-wide financial affairs</li> </ul>	Current) Head of Financial Support Division, Management Support Office, HD Hyundai Current) Head of Finance Team, Planning Department, Hyundai Heavy Industries Current) Head of Management Planning Division, Planning and Coordination Office, Hyundai Oilbank	Mar. 23, 2021 (First appointed in 2018)	1
Non-executive Director	Park Ki-Tae <sup>2)</sup>	Management, Accounting	<ul style="list-style-type: none"> <li>Chair of the Audit Committee</li> <li>Committee for Recommending Non-executive Director Candidates</li> <li>ESG Committee</li> </ul>	Current) Full-time Sdvisor, Samil PwC Current) Member of the Capital Markets Subcommittee, Financial Development Council Former) Vice Representative, Samil PwC	Mar. 21, 2022	
Non-executive Director	Sin, Pil-jong	Laws, policy-making	<ul style="list-style-type: none"> <li>Chair of the Committee for Recommending Non-executive Director</li> <li>Audit Committee</li> <li>ESG Committee</li> </ul>	Current) Attorney at Law Firm Pyeongjeon Former) CEO of Shin & Lee Law Firm	Mar. 23, 2020	1
Non-executive Director	Park, Soon-ae <sup>3)</sup>	Administration, policy-making	<ul style="list-style-type: none"> <li>Chair of the ESG Committee</li> <li>Audit Committee</li> <li>Committee for Recommending Non-executive Director Candidates</li> </ul>	Current) Non-executive Director of Kumho Petrochemical Current) President of The Korean Association of Public Administration Current) Director of Management Evaluation Team for Public Institutions, Ministry of Strategy and Finance	Mar. 23, 2021	

<sup>1)</sup> On November 30, 2021, at the extraordinary GSM, executive director Kong, Ki Young resigned and executive director Choi Cheol-gon was newly appointed.

<sup>2)</sup> At the regular GSM on March 21, 2022, non-executive director Sohn, Sung Kyu resigned, and non-executive director Park, Ki-Tae was newly appointed.

<sup>3)</sup> Director Park, Soon-ae resigned from the position of non-executive director on May 26, 2022 for personal reasons.

## Evaluation and Remuneration of BOD

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

The limit of remuneration for directors and auditors approved at the 2021 GSM is KRW 2,600 million. The total amount of remuneration actually paid is KRW 2,236 million, and the average remuneration per person is KRW 447 million. The actual remuneration paid was calculated based on two registered directors and three Audit Committee members who were paid from January to December 2021. This includes remuneration for executive directors who resigned in 2021 until their resignation and remuneration for new executive directors from the time of appointment.

## BOD Activities in 2021

All directors are allowed to participate in meetings using remote means, such as video and audio, which is considered to be the same as having attended the BOD meetings in person. The decision-making right of the BOD cannot be exercised by proxy. Depending on the agenda, directors with special interests have voting rights limited to ensure transparency in decision-making. In 2021, the Board meetings were held 14 times, and the BOD deliberated and resolved a total of 37 agendas including business performance, the operation status evaluation of the internal accounting management system, compliance operation performance, and 2022 plan. The average BOD attendance rate for 2021 was 98%.

## Overview of BOD Activities in 2021

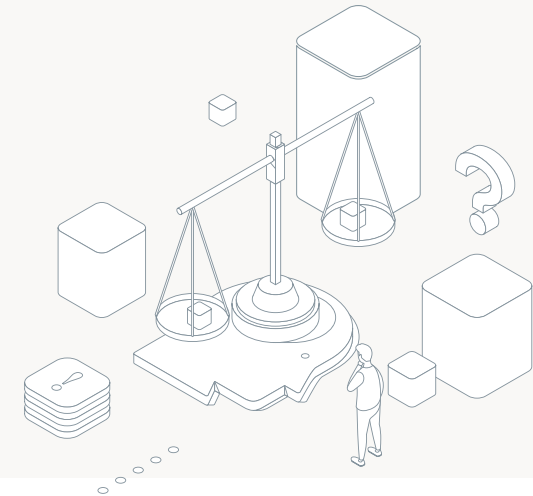
Order	Date	Agenda items	Approval	Number of attendees	
				Executive Directors	Non-executive Directors
1	Feb. 03	2020 business performance report	-		
		2020 quarterly report on environmental compliance	-		
		Approval of 2020 financial statements and business reports	Passed	2 (2)	3 (3)
		Approval of the introduction of the electronic voting system	Passed		
		Approval of the plan for safety and health in 2021	Passed		
2	Feb. 17	Report on the operating status of the internal accounting management system in 2020	-		
		Approval of the convocation of the 4th regular GSM and the purpose of the meeting	Passed	2 (2)	3 (3)
3	Mar. 23	Decision on the appointment of the BOD chairman and the order of acting chairmanship in the absence of the chairman	Passed		
		Appointment of members of the Internal Transaction Committee	Passed	2 (2)	3 (3)
		Appointment of members of the Committee for Recommending Non-executive Director Candidates	Passed		
4	Apr. 26	Quarterly report on environmental compliance	-		
		Report on the first quarter business report of 2021	-		
		Partial revision of Audit Committee regulations	Passed	2 (2)	3 (3)
		Establishment of a South African branch	Passed		
		Establishment of the ESG Committee, the appointment of members, and enactment of regulations	Passed		
5	Jul. 22	Report on sales results for the first half of 2021	-		
		Report on the results of the inspection of compliance control standards	-		
		Report on Fair Trade Voluntary Compliance Status Inspection in the First Half of 2021	-	2 (2)	3 (3)
		Quarterly report on environmental compliance	-		
		Appointment of Compliance Officer	Passed		
6	Jul. 26	Approval of the conclusion of the merger agreement	Passed	2 (2)	3 (3)
		Setting the reference date for shareholder confirmation	Passed		
7	Aug. 26	Approval of the merger	Passed	2 (2)	3 (3)

Order	Date	Agenda items	Approval	Number of attendees	
				Executive Directors	Non-executive Directors
8	Sep. 09	Approval of transaction limit between directors, etc. and the company	Passed		
		Approval of product/service transaction with affiliated companies such as the same person	Passed	2 (2)	3 (3)
9	Oct. 01	Report on the completion of the merger and announcement	Passed	2 (2)	2 (3)
10	Oct. 21	Approval of business transfer			
		Setting the reference date for shareholder confirmation	Passed	2 (2)	2 (3)
11	Oct. 27	Approval of the convocation of an extraordinary GSM and the purpose of the meeting			
		Quarterly report on environmental compliance	-		
12	Nov. 16	Report on operating results for the third quarter of 2021			
		Approval of the purchase of shares in Hyundai Heavy (China) Investment Co., Ltd.			
		Approval of the purchase of shares in the Brazilian subsidiary	Passed	1 (2)	3 (3)
13	Nov. 30	Approval of payment guarantee for related persons			
		Decision on the appointment of the Chairman of the BOD and the order of acting chairmanship in the absence of the Chairman			
		Appointment of CEO			
		Appointment of ESG Committee members	Passed	2 (2)	3 (3)
		Appointment of members of the Committee for Recommending Non-executive Director Candidates			
14	Dec. 14	2022 business plan report	-		
		Approval of investment plan and investment limit related to factory reorganization	Passed		
		Approval of corporate bond issuance limit	Passed		
		Approval of the limit on the issuance of short-term bonds	Passed		
		Approval of signing a service contract for management consulting and management support with Hyundai Genuine Co., Ltd.	Passed	2 (2)	3 (3)
		Approval of transaction limit with directors, etc.	Passed		
		Approval of transaction limit with the specially related persons	Passed		
		Approval of product/service transaction with affiliated companies such as the same person	Passed		
		Approval of setting the reference date for shareholder confirmation	Passed		
		Appointment of Fair Trade Compliance Manager	Passed		



## 02. Integrity & Risk Management

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



### Ethical Management

#### Ethical Management Operation Policy

HCE's Code of Ethics is applied and enforced to all employees, while third parties, such as suppliers, are encouraged to abide by it. HCE employees are responsible for properly understanding and complying with applicable laws and internal regulations including the Code of Ethics. In addition, the company-wide ERP system, electronic procurement system, internal control evaluation system, and fair-trade compliance program are linked with the company-wide operation system to enhance transparency and efficiency of work. The accounting team and internal accounting support team are conducting audit activities for ethical management and evaluating the design and operation of internal control.

Hyundai Heavy Industries Group Ethical Management System



HHI Group Business Ethics Site



#### Communication and Diffusion of Ethical Management

HCE discloses the Code of Ethics on its website for easy access by internal and external stakeholders and operates a cyber reporting center. The website features ethical management regulations such as the ethics charter, code of ethics, and guidelines for work ethics to promote ethical management practices and raise the ethical awareness of its employees. The guidelines for work ethics stipulate that employees should comply with laws such as fair-trade laws and SME protection laws, and reject unfair and illegal trade practices, and the guidelines for dealing with anti-bribery and anti-corruption are also presented. In addition, employees are able to report unethical behaviors with ease and receive consultation on unfair trade with suppliers. We operate a subcontracting hotline where employees can get consultation on unfair trade or difficulties in subcontracting transactions with suppliers. We also operate a channel to file complaints and report corruption such as accounting fraud, as well as a window for consultation on ethical matters.

In order to establish a transparent ethical management system, HCE requires that all employees (in case of production technicians, responsible managers or higher-level personnel), as well as suppliers, submit a pledge every year to practice ethical management by which they vow to familiarize themselves with ethical management regulations and comply with policies and systems every year. The pledge stipulates that employees will not engage in unfair trade, irregularities or corruption, or illegal solicitation or provision of bribery, etc. prohibited by relevant laws and regulations in compliance with the ethical regulations and anti-corruption laws and regulations.

Submission Rate of Pledge to Practice Ethical Management

(Unit: %)

2019	2020	2021
98.1	97.5	99.8

**Reporting of Unethical Acts, Reward System, and Protection of Whistleblowers** We are operating an online reporting channel that enables the receipt of reporting violations of the Code of Ethics and other laws 24/7, such as receiving bribery or entertainment, taking unfair advantage by using one’s position or duties, or abusing one’s authority. The website is available in Korean, English, and Chinese so that ethical violations can be reported not only in domestic operations but also in overseas operations. In addition, we take reports by phone, fax, e-mail, and post. We guarantee anonymity so that the identity of the informant is not exposed, and we have established reward handling standards for whistleblowers and are rewarding them. A total of 16 reports were received in 2021, and six cases were investigated. Of these, five cases were found to be violations of ethical management, and disciplinary measures were taken against the relevant employees in accordance with the relevant regulations and procedures. Other 10 cases, including petitions, were transferred to the relevant departments and the results of the processing were confirmed.

**Raising Employees’ Ethical Awareness and Risk Management** Every year, employees are required to access their own ethical management compliance to check their level of ethical management, so that they can improve their understanding of related regulations and seek improvements. We also analyze unethical behaviors and risks in advance through constant monitoring of ethical management, and take improvement measures for vulnerable processes. We listen to the opinions of our employees and suppliers to examine the level of ethical management practice, and we collect opinions on matters that need improvement to check whether they have been implemented. In addition, we send letters and text messages to suppliers under the “Clean and Bright Holiday Practice Campaign” every traditional holiday to ask them not to offer gifts or bribery to our employees. If employees receive a request related to gifts or bribery, we ask them to report it to the Ethics Management Team. If an employee inevitably receives a gift from a stakeholder, we let them return it or donate it to a social welfare organization.

We are also conducting collective ethical management training and cyber training every year. By producing and promoting ethical management promotional videos, etc., we raise the level of understanding of our employees and their attitude toward compliance. The educational content includes examples of various unethical issues such as anti-corruption and discrimination. We have time to build consensus through Q&A. In particular, in order to promote the internalization of ethical management throughout the company, all new hires and managers are obliged to take ethical management training. Through training, new hires will understand Hyundai Heavy Industries Group’s ethics charter and policies, and managers will have the skills to work based on ethical judgment in all business decision-making processes.

We support the establishment of a culture of ethical management of our suppliers. In order to establish transparent and clean commerce practices, we have operated our Code of Ethics for suppliers since 2005. The code of ethics for suppliers requires that they handle business transparently and fairly when performing business with the company, that they should comply with relevant laws to maintain fair-trade, and that they prohibit the provision of financial benefits, entertainment, and treatment to our employees. In addition, we support the establishment of ethical management regulations and practice programs for suppliers, support collective training related to the introduction of ethical management, and provide other various support activities including the provision of promotional materials.

Concretization of Ethics Charter

Employees			Suppliers
Code of Ethics	Code of Ethics for Specific Jobs	Guidelines for Business Ethics	Code of Ethics for Suppliers
<ul style="list-style-type: none"><li>• Effective on October 4, 2005</li><li>• 2nd revision on July 1, 2019</li><li>• 3rd revision on April 1, 2020 (New provisions for respect for and protection of human rights were added)</li><li>• Standards for behavior and value judgment that employees must follow</li></ul>	<ul style="list-style-type: none"><li>• Effective on May 2, 2007</li><li>• Additional obligations for those performing 6 duties that require high morality and integrity (purchasing, HR, sales, finance/accounting, design, IT jobs)</li></ul>	<ul style="list-style-type: none"><li>• Effective on January 1, 2002</li><li>• 8th revision on July 1, 2020 (Revision of employee practice ethics to prevent workplace harassment)</li><li>• Standards for business handling to promote understanding and practice of ethical management policies by employees</li></ul>	<ul style="list-style-type: none"><li>• Effective on October 4, 2005</li><li>• 3rd revision on December 1, 2019</li><li>• Obligations of suppliers’ employees in doing business with Hyundai Heavy Industries Group</li></ul>

Establishment of Fair Trade Order

HCE has established compliance control standards and applied them to all business activities to improve employees’ awareness of compliance and manage the risk of violations of the law. In order to practice compliance management, we operate the fair trade compliance program (CP), including education and advice on fair trade. By establishing an effective compliance monitoring system and a culture of compliance management, and meeting the needs of the corporate role of the times, we are carrying out support activities to achieve sustainable growth.

**Compliance Management System** We have established a high-level fair-trade compliance system through compliance officers and compliance managers selected by the BOD. To prevent compliance risks that may occur during business performance, we create and distribute handbooks, checklists, and manuals that can be referenced in business processes, and update them from time to time. In 2020, the Fair Trade Compliance Handbook (abuse of market dominance, unfair-trade practices) was revised.

In order to establish a fair and clean business culture and to manage the risk of legal violations, we are conducting thorough preliminary inspections and reviews on anti-corruption in accordance with the Anti-Corruption Legal Compliance Guide. In order to prevent domestic and international economic sanctions risks in advance, we are also conducting inspection activities in accordance with the Economic Sanctions Legal Compliance Guide. In 2021, we established a transaction screening system related to economic sanctions in the company-wide ERP system, and through this we are strengthening the pre-inspection of the contents of all transactions and counterparties across the board.

We also operate an integrated management system called Global Integration System (GIS) to prevent the act of requesting and misappropriating (leaking) technical data from suppliers without justifiable reasons, which is prohibited by the Act on Fair Subcontract Transactions and to protect suppliers' technical data. In the GIS system, we sign a standard confidentiality agreement set by the Fair Trade Commission with our suppliers and write a request for technical data. If there is a justifiable reason to request technical data, we send the technical data request form to the supplier after internal approval, and then we receive the data. After the purpose of use and the period have expired, we ensure that the received technical data is disposed.

This enables us to comply with legal procedures in requesting technical data from suppliers and to prevent the risk of violating the Fair Transactions in Subcontracting Act. At the same time, we ensure that our executives and managers write a pledge to protect the technical data of suppliers. Through on-site inspections of departments with high-risk in subcontract transactions, we fully check the contract signing process and the system related to the request for technical data provision, and conduct the field department visit and training and training for new managers.

Cyber Counseling System for Suppliers Related to Unfair Trade Practices We are focused on establishing a culture of fair subcontracting by operating a cyber counseling system by which employees can report and make inquiries to the compliance management organization about issues suspected of unfair trade practices related to the company. In relation to the cyber counseling system, disclosure of information related to the informant is prohibited. We do our utmost to prevent informants from suffering any disadvantages or discrimination resulting from the exposure of his/her identity by taking actions such as allowing the informant to apply for protection or requesting a remedy from the Ethics Management Team.

Spreading a Culture of Compliance HCE conducts regular compliance training for all employees to raise awareness of compliance and stay away from violations of fair-trade laws. In addition, we are spreading awareness of compliance management among our employees through separate training for high-risk departments. Further, in order to reduce the risk of possible legal violations in business, we have been publishing Compliance News since 2015 by understanding the trends of regulatory authorities related to compliance with anti-graft laws, anti-corruption laws, fair-trade laws, economic sanctions and export controls. It is posted on the intranet to raise awareness of compliance management among employees.

#### Compliance News Publication in 2021

Publication No.	Subject	Publication No.	Subject
No. 79	Revision of the enforcement decree of the Subcontracting Act	No. 84	Revision of the Subcontracting Act
No. 80	Increase in the value range of agricultural and fishery product gifts	No. 85	Sanctions against unfair subcontract price determination of ** Housing Co., Ltd.
No. 81	Violations of US economic sanctions against Iran	No. 86	Revision of screening guidelines for technical data requests
No. 82	Trends of US economic sanctions on Myanmar	No. 87	Establishment and distribution of screening guidelines for information exchange collusion
No. 83	Act on the Prevention of Conflict of Interest in Public Officials		

## Internal Control

### Internal Accounting Management System

HCE has established and been revising internal accounting management regulations, and systematically operates the internal accounting management system through an organization that exclusively manages and operates them. We can thus effectively manage financial risks by enhancing the effectiveness of internal control and ensuring accounting transparency and reliability. In addition, the organization in charge of internal accounting management is a support organization for the Audit Committee, allowing the Audit Committee to independently exercise the right to agree to the appointment and dismissal of the person in charge of the supporting organization, and it supports the Audit Committee to efficiently and effectively manage and supervise financial risks, among other things.

HCE conducts the evaluations of the company-wide control of sales, procurement, production, inventory, quality, general affairs, and finance, reflecting the contents of the Act on External Audit of Stock Companies, Etc. Evaluation results are reported in accordance with the Act.

### Internal/External Reporting System

In the event of unfair conduct that violates ethical management such as bribery, unfair business practices, misconduct and other unethical acts, as well as violations of Hyundai Heavy Industries Group's ethical regulations and laws, HCE operates various internal and external reporting channels, such as the group's ethical management website, postal mail, telephone, fax, e-mail, and direct visits to report such misconduct. The group's ethical management website is available in Korean, English, and Chinese, and all employees and external stakeholders can report anonymously or with their real names. The company guarantees the confidentiality of the whistleblower's identity and report content, and prohibits any disadvantage to the informant in good faith. The received matters are dealt with promptly according to the process, and the processing results and improvements are made available to the whistleblower.

### Information Security

As security threats related to personal and corporate information gradually increase with the development of information and communication technologies, the importance of information security is intensifying. HCE responds to information security and cyber-terrorism issues by strengthening the IT security system, identifying potential risk factors in advance, and raising employee awareness. We operate and manage a preemptive and systematic IT system to strengthen information security. We also conduct business continuity planning (BCP) training to respond quickly and systematically in the event of a system breach.



Meanwhile, as we possess national core technologies, we are subject to security inspections by related organizations such as the Ministry of Trade, Industry and Energy once a year. In 2021, we enacted and amended security regulations pertaining to general information (personal security, facility security, technical security, business security, computer security, personal information protection management regulations, national core technology management regulations, etc.). And to strengthen security, we are continuously reorganizing the organizational system and revising guidelines. We also perform mandatory monthly information security training for all employees on e-mail security, information leakage prevention upon retirement or transfer of employees, trade secret management, PC management, and personal information management.

HCE has appointed a Chief Information Security Officer (CISO) to reinforce clear responsibilities and roles related to information protection. When an information security issue occurs, employees report it to the department head and the security department, and the security department handles it according to the process for each type of incident.

## Risk Management

### Integrated Risk Management

**Risk Management System** HCE 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 meeting to establish and implement mid-to-long-term strategies and priority tasks, and discuss short-term financial and non-financial risks, and domestic and overseas risk response plans. The ESG Management Committee, held four times a year, identifies ESG risks, and thus inspects the status of implementation of improvement tasks, proactively responds to future risk factors, and discovers and develops opportunities for new value creation. The Value-up Steering Committee, in which the executives and internal and external communication organizations participate every month, listens to timely and objective market evaluations and discusses ways to enhance corporate value by strengthening internal and external stakeholder communication.

### Scope of Risk Management

**Financial Risk Management** HCE has classified its financial risks into four types - market risk, credit risk, liquidity risk, and capital risk - and monitors and manages them by risk type.

We monitor market risk centered around foreign exchange and interest rates. For foreign exchange risk management, we are implementing hedge transactions through exports and imports, while basically managing the reduction of profit and loss volatility associated with exchange rate effects.

We have established foreign exchange risk management regulations and detailed rules, and manage foreign exchange risks through the Foreign Exchange Risk Management Committee. Interest rate-related risks are mainly related to floating-interest-bearing deposits and borrowings. We've established measures to minimize external borrowings using reserved funds, to reduce high-interest borrowings, to improve long-term and short-term borrowing structures, and to 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. The company manages credit risk with the goal of minimizing losses under its 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.

HCE strives to manage and maintain an optimal capital structure based on the debt-to-equity ratio in order to secure the ability to continuously provide profits to shareholders and stakeholders and reduce the cost of capital.

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

At HCE, we promote activities to strengthen product quality with our suppliers to enhance customer safety and satisfaction, and are also making wide range of efforts to ensure that customers are using our products safely. We strive to make ethical management the basis for the decision-making within the organization by enacting our code of ethics and through compliance activities. We are also committed to creating a safe business environment by implementing preemptive risk management through transparent management practices.

HCE carries out a variety of activities, such as enhancing the efficiency of resources use, reducing environmental impacts at worksites, and strengthening the environmental accident prevention system to minimize the risk of environmental pollutant emissions and environmental accidents. We strive to minimize the possibility of safety risks and raises employees' awareness of safety and health through preventive activities and safety education. We are also strengthening safety accident prevention monitoring by expanding the scope of safety and health management to in-house partners and outsourced construction companies. In the event of a disaster or emergency, we operate an integrated control center to quickly identify and respond to the safety of our employees, business sites, and surrounding areas.



# ENVIRONMENTAL

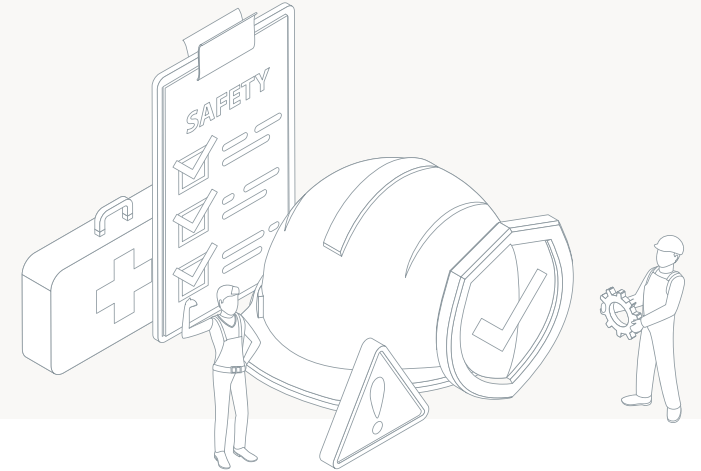
In the face of the climate crisis, HCE, as a global company, is making every effort to create an eco-friendly workplace and minimize environmental impact based on a sustainable environmental management system. In addition, we are concentrating on creating a safe, pleasant, and healthy workplace by all members working together to establish a safety culture that adheres to the basics and principles.

- 3 Integrated EHS Management
- 4 Strategy for Worksite Carbon Neutrality and Product Carbon Emission Reduction



### 03. Integrated EHS Management

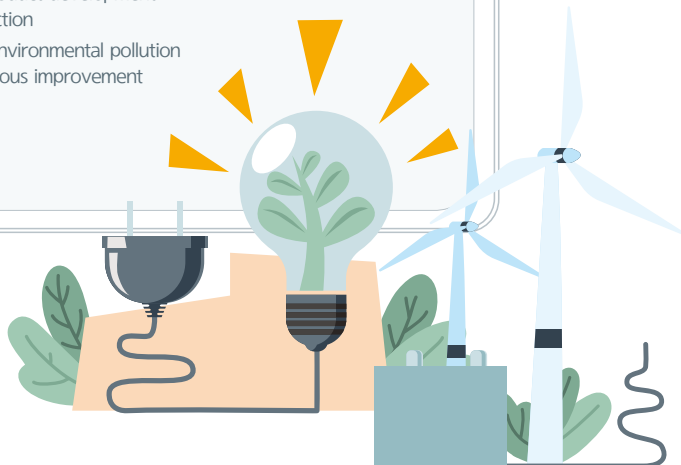
HCE establishes safety, health, and environmental policies and goals every year and makes known them to all employees at all worksites, encouraging company-wide participation in environmental, health, and safety (EHS) management.



#### EHS Management Overview

##### Safety, Health, and Environment Policy

1. Establishing a safety culture of basics and principles
  - Strengthen activities to comply with laws and to eliminate risk factors
  - Establish preventive safety culture by raising safety awareness
2. Creating an amiable and healthy workplace
  - Continue to conduct work environment improvement activities
  - Facilitate programs for disease prevention and health promotion
3. Maintaining a sustainable environmental management system
  - Expand eco-friendly product development and low-carbon production
  - Conduct activities for environmental pollution prevention and continuous improvement



##### Integrated Health, Safety, and Environment Management System

###### HiSEs

HCE utilizes the Hyundai Integrated Health, Safety and Environment Management System (HiSEs), an integrated health and safety management system of Hyundai Heavy Industries Group, to establish and operate a database across all areas including accident cases and safety education. HiSEs is based on the standards for the global safety and health management system (ISO 45001), and is operated on the principle of the safety management plan, practice, confirmation, and action. We aim for a safety culture, centered around risk assessment in which employees participate and led by the Industrial Health & Safety Committee composed of labor and management representatives. In addition, in consideration of the characteristics of mass-production lines where the responsibility and safety management of supervisors is important, we are concentrating our capabilities on safety activities to strengthen the roles and functions of supervisors. All employees can access the system through various platforms such as PCs and mobile devices to check various information in real time. In 2022, as part of promoting factory advancement and smart factory, HCE plans to develop and utilize its own independent management program to upgrade the system.

**Health, Safety, and Environment Management System** HCE has set in place an environmental management system based on international standards and checks the level of environmental management system operation and compliance with laws through internal and external audits every year. Our global business sites minimize environmental pollution and damage that may occur due to corporate activities through the Environmental Management System (ISO 14001), an international standard for environmental management systems. In 2021, our business sites in Korea acquired ISO 14001 and ISO 45001 integrated certifications.

Certification type	Business site	Certification validity period
ISO 45001, ISO 14001	Ulsan Factory	2021-2023
	Gunsan Factory	2021-2023
	Yongin Technology Innovation Center	2021-2023



## Environmental Management

As a result of continuous efforts to reduce greenhouse gas (GHG)emissions, HCE was converted into a business site subject to the “Greenhouse Gas Target Management System” in 2021, and obtained a B grade from Global Carbon Disclosure (CDP). We strive to minimize the environmental impact on local communities by continuously improving energy efficiency and reducing pollutant emissions.

### GHG Management System

As HCE is converted to a business site subject to the GHG Target Management System, we calculate an appropriate emission plan every year and strive to comply with the emission level. We are enhancing transparency in emission management through data monitoring by using the company-wide GHG management system (HGMS) and third-party verification, as we are promoting activities to reduce energy consumption and thus reduce GHG emissions as well. We plan to build an advanced GHG and energy monitoring system through the Ulsan Factory advancement project which will be conducted until 2025. We will establish and implement a step-by-step emission reduction plan by strengthening risk management activities in response to global climate change.

### Environmental Resources Management

**Waste Reduction and Recycling** We classify wastes generated from production and office activities into general waste and designated waste, and entrust the treatment thereof to a specialized company according to the lawful disposal method. In order to improve the separation rate of plastics, cans, bottles, and waste paper, we place dedicated recycling bins near our workplaces to increase accessibility and sell them to specialized collection companies to minimize incineration waste and increase recycling. Proceeds from the sale of waste are used for win-win growth with the community and ESG management, such as helping the local underprivileged. Wastes that cannot be recycled are legally discharged through entrusted treatment by specialized companies. In order to minimize incineration and landfill, we are making concentrated effort to minimize environmental pollution caused by waste generation in our workplaces, such as preferably selecting and operating a recycling treatment company if possible.

**Water Quality Management** Wastewater generated at our business sites is legally treated through the wastewater treatment plant within the business sites and an external entrusted treatment company. Wastewater effluent from wastewater treatment plants is strictly managed according to legal standards. We strive to minimize wastewater generation by focusing on the source of wastewater rather than post-treatment. Regarding wastewater mainly generated from car wash facilities and painting facilities, we are reducing the risk of environmental pollution by measuring the level of pollution and conducting monthly inspections to thoroughly manage the water quality of the treated water, considering the nature of the paint wastewater. In the case of wastewater, all of it flows into the Water Quality Improvement Plant, and the pollution level is measured and managed to comply with the appropriate discharge water standards.

We are reviewing ways to optimize the field application of alternative materials for toxic substances, etc. used in wastewater treatment. We also aim to prevent environmental pollution and environmental accidents at our business sites and local communities by creating a chemical inventory and establishing a hazardous chemical management system.

**Air Pollution Management** Air pollutants generated during the production process include nitrogen oxides (NOx), sulfur oxides (SOx), dust, and volatile organic compounds (VOCs) that are produced during the painting process. To minimize damage to the local community and reduce environmental hazards, we have installed dust collectors and regenerative thermal oxidizer (RTO), thereby minimizing air pollutant emissions. Pollution level is measured and monitored on a weekly basis, and it is continuously managed to comply with legal standards. Through periodic inspection of emission facilities, we are preventing the leakage of air pollutants in advance as well as complying with laws. When an emergency is issued by the competent city to reduce fine dust, we actively cooperate to reduce processes and mobile combustion.

**Chemicals Management** We have established and operated a thorough management system for the entire process from warehousing to disposing of chemical substances to prevent accidents caused by chemical substances leaking to local residents outside of the site boundary as well as inside our business sites. We are continuously exploring substances that can be replaced with harmless substances and mandatory on-site placement of Material Safety Data Sheets (MSDS). In particular, we carry out regular inspections (once every two years) of facilities and facilities handling hazardous chemicals and conduct regular training for staff who handles them.

#### Environmental Management Organization

Officer in Charge	Chief Safety & Environment Officer (CSEO)
Dedicated Department	EHS Team EHS Promoter by department

#### Major Environmental Management Councils

Type	Cycle	Activities	Host
Company-wide EHS Meetings	Once a month	Sharing of environmental issues and activities for each business site	CEO, EHS Officer of each business site
EHS Patrol	Once a month	Following the on-site safety inspection and on-site inspection by the head of the division; and discover environmental improvement issues and take action	EHS Officer of each business site



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

In order to respond to stricter environmental laws and regulations and prevent environmental accidents, HCE regularly inspects environment-related facilities at its business sites, and strives to minimize pollutant emissions by improving air pollution prevention facilities and environmental pollution discharge facilities, while also strengthening separate discharge of waste. In addition, by 2025, through investment in the advancement of Ulsan Factory, we plan to efficiently reorganize the manufacturing process to fundamentally reduce energy consumption, and to become an eco-friendly business site that can control pollutant emissions and respond promptly to emergency environmental accidents.

We conduct the emergency environmental accident response training by classifying scenarios into oil leaks and fires, joint fire drills with fire stations, and wastewater treatment facility accidents. For each situation, specific scenarios are established and implemented such as “Diesel leakage accident during oil injection in oil tank”, “Joint control with the fire station in case of fire”, “Wastewater treatment facility malfunction due to natural disasters and chemical substance leakage”. In particular, about 300 employees participate in fire drills every year, increasing employee participation.

### Reduction of Environmental Impact on Local Communities

HCE is expanding its efforts to minimize environmental impact on the local community due to the operation of its business sites and to create a clean-living environment for the local community. We are participating in the One Company, One River Purification Activities on a quarterly basis under the supervision of a competent authority. We are faithfully fulfilling our responsibilities and duties as a member of society through continuous investment in the local community, such as weekly voluntary environmental patrol activities to check for odors and abnormalities in rivers around our business sites.



River Purification Activities

## Safety Management

HCE has been promoting various activities to establish a safety culture of basics and principles, and a safety and health system centered around participation and prevention based on ISO 45001, the international standard for safety and health. Through company-wide safety and prevention inspection meetings and safety patrol inspections for each business site, the top executives show their interest in and will to safety. We are concentrating our competencies so that risk assessment and TBM (Tool Box Meeting) activities in which all employees participate voluntarily can be established to establish an autonomous safety culture. In particular, as various safety-related laws and regulations such as the Serious Accident Punishment Act have been strengthened recently, improvement tasks are being carried out sequentially, such as expanding safety investment, reorganizing various safety systems, and reinforcing safety organization and leadership for compliance and risk management.

### Safety Management Policy



### Reinforcement of Safety Leadership

#### Establishing a System to Prevent Serious Accident

In order to strengthen the safety and health management system, the former Safety and Health Department was expanded and reorganized to the Safety Planning Office directly under the Chief Safety Officer (CSO) and thus oversees the establishment and implementation of company-wide safety and health policies. By designating a safety officer (executive-level) for each business site, we are strengthening our responsibility and safety leadership to comply with safety rules and work standards. Safety officers at each business site and the CSO are making joint efforts to establish a safety and health system by periodically checking the status of safety work implementation. In 2021, three accidents occurred, and to prevent accidents from reoccurring, we conducted autonomous safety diagnosis (twice) by an external specialized agency and consulting (once) to thoroughly comply with the strengthened laws. In 2022, we plan to establish a VTB<sup>1)</sup> system to establish field-oriented safety management activities to track and manage safety improvement measures.

<sup>1)</sup> Visual Tracking Board System: A safety improvement management system, centered on field workers, that is operated through the unification of reception channels for various types of risk factors and improvement proposal cases that are reported through on-site observation and suggestions, and through sharing/visualization of improvement progress

In addition, we are striving to improve safety and health management capabilities of our suppliers to prevent major accidents. A safety manager for suppliers is appointed separately, and joint inspections by the EHS Council and in-house suppliers are conducted periodically to diagnose risk factors in their business sites and support safety prevention activities.

#### Major Councils for EHS Management

Type	Cycle	Activities	Host
Company-wide EHS Meetings	Once a month	Sharing of safety issues and safety activities by business site	CEO, EHS Officer of each business site
EHS Patrol	Once a quarter	On-site safety inspection by the head of the division (Site check of serious risk factors)	EHS Officer of each business site
Top Executive Safety Inspection	Frequently	Special inspections and encouraging activities before and after typhoons and holidays	Executives and department heads of each business site
Partner EHS Council	Once a month	Sharing EHS activities by partner and discussing support matters	Chief EHS Officer
Partner EHS Joint Inspection	Once a quarter	EHS inspection of work areas and vulnerable areas for employees of suppliers	Chief EHS Officer

#### Compliance with Safety Regulation

HCE plans to carry out safety diagnosis and consulting by an external specialized agency to accurately understand the recently revised laws and to thoroughly comply with the reinforced laws. In addition, we will provide employee trainings, using external professional education programs, to strengthen the competency of staff in charge of safety and health. Furthermore, in order to establish an effective compliance management system, we plan to prepare a working manual for law compliance by analyzing the requirements for each type and provision of laws.

**Providing Information for Customer Safety** We comply with all national regulations for strengthening customer safety, such as safety standards and the Product Liability Act, and faithfully carry out preventive activities. For appropriate and safe operation and maintenance of our products, we provide safety labels classified into Danger, Warning, and Caution according to the severity of the risk, and indicate in the manual what customers should be familiarized with. Safety labels attached to construction equipment are manufactured in compliance with ISO 9244 regulations, and the operator's manuals supplied with the products are prepared according to the guidelines of ISO 6750-1 and -2.

**Conformity Assessment in the New Model Development Stage** For the new model development stage, we have established and implemented a process to verify the conformity of safety regulations, and are complying with regulations through the acquisition of related certifications and self-declaration. In Korea, construction equipment type approval has been obtained in accordance with the enforcement regulations of the Construction Equipment Management Act. Overseas, conformity assessment is conducted in accordance with the EU's Machinery Directive (2006/42/EC) as well as its subordinate safety regulations EN 474 and harmonized standards (EN ISO); the CE mark is affixed; and the Declaration of Conformity<sup>1)</sup> is submitted. In China, Oceania, Brazil, etc., we are developing equipment that meets regulations by monitoring the safety regulations specialized in each region.

#### Proactive Management of Workplace Safety

**Investment in Safety Facilities** HCE has established a safe working environment by improving aging facilities and working environments. In 2021, we invested in safety facilities such as the modernization of painting booths and the installation of forklift safety devices. By 2025, we plan to build a safe working environment for our business sites and employees through facility investment to completely reorganize the aging Ulsan Factory. A large investment was made to minimize secondary damage in the event of a fire in the painting process where there is a high risk of fire by installing a firewall and a fire damper. A fire prevention room for the fueling process, which also has a high risk of fire, has been installed as well.

**Workplace Hazard Management** In order to manage risk factors by observing and improving unsafe behaviors in the field, we continue with discussion-type risk factor discovery activities in which workers directly participate. In particular, in 2021, we held a discussion session for each employee level to prevent jamming and accidents and held a safety event called "Find Hidden Risks at Our Site" to discover and resolve potential risks at work sites. In the spring and before and after holidays, safety campaigns and awareness-raising activities were conducted by designating key safety accident management periods. In addition, a total of 39 tests were conducted to ensure compliance with legal standards for machinery with high risk such as cranes and pressure vessels. Top executive safety inspections, special safety inspections, and weekly safety inspections were carried out 62 times to eliminate on-site risk factors, and improvement measures were taken.

#### Emergency Response System

We operate an integrated control center to spread the real-time situation of disasters and emergencies, respond quickly, and secure the safety of our business sites and surrounding areas. In accordance with the Group-wide emergency response manual for natural disasters such as typhoons and earthquakes, we conduct scenario-specific response training for fire and oil leakage emergency, considering the characteristics of our business.

<sup>1)</sup> EC DoC: Included in the operator's manual of equipment sold in EU and is a document declaring compliance with related safety regulations such as machinery safety, noise, electromagnetic waves, and vibration

### 2021 Fire and Emergency Training Results

Training name	Purpose	Outline and results
Rescue training in case of a confined area accident	Improving emergency response ability in case of a patient occurring in confined area	Emergency reporting training Safety personnel dispatch, actual rescue training (patient rescue, CPR training, etc.)
Oil outdoor storage tank	Improving response ability in case of oil storage tank fire	Situation reporting training (operation of the emergency contact network) Fire extinguishing training, spread-prevention training, etc.

### Culture of Safety Management

**Employee Safety Training** HCE conducts systematic safety training for all people entering and exiting the company buildings. We conduct legal safety training aimed at increasing voluntary participation and improving the safety level through safety leadership, safety awareness, safety-related knowledge, and self-development. Qualification training is provided for personnel handling such equipment as forklifts and cranes. In addition, in order to develop the ability of supervisors to enable prompt field response, training is provided at the safety experience center designated by the Korea Occupational Safety and Health Agency (KOSHA).



Experiential training at the KOSHA-designated safety experience center

### Health and Safety Training Programs

Type	Targets	Description	Time/Duration
Regular training	Production job	Occupational Safety and Health Act, general management, accident prevention, etc.	6 hours quarterly
	Office job	Occupational Safety and Health Act, general management, accident prevention, etc.	3 hours quarterly
	Supervisors	Occupational Safety and Health Act, general management, accident prevention, etc.	16 hours yearly
Training for new hires	Production, office job	Occupational Safety and Health Act, pre-work inspection items, etc.	8 hours
Training when changing work contents	Production job	Dangers of machinery, work order, traffic flow-related matters, etc.	2 hours
Special safety and health training	Production job	Matters on hazardous dangers such as forklifts, cranes, etc.	24 hours

**Fostering In-house Safety Experts** To increase the number of in-house safety management qualification holders, we support employees to acquire occupational safety-related qualifications. In 2021, 47 executives and department heads related to safety, such as production, quality, and field AS, took the written test for occupational safety technicians, and 16 obtained qualifications. In particular, the staff in charge of safety and environment acquired a mechanical safety engineer qualification for the first time in the Group. We will continue providing customized coaching through in-house collective training and mentoring for field team leaders and deputy team leaders. We also plan to foster in-house safety experts to take responsibility for organizational safety at the frontlines and to oversee a series of activities to prevent safety accidents.

**Safety Incentive Programs** At HCE, various safety incentive programs are in place to raise employee safety awareness and motivate vital safety activities. In 2021, we participated in the Industrial Safety Golden Bell competition hosted by the Ministry of Employment and Labor and achieved a splendid achievement by placing 4th out of 100 participating companies in Ulsan, and awarded by the Head of MOEL's Ulsan Branch.

### Safety Incentive Programs

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

### Accident Rate Management

Based on the result of the recent accident analysis, we have found out that accidents tend to occur intensively during the changing seasons of spring and autumn: accidents are frequently caused by unskilled workers such as new hires and job transferrers; and accidents similar to past accidents occur repeatedly. Accordingly, we plan to strengthen the management of unsafe behaviors through such activities as safety campaigns to strengthen safety awareness in the changing season; safety observation system by on-site supervisors; and operation of an intensive management period for unsafe behaviors. In the event of an accident, we will develop fundamental countermeasures through root cause analysis (RCA) rather than one-time measures. In addition, safety education for unskilled workers such as new hires and job transferrers will be strengthened, and dangers of work with a high risk of accidents such as process change, unexpected event, non-routine work will be identified in advance so safety measures will be prepared before work begins. As such, we will focus our capabilities on establishing a safety management system that can prevent accidents in advance.

Industrial Safety Golden Bell hosted by the Ministry of Employment and Labor



Awarded by the Head of MOEL's Ulsan Branch

### Health Management

HCE is continuing its efforts to manage the use of hazardous substances in each process and to improve the working environment so that employees can work in a pleasant environment. We are focusing on prevention-oriented health management centered around disease prevention and health promotion programs.

#### Prevention of Occupational Diseases

HCE provides employee education related to health such as promotion of health maintenance and MSDS. We expand opportunities for external professional training, such as musculoskeletal risk factor investigation and risk-prevention plan writing. As a measure to prevent musculoskeletal disorders and treat symptom, we signed a business agreement with Dong-Eui University Oriental Medicine Hospital and are operating an in-house oriental medicine clinic equipped with approximately 20 bedding rooms. Oriental medicine specialists and nurses are stationed to treat diseases such as lower back pain and stiff shoulders with acupuncture, moxibustion, and cupping. In addition, we plan to create a pleasant working environment by installing a local exhaust system and a total ventilation system and to prevent occupational diseases by applying toxic chemical substitutes.

#### Operation of Health Management Programs

HCE conducts regular health checkups for employees and their families as well as special checkups for employees exposed to noise, harmful rays, metals, and organic compounds every year. In the case of intractable diseases such as heart disease, cancer, and leukemia, we support medical expenses for employees and their families, and support health maintenance expenses for patients with occupational diseases. In order to prevent the three major diseases (high blood pressure, hyperlipidemia, diabetes), we are operating customized programs such as adjustment of working hours for high-risk employees, exercise, nutrition, and health guidance counseling. We are providing medical discounts through approximately 120 affiliated hospitals nationwide. We are operating a health promotion center equipped with a treatment room, health promotion room, physical therapy room, and rehabilitation treatment room in our business sites. We have established a worksite infirmary and appoint industrial nurses as health managers, and rehabilitation exercise programs are also being operated for the rapid recovery of employees who are recovering from industrial accidents.

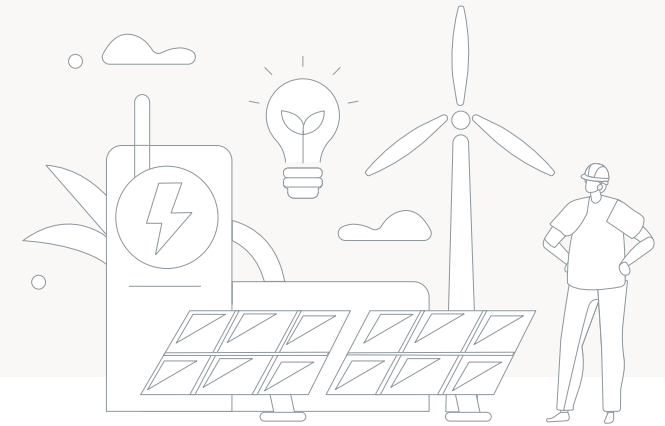
#### Prevention and Management of Infectious Diseases

To prevent infection and spread of the COVID-19 virus, we ensure that all employees follow the quarantine rules and preventive management manual. We have minimized the number of confirmed cases by providing masks and hand sanitizers to our employees and in-house partners, installing facial recognition temperature monitors in key locations and implement quarantine in the workplace twice a week through specialized companies and our own on-demand quarantine activities. When employees travel to or are dispatched to overseas countries with a high risk of endemic diseases (yellow fever, malaria), we are subsidizing the cost of vaccination and prescription of preventive drugs for infection prevention and management.



## 04. Strategy for Worksite Carbon Neutrality and Product Carbon Emission Reduction

HCE has set a plan to achieve worksite carbon neutrality in Korea by 2030, and at all business sites including overseas manufacturing plants by 2050, based on the SBTi 1.5°C scenario as a way to contribute to limiting global warming to 1.5°C above pre-industrial levels.



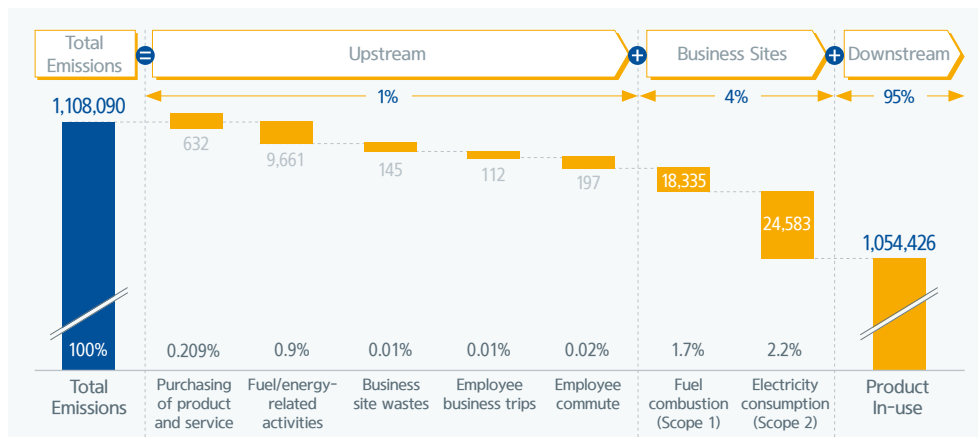
### Reduction of GHG Emissions throughout the Value Chain

HCE strives to reduce GHG emissions throughout the entire value chain, both inside and outside our business sites. In accordance with the GHG emissions standards, the scope of management was expanded to include not only Scope 1 and 2 for emissions produced in our business site but also Scope 3, and accordingly we are striving to find ways to reduce GHG emissions by creating an eco-friendly workplace and developing eco-friendly products.

We analyzed the GHG emissions of HCE in 2021 to find out that about 95% of GHG are produced product in-use phase. We therefore plan to reduce carbon emissions by developing eco-friendly products, while also striving to achieve worksite carbon neutrality. In addition, we will disclose our environmental performance more transparently through preemptive preparation for Scope 3 disclosure, which is becoming increasingly important.

HCE Value Chain's Carbon Emissions in 2021

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



GHG Emissions of Business Sites in 2021



## Promoting Worksite Carbon Neutrality

To create eco-friendly business sites, we plan to achieve worksite carbon neutrality by 2050 by reducing carbon emissions by 42% in 2030 and 71% in 2040 in stages compared to the base year. In order to achieve carbon neutrality in Korea by 2030, we are striving to reduce energy consumption at our business sites and switching to renewable energy, aimed at achieving RE100 by 2025.

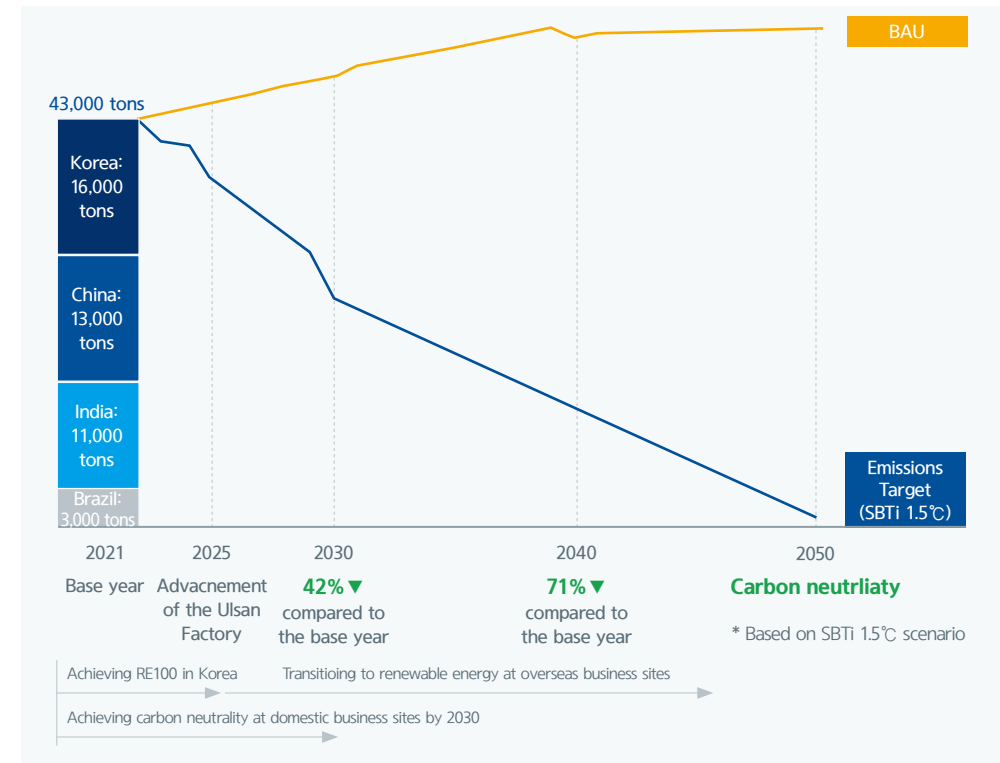
We are working to reduce energy consumption through the Ulsan Factory advancement project and energy intensity management. To achieve RE100, we plan to transition to 100% renewable energy by 2025 by generating solar power utilizing the roof of Ulsan Factory, and through third party/direct PPA and the Green Premium system. By 2025, through the advancement of the Ulsan Factory, we plan to replace outdated facilities with newer ones and improve energy efficiency by minimizing inefficiencies that occur in the process.

In the long term, we plan to promote the transition to renewable energy by actively utilizing the infrastructure and energy policies of each country of overseas subsidiaries to achieve carbon neutrality at our global business sites and to secure carbon offset credits through emissions reduction projects. For overseas business sites, we will preemptively prepare to achieve carbon neutrality from 2030 following the implementation at domestic business sites. As diesel input for the test run will also be switched to eco-friendly power and hydro-treated vegetable oil (HVO) for our products, we will further reduce emissions.

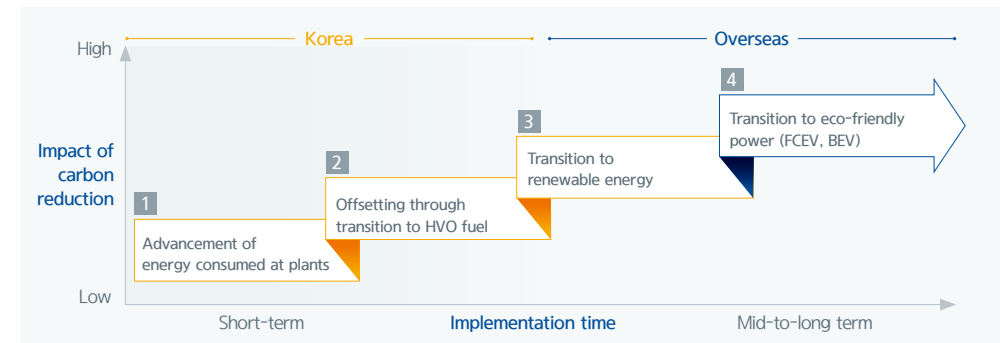


Securing renewable energy by installing 2-MW solar power generation systems on the roof of the new Ulsan Factory

## Plan to Reduce Worksite Carbon Emissions



## Means to Reduce Worksite GHG Emissions in the Mid-to-Long-Term



## Strategy to Reduce Product Carbon Emissions

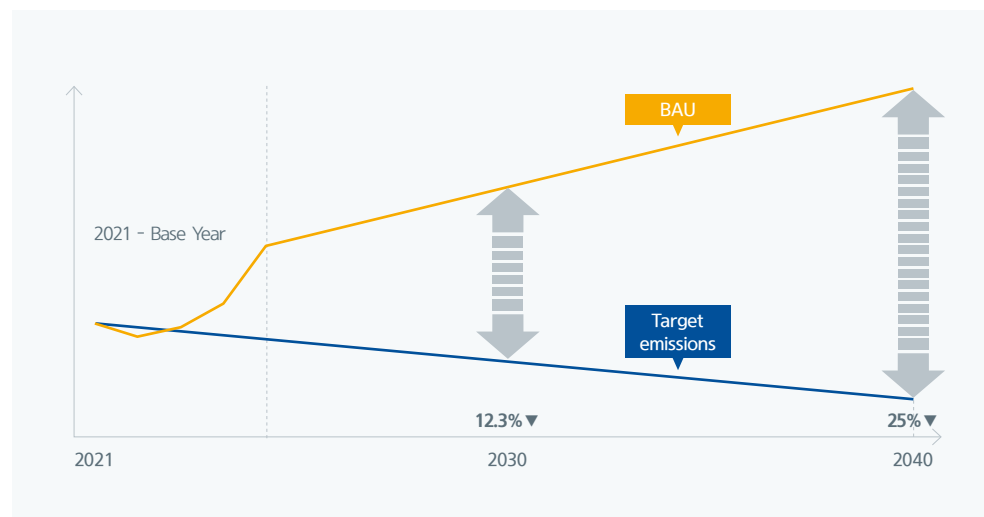
HCE has established a plan to reduce carbon emissions from the use of its products in order to reduce emissions outside its business sites. Based on SBTi 2.0°C, we set a goal of reducing the emissions by 12.3% and 25% by 2030 and 2040, respectively, compared to the base year. To achieve the goal, we will continue improving fuel efficiency through transition to eco-friendly power and the development of eco-friendly technologies.

### Calculation of Product Carbon Emissions and Estimation

To calculate carbon emissions from our products, we calculated the annual emissions based on the in-use time and fuel efficiency of each product sold annually. Working hours and fuel efficiency were based on data collected by Hi MATE attached to our equipment in order to minimize differences that occur depending on the soil quality and work status due to the nature of the construction sites, and the data were supplemented with internal test data if necessary. Based on this, after calculating the emissions for the base year, we created an BAU (business as usual) that estimates the carbon emissions of products until 2050 when there will be no change in our current business strategy by reflecting our future sales plans in the calculated data.



### Plan to Reduce Product Carbon Emissions

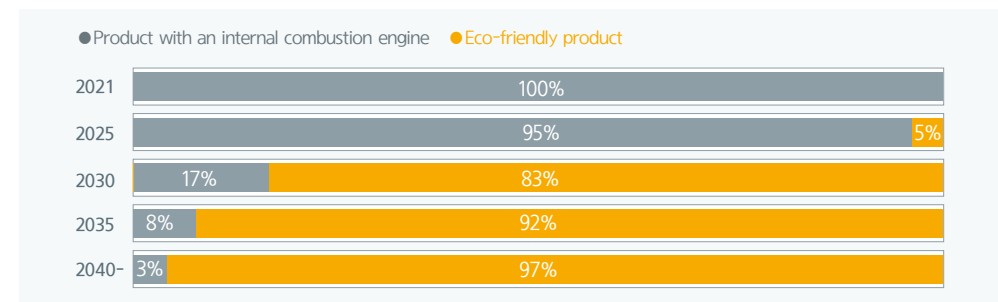


\* Based on SBTi 2°C scenario

### Plan to Reduce Carbon Emissions and Strategy for Eco-Friendly Products

In order to reduce carbon emissions by 25% by 2040 compared to the base year, we are working to transition to eco-friendly products and the use of eco-friendly fuels. By reflecting fuel efficiency improvement technology and transitioning power to electricity and hydrogen, we plan to create our product portfolio with eco-friendly products making up 83% from 2030 and 97% by 2040. Starting with the 1.8-ton electric mini excavator that is scheduled for mass-production in 2023, electric power models based on the electric platforms are being developed. Going forward, we will gradually expand the power transition, starting with 1.9-ton, 2.7-ton, and 3.7-ton models, as well as medium-sized hydrogen-powered excavators that have been developed and planned to be launched for sale in 2026. In terms of fuel, we will reduce the use of diesel and transition to biodiesel HVO, thereby reducing carbon emissions.

#### Plan for Eco-friendly Product Portfolio



## Promotion of Product Eco-Friendliness through the Establishment of an Eco-Friendly Supply Chain

**Green Purchasing System** In order to enhance the eco-friendliness of the raw materials that make up our products, we are using the green purchasing system. In order to increase the proportion of eco-friendly parts used in the manufacturing process, the preferential purchase acceptance rate is applied to green products<sup>1)</sup>, which is expected to promote the production of eco-friendly parts. We are seeking eco-friendly coexistence by providing rewards to suppliers recognized for their excellent performance in producing green products.

**Enhancing Parts Recycling Rate** To improve recycling at the time of disposal of an end-of-life product, we set a representative model by weight, analyze the possibility of recycling, and strive to increase the recycling rate. We are striving to maximize the recycling rate of our products by analyzing the components of each product, while also facilitating the use of eco-friendly raw materials and promoting the green purchasing system.

<sup>1)</sup> Green products: Products that can contribute to saving resources and reducing environmental pollution compared to other products for the same purpose (Framework Act on Low Carbon Green Growth, Subparagraph 5 of Article 2)



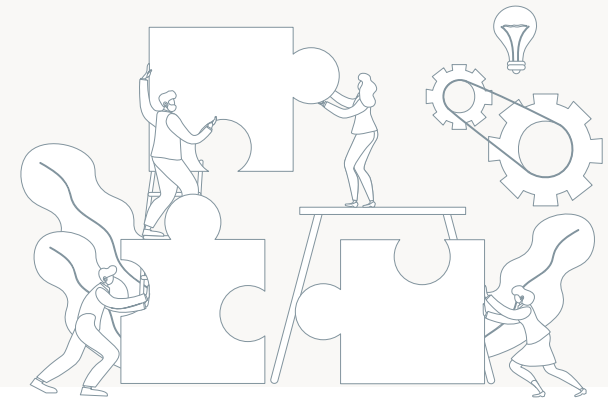
# SOCIAL

At HCE, employees and suppliers are the driving force for sustainable growth. We therefore focus on creating a corporate culture where human rights are respected, diversity is recognized, and everyone's potential can be developed, as well as nurturing human resources. We recognize the capabilities of our suppliers as our competitiveness and strive to grow together. Furthermore, we promote the development of local communities to which we belong and realize the value of being together.

- 5 Win-win Growth with Suppliers
- 6 Employee Value Proposition
- 7 Contribution to Local Communities

## 05. Win-win Growth with Suppliers

HCE strives to grow into a global company by establishing a long-term trusting relationship with suppliers through win-win cooperation that supports the strengthening of competitiveness of suppliers, partners of sustainable management.



### Supply Chain ESG Management

HCE is strengthening its supply chain ESG management to secure the competitiveness of its suppliers and to lay the foundation for a transparent and fair society. We are implementing a comprehensive grade evaluation system for domestic suppliers who trade parts, semi-finished products, and products with HCE. In addition to market competitiveness, ESG-related issues such as ethical management, fair trade, human rights, environment, and social issues are comprehensively evaluated. Based on the evaluation results in the future, we plan to support suppliers to strengthen their competitiveness and ESG capabilities and continue to improve the evaluation system.

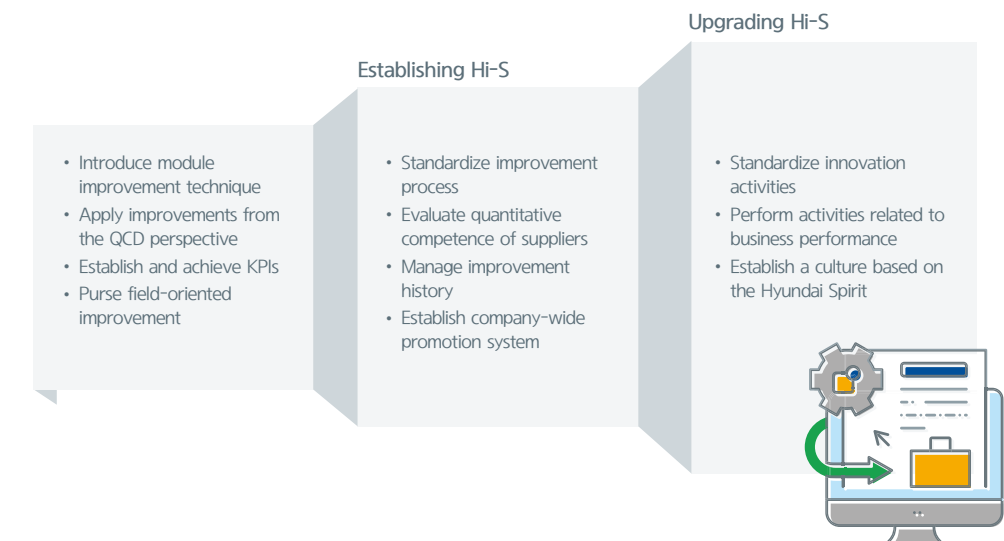
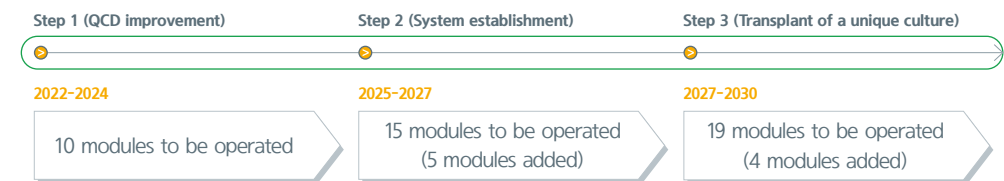
### Competitiveness Enhancement of Suppliers

HCE is aware of that its finished equipment competitiveness comes from the competitiveness of supplier parts, and the quality and technology of supplier parts are directly related to the trust of consumers. We therefore help suppliers enhance their competence and make competitiveness improvement by operating various win-win growth programs such as performance sharing system and financial support.

#### Supplier Nurturing Program

**Hi-S (Hyundai Innovation System) 2.0 Program** The program is HCE's unique production system and is a production innovation activity inspired by the Hyundai Spirit. Through the Hi-S 2.0 module development activity of the suppliers nurturing program, we will go further than solving the problems of suppliers. In terms of comprehensive rating evaluation (supplier evaluation), we aim to improve their own capabilities, such as suppliers securing their supply capacity and quality competitiveness, and finally their fundamental competitiveness. By 2030, we are striving to implement the program in 3 stages. In the first stage, suppliers will internalize the QCD improvement technique. In the second stage, suppliers will secure a company-wide production innovation promotion system. In the third phase, suppliers will strengthen their global competitiveness by being inspired by the unique improvement culture of Hyundai Spirit.

#### Supplier Hi-S 2.0 Implementation Plan



**Smart Factory Project** In 2022, HCE plans to support suppliers in building a digital environment. In connection with the government's smart factory expansion project, such as the establishment of a digital cluster, we will establish suppliers' manufacturing execution system (MES) and facility monitoring system that enhance production efficiency by integrating and managing the real-time data, such as production plan, material flow, and quality information, on a single platform. This aims to provide technical support for the first stage of advancement, helping strengthen the basic competitiveness of suppliers.

**Improving QCD Competence in Development Stage** As HCE plans to operate DRM (Design Review Meeting) and RTS (Review of Technical Specification) tools for newly developed parts, it aims to develop the tools and conduct a pilot operation by 2023, then begin full-scale implementation in 2024. When developing new parts, DRM will verify them at the design stage so that past problems do not recur. RTS will enable suppliers to understand the design specifications required by our company so that they can be reflected in products. In addition, we will receive their opinions, etc. considering the manufacturability/productivity of suppliers so that we can check and reflect the need for improvement in the production. We thus plan to operate the tools so that we can secure the QCD competitiveness of parts before full-scale mass production.

### Participation in the Performance Sharing System

The performance sharing system is a representative practice model for creating a healthy corporate ecosystem as a system in which large companies and SME suppliers work together to improve the ability to supply high-quality products in a timely manner and divide the resulting effects. Through the performance sharing system, HCE receives suggestions from suppliers on new model development, localization of parts, quality improvement, design changes, etc., and when the proposals are reflected in actual products and results are created, they are shared with suppliers for mutually beneficial cooperation.



To encourage an active engagement of suppliers, in the second half of 2021, we held the "Wanted for Win-win" contest for ideas for cost reduction and quality improvement, was held. Eight employees of suppliers who suggested outstanding ideas in each field were awarded. We will continue to expand the performance sharing system so we will improve the sound performance creation of our suppliers and the company and establish a fair subcontracting transaction culture.

### Enhancement of Supplier's ESG Competence

HCE is conducting various activities so that suppliers can continue to take an interest in ESG activities and engage in management accordingly. Every year, we provide guidelines for reporting interests and urge the practice of ethical management. We also encourage clean production and the production of eco-friendly, high-quality products through the green purchasing system.

Through the comprehensive supplier rating evaluation system, we are reflecting the ESG evaluation criteria such as environment and health as well as ethical management, labor management, and human rights protection in the evaluation. The evaluation is conducted through on-site due diligence evaluation, and in 2022, we plan to focus on evaluating whether suppliers have obtained environmental management system certification in relation to environmental competence. Going forward, HCE will continue striving to lay the foundation for shared growth through various systems and programs and to strengthen suppliers' ESG capabilities by establishing a clean and transparent corporate culture.

### Various Support Programs for Suppliers Competitiveness Enhancement Programs

**Training Support for Job Competence** HCE runs the HEP (Hyundai Education Program) technology training program for employees of suppliers twice a year. We support the fostering of our suppliers' professional manpower through education on production management techniques and elementary process technology, and help our suppliers improve their quality by providing quality technical guidance through continuous field visits.

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

#### Global Training Center

HCE has been operating the Global Training Center (GTC) in Eumseong, Chungcheongbuk-do since 2006 to foster mutually beneficial growth with SMEs by nurturing manpower in the construction machinery industry. We have endeavored to train core manpower in the fields of excavator, wheel loader, and forklift maintenance, and operation technology, and have nurtured approximately 13,000 construction equipment talents. In 2020, the GTC was selected as a joint training center for the National Human Resources Development Consortium Project, the first of its kind in the construction equipment industry. After completing remodeling such as internal and external facility improvement, space relocation, and replacement of training equipment, it was newly opened in June 2021, equipped with auxiliary facilities such as offices, lecture hall, practice building, performance test centers, and operation practice center, as well as cutting-edge educational facilities. Currently, we have signed an agreement with about 180 SMEs for the use of GTC. We plan to build a foundation for shared growth where large corporations and SMEs can achieve mutual benefits by deploying technical training personnel, expanding the instructors from in-house and external experts, and thus providing quality education.



HCE E-Training Academy



**Support for Financial Stability** HCE supports its suppliers in strengthening their financial soundness through various programs in Korea. We support the growth of our suppliers through the shared-growth fund and offer a loan of up to KRW 1 billion and a loan interest expense of 0.6%. In addition, in order to support the financial liquidity of our suppliers, in principle, we pay 100% of the material price in cash. Payments are given within 10 days of issuance of the transaction statement, and in the case of national holidays and summer holidays, early payments are made to facilitate the fund management of suppliers.

#### Financial Support for Domestic Suppliers in 2021

Programs			Results of Support
Direct Support	Early payment of material cost	Early payment of material cost before national holidays and summer holidays	Early payment of KRW 78.7 billion
Mixed Support	Shared Growth Fund	Support for low-interest loans for suppliers operating funds based on deposits	KRW 45 billion raised Provided loans worth of KRW 17.8 billion
Special Support	Technology guarantee win-win agreement	Financial support to suppliers using our contributions	Spent KRW 1.7 billion

\* Signed a mutually beneficial guarantee agreement to support parts suppliers

## Establishment of a Culture of Win-win Growth

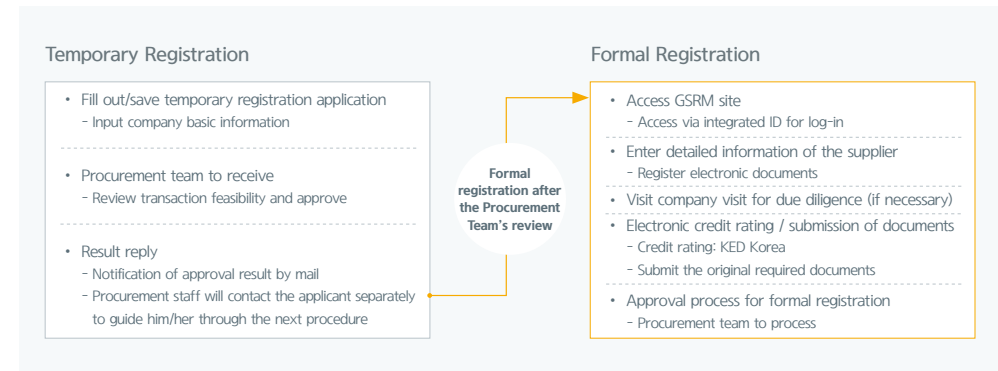
### Win-win Growth System

HCE was subject to the Win-win Growth Index in 2021, so we checked our win-win growth activities. In 2022, to expand the scope, efforts are being made to encourage suppliers to participate in our win-win growth activities by supplementing and improving the existing win-win growth system.

#### Win-win Growth Operation System

Classification	Details
Dedicated department (executive in charge) - Key responsibilities	<ul style="list-style-type: none"> <li>Procurement Department (Head of the Department) <ul style="list-style-type: none"> <li>Supervising the Win-Win Cooperation Committee, collecting and implementing key decisions on support for suppliers</li> </ul> </li> </ul>
Communication channel with suppliers	<ul style="list-style-type: none"> <li>Meetings with suppliers (twice/year)</li> <li>Offering information on the business status &amp; outlook and policies for each sector, and awarding prizes to the best performing suppliers</li> </ul>
Major activities for win-win growth	<ul style="list-style-type: none"> <li>Operating the Shared Growth Fund System</li> <li>Operating the Win-Win Cooperation Guarantee System</li> <li>Supporting technology development of suppliers</li> <li>Providing training support</li> </ul>

**Supplier Selection Process and Technology Protection** HCE strives to contribute to the establishment of a fair subcontract transaction order by enhancing transparency and fairness in the supplier selection and operation process. The selection of new suppliers is made by combining the self-diagnosis results of suppliers and management evaluation, quality evaluation, financial evaluation, and ethical management level through visit and inspection (if necessary). In addition, the financial soundness of potential suppliers is objectively verified with the evaluation data of an external professional evaluation agency.



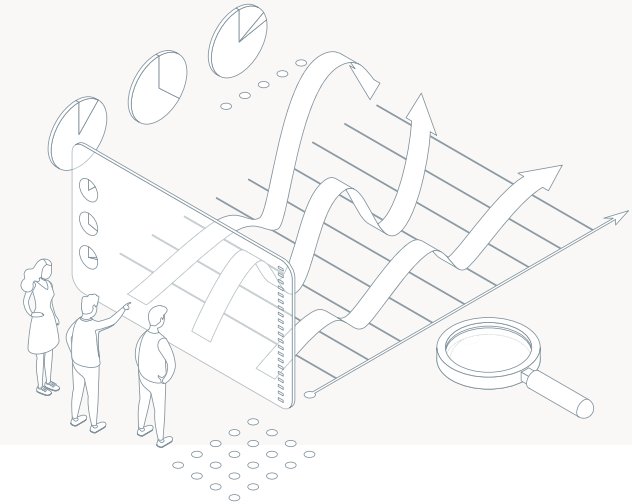
### Suppliers Communication Enhancement

**HCE Suppliers Council** To ensure close communication with suppliers, HCE Suppliers Council was launched and regular meetings with suppliers are held. In 2021, non-face-to-face meetings were held in response to the COVID-19 pandemic to share key management status and listen to supplier grievances to make improvements, where applicable. In addition, we support competitiveness improvement by selecting and awarding excellent suppliers by evaluating supplier quality management and delivery standards. To strengthen communication channels with suppliers, we have opened two council offices in Bundang and Ulsan to support operations. In the case of in-house suppliers, we are supporting the safety and health council and suppliers' safety staff to establish autonomous safety management. In addition, we are implementing a safety and health education support program for supplier managers and new hires.

**Establishing Supplier Communication Channel** HCE established the Partner Companies Fostering Team in the second half of 2021 to strengthen win-win management and achieve shared growth with its suppliers. Various programs are being reviewed and implemented to help suppliers improve quality/cost/delivery capabilities by establishing long-term partnerships with them. In particular, to promote communication with suppliers, the Partner Companies Fostering Team plays the role of a channel, and from November 2021 to May 2022, we visited 32 suppliers, listened to opinions on 111 items, and made improvements while checking the progress on a monthly basis. We plan to provide feedback on the progress of improvement occasionally or regularly to all suppliers. We strive to review supplier's voices as much as possible, to give feedback based on the results of the, thereby solidifying a trusting relationship with our suppliers and laying the foundation for shared growth.

## 06. Employee Value Proposition

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

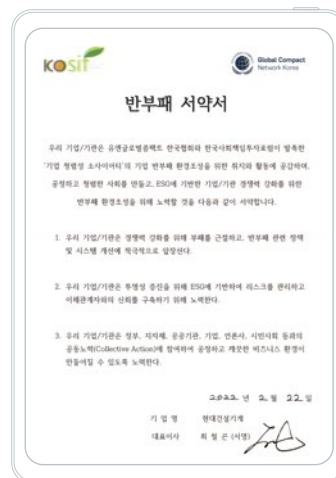


### Human Rights Management

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



Joined UNGC (December 2021)



Anti-Corruption Pledge (February 2022)

**Strengthening Human Rights Risk Management** HCE plans to establish a Human Rights Management Committee in 2022 to fulfill its responsibilities for human rights as a global company and to create a sound corporate culture. We will also make human rights management declarations and conduct human rights impact assessments. To discover human rights risks that may occur in the field in advance through written evaluation and on-site due diligence, and to address and mitigate human rights risks derived from the evaluation results, we plan to establish an organization dedicated to human rights risk assessment and to continue to conduct related education and campaigns.

**Grievance Reception Channel and Handling Process** In order to promptly respond to verbal and physical violence caused by sexual harassment or workplace harassment, HCE mandates the operation of an internal Grievance Handling Committee, and has at least two members from each of the labor and management. We use a variety of online and offline channels to receive and handle grievances for remedying human rights violations by employees. If a risk of human rights violation is identified from the received information, we are striving to protect the human rights of employees by promoting relevant improvement activities. All of major reports received in Korea in 2021 have been handled.

#### Grievance Reception Channel

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

## Grievance Handling Process



## Respect for Diversity

## Protection of Employee Diversity

As of December 31, 2021, number of HCE employees stood at 4,254 worldwide, including 1,519 in Korea. Although it is not easy to secure female workers due to the nature of the machinery manufacturing industry, we are striving to eliminate prejudice against female workers in the manufacturing environment. In particular, there is no discrimination or restriction in recruitment and job assignment so female workers can demonstrate their capabilities. As a result, the proportion of female employees is steadily on the rise, and the proportion of female managers is also gradually increasing.

## Collective Agreements for Gender Equality

Article 59. Parental leave	<ol style="list-style-type: none"> <li>1. In accordance with the Equal Employment Opportunity and Work-Family Balance Assistance Act, the company allows parental leave if requested, and the parental leave period shall be included in the number of years of service.</li> <li>2. The company shall not give any disadvantages to or unfairly treat union members in terms of the wages or promotions on the grounds of parental leave.</li> <li>3. The wages during parental leave shall be in accordance with the relevant laws and regulations.</li> <li>4. An eligible union member may apply for a reduction in working hours instead of parental leave.</li> <li>5. Other details shall be governed by the relevant laws.</li> </ol>
Article 60. Prevention of sexual harassment in the workplace and prohibition of violence	<ol style="list-style-type: none"> <li>1. In accordance with Article 12 of the Equal Employment Opportunity and Work-Family Balance Assistance Act, any form of sexual harassment by employers, superiors, and/or workers is prohibited in the workplace. In the event of sexual harassment or sexual assault, the company shall investigate the case, if requested by the victim or the union that has obtained the consent of the victim. The offender shall be referred to the disciplinary committee.</li> <li>2. In order to prevent sexual harassment and sexual violence in the workplace, the company shall provide training on prevention of sexual harassment in accordance with Article 13 of the Equal Employment Opportunity and Work-Family Balance Assistance Act.</li> </ol>
Article 61. Honorary Employment Equality Supervisor	<ol style="list-style-type: none"> <li>1. In accordance with Article 24 of the Equal Employment Opportunity and Work-Family Balance Assistance Act, an Honorary Employment Equality Supervisor shall be appointed.</li> <li>2. A person recommended by both the company and the labor union shall be requested to be appointed as the Honorary Employment Equality Supervisor.</li> <li>3. A separate counseling room shall be set up for the activities of the Honorary Employment Equality Supervisor. The hours required to complete the necessary education or training or the hours required for counseling shall be paid for.</li> </ol>

## Provision of Fair Opportunity

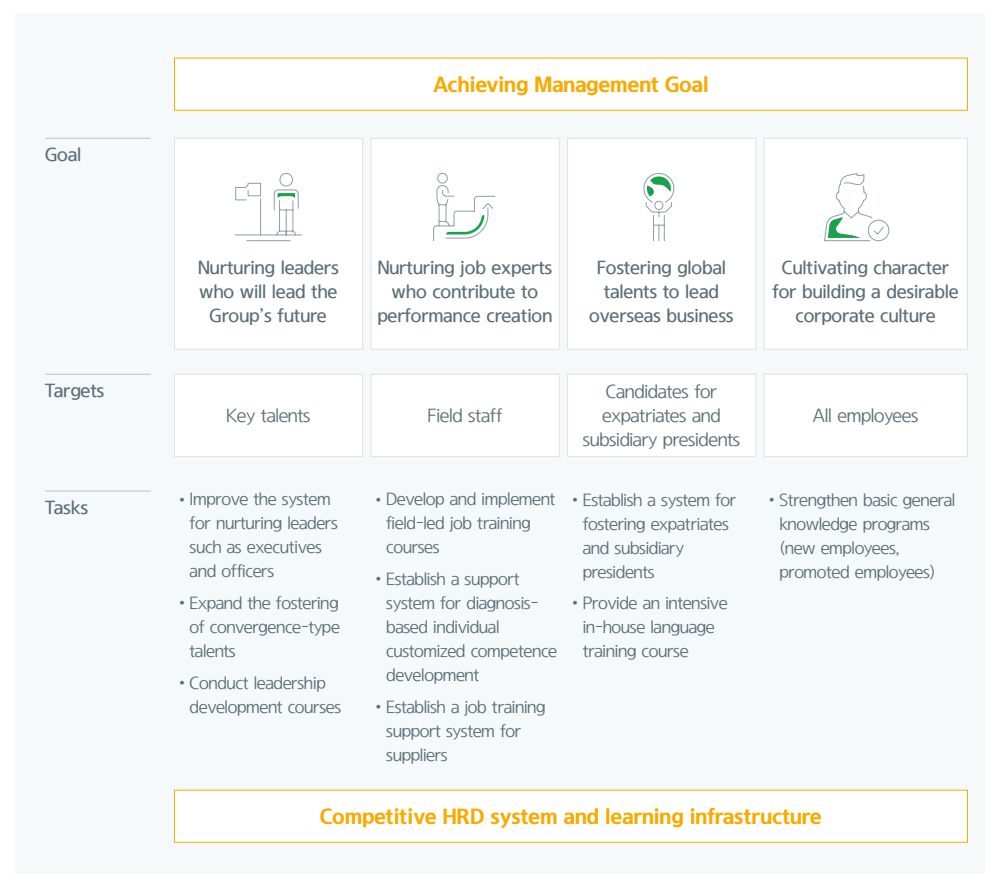
HCE respects the dignity of individuals as specified in the Hyundai Heavy Industries Group Ethics Charter - Code of Ethics. Without any reasonable reason, employees will not be discriminated against in hiring, evaluation and compensation, citing gender, religion, disability, age, social status, place of origin, country, ethnicity, physical condition, marital status, pregnancy or childbirth, familial form or familial circumstances, race, skin color, ideology or political opinion, sexual orientation, education, medical history. In addition, employees will not be treated unfairly based on personal relationships such as school ties and regionalism.



## Human Resources Development

HCE strives to nurture human resources so that the growth of its employees leads to the corporate performance and competitiveness, thereby driving the company's growth. In particular, we provide opportunities to improve various work capabilities to nurture next-generation leaders, convergence-type talents, job experts, and global talents. By activating non-face-to-face training, we strive to provide timely training to our employees without space and time restrictions.

### Human Resources Development System



### Reinforcing Job Competence

**Leader's Competence Enhancement** To nurture next-generation leaders, HCE selects excellent talents for each class and conducts leader training in stages according to the leadership system. Training was provided to employees selected as new position holders, and organizational diagnosis and leadership consulting were provided to employees in 2021. We thus plan to set the direction for fostering leaders and strengthen education programs to boost the leadership capabilities of incumbent leaders.

**Job Expertise Enhancement** In order to strengthen the expertise of the employees, we have established a competence system for each job to accurately diagnose the competence level of our employees. We have also completed a roadmap for employee growth as experts and are continuing to expand the provision of appropriate education. In particular, while upgrading the job training system to further strengthen job training specialized for construction machinery, by providing a variety of training methods without a distinction between internal/external and online/offline, we plan to support employees in enhancing their job expertise in a timely and effective way.

**Support for Self-directed Growth** HCE operates an external training application and support system so that employees plan and participate in the training on their own to better perform their duties. In particular, we support self-directed learning in a variety of ways, such as providing online training opportunities, support for participation in external training, and support for language test fees to strengthen employees' global capabilities.

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

**Fostering DT Talents** HCE has selected the fostering of DT (Digital Transformation) talents as an important task, and continues to participate in DT training hosted by the Group Education Division. In particular, by including DT/IT-related courses in the main course curriculum of the leader development course, we embed the trend of emphasizing DT competence to education. Going forward, we will strengthen DT talent development training that reflects the characteristics of construction equipment affiliates of the Group.



**Onboarding Programs for New Hires** HCE runs an onboarding program for all new hires, including new and experienced employees, to help them adopt to the company as early as possible. Upon employees joining the company, we provide them with a Welcome Box consisting of items necessary for company life, a Welcome Kit including greeting cards from the CEO, and various manuals. We provide introductory education centered on basic general knowledge that can enhance their understanding of the company. In addition, by offering a mentoring program for more than six months, new hires can boost their adaptability to organizations and jobs while also increasing work engagement. In addition, regular meetings between new hires and the CEO are held to strengthen communication between the top management and working-level staff.

**Retirement Planning** We support participation in retirement planning training and re-employment support training hosted by the group education division for employees over the age of 50 years who are preparing for retirement. In particular, the implementation of retirement planning education was delayed due to the re-spreading of COVID-19, and education was focused on those who did not complete the relevant education among the expected full-time retirees. We plan to operate related education as normal in accordance with government policies such as the resumption of daily routines.

**Support for Training Opportunities** HCE provides training opportunities with guaranteed reinstatement to strengthen employee competence. We select excellent employees and give them the opportunity to acquire master’s and doctoral degrees from leading universities at home and abroad. We select key talents in each division and support the cost of self-development to acquire certifications. In addition, we are operating a system to support studying at general graduate schools while working at the company.

**Fostering Global Leaders** The program is classified into expatriate education and permanent language education for expatriate candidates and the pool of talents. As for expatriate education, we support expatriates’ pre-adjustment to work by providing intensive language education through collective training, local life and cross-cultural education with local experts and returned expatriates as instructors. Also, in order to strengthen human resource exchange and synergy among construction equipment affiliates of the Group, we plan to establish and operate a system to select candidates for each dispatched expatriate location in advance and nurture them into prepared global leaders. Permanent language education is provided through various methods such as telephone English programs provided by the Group Cyber Education Center, AI English programs (using an external specialized educational institution), support for external language education expenses, and intensive language education by inviting in-house native speakers.

Fair Evaluation and Compensation

HCE has established and operates a transparent and objective personnel evaluation and compensation system to fairly evaluate and reward employee efforts. In addition, we are creating a work environment where employees can feel a sense of accomplishment and motivate their work through various reward systems.

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

STEP 1	STEP 2	STEP 3	STEP 4	STEP 5	STEP 6	STEP 7
Establish management goals	Select evaluators	Self-evaluation	1 <sup>st</sup> and 2 <sup>nd</sup> evaluation	Rating of grade	Adjust rating	Disclosure of results, and appeals
Establish management goals by individual in consideration of business plans and job responsibilities (head of department or higher)	Select 1st and 2nd evaluators and mediators	Conduct self-evaluation by the person to be evaluated	Conduct evaluation by 1st and 2nd evaluators each	Calculate grades based on the 1st and 2nd evaluations	Adjust the final grade by the moderator (consultation with the 1st and 2nd evaluators)	Improve fairness and transparency through the disclosure of results and an appeal system

**Compensation System** In order to stabilize the lives of employees, the inflation rate is reflected in the wage increase. We have also put in place an incentive system through which distributes performance within financial limits in connection with quantified performance such as sales or operating profit at the end of each year. In particular, for executives and employees at manager level or higher, we apply a performance-based annual salary system to differentiate the compensation according to individual and organizational performance evaluation results, thereby realizing compensation commensurate with work performance. In addition to monthly salaries, for working-level staff at assistant manager level or lower, we are operating various compensation items such as bonuses and birthday celebrations. In addition, we apply the same wage standard to male and female workers, so there is no differentiation of salaries by gender.

**Reward System** HCE operates an employee reward system under the principle of “where there is performance, where there is a reward”, and is applying the system in a way to boost fairness and acceptability of employees. In addition, we are working to create a culture of harmony and encouragement through a mobile reward system to promote praise and encouragement among employees. In addition, from 2022, we plan to launch and operate a new HI-S (Hyundai Innovation System) reward to facilitate our innovation activities, to inspire all employees to take on challenges, and to further motivate them for performance rewards.

System	Outline
Outstanding Employee of the Year	Awarding through fair screening, such as subdividing the reward fields into outstanding performance, outstanding achievement, and technology development, clearly defining the reasons for the award for each field, and operating a phasal review body with expertise for each recommendation
Praise Your Colleague Program	Mobile awards to revitalize the organization and create a culture of encouragement among employees

#### New HI-S Awards in 2022

Classification	Targets		Criteria for selection
Field Awards	Team award	Production team	Best Innovation Award Quality indicator + Patrol improvement implementation rate + 5S evaluation + Accident and disaster
			Outstanding Innovation Award On-site patrol improvement excellent presentation case + Team self-improvement case
	Individual award	Production technician job	Outstanding Improvement Award Improvement results of tasks selected according to the need for production sites
			Excellent Quality Award Individual quality index + Multi-function + Number of quality observers selected
Module Awards	Individual award	Hi-S module leader	Innovation Leader Award Project progress rate + Number of improvements completed
	Module award	Module group	Best Hi-S Module Award HI-S Day activity result monitoring + Organizational participation

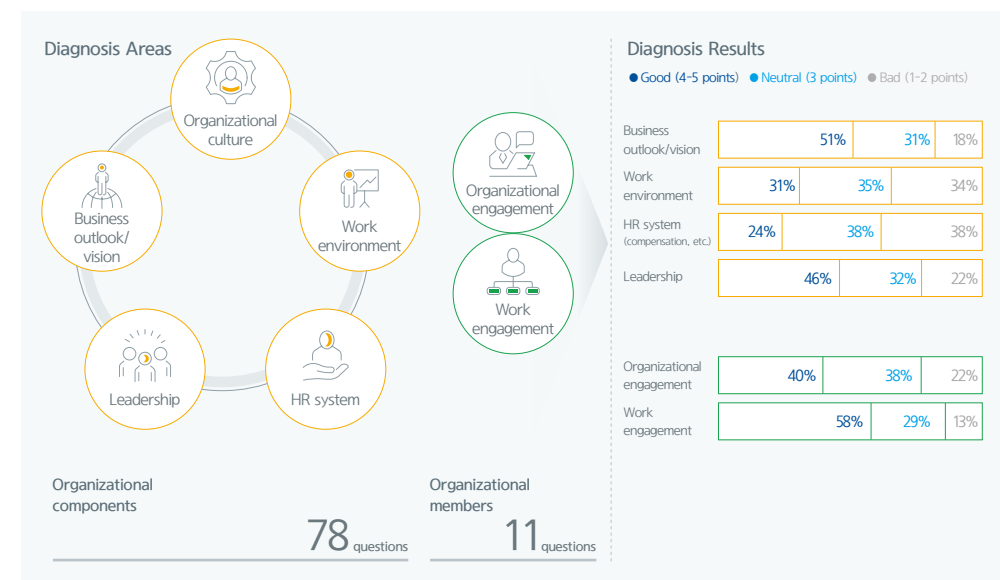
## Organizational Culture

### Establishment of Flexible Organizational Culture

HCE is focused on building a creative and flexible organizational culture through the “Culture Change Program (CCP)”. In particular, we will create an environment where all employees can grow through work, with self-esteem and pride, and centered around change and execution by leaders and at fields. In addition, by strengthening the communication culture using participation-oriented communication channels and campaigns, as well as establishing a system based on performance and competence, and smooth human resources management, we inspire employee motivation and boost organizational commitment to implement an organizational culture of autonomy and responsibility.

**Diagnosis of Organizational Culture** For the objective evaluation of internal members on the organizational culture after the spin-off, HCE conducted a diagnosis of organizational culture on 89 questions in seven areas including business outlook/vision, work environment, personnel system, leadership, organizational immersion, job immersion, and organizational culture in June 2021. We shared the diagnosis results in which 79% of office workers (including research and design) participated at an employee briefing session. In particular, we selected organization and work engagement as items of improvement, and we plan to continue to improve the organizational culture by regularly conducting organizational diagnosis.

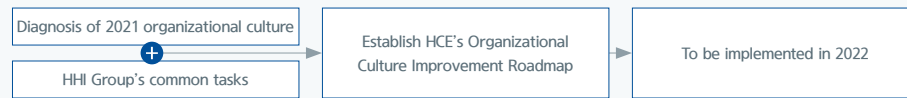
### Organizational Culture Diagnosis





## Efforts to Improve Organizational Culture

Roadmap for Organizational Culture Improvement Based on the results of the 2021 organizational culture diagnosis and the Group's common organizational culture improvement task, HCE has established a roadmap to improve organizational culture. Accordingly, we will continue to promote organizational culture improvement activities from 2022.



	Group Common Tasks	HCE Tasks
Change Management TF Tasks	<ul style="list-style-type: none"> <li>Business process improvement               <ul style="list-style-type: none"> <li>Elimination of unnecessary tasks</li> <li>Establishment of inter-organizational R&amp;R</li> </ul> </li> <li>Improvement of meeting culture</li> <li>Improvement of reporting culture</li> </ul>	<ul style="list-style-type: none"> <li>Resolving organizational culture issues by division               <ul style="list-style-type: none"> <li>Based on the diagnosis results in 2021, identify issues by division and resolve them using OD<sup>1)</sup> Solution</li> <li>In 2022, the task force will lead the implementation, and in the long run, the task-solving process will be established so that the field can lead</li> </ul> </li> <li>Conduct various activities to strengthen employees' positive mindset toward the company               <ul style="list-style-type: none"> <li>Strengthening employees' positive mindset through small activities</li> <li>Examples) Autonomous dress code of executives/ team leaders, posting of leader's commitment to change, offering coffee tea service for workplaces without TFs and cafes</li> </ul> </li> </ul>
HR Tasks	<ul style="list-style-type: none"> <li>Strengthen communication               <ul style="list-style-type: none"> <li>Have dialogue with the CEO</li> <li>Operate various communication channels with new hires</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>System improvement and compensation reinforcement               <ul style="list-style-type: none"> <li>HR system improvement and job market operation</li> <li>Reinforcement of new manpower management</li> </ul> </li> <li>Driving change in leaders               <ul style="list-style-type: none"> <li>Strengthen leadership education and publication of leadership newsletter</li> <li>Operate leaders' HR scorecard</li> </ul> </li> </ul>
Field Tasks	<ul style="list-style-type: none"> <li>Boost work efficiency               <ul style="list-style-type: none"> <li>Expand RPA application</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Establish job-based CDP system               <ul style="list-style-type: none"> <li>Establish and implement R&amp;D FC<sup>2)</sup></li> </ul> </li> </ul>
Mid-to-long-Term Tasks	<ol style="list-style-type: none"> <li>Avoid short-term performance orientation and establish a mid-to-long-term development environment               <ul style="list-style-type: none"> <li>Introduction of executive evaluation involving both short- and long-term performance</li> </ul> </li> <li>Perform change tasks through OD               <ul style="list-style-type: none"> <li>Determine and implement mid-to-long tasks for boosting organizational capabilities</li> </ul> </li> <li>Upgrade work process               <ul style="list-style-type: none"> <li>Analyze job to determine appropriate manpower and boost manpower efficiency</li> </ul> </li> <li>Establish CDP system based on the job               <ul style="list-style-type: none"> <li>Establish and expand FC of all functions</li> </ul> </li> </ol>	

<sup>1)</sup> OD: Organization Development

<sup>2)</sup> FC: Functional Competency

Change Management TF and CA Channel HCE has formed a Change Management TF under the direct control of the CEO. Consisting of the incumbent executives who is responsible for promoting organizational culture change as leaders, the TF strives to carry out organizational culture activities that are meaningful to employees. In addition, by selecting a Change Agent (CA) for each executive-level organization and having them perform co-work with the business units at the headquarters and divisions, we plan to discover areas of improvement within the organization and make improvement desired by employees.

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

In order to perform successful organizational culture improvement activities, all leaders (including the CEO, all executives and team leaders/department heads) should take responsibility, lead by example and make efforts to practice and support change management activities so that the role of change management TF/CA and field work can be performed well.

**Tasks for Organizational Culture Improvement** In order to increase employee engagement and satisfaction with the company, and to build HCE's unique organizational culture, we plan to pursue various improvement activities such as intensifying communication, strengthening management of new personnel, boosting human resources circulation, enhancing positive mindset of employees, changing working methods, improving systems, and bolstering compensation.



#### Onboarding Program for New Hires

Welcome Kit		Operation of Mentor System (Buddy)	
Category	New Employees	Period	Experienced Employees
Welcome Kit	<ul style="list-style-type: none"> <li>• Welcome Box <ul style="list-style-type: none"> <li>- Tumbler, toothbrush sterilizer, wireless charger, desk cube, etc.</li> </ul> </li> <li>• System and work life manual, organization/job information</li> <li>• Congratulatory gift (flowerpot), CEO's greeting card for joining</li> <li>• PC, phone, business card, etc. preset</li> </ul>	<ul style="list-style-type: none"> <li>• One year after joining the company</li> <li>• Senior-level core staff within a division/department</li> </ul>	<ul style="list-style-type: none"> <li>• Six months after joining the company</li> <li>• Part head within a division/department (Position: Manager)</li> </ul>
Joining the company - 2 weeks	<ul style="list-style-type: none"> <li>• Management goal explanation and job training</li> <li>• Introduction training for the three construction equipment companies</li> <li>• Hold conversation time with the CEO such as "CEO Connect" <ul style="list-style-type: none"> <li>- 3 times in total when joining the company, 3 months later, and after 1 year</li> </ul> </li> </ul>	Activity outline	<ul style="list-style-type: none"> <li>• Management of Mentor/Mentee Quarterly Reports <ul style="list-style-type: none"> <li>- Adaptability, listening to difficulties, etc.</li> </ul> </li> <li>• Mentor's evaluation after mentoring (HR) <ul style="list-style-type: none"> <li>- Satisfaction with the activity, suitability, mentee's satisfaction, etc.</li> </ul> </li> </ul>
For a year after joining the company	<ul style="list-style-type: none"> <li>• Operation of new employee exchange group <ul style="list-style-type: none"> <li>- Once a quarter (Bundang/Ulsan), offering a member fee of KRW 30,000 per person</li> </ul> </li> </ul>	Support items	<ul style="list-style-type: none"> <li>• Provide mentor coaching training for mentees</li> <li>• Hold Mentoring Day (once a month) <ul style="list-style-type: none"> <li>- Offering KRW 200,000 for quarterly activity expenses</li> </ul> </li> <li>• Awarding for excellent mentors (about KRW 200,000)</li> </ul>

#### Work-Life Balance

Based on the principle of "practical support for the diverse needs of employees", HCE has put in place an effective welfare system. From in-house work culture to housing, home, leisure support, and post-retirement support, we help our employees strike the healthy balance between life and work. Also, by operating a flexible working system, we are contributing to maintaining customized organizational culture activities. In addition, in 2022, we plan to strengthen support for work-life balance by providing an improved working environment together with the transfer of working offices to the GRC (Global R&D Center) along with the acquisition of family-friendly management certification.

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

#### Flexible Working System

In order to support employees' work-family balance and to create an efficient work culture, we are operating a flexible working system for employees of domestic business sites. In order to improve office productivity and work efficiency, we are operating a selective working time system that allows employees to freely adjust their commuting hours within the monthly working hours. In order to prevent the spread of COVID-19 in 2021, we actively recommended and implemented remote work.

#### Refresh Opportunities

HCE grants five days of paid leave from July to August for employees to rest and recharge, and an additional four days of paid leave in the last week of December to all employees subject to the collective agreement. In addition, we operate a "self-development leave" system that provides free accommodation for two nights at a partner hotel if employees use annual leave/monthly leave for five consecutive days, and for one night stay if they take a leave for three consecutive days, allowing employees to relax and recharge in their busy daily life.

### Support for Stable Post-Retirement Life

**Retirement Pension System** HCE operates a retirement pension system for all employees who have worked for more than one year. In accordance with labor-management agreement, the defined contribution (DC) method is selected for those aged 56 and over, and the defined benefit (DB) method is selected for all other employees.

**Education to Support Retirement Planning** HCE runs a training program for retirement planning so that employees can maintain a healthy and stable life after retirement. We help our employees prepare for a second life after retirement by sharing information on assets and health management, re-employment, and starting a business. Going forward, by considering the requests of employees as much as possible, we will improve the program to be focused on experience and activity-oriented programs such as the cases of successful retirement planning and the courses for couples. We also plan to organize special lectures reflecting the latest trends in the economy and IT.

### Family-friendly Management

HCE strictly complies with the laws stipulated in the laws, such as parental leave and family care leave. In addition, we are running various welfare programs to improve the family-friendly welfare of our employees. We provide a "Happy Mom's Package" consisting of necessary items and gift certificates to pregnant employees, offer maternity products worth about KRW 300,000 when a child is born, and pay congratulation money to employees who have given birth (including the spouse's childbirth).

We run an in-house daycare center. For employees who have a child under the age of 7, KRW 150,000 is provided every month for one year before entering school. For employees with a child entering elementary school, a set of school supplies is provided. In addition, various events and systems for both employees and their families, such as family invitation events, which could not be operated due to the COVID-19 pandemic, will be restored, and such programs will be expanded depending on the progress.

In 2022, we plan to acquire family-friendly company certification, and after the acquisition, we will actively make known our family-friendly company activities through voluntary public disclosure.

### Labor-Management Culture of Win-win

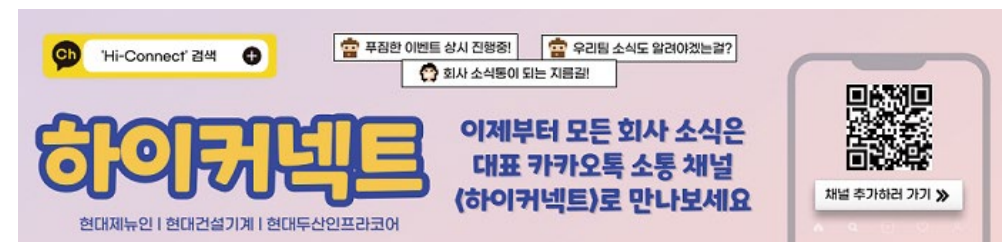
HCE has been renewing the collective agreement every two years to improve working conditions since its spin-off in 2017, and wage negotiations are held every year. In addition, the Labor-Management Council is held quarterly to discuss the improvement of working conditions and the welfare of employees on a regular basis.

**Briefing Session on Management Status** HCE regularly holds briefing sessions on the company's business status for employees and labor unions. We thus are forming an internal consensus for overcoming the business crisis and enhancing competitiveness while also instilling an entrepreneurial mindset of our employees. Although it was a very difficult business environment due to the COVID-19 pandemic in 2021, we were able to overcome the crisis wisely through continuous communication with employees. The company is obliged to notify the union of major business changes according to the collective agreement, and the notice period varies by case. For example, in the case of division, transfer or merger of all or part of the business, the company must notify the union 40 days in advance.

**Facilitating Employee Communication** HCE publishes "HCE News" on a regular basis to deliver various news to employees, including major company news and employee stories. In addition, "Hi-Connect", an in-house communication channel for the Construction Machinery Sector of Hyundai Heavy Industries Group, serves as a center for information sharing and communication for members of the Sector. In 2021, to promote communication with employees including the millennials and Generation Z, we launched an in-house reporter group composed of employees in various positions from each division and overseas corporation so we are activating intergenerational communication throughout our global workplaces.

In addition, we promote communication and harmony among all employees through annual in-house events (sports & family events) for employees. Since 2021, group events have been suspended due to the COVID-19 pandemic, but when the situation stabilizes, we plan to hold various events to strengthen ties among employees.

**Education on Labor-Management Relations** We are conducting labor-management relations education for employees as a to help them recognize the importance of establishing harmonious labor-management relations and to strengthen communication between labor and management. In order to build a mutually beneficial labor-management relationship, it is essential to create a healthy organizational culture and cultivate the right leadership of the managers in various positions. We are therefore focusing on offering education to create an organizational culture of communication and to strengthen the leadership of those in charge.



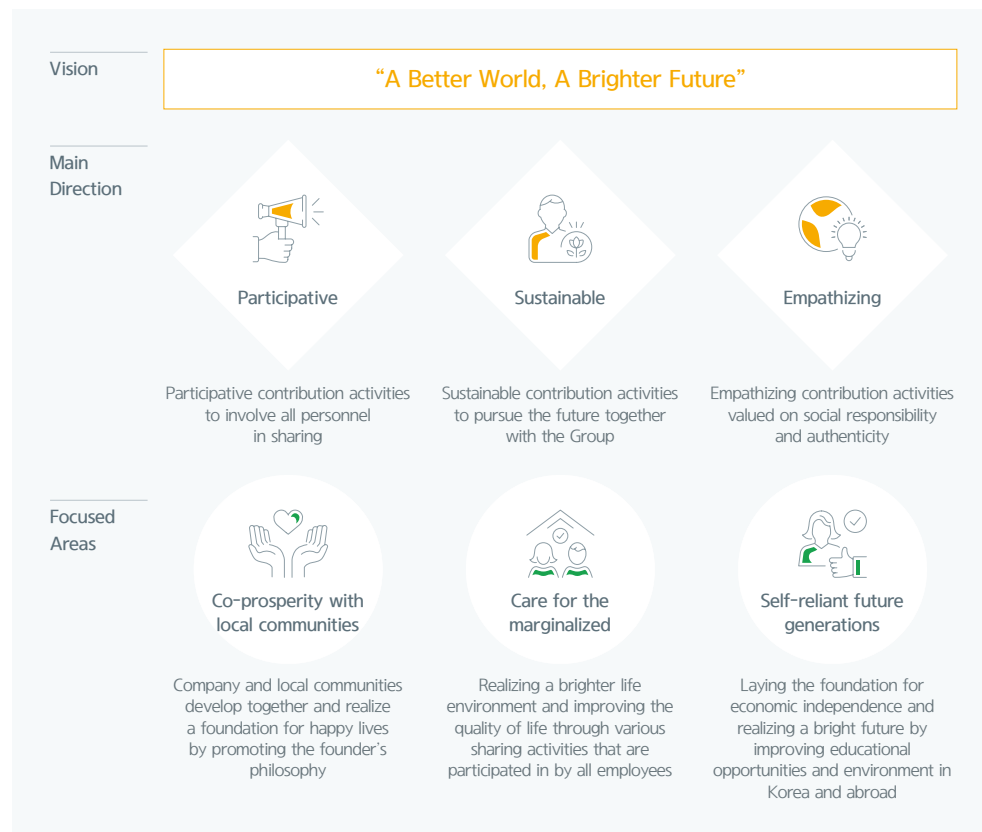


## 07. Contribution to Local Communities

HCE is engaged in a wide range of corporate social responsibility activities to become a company loved by all, in accordance with its management philosophy of contributing to the development of the country and local communities. In order to realize the CSR vision of HII Group “A Better World, A Brighter Future”, we are committed to participative contribution activities to involve all personnel in sharing; sustainable contribution activities to pursue the future together with the Group; and empathizing contribution activities valued on social responsibility and authenticity, thereby helping the underprivileged, facilitating the local economy, and contribute to nurturing future generations.



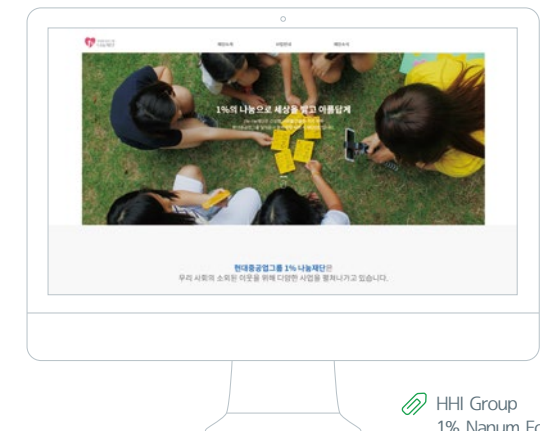
### Strategic Directions of HII Group's Social Contribution



### Major CSR Activities

Even in difficult circumstances due to the COVID-19 pandemic, HCE conducted CSR activities with a focus on overcoming national disasters, caring for the underprivileged, and win-win with the local community by utilizing all available means. We continue to strive for mutually beneficial growth with all local communities where we produce and sell our products at home and overseas.

1% Salary Sharing Campaign HCE has been working together with the 1% Sharing Foundation, which started in 2020, and 24% of its employees are now participating in the sharing.



### Co-prosperity with Local Communities

**Blood Donation Agreement with Seoul Nambu Blood Center** HCE has signed a blood donation agreement with seven Group affiliates in the Bundang region to strengthen the community service capacity of its employees. Accordingly, we regularly donate blood to help supply blood, which has been in difficult conditions due to the COVID-19 pandemic.

**One Company, One Village Community Service** Since establishing a sisterhood relationship in 2020, focusing on rural villages in and around Eumseong and Ulsan, HCE has continued to conduct community service activities such as group purchasing of peaches in Eumseong in August, purchasing onions in Ulsan in September, purchasing red pepper powder in October, and group volunteering activities in November. We are thus setting a model for reciprocity with the local communities by conducting community service and helping rural communities.

**Residential Facility Improvement Project for People of National Merit** HCE, in cooperation with the Ministry of Patriots and Veterans Affairs, is helping veterans of the Korean War and the bereaved families of the Cheonan warship soldiers, who have dedicated their lives to the country. In 2021, for about six months, we carried out residential facility improvement projects in three locations - Ulsan, Eumseong, and Seocheon - including remodeling residential spaces and replacing furniture and home appliances.

### Care for the Marginalized

**Kimchi Sharing Event** HCE expanded its partnership with sisterhood welfare facilities for win-win with local residents and the underprivileged in Bundang-gu, Seongnam-si, and supported holidays and local events. In addition, we are sharing hope and warmth with the local community through the kimchi sharing event for the elderly and low-income families.

**Food Kits for Families in Need** In cooperation with the Ulsan branch of the Korean Red Cross, HCE produced emergency food kits related to COVID-19 quarantine and donated them to 550 households of the low-income class and the elderly.

**Support for Sisterhood Welfare Facilities and Villages During Holidays** Every year, we support low-income families, the elderly, and sisterhood welfare facilities in the local community with goods for national holidays and seasonal holidays so that they can stay warm.

**Briquette Sharing Event** We donate 250 briquettes to 25 low-income and elderly households each near the Eumseong Factory to help them have a warmer winter.



Blood Donation Agreement with Seoul Nambu Blood Center



One Company, One Village Community Service



Kimchi Sharing Event



Briquette Sharing Event

### Self-reliant Future Generations

Support for Children from Low-Income Families / Educational Environment Improvement Project  
HCE, together with the ChildFund Korea and HHI, selected five low-income families in Ulsan to provide monthly scholarships to their children, and selected one school to improve the educational environment.

### Global CSR Activities

As a global company, HCE is carrying out CSR activities tailored to local overseas communities to fulfill its responsibility as a corporate citizen.

Support for Local Schools in India Our subsidiary in India invested INR 2.2 million (approximately KRW 35 million) to add classrooms and provide teaching materials to help local schools in India suffering from lack of classrooms.

Support for Tornado Relief Our subsidiary in Atlanta of the US supported three 5- to 25-ton excavators and worked with local dealers to help local communities in the central US region hit by the tornado.



Support for Local Schools in India



Support for Tornado Relief



# APPENDIX

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# Financial Performance

## INDEPENDENT AUDITORS' REPORT

**To the Shareholders and Board of Directors of  
HYUNDAI CONSTRUCTION EQUIPMENT CO., LTD.**

### Opinion

We have audited the consolidated financial statements of HYUNDAI CONSTRUCTION EQUIPMENT CO., LTD. and its subsidiaries ("the Group"), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Korean International Financial Reporting Standards ("K-IFRS").

### Basis for Opinion

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements as of and for the year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### 1. Assessment of provision for product warranty

As described in the Note 4.(16) to the consolidated financial statements, the Group provides free warranty for the products sold for a certain period of time and the carrying amount of the provision for product warranty is W87,427 million (see note 19). We identified the assessment of provision for product warranty as a key audit matter considering the degree of management's estimate and judgment involved in assessing the provision for product warranty, and the potential impact of that risk on the consolidated financial statements is significant.

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

- Evaluated and tested the design and operating effectiveness of internal controls over the provision for product warranty measurement process.
- Evaluated the accuracy of input data such as warranty amount, warranty timing and others on a sample basis.

- Performed retrospective review of the basis of key assumptions used by management in measuring the provision for product warranty by comparing with past performance.
- Independently recalculated the provision for product warranty provided by the Group.

#### 2. Recognition of revenue from overseas revenue

The Group's revenue from overseas takes a significant portion of total revenue, and is expanding its revenue to various regions, including the United States, Europe, India, South America, and other emerging economies. There were abnormal events such as increased global economic uncertainty, delay of shipment, change of contract terms and temporary suspension of sale arising from the COVID-19 coronavirus pandemic in the current year. We identified the appropriateness of revenue recognition of overseas revenue as a key audit matter considering that there is a risk that revenue from overseas revenue may be recognized in the incorrect period or an inappropriate amount of revenue is recognized due such abnormal events and the potential impact of that risk on the consolidated financial statements is significant.

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

- Evaluated and tested the design and operating effectiveness of internal controls over the revenue recognition process of overseas revenue.
- Inspected contracts related to overseas revenue and review whether they comply with the Group's revenue recognition policy and K-IFRS.
- For selected samples of overseas revenue recognized during the current year, tested the occurrence and the accuracy of amounts by inspecting external evidence.
- For selected samples of overseas revenue recorded during a certain period before and after the end of the reporting period, tested the cutoff of revenue recognition by inspecting external evidence.
- Examined the appropriateness of timing of revenue recognition by analyzing the account pairing of journal entries related to revenue of major overseas customers recorded during the current year.

### Other Matter

The procedures and practices utilized in the Republic of Korea to audit such consolidated financial statements may differ from those generally accepted and applied in other countries.

#### Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

#### Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used in the preparation of the consolidated financial statements and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

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

*KPMG Samjong Accounting Corp.*

Seoul, Korea  
March 11, 2022

This report is effective as of the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of December 31, 2021 and 2020

### HYUNDAI CONSTRUCTION EQUIPMENT CO., LTD. AND SUBSIDIARIES

(In thousands of won)

	2021	2020
<b>Assets</b>		
Cash and cash equivalents	₩ 446,278,565	713,416,728
Short-term financial assets	75,285,166	176,357,747
Trade and other receivables	721,255,128	612,563,819
Inventories	1,012,751,993	720,741,141
Derivative assets	1,322,862	4,445,710
Current tax assets	3,617,111	8,135,953
Non-current assets held for sale	142,707,011	5,680,134
Other current assets	66,254,810	23,644,117
<b>Total current assets</b>	<b>2,469,472,646</b>	<b>2,264,985,349</b>
Long-term financial assets	3,002,000	3,002,000
Long-term trade and other receivables	155,208,356	127,433,360
Property, plant and equipment, net	713,684,461	744,024,248
Intangible assets, net	142,905,224	153,872,136
Right-of-use assets, net	19,791,144	32,280,300
Assets for defined benefit plans	2,685,743	267,792
Deferred tax assets	32,034,726	29,841,249
Other non-current assets	15,503,935	154,567
<b>Total non-current assets</b>	<b>1,084,815,589</b>	<b>1,090,875,652</b>
<b>Total assets</b>	<b>₩ 3,554,288,235</b>	<b>3,355,861,001</b>

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of December 31, 2021 and 2020

### HYUNDAI CONSTRUCTION EQUIPMENT CO., LTD. AND SUBSIDIARIES

(In thousands of won)

	2021	2020
<b>Liabilities</b>		
Short-term financial liabilities	₩ 849,394,187	684,453,531
Short-term lease liabilities	6,509,083	10,336,336
Trade and other payables	405,120,419	338,427,689
Short-term contract liabilities	74,696,890	36,763,557
Short-term provisions	85,129,953	55,104,130
Derivative liabilities	4,985,459	30,664
Income tax payables	24,677,555	8,410,745
Other current liabilities	2,895,402	22,970,407
Non-current liabilities held for sale	45,684,293	-
<b>Total current liabilities</b>	<b>1,499,093,241</b>	<b>1,156,497,059</b>
Long-term financial liabilities	411,798,468	529,996,752
Long-term lease liabilities	8,833,977	13,087,424
Long-term trade and other payables	22,867,924	17,412,547
Long-term contract liabilities	22,959,102	21,484,283
Liabilities for defined benefit plans	1,269,955	4,506,311
Long-term provisions	37,270,071	19,041,023
Deferred tax liabilities	-	6,302,768
Other non-current liabilities	2,387,926	-
<b>Total non-current liabilities</b>	<b>507,387,423</b>	<b>611,831,108</b>
<b>Total liabilities</b>	<b>2,006,480,664</b>	<b>1,768,328,167</b>
<b>Equity</b>		
Common stock	98,503,965	98,503,965
Capital surplus	783,185,635	774,679,293
Capital adjustments	82,060,786	(42,091,050)
Accumulated other comprehensive income	118,639,881	88,898,178
Retained earnings	408,463,800	298,324,608
<b>Equity attributable to owners of the Company</b>	<b>1,326,732,495</b>	<b>1,218,314,994</b>
<b>Non-controlling interests</b>	<b>221,075,076</b>	<b>369,217,840</b>
<b>Total equity</b>	<b>1,547,807,571</b>	<b>1,587,532,834</b>
<b>Total liabilities and equity</b>	<b>₩ 3,554,288,235</b>	<b>3,355,861,001</b>



## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2021 and 2020

### HYUNDAI CONSTRUCTION EQUIPMENT CO., LTD. AND SUBSIDIARIES

(In thousands of won, except share information)

	2021	2020
Revenue	₩ 3,284,339,623	2,390,509,794
Cost of sales	2,751,714,110	1,962,200,545
Gross profit	532,625,513	428,309,249
Selling, general and administrative expenses	371,916,677	340,872,266
Operating profit	160,708,836	87,436,983
Finance income	51,537,276	56,417,337
Finance costs	56,732,104	97,064,139
Other non-operating income	25,960,738	7,254,743
Other non-operating expenses	23,841,642	42,980,117
Profit before income tax	157,633,104	11,064,807
Income tax expense	47,859,908	986,385
Profit from continuing operations	109,773,196	10,078,422
Profit (loss) from discontinued operation, net of tax	16,660,974	(1,573,748)
Profit for the year	₩ 126,434,170	8,504,674
Other comprehensive income items that are or may be reclassified subsequently to profit or loss:		
Foreign currency translation of foreign operation	₩ 72,625,856	911,856
Gain on valuation of cash flow hedges	(6,108,758)	939,945
Items that will not be reclassified to profit or loss:		
Actuarial gains (losses)	(6,384,793)	399,875
Revaluation surplus	-	16,284,407
Other comprehensive income for the year, net of income tax	60,132,305	18,536,083
Total comprehensive income for the year	₩ 186,566,475	27,040,757
Profit (loss) attributable to:		
Owners of the Company	₩ 113,451,336	(9,650,061)
Non-controlling interests	12,982,834	18,154,735
Total comprehensive income attributable to:		
Owners of the Company	₩ 139,880,895	6,915,094
Non-controlling interests	46,685,580	20,125,663
Earnings per share		
Continuing operations earnings (losses) per share (in won)	₩ 5,079	(423)
Discontinued operations earnings (losses) per share (in won)	874	(83)

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2021 and 2020

### HYUNDAI CONSTRUCTION EQUIPMENT CO., LTD. AND SUBSIDIARIES

(In thousands of won)

	Common stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Noncontrolling interests	Total equity
Balance at January 1, 2020	₩ 98,503,965	774,679,293	(42,091,050)	72,738,126	306,851,857	366,461,055	1,577,143,246
Total comprehensive income (loss) for the year:							
Profit (loss) for the year	-	-	-	-	(9,650,061)	18,154,735	8,504,674
Gain on valuation of cash flow hedges	-	-	-	939,945	-	-	939,945
Foreign currency translation of foreign operation	-	-	-	(1,059,072)	-	1,970,928	911,856
Actuarial gains	-	-	-	-	399,875	-	399,875
Revaluation surplus	-	-	-	16,284,407	-	-	16,284,407
Transactions with owners of the Company, recognized directly in equity:							
Revaluation surplus	-	-	-	(5,228)	5,228	-	-
Dividends paid	-	-	-	-	-	(16,651,169)	(16,651,169)
Other	-	-	-	-	717,709	(717,709)	-
Balance at December 31, 2020	₩ 98,503,965	774,679,293	(42,091,050)	88,898,178	298,324,608	369,217,840	1,587,532,834
Balance at January 1, 2021	₩ 98,503,965	774,679,293	(42,091,050)	88,898,178	298,324,608	369,217,840	1,587,532,834
Total comprehensive income (loss) for the year:							
Profit (loss) for the year	-	-	-	-	113,451,336	12,982,834	126,434,170
Gain on valuation of cash flow hedges	-	-	-	(6,108,758)	-	-	(6,108,758)
Foreign currency translation of foreign operation	-	-	-	38,923,110	-	33,702,746	72,625,856
Actuarial gains	-	-	-	-	(6,384,793)	-	(6,384,793)
Transactions with owners of the Company, recognized directly in equity:							
Revaluation surplus	-	-	-	(3,072,649)	3,072,649	-	-
Dividends paid	-	-	-	-	-	(43,685,387)	(43,685,387)
Changes from equity of subsidiary	-	6,096,919	(4,302,025)	-	-	(151,142,957)	(149,348,063)
Transfer business segment	-	2,409,423	-	-	-	-	2,409,423
Appraisal right by a stockholder	-	-	(35,667,711)	-	-	-	(35,667,711)
Balance at December 31, 2021	₩ 98,503,965	783,185,635	(82,060,786)	118,639,881	408,463,800	221,075,076	1,547,807,571

## CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2021 and 2020

### HYUNDAI CONSTRUCTION EQUIPMENT CO., LTD. AND SUBSIDIARIES

(In thousands of won)

	2021	2020
<b>Cash flows from operating activities</b>		
Profit for the year	₩ 126,434,170	8,504,674
Adjustments	(282,801,989)	303,733,829
<b>Cash generated from operations</b>	<b>(156,367,819)</b>	<b>312,238,503</b>
Interest received	32,255,146	24,926,893
Interest paid	(35,300,017)	(39,630,085)
Income taxes paid	(36,568,258)	(22,784,454)
<b>Net cash provided by (used in) operating activities</b>	<b>(195,980,948)</b>	<b>274,750,857</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of short-term financial assets	347,302,086	704,474,034
Proceeds from collection of short-term other receivables	99,679	6,959,965
Proceeds from sale of long-term financial assets	17,885	18,182
Proceeds from collection of long-term other receivables	922,116	126,666
Proceeds from sale of property, plant and equipment	1,321,057	4,189,498
Proceeds from sale of intangible assets	1,293,295	1,187,041
Disposal of business segment	52,063,743	-
Disposal of non-current assets held for sale	4,858,431	1,841,490
Proceeds from sale of right-of-use assets	-	4,768,404
Proceeds from compensation for land	7,942,824	9,941,305
Acquisition of short-term financial assets	(234,145,693)	(461,778,986)
Acquisition of short-term other receivables	(8,066)	(2,945,404)
Acquisition of long-term financial assets	(18,655)	(3,018,450)
Acquisition of long-term other receivables	(986,748)	(131,395)
Acquisition of property, plant and equipment	(64,500,441)	(98,100,950)
Acquisition of intangible assets	(12,800,806)	(18,700,165)
Changes in scope of consolidation (obtaining control)	(64,697,438)	(12,882,109)
Changes in scope of consolidation (losing control)	48,548,286	-
<b>Net cash provided by (used in) investing activities</b>	<b>87,211,555</b>	<b>135,949,126</b>

## CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2021 and 2020

### HYUNDAI CONSTRUCTION EQUIPMENT CO., LTD. AND SUBSIDIARIES

(In thousands of won)

	2021	2020
<b>Cash flows from financing activities</b>		
Proceeds from short-term financial liabilities	1,517,403,340	2,075,794,477
Proceeds from long-term financial liabilities	151,085,338	350,124,340
Repayment of short-term financial liabilities	(1,642,363,535)	(2,274,855,744)
Repayment of long-term financial liabilities	-	(39,882,570)
Repayment of lease liabilities	(11,294,813)	(11,672,293)
Dividends paid	(43,685,387)	(16,651,169)
Decrease of non-controlling interests	(146,400,000)	-
Net cash provided by (used in) financing activities	(175,255,057)	82,857,041
Net cash change of non-current assets held for sale	(86,265)	-
Effects of exchange rate changes on cash and cash equivalents	16,972,552	(2,928,273)
Net increase (decrease) in cash and cash equivalents	(267,138,163)	490,628,751
Cash and cash equivalents at January 1	713,416,728	222,787,977
Cash and cash equivalents at December 31	₩ 446,278,565	713,416,728



# Non-Financial Performance

## ESG FACT SHEETS

### ECONOMIC

#### Economic Growth: Sales Records

Team in Charge	Classification	Unit	2019	2020	2021
Accounting Team	Sales	KRW million	2,648,714	2,390,510	3,284,340
	Consolidated Operating income	KRW million	152,121	87,437	160,709
	Net income	KRW million	50,881	8,505	126,434
	Sales	KRW million	1,537,759	1,350,818	2,143,145
	Separate Operating income	KRW million	35,644	12,206	67,065
	Net income	KRW million	(12,875)	(31,013)	111,285

#### Financial Soundness: Financial Status

Team in Charge	Classification	Unit	2019	2020	2021
Accounting Team	Total assets	KRW million	3,188,051	3,355,861	3,554,288
	Consolidated Total liabilities	KRW million	1,610,908	1,768,328	2,006,481
	Total equity	KRW million	1,577,143	1,587,533	1,547,808
	Total assets	KRW million	1,956,109	2,145,520	2,353,816
	Separate Total liabilities	KRW million	882,505	1,086,821	1,171,790
	Total equity	KRW million	1,073,604	1,058,699	1,182,026

#### Research & Development

Team in Charge	Classification	Unit	2019	2020	2021
Accounting Team	R&D personnel	Persons	302	302	295
	R&D investment	Korea KRW million	59,653	61,499	67,229
	R&D investment per sales	%	3.9%	4.6%	3.1%

\* Based on separate financial statements

Team in Charge	Classification	Unit	2019	2020	2021
Legal Team	Intellectual Application <sup>1)</sup>	Cases	263	296	276
	properties Registration <sup>2)</sup>	Cases	207	225	209

<sup>1)</sup> Sum of cases that are in the state of waiting for an evaluation, being under an evaluation, or completed registration, after a patent application on the base date, and includes the number of cases of registration

<sup>2)</sup> No. of cases that were registered after an evaluation, following a patent application on the base date, and are maintaining registration status

<sup>3)</sup> Number of intellectual property rights applications and registration made at home and abroad: Based on consolidated financial statements

#### Retirement pension system reserves

Team in Charge	Classification	Unit	2019	2020	2021
Accounting Team	Retirement pension system (DB)	Korea KRW million	60,335	64,910	72,314
	Retirement pension system (DC)	KRW million	775	1,121	2,214

#### Quality Management

Team in Charge	Classification	Unit	2019	2020	2021
Quality Planning Team	No. of ISO 9001-certified worksites	Korea Sites	2	6	2
		China Sites	1	1	1
		India Sites	1	1	1

\* ISO 9001: At the end of 2021, two certified factory sites of Hyundai Core Motion (Ulsan, Bundang)

## TRANSPARENT MANAGEMENT

### Corporate Governance

Team in Charge	Classification	Unit	2019	2020	2021
Accounting Team	Attendance rate of directors in BOD meetings <sup>1)</sup>	Korea	%	92.6	95.2
	Percentage of female directors		%	0.0	0.0

<sup>1)</sup> The total BOD (internal/outside director) attendance rate is disclosed

### CEO-to-Worker Remuneration Ratio

Team in Charge	Classification	Unit	2019	2020	2021
HR Strategy Team	CEO remuneration	KRW million	735	650	2,197
	Average remuneration per employee	Korea	KRW million	72	70
	Ratio <sup>1)</sup>	%	1,021	929	2,817

<sup>1)</sup> Figure calculated by dividing the total CEO remuneration by the average remuneration per employee

### Ethical Management

Team in Charge	Classification	Unit	2019	2020	2021
Ethical Management Team	No. of employees who received ethical management training <sup>1)</sup>	Korea	Persons	283	918

<sup>1)</sup> No. of employees who have completed the ethical management training / No. of total employees (once a year per person)

Team in Charge	Classification	Unit	2019	2020	2021
Ethical Management Team	Percentage of employees signed the pledge to ethical management	%	98.1	97.5	99.8

### Actions Taken Against Code of Conduct Violations<sup>1)</sup>

Team in Charge	Classification	Unit	2019	2020	2021
HR Strategy Team	Disciplinary action	Korea	Persons	2	1
	Warning or lesser measure		Persons	0	0
	Total			2	1

<sup>1)</sup> Includes violation of human rights, workplace harassment, sexual harassment, honesty and transparency (misconduct, corruption, information security, conflict of interest, etc.), and fair competition (supplier and fair trade, etc.)

### Compliance Management

Team in Charge	Classification	Unit	2019	2020	2021
Legal Team	No. of times of compliance training <sup>1)</sup>	Cases	1	2	2
	No. of employees who received compliance training	Persons	200	300	1,313
	No. of cases of legal advice related to fair trade	Korea	Cases	1	3
	No. of cases of legal advice related to anti-bribery and economic sanctions		Cases	2	3
	No. of cases of violation of the Improper Solicitation and Graft Act		Cases	0	0

<sup>1)</sup> Compliance-related training that is operated so that a company can voluntarily comply with fair trade-related laws

### Compliance

Team in Charge	Classification	Unit	2019	2020	2021
Legal Team	Legal measures on unfair trade conduct	Korea	Cases	2	0
	Fines due to violating laws or regulations		KRW billion	0	0
Environment Team	No. of cases of violation of environmental laws	Korea	Cases	0	0
	Fines due to violating environmental laws		KRW billion	N/A	

## TRANSPARENT MANAGEMENT

### Policy-related Expenditures

Team in Charge	Classification	Unit	2019	2020	2021
Accounting Team	Total political donation		0	0	0
	Total contributions to associations	Korea KRW million	2,845	3,292	2,663
	Membership fee (Korea International Trade Association, etc.)		265	202	243

### Largest Expenditures to Associations in 2021

Team in Charge	Classification	Unit	2019	2020	2021
Accounting Team	Seoul Hyundai Education Foundation				958
	HHI Group 1% Nanum Foundation				700
	Asan Institute for Policy Studies	Korea KRW million			500
	University of Ulsan				78
	CCEI Ulsan				75

\* Only the names and amounts of the top 5 institutions for the year are disclosed.

## CUSTOMERS

### Protection of Customer Information Security

Team in Charge	Classification	Unit	2019	2020	2021
Brand Strategy Team	Violation of customer information security	Korea Cases	0	0	0
		China	0	0	0

\* Information security management (ISO 27001) certified: Jan. 2022 ~ Jan. 2025

### Product Labeling

Team in Charge	Classification	Unit	2019	2020	2021
Technology Strategy Team	Violation of laws related to health and safety of products and services		0	0	0
	Violation of laws related to product and service information labeling	Korea Cases	0	0	0

## ENVIRONMENT

### Environmental Expenditure and Investment

Classification	Unit	2019	2020	2021
Environmental investments and operating costs	Korea KRW million	288	3,170	1,423

### Environmental Management System

Classification	Unit	2019	2020	2021
Worksites with ISO 14001 (EMS <sup>1)</sup> ) certification	Korea Sites	1	1	3

<sup>1)</sup> EMS: Environmental Management System

### Environmental Consumption

Classification	Unit	2019	2020	2021
Total energy consumption <sup>1)</sup>	TJ	282	282	238
Intensity	TJ/Sales (KRW million)	0.0001834	0.0002088	0.0001111
Energy savings	TJ	50	0	44
Reduction in energy costs	KRW million	1,857	530	1,273
Direct energy (fuel) consumption <sup>2)</sup>	TJ	100	84	105
Indirect energy (electricity) consumption <sup>3)</sup>	TJ	183	141	134
Other energy consumption <sup>4)</sup>	TJ	No performance		
Renewable energy consumption <sup>5)</sup>	TJ	No performance		

<sup>1)</sup> Total energy consumption = Direct energy consumption + Indirect energy consumption + Other energy consumption (All figures are rounded off to the nearest tenth, and therefore there may be singular number difference in the sum of figures.)

<sup>2)</sup> Direct energy (fuel) consumption: Nuclear fuel, coal, oil, natural gas, etc.

<sup>3)</sup> Indirect energy (electric power) consumption: Non-renewable electric power

<sup>4)</sup> Other energy consumption: Steam, heating, cooling, etc. (non-renewable)

<sup>5)</sup> Renewable energy purchased or generated (wind power, solar power, biomass, hydroelectric, geothermal, etc.)

### Resources Usage

Classification	Unit	2019	2020	2021
Scrap metal	Tons	4,149	2,669	5,721
Scrap metal intensity <sup>1)</sup>	Tons/KRW million	0.0027	0.0020	0.0027
Sand (molding sand) <sup>2)</sup>	Tons	No performance		
Sand intensity <sup>1)</sup>	Tons/KRW million	No performance		

<sup>1)</sup> Intensity is calculated based on sales of separate financial statements of each year.

<sup>2)</sup> Molding sands are 100% recycled.

Classification	Unit	2019	2020	2021
Volume of water consumed	Tons	49,952	51,223	75,796
Water consumption intensity <sup>1)</sup>	Tons/KRW million	0.032	0.038	0.035
Recycled or reused water <sup>2)</sup>	Tons	1,999	1,999	1,806

<sup>1)</sup> Intensity is calculated based on sales of separate financial statements of each year.

<sup>2)</sup> Total volume of reused water, including reused waste water, reclaimed water, and recycled rainwater

### Air Emissions

Classification	Unit	2019	2020	2021
Total <sup>1)</sup>	tonCO <sub>2</sub> eq	15,579	12,409	15,085
Scope 1	tonCO <sub>2</sub> eq	6,672	5,586	8,681
Scope 2	tonCO <sub>2</sub> eq	8,909	6,825	6,405
Intensity <sup>2)</sup>	tonCO <sub>2</sub> eq/KRW million	0.01013	0.00919	0.00704

<sup>1)</sup> There is a difference between the total emissions volume by GHG type and the total of worksites which sums up rounding off numbers of each worksite's emissions.

<sup>2)</sup> Intensity is calculated based on sales of separate financial statements of each year.

- Source of Scope 1 emissions includes LNG, diesel fuel, LPG, gasoline, and carbon dioxide (shielding gas for welding)

- All figures are rounded off to the nearest tenth, and therefore there may be singular number difference in the sum of figures.



## ENVIRONMENT

Classification		Unit	2019	2020	2021
Emissions of greenhouse gas (Overseas) (Including direct and indirect emissions)	Total	tonCO <sub>2</sub> eq	10,287	11,549	12,625
	China				
	Scope 1	tonCO <sub>2</sub> eq	4,336	4,326	4,831
	Scope 2	tonCO <sub>2</sub> eq	5,951	7,222	7,794
	Total	tonCO <sub>2</sub> eq	9,337	7,138	11,232
	India				
	Scope 1	tonCO <sub>2</sub> eq	2,878	2,361	3,646
	Scope 2	tonCO <sub>2</sub> eq	6,459	4,777	7,586
	Total	tonCO <sub>2</sub> eq	2,462	2,676	3,264
	Brazil				
	Scope 1	tonCO <sub>2</sub> eq	748	926	1,277
	Scope 2	tonCO <sub>2</sub> eq	1,714	1,750	1,987
Emissions of air pollutants	Nox <sup>1)</sup>	ppm	0.0	28.2	16.27
	Sox <sup>2)</sup>	ppm	0.0	0.0	1.54
	VOCs <sup>3)</sup>	ppm	52.22	32.73	34.89
	Dust <sup>4)</sup>	ton	4.38	2.16	0.80
	Korea				

<sup>1)</sup> Legal limit: 200ppm, company's internal limit: 80ppm

<sup>2)</sup> Legal limit: 400ppm, company's internal limit: 160ppm

<sup>3)</sup> Continuous type: Legal limit: 40ppm, company's internal limit: 32ppm / Non-continuous type: Legal limit: 200ppm, company's internal limit: 160ppm

<sup>4)</sup> Electric induction furnace: Legal limit: 20mg/m<sup>3</sup>, company's internal limit: 8mg/m<sup>3</sup> / Others: Legal limit: 50mg/m<sup>3</sup>, company's internal limit: 20mg/m<sup>3</sup>

## Effluents and Waste

Classification		Unit	2019	2020	2021
Emissions of effluents	Korea	Tons	3,893	3,311	3,726
Emissions of water pollutants	BOD		48.9	44.9	19.48
	COD (until 2021) → TIC (from 2022)	mg/L	118.0	77.5	121.04
	Suspended solids		1.8	4.6	5.82
Waste discharge	Total waste		2,008	1,892	2,420
	General waste	Tons	1,776	1,593	2,188
	Specified waste		232	299	233
Waste conversion and treatment	Total waste <sup>1)</sup>		2,008	1,892	2,420
	Recycled waste <sup>2)</sup>		1,315	1,203	1,684
	Incinerated amount	Tons	665	641	703
	Reclaimed amount		26	36	32
	Recycling rate	%	66	64	70

<sup>1)</sup> Includes both hazardous and non-hazardous waste

<sup>2)</sup> Waste steel, waste wood

## SAFETY AND HEALTH

### Occupational Safety and Health

Classification	Unit	2019	2020	2021
Occupational accident rate	Korea %	0.99	1.06	0.46

\* Based on accidents requiring medical care covered by Industrial Accident Insurance

Classification	Unit	2019	2020	2021
LTIR <sup>1)</sup>		0.88	1.84	1.52
TRIR <sup>2)</sup>	Korea %	1.08	1.84	1.96
LWSR <sup>3)</sup>		36.67	36.06	10.89

<sup>1)</sup> 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 (Number of incidents is based on incidents by employees of HCE)

<sup>2)</sup> TRIR (Total Recordable Incidents Rate): Number of recordable incidents that require treatment for injuries or illness per 100 workers, Total number of injuries and illnesses / Total number of hours worked by employees \* 200,000

<sup>3)</sup> LWSR (Lost Workday Severity Rate): Number of lost work days experienced per 100 workers, Total number of lost work days / Total number of hours worked by employees \* 200,000

### No. of Safety Training Participants

Classification	Unit	2019	2020	2021
No. of safety training participants	Korea (employees)	1,349	1,360	1,483
	Korea (in-house suppliers)	439	257	299

### Occupational Illness Frequency Rate

Classification	Unit	2019	2020	2021
OIFR <sup>1)</sup>	Korea %	0.00493653	0.005661713	0.001974984

<sup>1)</sup> OIFR (Occupational Illness Frequency Rate): Number of workers who have occupational illness and other related illness/Total workers (Number of workers is based on employees of HCE; and application of calculation formula of the Korea Occupational Safety and Health Agency)

### Health and Safety Management System

Classification	Unit	2019	2020	2021
No. of business sites with ISO 45001 Certification	Korea Sites	1	1	4

## SHARED GROWTH

### Support for Suppliers

Team in Charge	Classification	Unit	2019	2020	2021
Strategy	Number of suppliers received financial support	Companies	2	8	22
Purchase/Finance	Amount of financial support <sup>1)</sup>	KRW billion	1.5	5.7	49.0
Team	Ratio of cash settlement cases	%	100.0	100.0	100.0
	Number of payments	Times	Twice a month	Twice a month	Twice a month

<sup>1)</sup> Excluding indirect support

Team in Charge	Classification	Unit	2019	2020	2021
Partner Development Team	Technical development support	Cases	-	-	8
	Support for protecting technology	Cases	-	-	0
	Training courses	Courses	-	-	27
	Staff at suppliers who completed trainings	Persons	-	-	656
	Competitiveness enhancement support	Operation days	man-day	-	-

\* Fair Trade Commission standard: 5 days=1 person (1 day=8 hours, Based on the application period of punctuality)

Team in Charge	Classification	Unit	2019	2020	2021
Strategy	Part development capacity	Companies	-	-	31
Purchase	Part development capacity	Companies	-	-	31
Team Partner Development Team	enhancement support	KRW billion	-	-	5.5

※ Plan to aggregate performance from 2022

### Supply Chain ESG Management

Team in Charge	Classification	Unit	2019	2020	2021
Strategy	No. of suppliers that received an ESG inspection		-	-	-
Purchase	No. of suppliers that made ESG improvement	Companies	-	-	-
Team	EHS support		-	-	-

\* Plan to adopt an integrated supplier evaluation system in 2022



## EMPLOYEES

## Employment

Team in Charge	Classification		Unit	2019	2020	2021
Team in Charge	Number of employees	Korea	Persons	1,418	1,413	1,519
	By job	Office	Persons	863	760	850
		Technical	Persons	570	544	532
	By employment type	Temporary <sup>1)</sup>	Persons	71	80	123
		Ratio of temporary <sup>2)</sup>	%	5.0	5.7	8.1
	Diversity	Disabled <sup>3)</sup>	Persons	32	31	30
		Veterans <sup>4)</sup>	Persons	45	43	45
		Elderly <sup>5)</sup>	Persons	212	210	243
		Male	Persons	1,296	1,288	1,390
		Female	Persons	122	125	129

<sup>1)</sup> Contract workers (entrustment, technology entrustment, outside directors, advisory, outside appointment)

<sup>2)</sup> Temporary worker / Total staff \* 100

<sup>3)</sup> Based on MY HR: national disabled classification (levels 1-6)

<sup>4)</sup> Based on MY HR: national merit recipients (person with a merit number or someone approved)

<sup>5)</sup> Above the age of 55 (Based on total staff in Korea)

Team in Charge	Classification		Unit	2019	2020	2021
HR Strategy Team	Voluntary turnover rate	Korea	%	-	1.7	3.0
	Average continuous years of service		Years	2.38	2.79	3.51
	Continuous years of service by gender	Male	Years	2.46	2.92	3.62
		Female	Years	1.58	1.50	2.34

\* Working days calculated from April 1, 2017, the date of spin-off from Hyundai Heavy Industries Co., Ltd.

Team in Charge	Classification		Unit	2019	2020	2021
HR Strategy Team	Number of employees on parental leave	Male <sup>1)</sup>	Persons	40	54	45
		Female <sup>2)</sup>	Persons	6	5	0
	Number of employees eligible for childcare leave <sup>3)</sup>	Male	Persons	406	391	436
		Female	Persons	12	18	15
	Number of employees on childcare leave <sup>4)</sup>	Male	Persons	6	6	6
		Female	Persons	6	11	1
	Number of employees returning to work after childcare leave <sup>5)</sup>	Male	Persons	8	4	5
		Female	Persons	0	7	6
	Continue to work rate for 12 months after childcare leave <sup>6)</sup>	Male	%	33	86	60
		Female	%	100	0	83

<sup>1)</sup> Employees who began their paternity leave in 2020

<sup>2)</sup> Employees who began their maternity leave in 2020

<sup>3)</sup> Staff in Korea with children aged eight or under, or second graders in elementary school or below

<sup>4)</sup> Number of employees who began childcare leave in the base year

<sup>5)</sup> Number of employees who returned from childcare leave in the base year

<sup>6)</sup> (12 months after the return to work) Number of current employees in 2020 from among employees who returned in 2019 / Employees who returned in 2019 \* 100. Calculation for 2020 is based on figures as of March 31, 2021

## EMPLOYEES

## Evaluation &amp; Compensation

Team in Charge	Classification		Unit	2019	2020	2021
HR Strategy Team	Ratio of employees who received a personnel evaluation	Total	%	93.1	99.0	92.1
		Office workers	%	93.5	93.3	90.3
		Technical workers	%	91.8	92.6	95.1
		Male	%	93.5	96.3	92.3
		Female	%	86.2	89.4	89.0
	Average employee salary	Total	KRW million	72.3	70.1	78.2
		Male	KRW million	75	72	81
		Female	KRW million	46	47	49

## Labor Union

Team in Charge	Classification		Unit	2019	2020	2021
HR Strategy Team	Union membership rate	Korea	%	89.4	80.7	77.7

\* As of the end of 2021, based on total full-time employees of 658 (511 employees with union membership)

## Talent Nurturing

Team in Charge	Classification		Unit	2019	2020	2021
HR Strategy Team	Total number of employees trained	Korea	Persons	717	1,846	1,259
	Average annual training hours per person	Korea	Hours	18	18	13
	Average training hours by gender	Male	Hours	18	18	13
		Female	Hours	16	16	16
	Average training expenses per person <sup>1)</sup>	Korea	KRW 1,000	63	205	204

<sup>1)</sup> Changed measurement standard for average training expenses per person in 2019, and thus made adjustment for the figures of the past three years

Team in Charge	Classification		Unit	2019	2020	2021
HR Strategy Team	Employee participation rate in human rights promotion and sexual harassment prevention education <sup>1)</sup>	Korea	%	95.8	97.1	100

\* Calculation considered the number of people who transferred to Hyundai Genuine

<sup>1)</sup> (No. of office workers completed sexual harassment prevention education + No. of technical staff completed sexual harassment prevention education) / No. of total employees based on the data of this report

## SOCIAL CONTRIBUTIONS

## Social Contribution Activities

Classification			Unit	2019	2020	2021
Number of employees who participated in social contribution activities	Korea	Including double count	Persons	123	309	462
		Excluding double count	Persons		254	300
Total hours of social contribution activities	Korea		Hours	366	1,970	3,101

\* Began to aggregate number of participants (including/excluding double count) in 2020

Classification			Unit	2019	2020	2021
Investment in social contributions	Korea	Expenditures in social contributions	KRW million	110	140	190
		Expenditures in social contributions per sales <sup>1)</sup>	%	0.01	0.01	0.01

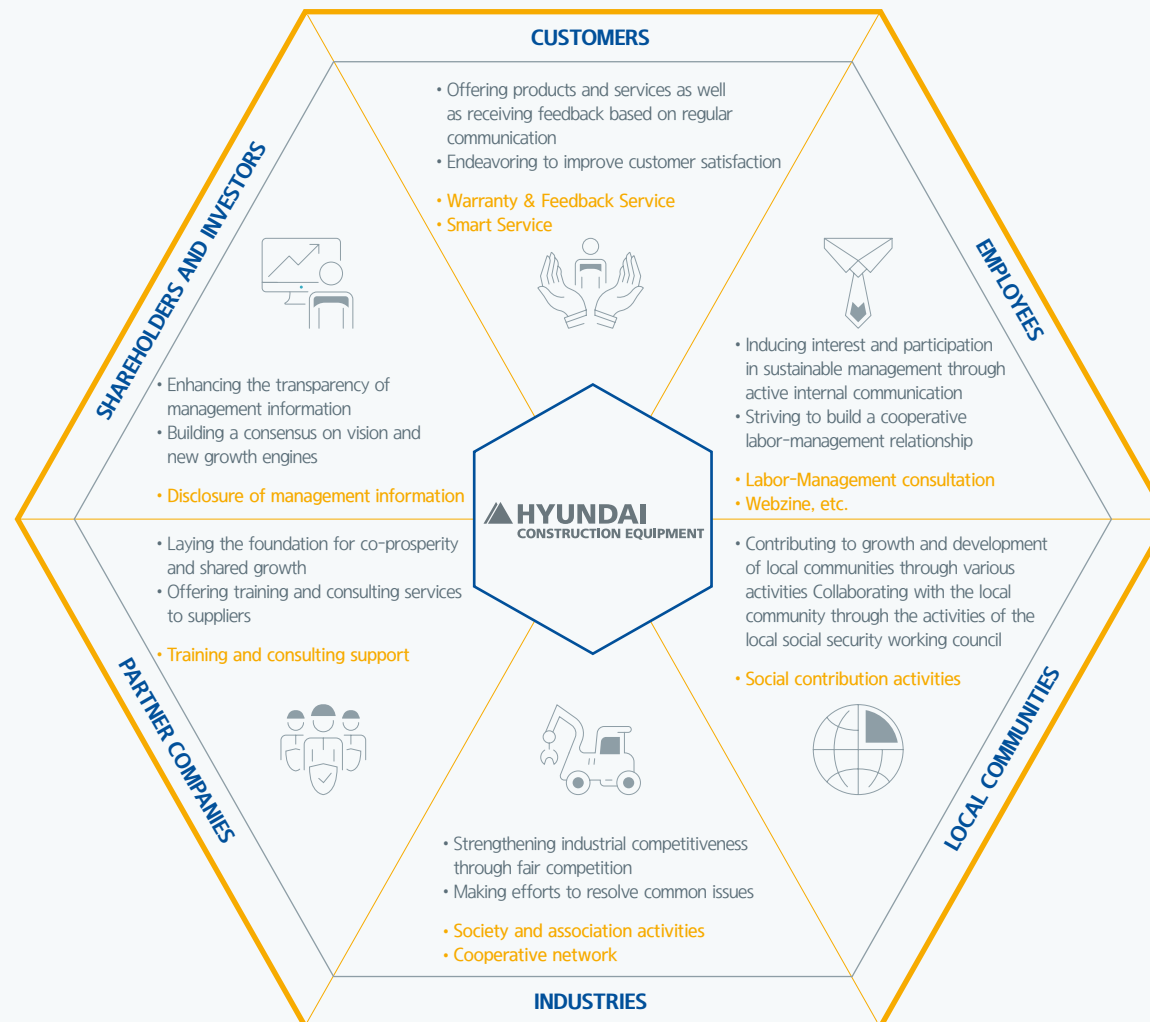
<sup>1)</sup> Expenditures in social contributions / Sales of each year based on separate financial statements

Classification			Unit	2019	2020	2021
Employee participation in the salary fraction donation and 1% Nanum campaigns			%	89	27	24
			Persons	1,245	378	363



# Stakeholder Engagement

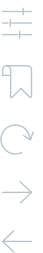
Customers, shareholders and investors, partner companies, local communities, industries and our employees are the key stakeholders that influence and are influenced by HCE across all management activities. We therefore operate various communication channels for these stakeholders' participation in sustainable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



# GRI Standard Index

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## SASB Index

By reporting the SASB Framework, an industry-specific open standard for sustainability issues developed by SASB (Sustainability Accounting Standards Boards), HCE intends to provide useful information for decision-making to various stakeholders including investors. The SASB Index is compiled according to the Industrial Machinery & Goods industry standard in the Resource Transformation (RT-IG) sector based on the Sustainable Industry Classification System.

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Greenhouse Gas Emissions	Quantitative	EM-IS-110a.1	(1) Gross global Scope 1 emissions (tCO <sub>2</sub> e)	89, 90	Verify emissions through GHG statement verification
			(2) Percentage covered under emissions-limiting regulations	89, 90	
	Qualitative	EM-IS-110a.2	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	28, 59	Set a plan to achieve worksite carbon neutrality in Korea by 2030 and all business sites including global production bases by 2050
Air Emissions	Quantitative	EM-IS-120a.1	(1) NOx (excluding N <sub>2</sub> O)	90	
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			(2) Fatality rate	91	Disclosure of mortality rates for occupational deaths
			(3) Near miss frequency rate (NMFR)	0.1266	Disclosure of work-related NMFR

Topic	Type	Code	Accounting Metric	Page	Note
Fuel Economy & Emissions in Use-Phase	Quantitative	RT-IG-410A.1	Sales-weighted fleet fuel efficiency for medium- and heavy-duty vehicles	Not reported	Disclosure of sales-weighted average fuel efficiency of medium- and heavy-duty vehicles
	Quantitative	RT-IG-410A.2	Sales-weighted fuel efficiency for non-road equipment	Not reported	Disclosure of sales-weighted average fuel efficiency of non-road equipment and vehicles
	Quantitative	RT-IG-410A.3	Sales-weighted fuel efficiency for stationary generators	Not reported	Disclosure of sales-weighted fuel efficiency of stationary generators
	Quantitative	RT-IG-410A.4	Sales-weighted emissions of: (1) nitrogen oxides (NOx) and (2) particulate matter (PM) for: (a) marine diesel engines, (b) locomotive diesel engines, (c) on-road medium- and heavy-duty engines, and (d) other non-road diesel engines	Not reported	Disclose of sales-weighted average emissions of: (1) nitrogen oxides (NOx) and (2) particulate matter (PM) for: (a) marine diesel engines, (b) locomotive diesel engines, (c) on-road medium- and heavy-duty engines, and (d) other non-road diesel engines
Materials Sourcing	Quantitative	RT-IG-440A.1	Description of the management of risks associated with the use of critical materials	54	1. Describe a strategic approach to managing the risks associated with the use of key resources in the company's products, including physical limitations of availability and accessibility, price fluctuations, and regulatory and reputational risks 2. The company should identify the types of key resources that may present significant risks to its operations and the strategies it uses to mitigate those risks
Remanufacturing Design & Services	Quantitative	RT-IG-440B.1	Revenue from remanufactured products and remanufacturing services	60-61	Disclosure of a plan to increase the recycling rate of parts
Activity Metric	Quantitative	RT-IG-000.A	Number of units produced by product category	10	Includes the number of productions of the following products: (1) Vehicles, agricultural and construction equipment; (2) Engines and power generation equipment; and (3) Parts and components
	Quantitative	RT-IG-000.B	Number of employees	5	

\* In terms of fuel economy and exhaust gas emissions, indicators for product fuel efficiency and improvements are managed internally. In the case of product exhaust gas emissions, it is to be included in the company-wide management index and disclosed in the future.

# TCFD

Hyundai Construction Equipment actively participates in the response to climate change in line with the demands of the international community, identifies the actual and potential financial impact of climate change, and establishes the company's corresponding strategic direction and management system. We will continue to actively communicate with stakeholders by transparently disclosing the company's climate change response status based on the TCFD recommendations.

Category	TCFD Recommendation	Page	Note	Alignment with CDP
Governance	a) Describe the board's oversight of climate-related risks and opportunities	15, 16, 28	The impact of climate change on HCE's business activities is reviewed and discussed by the ESG Committee within the BOD. The ESG Committee has the authority to pre-deliberate the company's sustainability management plans and strategies, including risks and opportunities related to climate change, as well as the company's important investment decisions related to ESG.	CDP_ C1.1
	b) Describe management's role in assessing and managing climate-related risks and opportunities	15, 16, 28	HCE has organized an ESG Management Committee composed of key executives under the CEO and established a climate change response system by selecting ESG strategic tasks.	CDP_ C1.2
Strategy	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term	19, 28, 59-61	We analyzed risks and opportunities with respect to strengthening environmental regulations on climate change and carbon neutrality, and established mid- to long-term carbon-neutral strategies for global workplaces and products.	CDP_ C2.1, C2.2c, C2.3a, C2.4a, C3.1c
	b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning	18, 19, 28	HCE is actively responding to risks while reinforcing market competitiveness to identify climate risks and use them as opportunities by analyzing the internal and external environment. By reflecting eco-friendly technologies, we plan to respond swiftly to changes in the construction equipment market by replacing conventional power with eco-friendly electricity and hydrogen power sources.	CDP_ C2.3, C2.5, C2.6, C3.1a
	c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	59-61	HCE established a plan to achieve carbon-neutrality in domestic workplaces by 2030 based on the SBTi 1.5°C scenario. We also declared a goal to accomplish carbon neutrality at all workplaces including global production bases by 2050.	CDP_ C3.1a
Risk Management	a) Describe the organization's processes for identifying and assessing climate-related risks	15, 28, 51, 59-61	HCE holds the ESG Management Committee composed of key executives under the CEO four times a year to analyze risks and opportunities with respect to strengthening environmental regulations on climate change and carbon neutrality, while a Working Group composed of working-level staff in charge of making detailed action plans and implementing them.	CDP_ C1.2a, C2.2b
	b) Describe the organization's processes for managing climate-related risks			CDP_ C2.2d
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management			CDP_ C2.2
Metrics and Targets	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process	18, 59-61	HCE has introduced the concept of double materiality to analyze the importance of climate change and energy management in its business strategy and established a plan to achieve carbon-neutrality in domestic workplaces by 2030 based on the SBTi 1.5°C scenario.	CDP_ C4.1b
	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	59-61, 89, 90	HCE discloses Scope 1 and 2 GHG emissions, and in order to preemptively respond to the disclosure of Scope 3 emissions, we identified product carbon emissions and established a reduction plan.	CDP_ C5.1, C6.1, C6.3, C6.5
	c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets	28, 59-61		CDP_ C4.1b

## UN SDGs

The United Nations Sustainable Development Goals (UN SDGs) are 17 goals that promise sustainable development for people and the planet by 2030. HCE is striving to develop strategies necessary for mid-to-long-term growth of the company by identifying global trends through the SDGs. Of the 17 SDGs, we are conducting activities to contribute mainly to achieving the goals of 3, 4, 6, 7, 8, 9, 10, 12, and 16, including 23 detailed goals.

SDGs	Goal	HCE's Activities in 2021	Page
3  GOOD HEALTH AND WELL-BEING	3.4 Prevention and treatment of non-infectious diseases, promotion of mental health and well-being	• Support for medical expenses to improve employee health, support for health checkups, support for treatment costs for heart disease/intractable diseases for employees and their families, and support for health maintenance costs for occupational diseases	58
	3.8 Universal health coverage through access to quality health services, drugs, and vaccines	• Operation of an in-house oriental medicine clinic for the prevention of musculoskeletal diseases, operation of a health promotion center and appointment of a health manager in the workplace, and operation of rehabilitation exercise programs	
	3.9 Reduction of deaths and diseases caused by hazardous chemicals or air, water, and land pollution	• Cost support for prevention and management of infectious diseases and overseas endemic diseases	
4  QUALITY EDUCATION	4.4 Increase in the number of people with professional and vocational skills for employment, decent work, and business activities	• Operation of Global Training Center to foster employees and human resources and manpower in the domestic construction equipment industry, nurturing about 13,000 construction equipment manpower	36, 64, 68-70
	4.5 Gender gap in education, participation in education and vocational training for the disabled, local residents, and vulnerable groups	• Training of overseas dealers and operation of global online technical training system	
6  CLEAN WATER AND SANITATION	6.3 Reduction of pollution, minimization of emissions of hazardous chemicals, reduction of wastewater and improvement of water quality through water reuse	• Wastewater discharge management based on in-house environmental standards that are stronger than legal standards, minimization of generation through preemptive management of wastewater sources, self-treatment of car wash/painting facility wastewater, periodic inspection of treated water quality	54, 89, 9
7  AFFORDABLE AND CLEAN ENERGY	7.2 Increase the share of renewable energy	• Promote the RE-100 achievement plan to convert all electricity to renewable energy by 2025	59-61
	7.3 Increase energy efficiency improvement rate	• Plan to apply eco-friendly design and increase energy use efficiency by upgrading the Ulsan plant by 2025	
8  DECENT WORK AND ECONOMIC GROWTH	8.2 Improvement of economic productivity through industrial diversification, technological development, and innovation, including high value-added industries	• 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	8, 40-42
	8.3 Boosting production activities, decent job creation, entrepreneurship, support for creativity and innovation, and access to financial services; and promoting the creation and growth of small businesses and SMEs	• Creation of decent jobs through employment	92
	8.5 Full and productive employment of women and men, including the disabled and young people, creation of decent jobs, and equal pay for work of equal value	• Implement a fair and objective personnel evaluation and reward system for all employees	
		• Providing education and financial services for shared growth with partner companies	69-70, 93
	8.6 Decreasing youth unemployment	• Join the UN Global Compact and support the Ten Principles of UNGC	
	8.7 Prohibition of forced labor and child labor		66



SDGs		Goal	HCE's Activities in 2021	Page	
9		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"><li>• Launched an ionically powered eco-friendly excavator using a lithium-ion battery (LIB) and a hydrogen fuel cell (HFC)</li><li>• Increase resource efficiency by developing fuel-efficient excavators</li><li>• Establish a process to reduce carbon throughout the product lifecycle</li></ul>	28, 29, 30, 61
10		Reduce inequality within and among countries	10.4 Introduction of policies such as financial policy, wage policy and social protection policy and progressive achievement of higher levels of equality	<ul style="list-style-type: none"><li>• The practice of sharing spirit through caring for the underprivileged, win-win with local communities, and aiding in future generations' self-reliance</li></ul>	74-76
12		Ensure sustainable consumption and production patterns	<div>12.2 Sustainable management and efficient use of natural resources</div> <div>12.4 Eco-friendly treatment of chemicals and hazardous waste, and reduction of emissions to air, water and soil</div> <div>12.5 Reduce waste generation through prevention, reduction, recycling, and reuse</div> <div>12.6 Disclosure of sustainable action plans for large corporations and multinational corporations</div>	<ul style="list-style-type: none"><li>• Acquired international environmental management system certification</li><li>• Minimize the emission of pollutants through the installation of prevention facilities, education of environmental staff, and periodic inspection of emission concentrations</li><li>• Reduce the amount of waste by producing collection boxes dedicated to recycling waste</li><li>• Substitution of hazardous chemicals and regular inspection of facilities</li></ul>	53, 54, 55, 90
13		Take urgent action to combat 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"><li>• Establishment of a plan to achieve carbon neutrality in domestic workplaces by 2030 and declaration of carbon neutrality for global workplaces by 2050</li><li>• Establishment of product carbon emission reduction strategy</li><li>• Green purchasing system to reduce carbon in the product life cycle, and efforts to increase the recycling rate of parts</li></ul>	28, 59-61
16		Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels	<div>16.3 Promoting the rule of law, justice, and equality for all</div> <div>16.5 Reduce corruption and bribery</div> <div>16.6 Develop effective, transparent, and accountable institutions</div> <div>16.7 Support for responsive, inclusive, participatory, and representative decision-making</div>	<ul style="list-style-type: none"><li>• Implementation of transparent and responsible management through compliance management and ethical management</li><li>• Implementation of rational governance that maintains checks and balances</li><li>• Pursuing inclusive management activities by engaging various stakeholders in management such as communication with the labor union</li></ul>	45, 48-50, 73

# UNGC

The United Nations Global Compact (UNGC) is a global corporate citizenship initiative that presents ten principles in the areas of human rights, labor, environment, and anti-corruption, which companies from more than 100 countries have joined. HCE joined the UNGC in December 2021 to fulfill its corporate social responsibility and strive to comply with the ten principles of UNGC. We will continue to fulfill our responsibilities as a corporate citizen by transparently disclosing our achievements of the Ten Principles of UNGC.

## UNGC Advanced Criteria

		UNGC Advanced Criteria	Page	Note
Fulfillment of the UNGC's Ten Principles in Strategy and Operation	1	Commitment to integrate the UNGC 10 principles into business function and units	66	• UN Global Compact
	2	Practicing the UNGC 10 principles across the value chain	49, 50, 65	• Code of conduct of partner companies, selection and management of partners
	3	Human rights commitment, strategy, and policy	66	• Human Rights Management declaration and UNGC membership
Definite Human Rights Policy and Procedure	4	Effective management system to incorporate the human rights principles into business and management procedures	66, 67	• The process of receiving and handling human rights violation reports
	5	Monitoring and evaluation mechanism to ensure compliance with the human right principles in business and management procedures		
	6	Labor commitment, strategy, and policy	66, 67, 73	• Human Rights Management declaration and UNGC membership • Labor-management relations based on communication • Institutional support to improve diversity
Definite Labor Policy and Procedure	7	Effective management system to incorporate the labor principles into business and management procedures	72, 73	• Labor-management relations based on communication
	8	Monitoring and evaluation mechanism to ensure compliance with the labor principles in business and management procedures		
	9	Environment commitment, strategy, and policy	53, 59, 60-61	• Environmental policy and goals • Strategies for worksite carbon neutrality and the reduction of product carbon emissions
Definite Environmental Policy and Procedure	10	Effective management system to incorporate the environmental principles into business and management procedures	53	• Environmental management organization and environmental management system
	11	Monitoring and evaluation mechanism to ensure compliance with the environmental principles in business and management procedures	15, 53, 56	• Environmental management organization
			29	• Eco-friendly technologies and services

		UNGC Advanced Criteria	Page	Note
Definite Ethics and Compliance Policy and Procedure	12	Anti-corruption commitment, strategy, and policy	48-50, 66	• Ethical Management System, support for the UNGC Anti-Corruption
			49, 50, 65	• Code of conduct of partner companies, selection and management of partners
	13	Effective management system to incorporate the anti-corruption principles into business and management procedures	48-50	• Organization and process to promote ethical management
			48-49, 87	• Conduct ethics education
			49, 50	• Internal and external counseling/ reporting system and whistleblower protection principle
	14	Monitoring and evaluation mechanism to ensure compliance with the anti-corruption principles in business and management procedures	48-50, 66	• Organization and process to implement ethical management, and the system for handling grievance
Activities to Support Broader and More Comprehensive UN Objectives and Goals	15	Contribution through key businesses to help achieve the UN objectives and goals	63, 64	• Support for technical education for SMEs
			101, 102	• UN SDGs
	16	Strategic community investment and charity work to help achieve the UN objectives and goals	74-76, 93	• Communication with local communities, corporate social responsibility activities engaging employees
	17	Public engagement and communication to help achieve the UN objectives and goals	101, 102	• UN SDGs
	18	Partnerships and external initiatives to help achieve the UN objectives and goals	106	• Association membership
	19	CEO's sustainability commitment and leadership	9	• CEO message
Governance and Leadership for Sustainability	20	Board of Directors' selection and oversight of sustainability agenda items	15	• ESG Committee and ESG decision-making system
	21	Stakeholder engagement	17-19, 93	• Communication with stakeholders, double materiality assessment

# GHG Verification Statement

## Hyundai Construction Equipment Co., Ltd.

### Introduction

DNV Business Assurance Korea Ltd. ("DNV") was commissioned by Hyundai Construction Equipment Co., Ltd. ("HCE") to verify the HCE's Greenhouse Gas Inventory Report for the calendar year 2021 ("the report") based upon a reasonable level of assurance. HCE is responsible for the preparation of the GHG emissions and Energy consumption data on the basis set out within the guidelines on the operation of greenhouse gas and energy target management scheme (Notification No. 2021-47, Korean Ministry of Environment). Our responsibility in performing this work is to the management of HCE only and in accordance with terms of reference agreed with them. DNV expressly disclaims any liability or responsibility for any decisions, whether investment or otherwise, based upon this assurance statement.

### Scope of Assurance

The GHG emissions data covered by our examination comprise Direct emissions (Scope 1 emissions) and Energy indirect emissions (Scope 2 emissions) from HCE boundary of the report:

- Organizational boundary for reporting: Domestic business sites of HCE
- GHG emissions under verification: GHG emissions & energy consumption from 2021

### Verification Approach

The verification has been conducted by DNV on February to March 2022 and performed in accordance with the verification principles and tasks outlined in the guidelines on the operation of GHG and energy target management scheme (Notification No. 2021-47, Ministry of Environment) and the verification guideline for GHG and energy target management scheme (Notification No. 2016-104, Ministry of Environment). We planned and performed our work to obtain all the information and explanations deemed necessary to provide us with sufficient evidence to provide a reasonable verification opinion concerning the completeness of the emission inventory as well as the reported emission figures in ton CO<sub>2</sub> equivalent. As part of the verification process:

- We have reviewed and verified the GHG emissions and energy consumption report for the calendar year 2021
- We have reviewed and verified the process to generate, aggregate and report the emissions and energy 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 and energy consumption set out in HCE's report are not fairly stated. The GHG emissions of HCE for the year 2021 were confirmed as below:

#### Greenhouse Gas Emissions of HCE Domestic business site for Yr 2021

(Unit: ton CO<sub>2</sub> equivalent.)

HCE	Direct emissions (Scope 1)	Indirect emissions (Scope 2)	Total emissions
Domestic (in Korea)	8,680.588	6,405.023	15,085

\* 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.

June 2022  
Seoul, Korea

  
Jang-Sub Lee  
Country Manager  
DNV Business Assurance Korea Ltd

This Assurance Statement is valid as of the date of the issuance 9 June 2022. Please note that this Assurance statement would be revised if any material discrepancy which may impact on the Greenhouse Gas Emissions of HCE is subsequently brought to our attention. In the event of ambiguity or contradiction in this statement between English version and Korean version, Korean shall be given precedent.

# Independent Assurance Report

## To the management of Hyundai Construction Equipment.

We have undertaken an engagement requested by Hyundai Construction Equipment (the “Company”) to review the information established in 2021 Integrated Report (the “Report”). It is the responsibility of the management to prepare the Report, and it is our responsibility to perform a limited assurance engagement and issue a statement based on the information collected.

### Responsibilities of the Company and Ernst & Young Han Young

The Company is responsible for collecting and presenting the data within the Report. This responsibility involves structuring, implementing, and maintaining the relevant corporate system so that there is no critical misstatement due to fraud or error.

Our responsibility, in line with the contract, is to perform a ‘limited level’ of assurance regarding the selected quantitative and qualitative performance stated in the Report. We shall hold no responsibility whatsoever to any other purpose, individual or organization in respect to the result of the limited assurance performed. The decision made by the third party based on the Report is the sole responsibility of the third party.

### Scope and context

The limited assurance was performed based on the following information:

- GRI index: p95~p97
- ESG Fact Sheets: p86~p93

### Description of procedures performed

We conducted the assurance engagement in accordance with ISAE30001 developed by IAASB<sup>1</sup>. The following procedures were performed to reach our conclusion on the Report:

- Identified the Company’s processes for stakeholder engagement
- Identified the Company’s processes for determining material issues of key stakeholders
- Examined media coverage of the Company’s environmental, social and governance (“ESG”) issues during the reporting period
- Analyzed recently reported ESG issues of the Company’s global competitors
- Conducted interviews with respective personnel regarding the Company’s ESG activities and reporting process during the reporting period
- Inspected data regarding the Company’s ESG performance, supporting evidence for assertions, and intranet source data
- Identified the Company’s process for collecting and consolidating ESG performance data
- Reviewed whether the financial performance data has been appropriately extracted from the Company’s audited financial statements.

<sup>1</sup> International Standard on Assurance Engagements: Assurance Engagements Other than Audits or Reviews of Historical Financial Information issued by International Federation of the Accountants



### Level of assurance

We conducted our limited assurance engagement in accordance with ISAE 3000. Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than in a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

### Conclusion on limited assurance

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Report is not prepared, in all material respects, in accordance with the standard adopted by the Company.

### Independence

We comply with the Code of Ethics issued by the International Federation of Accountants.

### Our engagement team

This engagement was performed by an assurance team of extensive experience and expertise in the ESG sector.

4 August, 2022

## Information Disclosure

Other management information disclosure channels		Description
HCE Website	<a href="https://www.hyundai-ce.com/ko">https://www.hyundai-ce.com/ko</a>	Company introduction, investment information, product and agency information, online customer center information
HCE Facebook	<a href="https://www.facebook.com/HyundaiConstructionEquipmentWorldwide">https://www.facebook.com/HyundaiConstructionEquipmentWorldwide</a>	
HCE Instagram	<a href="https://www.instagram.com/accounts/login/?next=/hyundaice_worldwide/">https://www.instagram.com/accounts/login/?next=/hyundaice_worldwide/</a>	
HCE LinkedIn	<a href="https://www.linkedin.com/company/hyundai-construction-equipment-company/">https://www.linkedin.com/company/hyundai-construction-equipment-company/</a>	
HCE Twitter	<a href="https://twitter.com/HyundaiConstru1">https://twitter.com/HyundaiConstru1</a>	
HCE Kakao Channel	<a href="https://pf.kakao.com/_ymhUxb">https://pf.kakao.com/_ymhUxb</a>	
HCE YouTube	<a href="https://www.youtube.com/user/hyundaice">https://www.youtube.com/user/hyundaice</a>	Featuring HCE products and major news (domestic)
	<a href="https://www.youtube.com/user/hhihce">https://www.youtube.com/user/hhihce</a>	Featuring HCE products and key news (global)
HHI Ethical Management	<a href="https://ethics.hhigroup.kr/html/main.html">https://ethics.hhigroup.kr/html/main.html</a>	HHI ethical management direction, Code of Ethics, online reporting/consultation, etc.
HHI CSR	<a href="https://csr.hyundai-holdings.co.kr/front/index">https://csr.hyundai-holdings.co.kr/front/index</a>	HHI CSR direction, CSR news, HHI Group 1% Nanum Foundation, etc.
HHI Webzine "Magazine H"	<a href="http://www.hyundai-holdings.co.kr/magazine-h">http://www.hyundai-holdings.co.kr/magazine-h</a>	Overall HHI management activities (monthly)
Financial Supervisory Service Electronic Disclosure System	<a href="http://dart.fss.or.kr/">http://dart.fss.or.kr/</a>	Various public information submitted compulsorily or voluntarily as a listed company
Investor Relations	<a href="https://www.hyundai-ce.com/Korean/IRK/IRK75.aspx">https://www.hyundai-ce.com/Korean/IRK/IRK75.aspx</a>	Regular business performance data and future prospects for business
KRX ESG Portal	<a href="https://esg.krx.co.kr">https://esg.krx.co.kr</a>	ESG-related information such as ESG report, ESG evaluation, and disclosure as a listed company

## Membership

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

# Global Network

## Subsidiaries

Company Name	Establishment Date	Location	Major Business	Total Assets in 2021 (Unit: KRW million)
Hyundai Construction Equipment Americas., Inc.	1991.11.08	USA	Construction equipment sales	157,841
Hyundai Construction Equipment Europe N.V.	1995.02.07	Belgium	Sales of construction equipment	172,191
Hyundai Construction Equipment India Private Ltd.	2007.06.18	India	Manufacture and sales of construction equipment	176,950
PT. Hyundai Construction Equipment Asia	2008.04.22	Indonesia	Import and wholesale sales of construction equipment	6,436
Hyundai Heavy (China) Investment Co., Ltd.	2006.06.01	China	Holding company	406,524
Hyundai Financial Leasing Co., Ltd.	2007.04.25	China	Financial business such as loan and leasing	422,329
Hyundai (Jiangsu) Construction Machinery Co., Ltd.	1995.01.25	China	Manufacture and sales of construction equipment	358,413
Weihai Hyundai Wind Power Technology Co., Ltd.	2010.05.31	China	Wind power generation	3,833
Hyundai Heavy Industries Brasil - Manufacturing and Trading of Construction Equipment	2011.07.11	Brazil	Heavy machinery production, rental and repair	227,197

\* Based on subsidiaries subject to consolidation as of the end of 2021

## Domestic Workplaces

- Main Office: 55, Bundang-ro, Bundang-gu, Seongnam-si, Gyeonggi-do
- Ulsan Factory: 77, Goneul-ro, Dong-gu, Ulsan
- Gunsan Factory: 232, Dongjangan-ro, Gunsan-si, Jeollabuk-do
- Eumseong Factory: 313, Soi-ro, Soi-myeon, Eumseong-gun, Chungcheongbuk-do
- Yongin Technology Innovation Center: 17-8, Mabuk-ro 240beon-gil, Giheung-gu, Yongin-si, Gyeonggi-do
- Hi CARE Center (inquiries about A/S, sales, parts): 1899-7282

### Europe

- Overseas Subsidiary
- Europe subsidiary

### Middle East/Africa

- Overseas Branches
- Jebel Ali branch
  - South Africa branch

### China

#### Overseas Subsidiaries

- Hyundai Heavy Industries (China) Investment Co., Ltd.
- Hyundai Financial Leasing Co., Ltd.
- Hyundai (Jiangsu) Engineering Machinery Co., Ltd.

### Asia

#### Overseas Branches

- Vietnam branch
- Thailand branch

#### Overseas Subsidiaries

- Indonesia subsidiary
- India subsidiary

### Americas

- Overseas Subsidiaries
- North America subsidiary
  - Brazil subsidiary

8 overseas subsidiaries

4 overseas branches

