

HD HYUNDAI HEAVY INDUSTRIES

# BEYOND BLUE FORWARD TO GREEN

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ESG HIGHLIGHTS 2022



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**HHI ESG HIGHLIGHTS 2022**

<b>Reporting Period</b>	From January 1 through December 2022 (Some of the data extend to the period from the first half of 2023)
<b>Disclosure Principle</b>	Permanent disclosure of the Integrated Report on the website ( <a href="http://www.hhi.co.kr">http://www.hhi.co.kr</a> )
<b>Inquiries about the Report Details</b>	HHI ESG Dept. E. <a href="mailto:hhf.esg@hd.com">hhf.esg@hd.com</a> Please refer to the 2022 Integrated Report



HHI Integrated report website

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# BEYOND BLUE FORWARD TO GREEN

HHI aims to build a sustainable future, beginning with the ocean.

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# CEO MESSAGE

## A clean future starts from the sea: HHI takes the lead

**CEO MESSAGE** ▶

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### Dear Esteemed Stakeholders,

Thank you for your continued support and interest in HHI. Celebrating its 50th anniversary in 2022, HHI unveiled "Vision 2030" to establish itself as a premier shipbuilding and offshore company leading the eco-friendly digital era. We are committed to leading the global shipbuilding and offshore market by cultivating eco-friendly digital ships, smart yards, and future-oriented businesses. In 2021, we successfully issued domestic green bonds, followed by foreign currency green bond issuances in 2022, securing proactive financing for investments in eco-friendly ships. This signifies the positive evaluation of HHI ESG management efforts by global investors. We will continue to solidify our market leadership based on our eco-friendly ship technology. Furthermore, the Gunsan Shipyard has been reactivated, and the successful launch of its first block marks a significant milestone. The full-scale operation of the Gunsan Shipyard will greatly contribute to the ship production process and bolster the local economy. HHI faces a business environment fraught with various uncertainties, including a global economic downturn and supply chain risks due to rapid interest rate hikes and declining growth rates. However, we remain committed to forging a future through constant innovations and challenges. The year 2023 holds great significance as we embark on a new chapter, building upon our proud 50-year history. HHI is poised to stride boldly towards the next 100 years. In pursuit of a clean future starting from the sea, we have outlined the following key objectives for the year.

### First, We will Advance the ESG Management System.

HHI is committed to actively promoting an ESG management culture that fosters sustainable value, in alignment with our group's ESG management vision of "Future From the Ocean." Through ESG Promotion Committee, which has been operational since the first half of this year, we aim to identify key ESG-related priorities, enhance execution capabilities, and implement ESG key performance indicators (KPIs) for systematic management of ESG performance across the organization. Furthermore, we will enhance transparency in climate disclosure and eco-friendly management by developing a methodology to calculate greenhouse gas emissions throughout the entire value chain of our ships. Additionally, we will take the lead in implementing socially responsible management practices, including human rights management and coexisting cooperation, while coexisting our ESG management system.

### Second, We will Lead the Market with Advanced Technology and Innovation.

As the world moves towards a carbon-neutral era, we will take the lead in the market by proactively developing eco-friendly vessels that are anticipated to experience increased demand. Additionally, this year we aim to finalize the construction of the 'Visible Shipyard', which represents the initial phase of our Future of Shipyard (FOS) project, thereby enhancing our practical production competitiveness.

Furthermore, we will establish a solid foundation for an autonomous shipyard, encompassing design to production, through the utilization of Palantir's corporate big data platform, 'Foundry', enabling the realization of the world's top-ranked smart shipyard seamlessly.

### Third, We will Further Solidify Safety as Our Top Priority.

Safety is our utmost priority in all aspects of our management. To foster a culture of safety-first, we will introduce a fresh safety mindset among all employees and enhance field-oriented risk assessments. Furthermore, we will reinforce our support for supplier safety management, establishing a coexisting cooperation system. Additionally, we will implement a site-specific safety education system and strive to create a smart and secure working environment, ensuring a workplace that is free from serious accidents.

Finally, HHI aims to foster a thriving future for all through constant innovation and sustainable management. We extend our heartfelt appreciation to all stakeholders who have accompanied us on this journey, and eagerly anticipate the next 50 years of HHI as we strive to "unlock the boundless potential of the sea" and surpass the accomplishments of the past 50 years.

Thank you.

# COMPANY OVERVIEW

HHI has built the largest number of ships in the world since its foundation 50 years ago, maintaining its position as the world's No. 1 shipping company and a leader in the field of 2-stroke engines. HHI is committed to pioneering the future of humanity by discovering the infinite potential of the sea through innovation and continuous challenges, leading the way for future generations.

CEO MESSAGE

**COMPANY OVERVIEW** ▶

2022 ESG HIGHLIGHTS

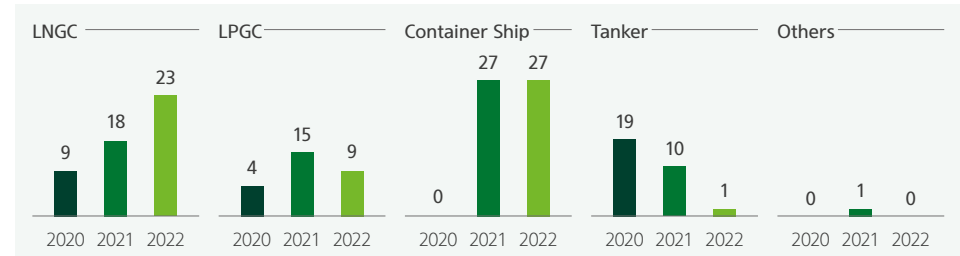
ESG MANAGEMENT SYSTEM

2022 HHI FOCUS AREA

## Company Profile (Consolidated basis as of Dec. 2022)

Company Name	HD Hyundai Heavy Industries
Head Office	1000 Bangeojiinsunhwandoro, Dong-gu, Ulsan, South Korea
Establishment	Jun 3, 2019 (Established HHI through physical division of HDKSOE)
CEO	Han Young-seuk, Lee Sang-kyun
Employees	12,765
Total Revenue	90,455 KRW 100 million

## Shipbuilding Orders Unit: No. of ships



Classification	2020		2021		2022	
	No. of Ships	Amount	No. of Ships	Amount	No. of Ships	Amount
Shipbuilding	32		71		60	
LNGC	9		18		23	
LPGC	4		15		9	
Container Ship	0	37.2	27	98.1	27	104.2
Tanker	19		10		1	
Others	0		1		0	
Naval & Special Ship	1	3.8	3	10.4	7	11.9
Offshore/Plant	-	3.1	3	18.2	-	0.2
Engineering Machinery	-	9.0	-	20.7	-	33.6
<b>Total</b>	<b>33</b>	<b>53.1</b>	<b>77</b>	<b>147.4</b>	<b>67</b>	<b>150.0</b>

### 2022 Major Performance

#### 'Vision 2030' Declaration

- Promotion of eco-friendly digital ships, smart yard systems, and future-oriented new ventures

#### Successful Green Bond Public Offering

- Successfully issued \$300 million worth of green bonds in 2022

#### Supplier ESG Management Support

- For the first time in the shipbuilding and offshore industry, supporting ESG management of suppliers by establishing the 'Coexisting Cooperation Fund' and developing/implementing tailored ESG indicators for suppliers

### 2023 Major Plan

#### Change of Name and Internalization of Core Values

- Strengthening the brand by building a differentiated brand image

#### Exceeded 200 Million Horsepower in 2-stroke Engine Production and Produced Methanol DF HiMSEN Engine

- Achieved the production milestone of 200 million horsepower for the first time in 2-stroke engines field for ships  
- Completed the initial production of the eco-friendly methanol dual fuel HiMSEN engine

#### Expanded Application of the Company-Wide Palantir Foundry Platform

- Accelerating the transition to a smart shipyard by introducing the big data platform 'Foundry'

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## Environmental

### Eco-friendly Management

#### Environmental Management Declaration

Express our vision for environmental management and specific commitment



### Eco-friendly Technology

#### Order of the World's First Methanol Fueled Large-ship



#### LNG · Hydrogen Hybrid Engine Development

- Satisfying Nitrogen Oxide Regulations Tier 3<sup>1</sup>
  - Demonstration of carbon dioxide and methane slip reduction
1. The highest grade among the nitrogen oxide regulations of International Maritime Organization (IMO)



### Digital Transformation

#### Performance-data Collection Automation of Key Manufacturing Process

Welding monitoring system



#### Conducted Pilot Tests of Big Data Platforms in Collaboration with Palantir



## Social

### Health & Safety

#### Establishing and Operating a Safety and Health Compliance System



#### Mobile Safety Work Order System



#### Operation of TF to Improve 3 Major Safety Facilities



### Supply Chain ESG Management

#### Support ESG Consulting to Suppliers



#### Distributing ESG Standard Guidelines Tailored to the Shipbuilding Industry



#### Supplier Code of Conduct



### Labor-management Relations

#### Labor-management Council is Held Four Times a Year



#### Labor-management Relations Training



#### Training for Substantial Management Practice



#### Progress of Collective Bargaining



### Human Rights Management

#### Human Rights Management Committee



#### Human Rights Management Declaration, Human Rights Management Practice Regulations



#### Approval of Human Rights Impact Assessment Report Publication



#### Acquired Family-friendly Corporation Certification



## Governance

### Corporate Governance

#### Securing Board Diversity through the Appointment of Female Directors



#### Operation of the ESG Committee Reflecting Non-financial Risks in Management



#### Acquisition of Anti-bribery Management System Certification - ISO 37001



#### Weather Management Excellent Company Certification

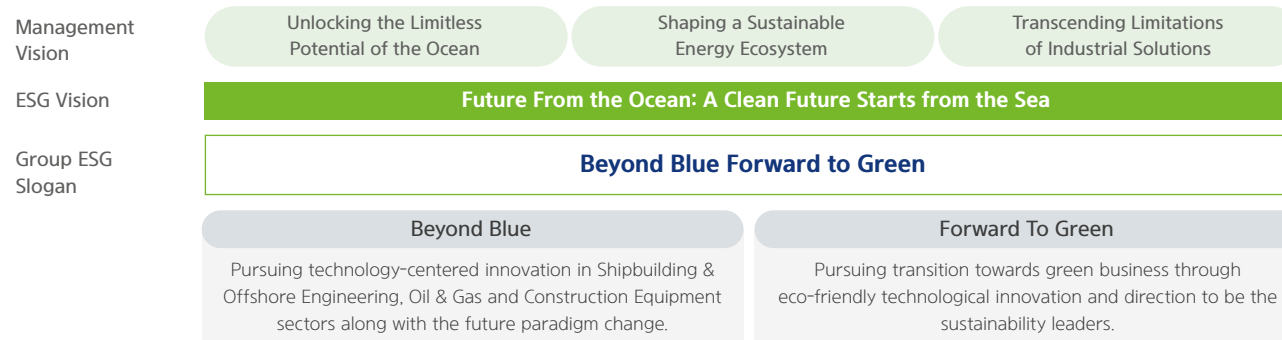


# ESG MANAGEMENT SYSTEM

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HHI recognizes the significance of ESG management and in 2022, and prioritized three key areas: “establishing” (establishing an ESG management system), “elevating” (elevating the ESG evaluation rating), and “promoting” (promoting activities to internalize ESG management). In 2023, the company plans to advance ESG management by strengthening its response to the climate change crisis and expanding socially responsible management activities. Additionally, HHI aims to enhance awareness of ESG management among all executives and employees, foster an ESG management culture, and explore diverse ways to transparently disclose its sustainability management activities to internal and external stakeholders.

## HD Hyundai ESG Vision



## Organization Chart of ESG Management



## 2023 ESG Key Action Strategies



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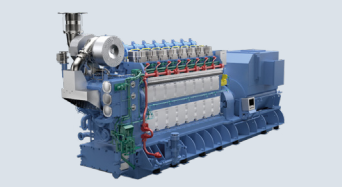
## 2022 HHI FOCUS AREA

# Eco-friendly Technology

### Total Solution Provider

HHI is actively promoting the development and introduction of eco-friendly technologies to respond to major environmental regulations such as the International Maritime Organization (IMO) and the EU and meet the demands for decarbonization of shipping companies. Moving forward, we will continue to lead the market as a 'Total Solution Provider' by offering a diverse portfolio of eco-friendly ships that can cater to the evolving market demands.

HHI Eco-friendly Technologies Portfolio

<h4>LNG Dual Fuel Propulsion Ships</h4>  <ul style="list-style-type: none"> <li>Development of hybrid propulsion ships that utilize carbon-free fuels</li> <li>Realistic plan that can promptly comply with the most stringent shipping regulations</li> </ul> <p><b>Expected effects</b></p> <ul style="list-style-type: none"> <li>Savings compared to bunker C oil</li> </ul> <p>SOx <b>99%</b>, NOx <b>90%</b>, CO<sub>2</sub> <b>30%</b></p>	<h4>Ammonia-fueled Ships</h4>  <ul style="list-style-type: none"> <li>Eco-friendly vessels that will usher in an era of zero carbon emissions by replacing traditional ship fuel with ammonia</li> <li>Anticipation that shipping companies will increasingly order ammonia-fueled ships in response to stricter maritime regulations</li> </ul> <p><b>Target</b></p> <ul style="list-style-type: none"> <li>Developing an ammonia fueled HiMSEN DF engine, with the goal of commercializing these technologies by 2025.</li> <li>Developing an ammonia carrier that can also function as a hydrogen Carriers</li> <li>Enhance reliability by a double leakage prevention system</li> </ul>	<h4>Hydrogen Carriers &amp; Hydrogen-powered Ships</h4>  <ul style="list-style-type: none"> <li>Major driver of future growth</li> <li>When hydrogen energy is transported in liquefied form, using hydrogen gas as a propulsion fuel for ships</li> </ul> <p><b>Target</b></p> <ul style="list-style-type: none"> <li>Development hydrogen carriers by establishing a hydrogen value chain</li> </ul>	<h4>Eco-friendly Rotor Sail</h4>  <ul style="list-style-type: none"> <li>Obtaining Design Approval for the Hi-Rotor in Korea's first shipbuilding industry from Korean Register</li> <li>Reducing fuel consumption by converting wind energy into propulsion</li> </ul> <p><b>Expected effects</b></p> <ul style="list-style-type: none"> <li>When mounted on a ship, fuel savings rate reduced by <b>6-8%</b></li> </ul>	<h4>Methanol Dual Fuel HiMSEN Engine</h4>  <ul style="list-style-type: none"> <li>Manufactured the world's first methanol dual-fuel 4-stroke HiMSEN engines (H32DF-LM)</li> <li>Methanol is easy to store and transport even at atmospheric pressure</li> </ul> <p><b>Expected effects</b></p> <ul style="list-style-type: none"> <li>Reduction effect when compared to conventional heavy fuel oil</li> </ul> <p>sulfur oxides by more than <b>90%</b> nitrogen oxides by up to <b>80%</b> particulate matter by more than <b>90%</b> greenhouse gas emissions by up to <b>90%</b></p>
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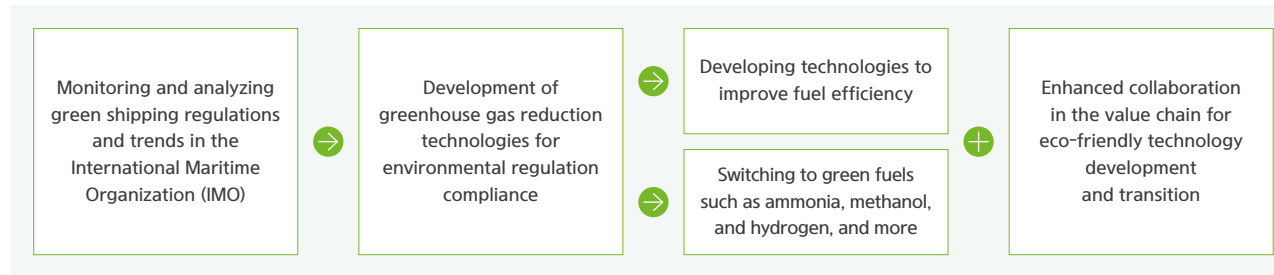


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## 2022 HHI FOCUS AREA Eco-friendly Technology

### Our Approach

Financial Impact ●●●○○ Social & Environmental Impact ●●●○○



### Roadmap for Super-advanced Technology Development

HHI has devised a comprehensive technology development roadmap that encompasses advanced eco-friendly technology. This roadmap is aimed at setting and achieving tangible R&D objectives related to carbon-free (ammonia, hydrogen) and low-carbon (LNG, methanol, biofuel) fuel-based eco-friendly propulsion technology. It also emphasizes ship efficiency enhancements and the implementation of greenhouse gas reduction technology through exhaust gas post-treatment. All efforts are being focused on the successful realization of these goals.

Category	Tech List	Focus Goals and Directions	Short- and Mid-term Roadmap('23-'27)	Long-term Roadmap('28-'30)
Future ships	Ammonia propulsion	<ul style="list-style-type: none"> <li>Securing the technological advantage of ammonia propulsion vessel to respond to the global Net-Zero trend</li> <li>Differentiation of ammonia vessels</li> </ul>	<ul style="list-style-type: none"> <li>Develop ultra-large ammonia carrier, FSRU, and bunkering vessel</li> <li>Develop ammonia fuel supply/cargo handling system</li> </ul>	<ul style="list-style-type: none"> <li>Advance ammonia fuel supply/cargo handling system</li> </ul>
	Hydrogen carrier	<ul style="list-style-type: none"> <li>Building a hydrogen carrier by developing differentiated technology</li> <li>Advance into new hydrogen business by developing core hydrogen technology</li> </ul>	<ul style="list-style-type: none"> <li>Commercialize small liquefied hydrogen carrier</li> <li>Develop a large liquefied hydrogen storage tank</li> </ul>	<ul style="list-style-type: none"> <li>Receive an order for a large liquefied hydrogen carrier</li> </ul>
	Fuel cell propulsion	<ul style="list-style-type: none"> <li>Preoccupation with next-generation marine power generation/propulsion systems</li> <li>Maintaining the technological power in the eco-friendly ship market</li> </ul>	<ul style="list-style-type: none"> <li>Develop fuel cell propulsion system for small &amp; mid-sized ships</li> </ul>	<ul style="list-style-type: none"> <li>Develop fuel cell propulsion system for large ships</li> </ul>
	Electricity propulsion	<ul style="list-style-type: none"> <li>Leading the ship propulsion solution market by developing a next-generation eco-friendly/high-efficiency proprietary electric propulsion system</li> </ul>	<ul style="list-style-type: none"> <li>Commercialize hybrid electric propulsion system (4, 15, 30MW in order)</li> </ul>	<ul style="list-style-type: none"> <li>Commercialize 50MW class hybrid electric propulsion system</li> </ul>
Eco-friendly technology	Reduction of GHG in ships	<ul style="list-style-type: none"> <li>Commercialization of newbuilding/retrofit business through the development of independent eco-friendly technologies</li> <li>Reinforcing the competitiveness of eco-friendly solution technology</li> </ul>	<ul style="list-style-type: none"> <li>Develop and demonstrate an independent model of CO<sub>2</sub> capture/processing/storage system for ships</li> <li>Develop and demonstrate methane slip reduction device</li> <li>Demonstrate and commercialize independent wind assisted propulsion system model</li> </ul>	

### Risk

- A growing demand for the expedited development of eco-friendly ship technologies in response to the increasingly stringent carbon emission reduction targets set within the shipping sector
- A high demand for GHG reduction measures within the shipping and shipbuilding industry

### Opportunity

- Increasing orders for gas and eco-friendly products due to carbon emission regulations and increased orders for eco-friendly ships

### Eco-friendly Technology Activities Performance

**Equipped with Methanol Fuel Propulsion Engines for the First Time Large Ships**

large merchant ship for the first time

1

**Hi-eGAS Obtained AIP**

reducing fuel consumption and carbon emissions by 1.5% each

2

**Obtaining design approval for the Hi-Rotor**

when mounted on a ship, fuel savings rate reduced by 6-8%

3

**LNG · Hydrogen Hybrid Engine Development**

satisfying Nitrogen Oxide Regulations Tier 3

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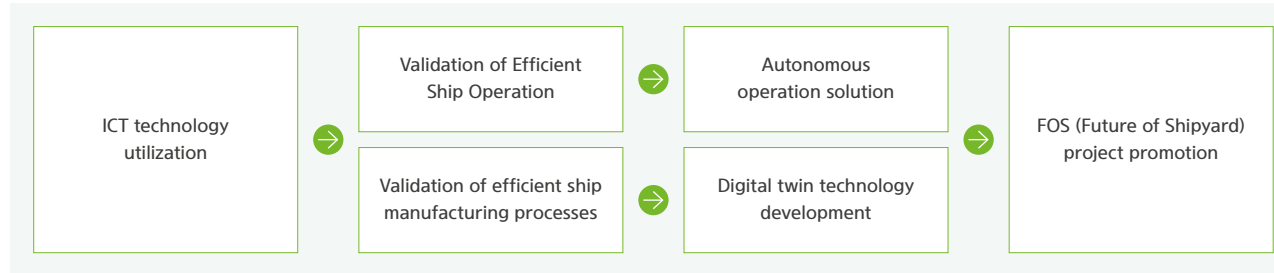
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## 2022 HHI FOCUS AREA

# Digital Transformation

### Our Approach

Financial Impact ●●●○○ Social & Environmental Impact ●●●○○



### Digital Transformation Road Map

HHI aim to establish a shipyard that boasts unparalleled efficiency and safety, by leveraging ICT capabilities based on Best-in-class shipbuilding technologies. A comprehensive roadmap has been established and being implemented across three phases, 1st phase of 'Visible and Understandable', 2nd phase of 'connected, predictable and then optimized shipyard', and 3 phase of 'Intelligent Self-Operating Shipyard', strategically partitioned.

Smart Yard	Smart Ship
<p><b>Digital Twin Yard</b></p> <ul style="list-style-type: none"> <li>Establishment of digital twin yard based on 3D design data and production performance simulation</li> <li>Maximizing productivity through AI based smart and optimal operation of production resources</li> </ul> <p><b>Short-term Goal</b></p> <ul style="list-style-type: none"> <li>Simulation-based integrated yard operation system</li> </ul> <p><b>Mid-term Goal</b></p> <ul style="list-style-type: none"> <li>AI-based autonomous &amp; integrated yard operation system</li> </ul>	<p><b>Intelligent Automation</b></p> <ul style="list-style-type: none"> <li>Building a Best-in-class shipyard through the development and expansion of an intelligent production automation system</li> </ul> <p><b>Short-term Goal</b></p> <ul style="list-style-type: none"> <li>Intelligent robot/carriage-based welding automation</li> </ul> <p><b>Mid-term Goal</b></p> <ul style="list-style-type: none"> <li>Intelligent robot-based painting automation</li> </ul>
<p><b>Autonomous Navigation</b></p> <ul style="list-style-type: none"> <li>Leading the autonomous ship market and technology through commercialization of autonomous ship solutions</li> </ul> <p><b>Short-term Goal</b></p> <ul style="list-style-type: none"> <li>Commercialization of autonomous ship solution (minimum crew/remote control)</li> <li>Demonstration of small vessel autonomous operation</li> </ul> <p><b>Long-term goal</b></p> <ul style="list-style-type: none"> <li>Commercialization of fully autonomous operation</li> </ul>	<p><b>Digital Twin Ship</b></p> <ul style="list-style-type: none"> <li>Digitally replicating ships in cyberspace to replace actual ship commissioning, training crews and promoting new life cycle asset management services</li> </ul> <p><b>Short-term Goal</b></p> <ul style="list-style-type: none"> <li>Commercialization of virtual commissioning solution</li> <li>Commercialization of operator training solution</li> </ul> <p><b>Mid-term Goal</b></p> <ul style="list-style-type: none"> <li>Commercialization of digital twin life cycle management</li> </ul>

Short-term goal ('22-'24) Mid-term goal ('25-'27) Long-term goal ('28-'30)

### Risk

- Reorganization of the economic structure centering on high-tech manufacturing and service industries
- Increased inefficiency due to weather risk and complex requirements

### Opportunity

- Enhancement of efficiency and productivity by introducing ICT technologies
- Leading the industry with proactive and continuous advancement in shipbuilding technologies

### 2030 SMART SHIPYARD(Future of Shipyard)

- 1 Visible & Understandable**  
2021-2023

  - Glanceable and Controlable
  - Connected design production
- 2 Connected & Optimized**  
2024-2026

  - Smart Work Management
  - Less Resource waste
  - Safe workplace for all
- 3 Autonomous**  
2027-2030

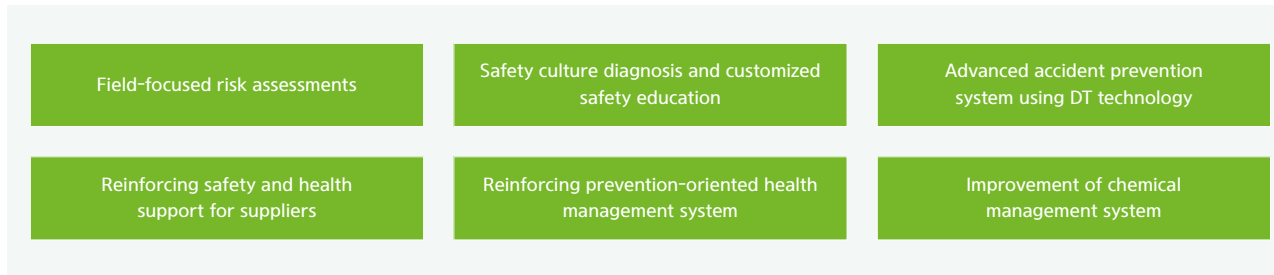
  - Trouble-free operation
  - Automation

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## 2022 HHI FOCUS AREA Health & Safety

### Our Approach

Financial Impact ●●●●● Social & Environmental Impact ●●●●●



### Risk

- Process delay due to safety accidents
- Executive management vacancy owing to Serious Accident Punishment Act
- Expanding the scope of management responsibility due to strengthened laws and regulations

### Opportunity

- Establishment of a self-discipline prevention system according to the announcement of the roadmap for reducing serious accidents
- Participation of workers in risk assessment at all work stages
- Improving safety mindset across the entire value chain

### Establishment of Safety and Health and System Centered on Operability

<p><b>Strengthening the Safety-first Management System</b></p>	<ul style="list-style-type: none"> <li>· Operation of the Safety Management Committee to check the performance of safety and health activities and determine strategic directions</li> <li>· Operation of the Safety-Production Deliberation Committee</li> <li>· Operation of TF to improve three safety facilities (footplate/light/ventilation)</li> </ul>
<p><b>Intensive Management of Major Risk Factors and Establishment of Fundamental Safety Improvement Activities</b></p>	<ul style="list-style-type: none"> <li>· Strengthening safety intervention activities for all executives/department heads to prevent safety accidents</li> <li>· Implementation of triple safety management by establishing measures to prevent serious accidents for high-risk work</li> <li>· Operation of the Safe Clover System, which selects work experts in the production department as safety management personnel and inspects high-risk work</li> </ul>
<p><b>Reinforcement of Experience/Practice-oriented Educational Contents and Expansion of Safety Education</b></p>	<ul style="list-style-type: none"> <li>· Operation of hands-on safety training courses for high-risk occupations such as welding and spraying / Full improvement of safety experience training centers</li> <li>· Additional production of VR safety education contents introduced for the first time in the industry in 2017</li> <li>· Production of a 'safety short-form' that can be quickly and fun to understand</li> </ul>
<p><b>Advanced Accident Prevention System Using DT Technology</b></p>	<ul style="list-style-type: none"> <li>· Advanced safety control system using AI image information processing equipment</li> <li>· Managing and predicting safety accident using Big Data</li> <li>· Development of a mobile-based safety work management system</li> </ul>
<p><b>Reinforcing the Risk Assessment System Based on Work Standards</b></p>	<ul style="list-style-type: none"> <li>· Operation of its own risk assessment system (work standard/risk assessment platform, Hi-STANDARD)</li> <li>· Improving and revising work standards and advancing systems</li> </ul>

### Strengthening Safety and Health Support for Suppliers



#### 1. Support for Safety and Health Management Systems

- Technical guidance and on-site safety management inspection of internal/external contractors

#### 2. Support Safety Training and Strengthen Communication

- Special safety lectures for representatives of contractor, training for supervisors/employees of contractor, meetings/safety and health councils

#### 3. Health Management Support

- Monitoring the health management status and identifying areas for improvement in cooperation with health management agencies

#### 4. Major Rewards Related to Safety and Health of Contractor

- Rewarding outstanding safety managers and contractor

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## 2022 HHI FOCUS AREA

# Supply Chain ESG Management

### Our Approach

Financial Impact ●●●●○ Social & Environmental Impact ●●●○○



### Supply Chain Operating Philosophy

HHI adheres to the supply chain management principles of transparency, legality, and fairness, as well as the four guidelines set by the Fair Trade Commission. This commitment is aimed at establishing transparent and equitable trade practices and contributing to the establishment of a fair subcontracting system within the supply chain operations. Regular audits of the supply chain and continuous communication with suppliers provide opportunities to enhance and improve procurement policies, as we strive to operate a sustainable supply chain in collaboration with our suppliers.

### Supply Chain Management Process

1. Supplier Code of Conduct Pledge	2. Inform ESG Guidelines	3. Conduct ESG Training
<ul style="list-style-type: none"> <li>· For all trading suppliers</li> <li>· Pledge of compliance through electronic signature</li> </ul>	<ul style="list-style-type: none"> <li>· Utilize government recommended guidelines</li> <li>· Consider shipbuilding industry characteristics</li> </ul>	<ul style="list-style-type: none"> <li>· ESG awareness improvement training</li> <li>· ESG specialized education</li> </ul>
4. Conduct ESG Assessment	5. Recommend for Improving ESG Deficiencies	6. ESG Consulting Support
<ul style="list-style-type: none"> <li>· Self-diagnosis based on the ESG checklist</li> <li>· On-site evaluation through a third party organization</li> </ul>	<ul style="list-style-type: none"> <li>· Consider urgency, feasibility, etc</li> </ul>	<ul style="list-style-type: none"> <li>· Partner selection and support by year</li> <li>· Expert consulting to assist with improvements</li> <li>· Consulting services include: preparing improvement plans for addressing deficiencies, ensuring compliance with legal requirements, system construction, and establishing benchmark indicators</li> </ul>

### Risk

- Legal risks arising from strengthened laws such as the Fair Trade Act and the Supply Chain Due Diligence Act
- Occurrence of negative issues in the supply chain during the shipbuilding processes, such as rising prices of raw materials for steel

### Opportunity

- Preemptive response to supply chain risks by establishing a supplier ESG risk diagnosis system
- Strengthen market competitiveness by proactively responding to global regulations such as the Supply Chain Due Diligence Act

### 2022 Supply Chain ESG Management Key Performance

1. Developing ESG indicators specifically tailored to the shipbuilding industry (61)
2. Supporting ESG training to suppliers (394 companies)
3. Conducting ESG consulting to suppliers (35 companies)

### Results of ESG Support Project (Consulting)

Company	Project Start	Final Compliance Rate	Improving Result	Improvement Effect <sup>1</sup> (KRW million)
SMEs (31 companies)	62.3%	93.1%	30.8%	7,670
Mid-standing (4 companies)	66.3%	92.1%	25.8%	885
Total (average)	62.7%	93.0%	30.3%	8,555

1. Effect of improvement: Total fines and penalties that may be imposed on suppliers if they have not been improved through ESG support projects

### Supply Chain Management Goals for 2023

Establishment of Supply Chain ESG Management System and Information Disclosure	Supplier ESG capacity enhancement consulting goal	40
		companies

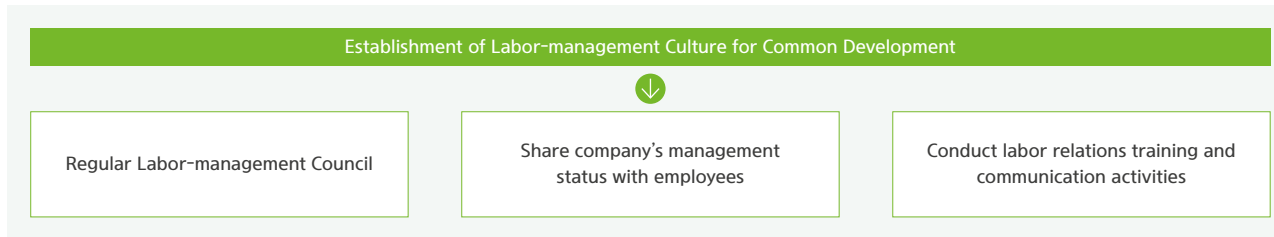
- CEO MESSAGE
- COMPANY OVERVIEW
- 2022 ESG HIGHLIGHTS
- ESG MANAGEMENT SYSTEM
- 2022 HHI FOCUS AREA** ▶
- Eco-friendly Technology
- Digital Transformation
- Health & Safety
- Supply Chain ESG Management
- Labor-management Relations
- Human Rights Management
- Corporate Governance

## 2022 HHI FOCUS AREA

# Labor-management Relations

### Our Approach

Financial Impact ●●●●○ Social & Environmental Impact ●●●●○



### Operation of Labor-management Council

HHI holds quarterly labor-management council meetings in compliance with the Act on the Promotion of Employees' Participation and Cooperation. In cases where an agreement cannot be reached, the mediation system is actively utilized to minimize disputes

<b>Addressing grievances of employees and improving working conditions</b>		<b>Agenda</b>
No. of Meetings	Number of Items to be Discussed	<ul style="list-style-type: none"> <li>· Q1: Consultation on confirmation of calculation details related to ordinary wages, etc. (19 cases)</li> <li>· Q2: Additional summer and winter content to promote welfare benefits for employees' children, etc. (26 cases)</li> <li>· Q3: Replacement of office height-adjustable monitors and gradual replacement of old monitors, etc. (15 cases)</li> <li>· Q4: Expansion of the operation of psychological treatment rooms, etc. (16 cases)</li> </ul>
4	76	

### Goal of Labor-management Communication Activities

**"Establishment of Labor-management Culture for Common Development and Co-existence Based on Trust and Respect between Labor and Management"**

<ul style="list-style-type: none"> <li>· Conducting collective bargaining (wage negotiations) * period: 1 year</li> <li>· Guarantee of the three labor rights under the Constitution</li> </ul>	<ul style="list-style-type: none"> <li>· Collective agreements * period: 2 years</li> <li>· Conducting a meeting with management</li> </ul>	<ul style="list-style-type: none"> <li>· Labor-management relations training - Training for substantial management practice, etc.</li> </ul>
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### Risk

- Reduced productivity due to disputes
- Loss of trust in ship owners due to labor-management risk

### Opportunity

- Productivity improvement by strengthening mutual cooperation
- Workers' understanding of overall management and improvement of management by expanding opportunities to participate in decision-making
- Improvement of ability to jointly respond to changes in the corporate environment

### Labor-management Relations Key Performance

**Dispute-free Wage and Collective Agreement Negotiations in 9 Years**

- Negotiations without any disputes for the first time in nine years since 2013

**Management Status Briefing**

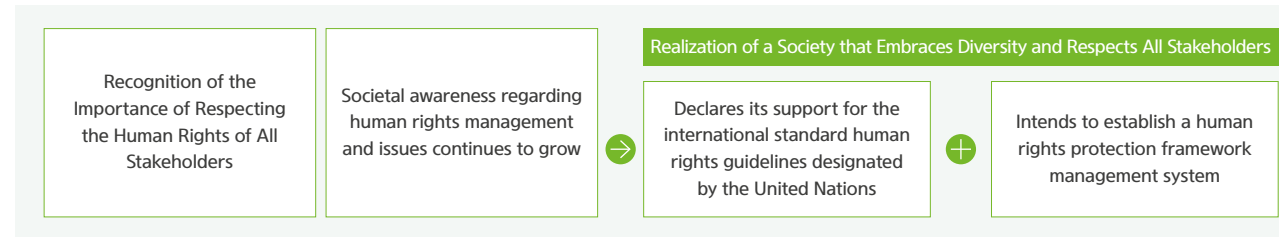
- Holding separate management briefing session led by the CEO by utilizing the in-house CATV channel
- Communicating the company's management status and address various pending issues with employees

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## 2022 HHI FOCUS AREA

# Human Rights Management

### Our Approach



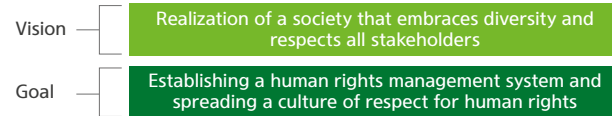
### Risk

- Strengthened Legal Regulations Due to Increased Awareness of Human Rights Violations
- Growing Demands for Human Rights Assessments by International Organizations within Business Operations

### Opportunity

- Enhancing Employee Efficiency Through the Establishment of a Workplace that Upholds Human Rights
- Increasing Corporate Competitiveness Through Diverse Talent Acquisition and Inclusivity

### Vision & Goal



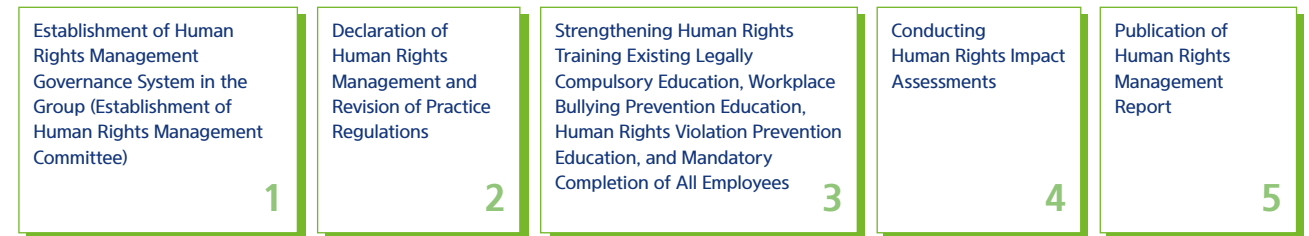
### Human Rights Management Process

<b>Establishment &amp; Announcement of Human Rights Management Policy</b> · Establishment of human rights management governance and declaration of human rights management · Establishment and revision of human rights management practice regulations · Internalization of internal stakeholders and external expansion	<b>Human Rights Risk Identification Assessment</b> · Human Rights Materiality Assessment · Human Rights Impact Assessment
<b>Reporting and Improving Results</b> · Publication of Human Rights Management Report and Human Rights Impact Assessment Report · Improvement and supplementation of policies, evaluation procedures, etc.	<b>Human Rights Risk Mitigation and Monitoring</b> · Implementation of mitigation measures according to risk priority · Monitoring the effectiveness of mitigation measures

### Human Rights Protection Activities for Employees



### 2022 Human Rights Management Performance



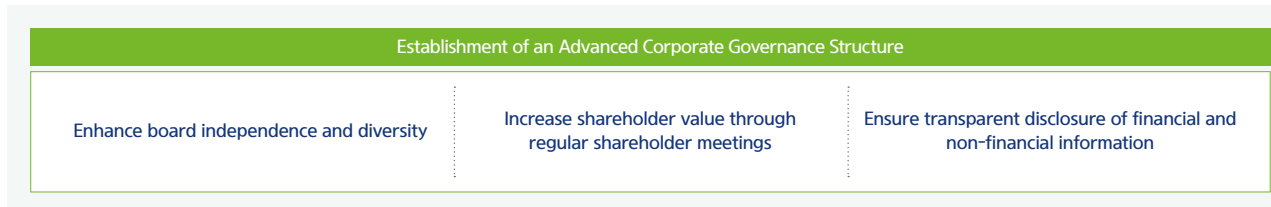
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## 2022 HHI FOCUS AREA

# Corporate Governance

### Our Approach

Financial Impact ●●●○○ Social & Environmental Impact ●●○○○

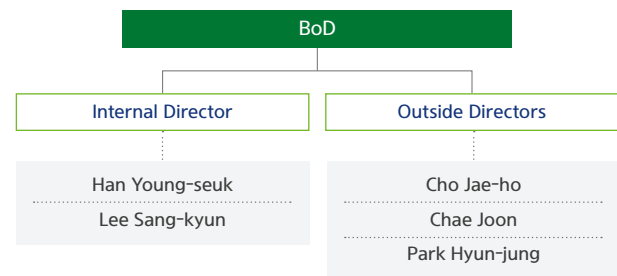


### Opportunity

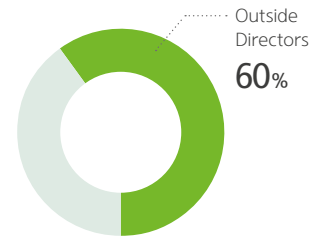
- As corporate social responsibility is emphasized, discover business opportunities that can be applied to shipbuilding and offshore businesses based on transparent investment decisions.
- Increase in corporate value through shareholder-friendly policies

### BoD Composition

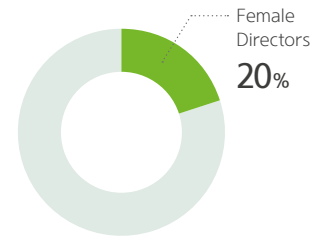
(As of March 31, 2023)



#### Percentage of Outside Directors on the Board



#### Percentage of Women on the Board



### BoD Sub-Committee

#### Outside Director Recommendation Committee

Recommendation by verifying the independence, diversity, and competence of candidates for outside directors (Three out of the four members are composed of outside directors)  
No. of meetings held: 2

#### Related Party Transactions Committee

Improvement of transparency of management through autonomous compliance with fair trade (Three out of the four members are composed of outside directors)  
No. of meetings held: 2

#### Audit Committee

Audit of the company's overall business, including its financial position (All three members are made up of outside directors)  
No. of meetings held: 5

#### ESG Committee

Deliberation and resolution about the company's ESG strategy direction, planning, and implementation (Three out of the four members are composed of outside directors)  
No. of meetings held: 2

### Risk Management System



### Integrated Risk Management

#### [Financial Risk Management]

- Managing business risk through operating Project Risk Management (PRM) department
- Periodically understanding the foreign exchange market and exchange rate trends through the operation of the Foreign Exchange Risk Committee
- Periodically understanding the price trends of raw materials through the operation of the Raw Material Risk Committee
- Managing tax risk by establishing and operating tax policies

#### [Non-financial Risk Management]

- Selected as the best weather management company
- Establishing and operating process to respond climate change risk
- Identifying environmental risks in advance and responding preemptively through continuous on-site monitoring, such as environmental facility inspection



