



Hyundai Heavy Industries

Sustainable Finance Framework

February 2022



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1. Introduction¹

1.1. Business Overview

Hyundai Heavy Industries Co. Ltd. (Hereinafter called the “HHI”) is the world's number one shipbuilder, leading the global shipbuilding industry.

HHI has a global business network in each of its key business units: Shipbuilding, Offshore & Industrial Plant Engineering and Engine & Machinery.

- **Shipbuilding** – With over 40 years of experience and know-how in building vessels, diverse product lines, and strong business relationships with world-class shipping companies, HHI has long maintained a reputation as an unparalleled leader in this industry, benefitting from advanced technologies in the fields of eco-friendly ships and smart ships. The Hyundai Heavy Industries shipyard stretches over four kilometers along the coast of Mipo Bay in Ulsan, Korea. The Shipbuilding Division is capable of building all types of ships to meet various demands from its clients. It has ten large-scale drydocks with nine huge 'Goliath Cranes'. Since the shipyard's groundbreaking in 1972, HHI's Shipbuilding Division has garnered many awards and set many records within the shipbuilding industry. The Business Unit reached the 100 million Dead Weight Tonnage (DWT) production mark in 2005 and 200 million DWT in 2017. It had delivered more than 2,300 ships to 324 shipowners in 52 countries until 2021.
- **Offshore & Industrial Plant Engineering** – HHI designs, purchases, manufactures, transports, installs and test-runs marine facilities and offshore installations. Since 1991, Offshore Division of Shipbuilding & Offshore Business Unit has become a world leading EPCIC contractor providing integrated services such as Engineering, Procurement, Construction, Transportation, Installation, Offshore Hook-up and Commissioning, and Project Management. Offshore Division of Shipbuilding & Offshore Business Unit has successfully completed more than 170 projects including over 100 EPCIC projects in turn-key basis and has been recognized as one of the most experienced and advanced offshore yards in the world. The range of products and services covers FPSOs, FLNGs, FPU, semisubmersibles, jack-ups, TLPs, fixed platforms, subsea pipelines, and land-based LNG and processing modules.
- **Engine & Machinery** – HHI manufactures large/mid-sized engines for vessels and mid-sized engines for power generation, with a share of 36% in the global market for large engines and 28% for mid-sized engines, which combine to place HHI in first place in global market dominance. HHI is the only Korean engine maker with its own original technology to manufacture mid-sized engines and plans to expand its eco-friendly equipment business such as gas engines, in active response to International Maritime Organization (IMO)'s tightened environmental regulations. HHI-EMD has also developed its own engine brand HiMSEN, which is specially designed as part of the ongoing efforts to provide the most practical and highest quality engines to our customers. The business activities of HHI-EMD have been further expanded into diverse fields of marine machinery such as marine pumps & turbines, ballast water treatment system and LNG gas solutions.

¹ Hyundai Heavy Industries Group – 2021 Integrated Report https://english.hhi.co.kr/img/filedown/2021_HHI_en.pdf

1.2. HHI's Green and Sustainability Vision

HHI has not only played a pivotal role in its own nation's economic development but also has become a responsible global corporate citizen contributing to the sustainable development of the world economy and assuming its responsibility for protecting the environment.

(1) Opportunities Arising from Shipping and Climate Change

In 2018, the IMO adopted a high-level strategy on the reduction of GHG emissions in the shipping industry. The strategy lays down the target of reducing emissions by at least 50% by 2050 compared to 2008 levels, while at the same time pursuing efforts to phase them out entirely. Meanwhile these targets are being backed with instruments such as EEXI, CII, enhanced SEEMP, market-based measures etc. HHI commits to comply with the more stringent carbon dioxide emission regulations imposed by the IMO. In line with the "carbon neutrality" target pursued by the global community, HHI will jointly develop the unrivaled technologies with Korea Shipbuilding & Offshore Engineering Co., Ltd. (Hereinafter called the "KSOE"), the holding company of HHI, via KSOE's Future Technology Research Institute to secure its competitive edge in the ecofriendly ship sector.

HHI has channeled its resources into developing eco-friendly technologies in preparation of the stricter environmental regulations of the IMO. HHI has developed commercial liquefied hydrogen carriers and obtained AIP for its basic design from the Korea Register of Shipping and the Liberian International Ship and Corporate Registry (LISCR) in October last year. HHI also succeeded in developing a liquefied hydrogen cargo processing system and a Boil-Off Gas (BOG) processing system using fuel cells along with the basic design of ships. HHI has also developed a hybrid propulsion system for small- and medium-sized ships and obtained AIP from the Korea Register of Shipping (KR). The hybrid propulsion system drives the propeller using the engine, shaft generator (propulsion motor), and high-capacity battery connected to the gearbox. This hybrid propulsion system has been selected for alternative aquatic resource research vessels; it is going to be increasingly applied to small- and medium-sized vessels at home and abroad.

The Hyundai Heavy Industries Group ("HHI Group"), which comprises of KSOE and its shipbuilding subsidiaries including HHI, has set the hydrogen business as a future growth engine and drew up a plan to create a hydrogen value chain that spans the entire industrial cycle of hydrogen from production, storage, transportation, to utilization – together with its affiliates. KSOE and its shipbuilding subsidiaries are major participants in the HHI group's hydrogen value chain. By concentrating its capabilities in the core value businesses such as Green Hydrogen Infrastructure, Digital Ships, and Eco-Friendly Ships, HHI aims to grow into a world-class shipbuilding and offshore company having a market-leading eco-friendly ship technology by 2030.

In the area of developing eco-friendly ships, HHI has the following focus areas:

- **LNG propulsion ship:** Application of methane slip reduction technology, energy efficiency aids (rotor sails with ~6% fuel economy improvements and air lubrication with ~4% fuel economy improvements) and exhaust gas carbon capture, to further advance eco-friendly technology
- **Ammonia propulsion ship:** Securing the leading position in ammonia propulsion technology based on LPG technology
- **Hydrogen fuel cell propulsion ship:** Commercialization of the world's first hydrogen fuel cell propulsion ship.

HHI's efforts to reduce greenhouse gas (GHG) emissions include use of renewable energy, installation of new inverters and high-efficiency LEDs for better energy efficiency, adjustment of supply voltage, and the improvement of the marine trial operation processes.

For example, HHI is carrying out green factory activities that contribute to GHG emission reduction by recycling waste heat to produce steam and renewable energy such as wind/solar power. The company generated 72,597 tons of steam from the incineration facilities with a capacity of 400 tons and 1,500MWh of electricity from the wind turbines with a capacity of 1.65MW in 2021. In addition, HHI is in the process of setting up a RE100 roadmap which will aim to increase the use of renewable energy in the plants.

(2) Global Shipbuilding Industry's Finest Technologies

HHI's mid-to long-term growth strategy (by 2024) is to lead the environmentally-friendly, energy efficient shipbuilding market with the world's finest technologies. R&D at HHI has been playing a crucial role in HHI's growth since 1983 when the HHI General Research Institute was first established. HHI R&D comprises of the Corporate Research Center, two business division research institutes, and the Technology Administration Office.

Thanks to its enduring efforts to develop cutting-edge technologies that ultimately set HHI apart from all others, HHI is now laying the foundation for a bold leap forward to become an advanced technology-centric group, notably

boasting advanced technologies in the fields of eco-friendly vessels and smart ships.

Among R&D achievements in 2018, HHI was the World's first to build a Single Mixed Refrigerant (SMR) testing facility that re-liquefies vaporized gas from LNG carriers and received safety approval from Korea Gas Safety Corporation. HHI also established the World's largest-scale industrial Energy Storage System (ESS) center in Ulsan and developed a proprietary scrubber system (HHI-Scrubber) that meets the requirement under IMO's regulations. HHI was also the World's first to Commercialize IMO Type-B LNG Fuel Tank Design and Fueling System for Ships and the World's first to deliver an LNG-FSRU (floating storage regasification units) in 2014.

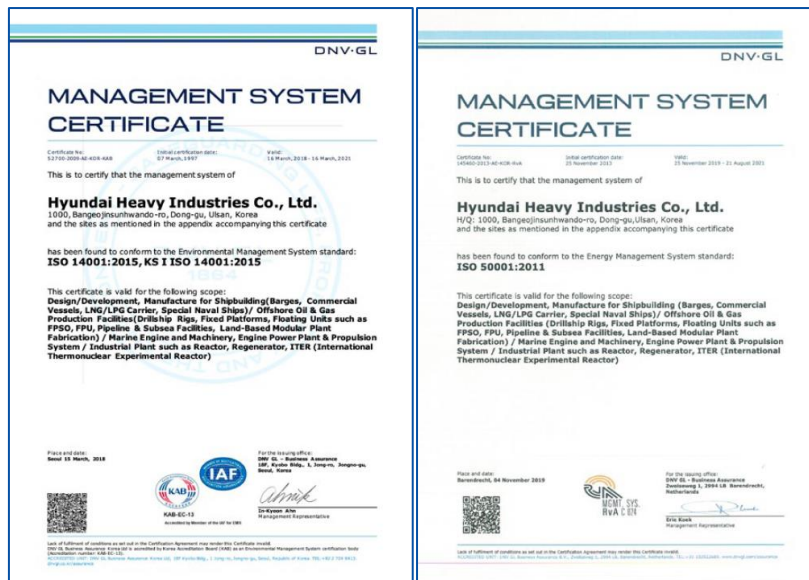
(3) Compliance with Global Environment Standards

HHI is making its best efforts to develop products that comply with global environment standards including IMO regulations for the prevention of air pollution from ships as regards greenhouse gas (GHG) and other air pollutants such as NOx and SOx, ballast water treatment systems (BWTS); as well as Norwegian shipping regulations as regards non-methane volatile organic compound (NMVOC).

HHI is managing pollutants with an environmental management system established according to global standards (ISO 14001), with the objective of building a reputation as an eco-friendly company. In particular, company-wide efforts are made to reduce GHG emissions in alignment with KPIs, focusing on reducing its carbon footprint on the environment.

Based on the global standard of ISO 50001, HHI established an energy management system to monitor energy consumption. In order to promote efficient energy management, its Factory Energy Management System (FEMS) based on big data is utilized to optimize energy consumption for each factory, while its Energy Storage System (ESS) manages peak power.

HHI established the HHI Greenhouse Gas Management System (HGMS) in 2015, which calculates GHG emissions based on the IPCC global standard and Korea's GHG calculation guideline. The HGMS monitors every GHG emitting facility found in offices, factories and research centers of the Group to manage the emissions of six greenhouse gases. In 2020, HHI achieved a significant reduction of more than 5% by managing GHGs; surpassing the original goal to reduce at least 5% compared to the GHG allowances (KAU).



(4) Sustainability Reporting and Governance

HHI Group publishes annually an Integrated Report introducing sustainable management outcomes and performance achieved by HHI Group's listed companies, including HHI. To provide relevant information to stakeholders, core issues derived from their materiality assessment are reported on the basis of the group's five management philosophies.

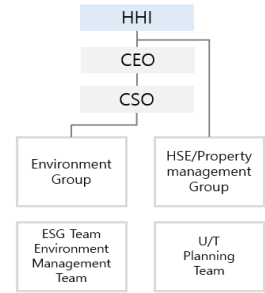
The Integrated Report is prepared in accordance with the Global Reporting Initiative Standards² and the International Integrated Reporting Council's (IIRC) integrated reporting framework. Korea Management Registrar

² Appendix 1 – Global Reporting Initiative Standards

was commissioned by HHI Group to provide independent assurance on its'2020 HHI Group Integrated Report'.

In April 2020, seven affiliates of HHI Group established an ESG committee at the Board of Directors level. The committees' role is to deliberate on the planning and implementation of ESG strategies specific to each company's businesses, thus developing and internalizing ESG capabilities. It will also operate an "ESG Advisory Group" consisting of external research in each field such as environment, social responsibilities and corporate compliance. Through the ESG Committee, HHI Group plans to take the lead in solving environmental problems faced by the world through clean energy use and create a better future with eco-friendly technologies.

Furthermore, KSOE and its shipbuilding subsidiaries have newly formed organizations directly under the CEO oversight for environmental management-related tasks, such as climate change, energy and GHG management, and activities to minimize the environmental impact at business sites; in the case of HHI, the Environment section is directly controlled by the COO.



(5) HHI and United Nations' Sustainable Development Goals (SDGs)



HHI Group supports the United Nations' Sustainable Development Goals³ ("SDG") as defined in the Sustainable Development Summit of the United Nations in 2015, joining the global partnership which aims to end deprivation, protect the planet and ensure that all people enjoy peace and prosperity.

In particular, HHI Group has identified 11 specific SDGs that are most relevant to its business, environment and people.

- SDG 3: Good Health and Well-Being / *Healthy lives and well-being for all at all ages*
- SDG 4: Quality Education / *Inclusive and equitable quality education and lifelong learning opportunities for all*
- SDG 6: Clean Water and Sanitation / *Ensure access to water and sanitation for all*
- SDG 7: Affordable and Clean Energy / *Access to affordable, reliable, sustainable and modern energy for all*
- SDG 8: Decent Work and Economic Growth / *Sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all*
- SDG 9: Industry, Innovation and Infrastructure / *Build a resilient infrastructure, promote sustainable industrialization and foster innovation*
- SDG 10: Reduced Inequalities / *Reduction of inequality within and among countries*
- SDG 12: Responsible Consumption and Production / *Ensure sustainable consumption and production patterns*
- SDG 13: Climate Action / *Take urgent action to combat climate change and its impacts*
- SDG 14: Life below Water / *Conservation and sustainable use of the oceans, seas and marine resources for sustainable development*
- SDG 16: Peace, Justice and Strong Institutions / *Peaceful and inclusive societies for sustainable development, access to justice for all and effective, accountable and inclusive institutions at all levels*

³ Appendix 2 – United Nations' Sustainable Development Goals

2. HHI Sustainable Finance Framework Overview

The Sustainable Finance Framework (“SFF”) was developed to demonstrate how HHI could, with Sustainable Financing Transactions (“SFT”), fund projects that would deliver positive environmental impacts and foster sustainable practices, and to support HHI’s green and sustainability strategy.

SFTs include green, social or sustainability bonds, loans and other debt or financing structures tailoring to make contribution to sustainable development, the proceeds to projects which meet the eligibility criteria of the following Eligible Green and/or Social Project categories (“Eligible Sustainable Projects”), as defined as below will be applied as defined in this Framework.

- With respect to bonds, bonds issued under this SFF will be in alignment with the Green Bond Principles (GBP)⁴ 2021, Social Bond Principles (SBP)⁵ 2021 and Sustainability Bond Guidelines (SBG)⁶ 2021 published by the International Capital Markets Association (ICMA) or as they may be subsequently amended.
- With respect to loans, loans issued under this SFF will be in alignment with the Green Loan Principles (GLP)⁷ 2021 and Social Loan Principles (SLP)⁸ 2021 or as they may be subsequently amended.
- Other forms of financing may conform to other sustainable or green finance principles as may have been established at the time of such financing transaction being undertaken.

Each transaction will adopt (1) Use of Proceeds, (2) Project Evaluation and Selection, (3) Management of Proceeds, and (4) Reporting, as set out in this SFF.

SFTs do not place restriction on the tenor and currency; and can include other terms and conditions including covenants, to reflect the financing strategy and plans of HHI as well as the outcome of the commercial discussions between the Issuer/Borrower and Manager/Arranger/Lender.



SFTs may be done in any jurisdiction and market reflecting HHI’s current and future business needs.

2.1. Use of Proceeds

An amount equal to the net proceeds of the Green Bonds and Loans will be used to fund and/or refinance, in whole or in part, new or existing eligible green projects that meet one or more of the following categories of eligibility as recognized in the GBP (“**Eligible Green Projects**”) and/or SBP (“**Eligible Social Projects**”):

Eligible Green Projects and Eligible Social Assets may include fixed assets, capital expenditures and operating expenditures.

(1) Eligible Green Project Categories

GBP / GLP Categories and UN SDGs	Eligible Criteria and Description	Environmental Sustainability Objectives
<p>Clean Transportation</p>  	<p>Clean and sustainable shipbuilding</p> <p>1. Investment and expenditure in relation to design, construction and maintenance of clean and sustainable vessels (“CSV”⁹) according to IMO¹⁰ and Norwegian shipping regulations¹¹ and retrofit of existing vessels to include a dual-fuel set up, designed for alternative fuels</p> <p>CSVs would represent the below vessels:</p> <ul style="list-style-type: none"> • LNG-fueled Vessels, LNG Dual Fuel Vessels, Methanol Dual Fuel Vessels 	<p>Pollution prevention and control</p> <p>Reduction of air emissions including NOx, SOx and GHG emissions</p>

⁴ In alignment with ICMA Green Bond Principles, June 2021, <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

⁵ In alignment with ICMA Social Bond Principles, June 2021, <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/social-bond-principles-sbp/>

⁶ In alignment with ICMA Sustainability Bond Guidelines, June 2021, <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-bond-guidelines-sbg/>

⁷ In alignment with LMA Green Loan Principles, February 2021, <https://www.lsta.org/content/green-loan-principles/>



⁸ In alignment with LMA Social Loan Principles, April 2021, <https://www.lsta.org/content/social-loan-principles-slp/>

⁹ Clean and sustainable vessels (“CSV”) in this Framework are vessels built by HHI which have specific features as defined in Section 2.1 Use of Proceeds




¹⁰ <http://www.imo.org/en/About/Pages/Default.aspx>

¹¹ <https://www.sdir.no/en/shipping/legislation/>

GBP / GLP Categories and UN SDGs	Eligible Criteria and Description	Environmental Sustainability Objectives
	<p>In line with the EU Taxonomy, the design of CSVs safeguard that the Energy Efficiency Design Index (EEDI) values of the vessels are at least 10% below IMO's EEDI requirements applicable on 1 April 2022. CSVs may have the following features:</p> <ul style="list-style-type: none"> • Dual fuel liquefied natural gas (LNG) engine • Dual fuel methanol engine • Hybrid powered • Hydrogen fuel cell • Ammonia or hydrogen in combustion engine • Machinery efficiency and wind assistance powered • Ability to use onshore power supply when at berth <p>2. Research and Development (R&D) would have, but not limited to, the below technology, design, equipment and facilities:</p> <ul style="list-style-type: none"> • Alternative dual fuel engine such as Ammonia or Methanol in combustion engine • Ammonia and hydrogen propulsion vessels • Eco-friendly technology such as electric propulsion, SOx reduction, VOC recovery system, NOx reduction • Sailing efficiency improvement such as Energy Storage System, Wind Assistance, Smartship Technologies <p>3. Investment in hydrogen infrastructure / value-chain (liquefaction of hydrogen (lower energy consumption target), development of hydrogen storage facility) dedicated to green hydrogen (produced via 100% electrolysis from renewables)</p>	
<p>Pollution Prevention and Control</p>  	<p>Construction and maintenance of the below facilities:</p> <ul style="list-style-type: none"> • Upgrade of waste treatment facilities to improve operational efficiency • Management and treatment facility of chemical substances • Development, operation and maintenance of air pollution prevention facilities within large- scale painting factories of 50,000m³ and over from 2017 to 2023 in accordance with Management Hazardous Air Pollutants (HAPs) and Fugitive Emissions (The technology of these prevention facilities is Catalytic Oxidation (CO) which reduces Volatile Organic Compounds (VOCs) produced in business sites.) • On-site due diligence/ regular inspection of the above facilities <p>Developing and expanding the usage of eco-friendly paint and varnish with less air pollution such as VOCs</p>	<p>Pollution prevention and control</p> <p>Waste recycling</p> <p>Prevention of pollution from chemical substances used</p> <p>Reduction of VOCs emissions</p>
<p>Sustainable Water Management</p> 	<ul style="list-style-type: none"> • Development, installation and upgrade (to improve operational efficiency) of wastewater treatment facilities within the business sites. The issuer will follow the local environmental law in implementing related projects 	<p>Pollution prevention and control</p> <p>Recycling of water recycled</p> <p>Reuse of water</p>

GBP / GLP Categories and UN SDGs	Eligible Criteria and Description	Environmental Sustainability Objectives
Renewable Energy 	<ul style="list-style-type: none"> Construction of new renewable energy generating units such as wind turbines, or installation of solar panels at all domestic work sites Construction of assets and projects that are essential for installing offshore wind power generation equipment, such as Self Elevating Platform (SEP) and Crew Transfer Vessels (CTV) – Assets will be used as dedicated equipment for installation of and service to offshore wind equipment. 	Climate change mitigation GHG emission reduction
Energy Efficiency 	<ul style="list-style-type: none"> Construction and maintenance of Energy Storage Systems (ESS)¹² center to save energy costs, reduce peak power consumption and increase energy efficiency Reduction of energy consumption such as identifying real-time energy usage through remote heating and cooling control, and energy saving activities Replacement of metals (250kW, 400kW) and other light bulbs in plants with high-efficiency LED lights 	Energy efficiency improvement Energy savings

(2) Eligible Social Project Categories

SBP / SLP Categories and UN SDGs	Eligible Criteria and Description	Social Objectives
Employment Generation , including the potential effect of SME financing and microfinance 	<ul style="list-style-type: none"> Investments in vendor financing programmes which provide preferential loan interest rates to vendors such as operating funds to lend at low-interest to SMEs in collaboration with banks e.g. Shared Growth Fund¹³ <ul style="list-style-type: none"> Target Population: Categorized as SME under the Enforcement Decree of The Framework Act on Small and Medium Enterprises 	Access to finance Supporting SMEs
Access to Essential Services  	<ul style="list-style-type: none"> Investment into safety measures: retrofit of old production facilities, installation of air-circulation systems for better working environment, safety enhancing machinery/tools for workers <ul style="list-style-type: none"> Target Population: Employees of subcontractors and HHI 	Health and well-being Safety at the workplace

Eligible Green Projects and Eligible Social Projects may include the projects HHI made during the 3 years prior to the issuance or signing date of the respective SFTs.

(3) Exclusions

The following sectors will be excluded from Green and Social Eligible Categories:

- Vessels dedicated to transportation of fossil fuel such as LNG, LPG
- Coal or non-conventional fossil fuels
- Nuclear energy related

¹² Energy Storage Systems (ESS) are manufactured by 3rd party suppliers, some of which are designed and modified by HHI to achieve the best operational outcome

¹³ <http://www.hyundai-holdings.com/?p=115&idx=397>

- Biomass and waste to energy projects using feedstock suitable for food production, and that deplete carbon pools, are grown on land with current or prior high biodiversity
- Biomass plants, waste to energy power plants and geothermal plants with CO₂ emission level of more than 100g CO₂ /kWh
- Large scale hydropower plants (>20MW capacity) and concentrated solar power
- Child labour or forced labour
- Production or trade of weapon
- Production or trade of alcohol
- Production or trade of tobacco
- Conflict Minerals
- Predatory or payday lending
- Military Contracting

2.2. Process for Project Evaluation and Selection

The Eligible Green Projects and Eligible Social Projects are identified and selected via a process that involves participants from various functional areas. A dedicated Sustainable Finance Working Group (“SFWG”) has been set up to identify and select Eligible Green Projects and Eligible Social Projects, with representatives from the below departments:

- Corporate Affairs Team
- Electricity Planning Team
- Environmental Section
- Project Planning Department
- Shipbuilding Production Engineering Department
- Technology Planning Departments
- International Finance Team

Potential Eligible Green Projects and Eligible Social Projects will be submitted to SFWG for review by business units. The SFWG will evaluate their compliance with not only the eligibility criteria outlined in the SFF’s Use of Proceeds section but also the environmental guidelines which are applicable within HHI. If such project is considered as an Eligible Green Project and Eligible Social Project by the SFWG in accordance with the SFF, it will be presented to the senior management of HHI for final approval.

SFWG will meet every 12 months to review the allocation of the SFT proceeds and to facilitate ongoing reporting. In addition, SFWG will be responsible for managing any future updates of the Framework, including any expansion of requirements of use of proceeds.

Eligible Green Projects and Eligible Social Projects may include new projects, projects under construction or in HHI’s portfolio, with a disbursement date no older than 36 months.

In case of divestments or if an Eligible Green Project and Eligible Social Project no longer meets the eligibility criteria, the funds will be reallocated to other Eligible Green Projects and Eligible Social Projects.

In case of HHI is aware of controversies in regards to a project, the CEO or CFO will make the final decision to exclude such project from Eligible Green Projects and Eligible Social Projects.

The SFWG will be responsible for monitoring data on the allocation of proceeds, and collecting, consolidating and reporting data on environmental benefits. Financial aspects of the projects will be monitored by the company’s internal accounting system.

HHI imposes strict environmental and social risk management policy during its normal course of business.

- In terms of safety management, HHI spreads a safety culture under the management policy of “Safety First”. Under the health, safety and environment (HSE) objectivities/policies, HHI strives to be a “World-class Safety Business” through operating a safety management system based on the global health and safety standards such as ISO 45001 and preparing a comprehensive safety management and improvement plan. At HHI, the

Safety Management Office (directly controlled by the CEO) is responsible for Company-wide HSE system / policy / program planning, while the safety department of each business unit is responsible for on-site safety organization operation, HSE site management for shipowners. HHI obtains an external regular audit on the safety management system from DNV.

- HHI has established an environmental management system in accordance with the ISO 14001 (Environmental Management System), which is certified by an external certification body. HHI has policies in place to manage risks across various categories such as air pollutant control, wastewater and water pollutants, waste management and chemical substance management. Periodic on-site due diligence and inspection is being conducted and in the case of abnormalities in the daily worklog records, immediate action would be taken through consultation with the relevant departments. HHI has also established environmental management training & environmental accident response training, including development of in-house standards and manuals for systematic response to environmental accidents, and regular training for marine pollution accidents.
- HHI has also put in place various Human Rights management processes, which includes running a mandatory Grievance Handling Program in KSOE and its shipbuilding subsidiaries, Grievance Handling Process, Supply Chain Human Rights Protection Policy for its suppliers as well as ensuring Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk areas.

2.3. Management of Proceeds

The net proceeds from each SFT will be managed by HHI's International Finance Team, and the proceeds of each SFT will be deposited in the general funding accounts and be earmarked to Eligible Green Projects and Eligible Social Projects.

HHI will maintain a register ("Sustainable Finance Register") to keep track of the use of proceeds for each SFT. The Sustainable Finance Register will contain the following information:

(1) Type of Funding Transaction

Key information include issuer/borrower entity, transaction date, number of transactions, principal amount of proceeds, repayment or amortization profile, maturity date and interest or coupon (and in the case of bonds, the ISIN number).

(2) Allocation of Use of Proceeds

- Name and description of Eligible Green Projects and Eligible Social Projects to which the proceeds of the SFTs have been allocated in accordance with this SFF
- Amount of SFT proceeds allocated to each Eligible Green Project and Eligible Social Projects
- The balance of unallocated proceeds
- Information of temporary investment for unallocated proceeds

HHI is committed to allocating all proceeds from SFTs to Eligible Green Projects and Eligible Social projects within three years of the Sustainable Financing Transactions in accordance with the evaluation and selection process set out above.

Any balance of issuance proceeds which are not yet allocated to Eligible Green Projects and Eligible Social Projects will be held in accordance with HHI's liquidity guidelines for expenditures, or investments. HHI also commits that the temporary placements and instruments for unallocated proceeds do not finance activities in 2.1(1) Exclusions.

During the life of the SFTs funded, if the designated Projects cease to fulfil the Eligibility Criteria, the net proceeds will be re-allocated to replacement Projects that comply with the Eligibility Criteria, as soon as reasonably practicable.

2.4. Reporting

On an annual basis until full SFWG allocation of net proceeds to Eligible Green Projects and Eligible Social Projects, and in case of any material changes, HHI will provide information on the allocation of the net proceeds of its SFTs. Such reporting will be made publicly available on HHI's Sustainability Report, Annual Report or website <http://english.hhi.co.kr/sustain/green>.

The information will contain at least the following details:

(1) Allocation Reporting

HHI will provide the following information for the net proceeds of all the SFTs during the year:

- Overview of SFTs outstanding
 - Key information includes issuer/borrower entity, transaction date, number of transactions, principal amount of proceeds, maturity date and interest or coupon (and in the case of bonds, the ISIN number)
- The aggregate amount allocated to various Eligible Green Projects and Eligible Social Projects by category
- The balance of unallocated proceeds and type of temporary investment (type and amount)
- The proportion of proceeds allocated to new financing vs. refinancing
- The share of co-financing in the case that other finance sources are used
- Examples of Eligible Projects (subject to confidentiality disclosures)

(2) Impact Reporting

Where possible, HHI will report on the environmental and social impacts of the Eligible Green Projects and Eligible Social Projects. In cases of co-financing, HHI will report on the environmental and social benefits based on its pro-rata share of co-financing.

Subject to the nature of Eligible Green Projects and Eligible Social Projects and availability of information, HHI aims to include, but not limited to, the following Impact Indicators:

Eligible Green Projects Categories	Impact Indicators
Clean Transportation	<ul style="list-style-type: none"> • Number of LNG and methanol dual-fuel vessels financed • Vessels' consumption of alternative fuel vs. conventional fossil fuel oil in tonnes and fuel oil equivalents • GHG emissions avoided (tCO₂e/year) • Annual emission reduction of NO_x, SO_x
Pollution Prevention and Control	<ul style="list-style-type: none"> • GHG emission avoided (tCO₂e/year) • Annual emission reduction of NO_x, Dust
Sustainable Water Management	<ul style="list-style-type: none"> • Amount of wastewater (ton/year) • Amount of BOD (Biochemical Oxygen Demand), COD (Chemical Oxygen Demand) and SS (Suspended Solids) (kg)
Renewable Energy	<ul style="list-style-type: none"> • Renewable energy produced (MWh/year) • Renewable energy capacity (MW)
Energy Efficiency	<ul style="list-style-type: none"> • Amount of energy saved (MWh) • Amount of Energy Storage by ESS (Energy Storage System) Centre (MWh)

Eligible Social Projects Categories	Impact Indicators
Employment Generation, including the potential effect of SME financing and microfinance	<ul style="list-style-type: none"> • Number / Amount of loans provided • Number of vendors benefited
Access to Essential Services	<ul style="list-style-type: none"> • Fatality rate per 10,000 workers • Accident rate (accident rate per 100 workers; calculated by total number of accident divided by total workers x 100)

3. External Review

HHI has engaged an external review of this SFF from DNV, an independent party, to provide a Second Party Opinion. DNV has reviewed the SFF for its sustainability and green qualities as well as its alignment with GBP, SBP, SBG, GLP and SLP. The objective of the Second Party Opinion is to provide investors with an independent assessment.

The Second Party Opinion, as well as the SFF hereof, will be published and made available at <http://english.hhi.co.kr/sustain/green>.

Appendices

Appendix 1 (Global Reporting Initiative Standards)¹⁴

Global Reporting Initiative (GRI) is an independent international organization, based in Amsterdam, which has pioneered sustainability reporting since 1997. GRI helps businesses and governments worldwide understand and communicate their impact on critical sustainability issues such as climate change, human rights, governance and social well-being.

The GRI Standards are the first and most widely adopted global standards for sustainability reporting. In fact, 93% of the world's largest 250 corporations report on their sustainability performance¹⁵ and thousands of companies across all sectors have published reports that reference GRI's Sustainability Reporting Guidelines. The Sustainability Reporting Standards are made available as free public good and have been continuously developed over 20 years, representing global best practice for reporting on economic, environmental and social issues.

Reporting with the GRI Standards supports companies, public and private, large and small, protect the environment and improve society, while at the same time thriving economically by improving governance and stakeholder relations, enhancing reputations and building trust. Sustainability reporting based on the Standards provides information about an organization's positive or negative contributions to sustainable development. The three universal Standards are used by every organization that prepares a sustainability report and an organization also chooses from the topic-specific Standards to report on its material topics – economic, environmental or social.

¹⁴ <https://www.globalreporting.org/standards/>

¹⁵ KPMG Survey of Corporate Responsibility Reporting 2017

Appendix 2 (United Nations' Sustainable Development Goals)

In 2015, world leaders gathered at the UN to adopt 17 Sustainable Development Goals (SDGs) to achieve several extraordinary things by 2030: end poverty, promote prosperity and well-being for all, and protect the planet. The SDGs set a course to achieve these objectives – for people everywhere. The SDGs cover a broad range of social and economic development issues. These include poverty, hunger, health, education, climate change, gender equality, water, sanitation, energy, urbanization, environment and social justice.

