

HYUNDAI ELECTRIC & ENERGY SYSTEMS

INTEGRATED REPORT

2021



HYUNDAI ELECTRIC & ENERGY SYSTEMS INTEGRATED REPORT 2021

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2020 HIGHLIGHT

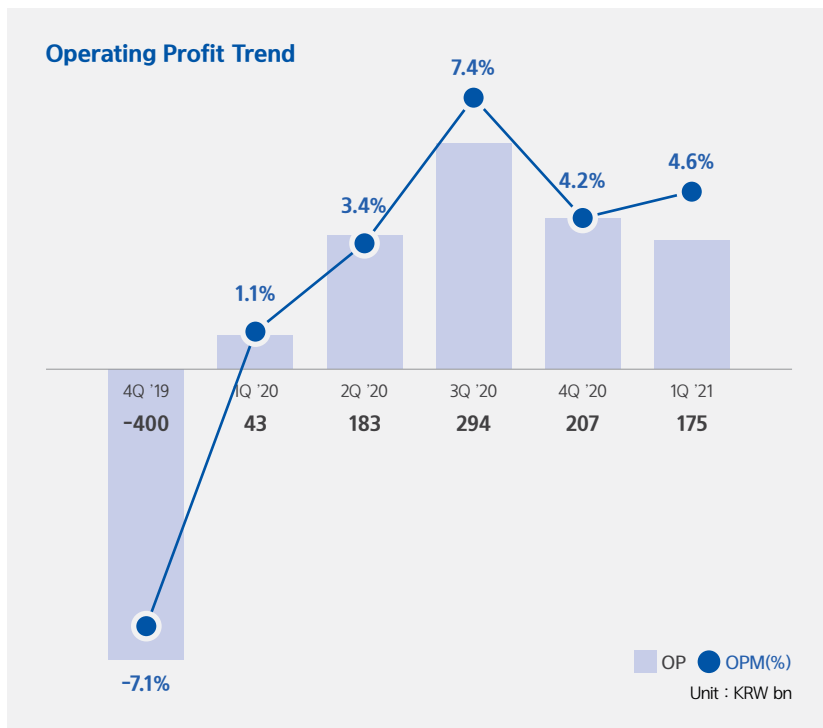
The Beginning of a Market Recovery

The power market, having steeply contracted particularly in the Middle East has seen a gradual recovery from the second half of 2019 despite the pitfalls of the COVID-19 pandemic. Amid the rebounding market conditions, HYUNDAI Electric continues to selectively sign quality projects in consideration of profitability including the Oumache combined cycle power plant in Algeria and the Rabigh BSP(Bulk Supply Point) substation in Saudi Arabia which is worth KRW 26 billion.



Successfully Shifting Back to Normal Business Operation

HYUNDAI Electric completed the transformation into a compact and effective cost structure by improving the internal fundamentals and rigorously seeking the measures to ride out a market downturn. The positive effects of a market rebound and selectively obtained profitable contracts were added to our upgraded competitive edge of the cost structure. This led to notably improved profitability in each quarter of the last year and completely normal business operation from the second quarter onward.



Creating Growth Opportunities in New Business of Energy Solutions

HYUNDAI Electric has been exploring additional growth opportunities in the new business of energy solutions. By signing an MOU with Pacifico Energy, a renewable developer based in the United States, we paved the way for entering the overseas new renewable energy market. Additionally, company was selected as one of the energy startups benefiting from the government-led 'Smart Energy Platform' project. The government's 'Green New Deal' initiative serves as another booster for the rise of our new energy business

01

BUSINESS OVERVIEW

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Greetings



President & CEO of HYUNDAI Electric
Cho Seok

HYUNDAI Electric is poised to take a leap forward by leading a paradigm shift even under steeply changing business environments

Last year, the global power market couldn't avoid pitfalls across the sector due to the COVID-19 driven power demand decline and the resurgent protectionism stemming from the escalating trade tensions between the United States and China. Besides, we are rapidly moving into the new era built on changes and innovation to meet energy conversion as the expanding green movement has dampened the conventional fossil fuel market in reaction to climate change and led to rising needs in new renewable energy sources.

In the midst of the steeply changing market conditions, HYUNDAI Electric posted USD 1.516 billion in orders, KRW 1.8113 trillion in sales and KRW 72.7 billion in an operating profit on a consolidated basis for full 2020. As a result of our concerted efforts, we could successfully turn back to black as has been targeted last year.

2021 is also projected to see the ongoing COVID-19 crisis, the US-China trade disputes and soaring commodity prices. In these unfavorable circumstances, HYUNDAI Electric has set this year's business goals of USD 1.972 billion in orders, KRW 1.8991 trillion in sales on a consolidated basis. We are now set to take the company to the next level within the timeframe while continuing the upward trend made possible by strenuous efforts.

HYUNDAI Electric has served the varying markets and customers for ages as one of the pioneers in Korea's power equipment industry. Over the years, the company has moved forward with changes and innovation to ride out turmoil driven by drastically changing business environment and grow into a game changer.

Beginning from this year, HYUNDAI Electric is planning to take steps to lay the groundwork for "ESG management", a buzzword across the industrial sectors by building an ESG system for the overall business areas. Furthermore, the company will strive to set an excellent example as a comprehensive energy solution provider which creates sustainable value based on the management system.

We look forward to your continuing interest and solid support in the years to come. Thank you.

Mission

HYUNDAI Spirit

We firmly believe there is no challenge too great for us to meet with our dauntlessness and unwavering drive supported by the infinite potential, no matter how impossible it may seem at the moment.



Creative Wisdom

Wisdom to seek novelty and innovation to meet the needs of customers and our society



Strong Determination

Attitude to take bold adventures with a strong sense of mastery



Unwavering Drive

Power to achieve goals with a strong spirit and indomitable will

Management Vision

- Satisfy Customers with Advanced Technologies and High-quality Products
- Build a Rewarding Work Environment by Supporting Personal Growth
- Raise Corporate Value by Refining the Core Businesses

Management Philosophy

We have five management philosophies in place that must be shared and practiced by all personnel to fulfill our corporate social responsibility.



1 Enhancing Corporate Value Through Continual Growth



2 Upholding Fair and Transparent Business Practices



3 Pursuing Safe and Environmentally Friendly Business Practices



4 Promoting Strong Labor-Management Relations Built on Mutual Respect and Trust



5 Demonstrating Our Commitment to Global Corporate Citizenship

Business Policy

- 1 Strengthening Global Business Capabilities
- 2 Insuring the Fundamentals of New Energy Business
- 3 Creating a Company Culture of Communication and Innovation
- 4 Balancing Stability and Growth

Business Overview

HYUNDAI Electric operates various infrastructure businesses relating to equipment and solutions to produce and supply electricity. Our main customers include the state-owned power generation and transmission companies, as well as the private power generation and EPC(Engineering, Procurement and Construction) companies.

Power Solution

We supply devices and systems for power generation and transmission facilities. Our products include extra-high-voltage transformers and extra-high-voltage gas insulated switchgear.

Industrial Solution

We supply rotators, power distribution equipment and control systems to chemical plants and in various industries. Our main products include motors, generators, switchgear, distribution transformers, low & medium voltage circuit breaker and industrial control systems.

Marine Solution

Our marine solutions include switchgears, distribution transformers, motors and other electronic systems to be installed or embedded to merchant ships, warships and offshore plants.

Energy Solution

We design, procure and implement integrated management systems, delivering an end-to-end service from production to operations to ensure efficient use of electricity. Major products and services include Energy Storage System (ESS), Building Energy Management System (BEMS), Energy Management System (FEMS) and microgrid solutions.

2020 Achievements

After accomplishing a transformation into a competitive cost structure by the end of 2019, In 2020, amid the gradual recovery of markets, Company made an increase in profitability of orders as a result of selectively signing quality projects. HYUNDAI Electric successfully turned to black by recording KRW 72.7 in an annual operating profit while posting KRW 1.8113 trillion in sales and USD 1.516 billion in orders on a consolidated basis for 2020. In particular, from the second half of the year, Company achieved successful business normalization with over mid-single digit percent of operating margins.

2021 Outlook and Targets

HYUNDAI Electric has set management targets to achieve KRW 1.8991 trillion in sales and USD 1.972 billion in orders on a consolidated basis for 2021. In terms of sales, we are targeting a slightly conservative figure considering our strategy not to unreasonably to pursue a volume increase, but to prudently select profitable contracts. However, the company is seeking a more aggressive target in orders anticipating a market recovery. In business sectors, we are planning to aggressively expand the business of low voltage power distribution equipment in addition to the rebound of high voltage power devices, our focus product. Furthermore, we will explore growth opportunities in the new energy business closely related with the national 'Green New Deal' project.

Growth Strategies

Having achieved to shift back to normal operations by steadily improving performance last year, HYUNDAI Electric is set to continue the upward trend in a stable direction in 2021.

Balancing Growth and Stability

- The company is paving the way for a further leap by improving management and fundamentals of business, and successfully turning back to black.
- We will continue to seek stable growth this year rather than unreasonable expansion by prioritizing profitability.

Strengthening Global Business Capabilities

- In the aftermath of the prolonged COVID-19 pandemic, overseas branches and entities are seen to take bigger roles.
- We will actively take advantage of overseas entities stationed in Montgomery Alabama, US and Yangzhong, China in addition to a newly founded sales entity in Atlanta, US. The company is seeking to open a new branch in Vietnam and logistical warehouses overseas.

Insuring the Fundamentals of New Energy Business

- We are poised to navigate a variety of new energy business models with the aim to take a leading role in the energy market while exploring opportunities in a paradigm shift toward 'Digital Transformation' and expansion of eco-friendly distributed power generation along with the government led 'Green New Deal' initiative.

Financial Highlights

Category	Unit	2018	2019	2020
Total revenue		19,404	17,711	18,113
Types of product	Power equipment	8,776	8,564	9,348
	Rotating equipment	3,443	3,582	3,061
	Distribution equipment, etc.	7,186	5,566	5,704
Operating profit(losses)	KRW 100M	-1,006	-1,567	727
Net profit(losses)		-1,789	-2,643	-402
Total assets		23,261	22,565	22,726
Total liabilities		14,748	15,563	15,934
Total equity		8,513	7,002	6,792
Debt ratio		173.2	222.3	234.6
Net debt-to-equity ratio		60.5	81.8	34.1
Operating margin	%	-5.2	- 8.9	4.0
Return on assets		-7.7	-11.7	-1.8
Credit rating ¹	Grade	A-	A-	A-

¹ Korea Ratings, NICE Investors Service (Corporate bonds listed on the bond market)

Value Distribution to Stakeholders

Value Distribution to Stakeholders	Means of Distribution	Unit	2018	2019	2020
Partner companies	Raw material procurement(major raw material purchasing prices, inclusive of intercompany transactions)		14,656	12,642	12,058
Employees	Employment costs	KRW 100M	2,889	2,432	2,159
Shareholders and investors	Interest expenses		257	336	301
Government	Corporate tax(profit)		-374	-693	-133
Local communities	Donations		15	14	22

Main Product

Power Solution

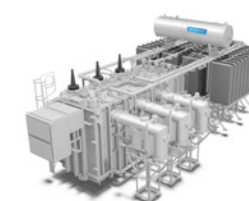
Solutions that enable power generation and transmission within the grid
Applications: Power Plant and Substation

Power Transformer

HYUNDAI Electric entered the transformer market in 1978 and has maintained its position as a domestic leader in the field for the past 40 years; supplying more than 1.2 million MVA to 70 countries worldwide on a cumulative basis. Using the latest equipment and production systems in line with international standards, we produce extra-high-voltage transformers with diverse specifications ranging to 800 kV, with a total production capacity of up to 100,000 MVA per year. HYUNDAI Electric has been recognized for its outstanding technology and membership of International Technical Councils such as CIGRE(Conseil International des Grands Reseaux Electriques or International council on Large Electric Systems) allows us to take a leading role in establishing technical standards for power grids.



Power Plant Transformer
 · up to 800kV, 1,500MVA



Substation Transformer
 · up to 800kV, 1,500MVA

Gas Insulated Switchgear

Having engaged in the Gas Insulated Switchgear (GIS) business since 1984, HYUNDAI Electric has been supplying its products to 40 countries worldwide, while maintaining its position as a domestic leader in the field for the past 30 years. Using the latest facilities and production systems in line with the latest international standards; we have the capacity to produce gas insulated switchgear up to 800 kV, the maximum rated voltage in Korea. Due to the optimum design that enables compact-sized, light-weight features and PD monitoring system application, our gas insulated switchgear is recognized for their high quality and enjoys a large market share in the Middle East, particularly Saudi Arabia.



GIS
 · up to 800kV

Industrial Solution

Solutions supplying power distribution systems, control systems, and drive systems to chemical plants and general businesses
Applications: Plant, Oil & Gas, and Building

Switchgear

HYUNDAI Electric manufactures high-performance, high-reliability switchgear certified to IEC and ANSI and has the largest supply record in the domestic industrial plant market ranging from various types of buildings to plants including nuclear power plants.



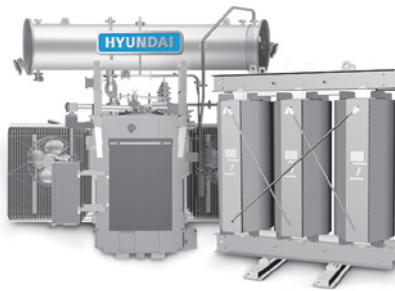
Cubicle GIS (C-GIS)
 · up to 40.5kV
 · up to 40kA



Medium Voltage Switchgear
 · up to 38kV
 · up to 50kA

Distribution Transformer

Since 1976, we have manufactured oil-filled and dry-type distribution transformers, and supplied them for various applications including industrial plants, apartments and subways.



Distribution Transformer
 · up to 72kV, 60MVA

Low & Medium Voltage Circuit Breaker

We offer a wide spectrum of low & medium voltage circuit breakers from MCCBs for households to ACBs and VCBs for industrial plants. Our high-quality products safely protect your electrical equipment. The new HG Series won several design awards including the 'iF Design Award 2016' for its compact sophisticated designs.



MCCB
 · AC: up to 150kA, 1,600A
 · DC: up to 100kA, 800A



ACB
 · up to 150kA, 6,300A



VCB
 · IEC, ANSI, UL
 · up to 36/38kV, 50kA, 4,000A



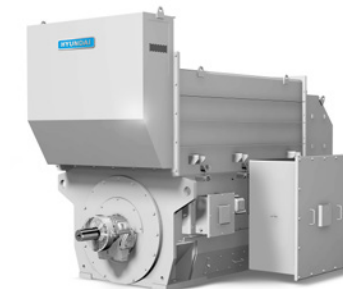
MCCB, ELCB
 · Industrial, household
 · up to 10kA, 100A, 100mA



MCB/RCCB
 · MCB: up to 10kA, 125A
 · RCCB: up to 100A, 500mA

Motor

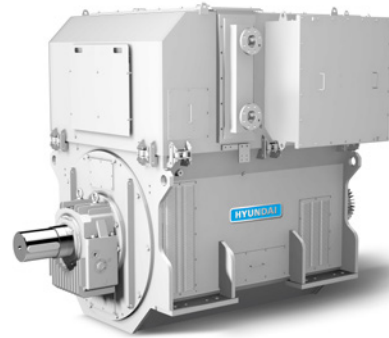
A wide range of motors are manufactured and supplied to meet our customer needs by considering their operating environment and conditions. Our high voltage motors comply with international standards including IEC and NEMA.



Medium Voltage Induction Motor
 · 280~1,400Fr.
 · up to 30MW
 · 2~24pole

Generator

We meet various customer needs by supplying generators for power plants, ships, general industrial use, DPP (Diesel Power Plant) and PPS (Packaged Power Station). With more than 35 years of experience, we have proprietary design and manufacturing technologies.



Generator
 · up to 2,700Fr.
 · up to 40MVA

Marine Solution

Solutions supplying electrical systems to ships and offshore facilities

Applications: General Ship, Warship, and Offshore Plant

Marine Switchgear

HYUNDAI Electric manufactures marine switchgear that ensures safe power supply to On-board Electric Equipment and protects systems in case of electrical accidents. For the past 40 years, we have supplied our products to leading shipyards at home including HYUNDAI Heavy Industries, Samsung Heavy Industries and Daewoo Shipbuilding & Marine Engineering. Our unrivaled quality and technology have allowed us to maintain our market leading position at home.



Marine Switchgear
 · LV Switchboard, MV Switchboard
 · Emergency Switchboard
 · Thruster Starter
 · Group Starter Panel

Marine Distribution Transformer

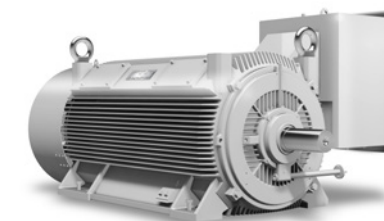
Our products are known for stability, low loss, low noise, and compact and lightweight features. Excellent molding techniques eliminate the risk of explosion or fire. It also boasts excellent crack resistance and insulation.



Distribution Transformer for Marine
 · Cast Resin: up to 36kV, 15MVA
 · Dry type: up to 1.1kV, 3MVA

Rotating Machines for Marine

We manufacture marine generators and motors in compliance with the standards of international ship classifications including KR, ABS and LRS, and have supplied our products to HYUNDAI Heavy Industries, Wartsila, MAN, and many other engine manufacturers. We produce models not only for general merchant ships, but also warships, FPSOs, drill ships and other special purpose ships.



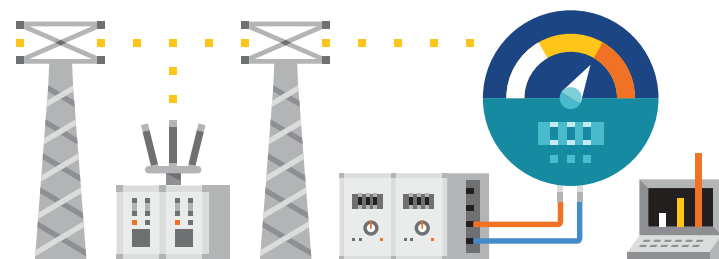
Rotating Machinery for Marine
 · Generator: up to 40MVA
 · Motor: up to 30 MW

Energy Solution

Power facility diagnosis and asset management solutions
New & renewable /industrial energy storage systems and building/factory management systems

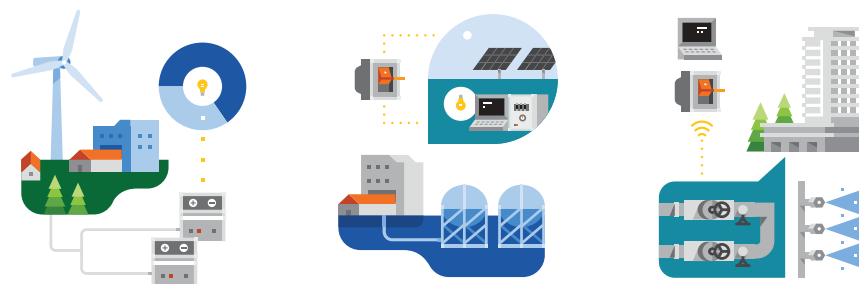
Asset Management Solution

We maximize overall business efficiency by systematically managing performance, risks and maintenance expenses according to the Product Life Cycle (PLC) of various products and providing customized asset management solutions tailored to customer needs.



Energy Management Solution

The energy solution business refers to the business of designing, procuring and operating energy systems that enable efficient use of electric power through integrated management of energy production, consumption, sales and operation. A renewed interest is paid to this business sector at a time when efficient energy management is gaining in importance due to the emergence of various renewable energy sources and a structural change in the power industry.



Industrial ESS
 · Over 100MWh
 · Lower electricity bill (peak cut, load balance)
 · Monitoring and optimum operation utilizing EMS



Renewable ESS
 · kWh~MWh capacity
 · Optimized operation in consideration of PV generation sources
 · Modular package

Global Network

HYUNDAI Electric's consolidated subsidiaries (8entities) manufacture and supply a variety of electrical and electronic equipment and energy solutions required throughout the entire power supply process ranging from generation, transmission and distribution to consumption (load).

Consolidated Entities

(As of March, 2021, Unit: 1M)

Entity Name	Foundation Date	Location	Main Business	2020 Total Assets
Hyundai Technologies Center Hungary kft.	1998.11.05	Hungary	Technology R&D	7,853
Hyundai Electric Switzerland AG	2017.12.01	Switzerland	Technology R&D	2,097
HDENE Power Solution India Private Ltd.	2017.12.14	India	Electrical construction	252
HYUNDAI Heavy Industries (China) Electric Co. Ltd.	2004.02.18	China	Manufacture and sale of industrial	124,017
HYUNDAI Heavy Industries (Shanghai) R&D Co. Ltd.	2011.03.07	China	Technology R&D	4,598
Hyundai Power Transformers USA, Inc.	2010.06.04	US	Manufacture and sale of industrial power equipment	196,921
Hyundai Electric Arabia L.L.C	2018.05.24	Saudi Arabia	Customer support	868
Hyundai Electric America Corporation	2020.03.05	US	Sale of power transformers	24,147

Overseas Branches and Offices

Branch/Office Name	Foundation Date	Location	Main Function
Hyundai Electric & Energy Systems Co., Ltd.	2017.06.01	Atlanta, Georgia, US	Sales promotion for power equipment and rotating equipment
Hyundai Electric & Energy Systems Co., Ltd. (Osaka Branch)	2017.06.30	Osaka, Japan	Sales promotion for rotating equipment
Hyundai Electric & Energy Systems Co., Ltd. (Bangkok Branch Office)	2017.07.07	Bangkok, Thailand	Sales promotion for power equipment
Hyundai Electric & Energy Systems Co., Ltd. (Dubai Branch Office)	2017.10.24	Dubai, UAE	Sales promotion for power equipment
Hyundai Electric Riyadh LLC	2019.12.12	Riyadh, Saudi Arabia	Sales promotion for power equipment
Hyundai Electric & Energy Systems Co., Ltd. German Representative Office	2017.08.29	Frankfurt, Germany	Sales promotion for power equipment and rotating equipment
Hyundai Electric & Energy Systems Co., Ltd. (Moscow Branch Office)	2017.10.27	Moscow, Russia	Sales promotion for power equipment

Value Chain

HYUNDAI Electric generates values using its outstanding resources and expertise. Each of the six categories of capital invested in our business activities plays a key role in creating economic, environmental and social outputs, which we distribute to stakeholders via each business model built on our management philosophy and visions.

Input

Financial Capital

- No. of subsidiaries: 8 (all overseas)
- Market capitalization: KRW 591.2 billion (2020 closing price)
- Management information disclosure via shareholders' meetings and IR news

Manufacture Capital

- Transformer: 96,000 MVA, etc.
- Gas Insulated Switchgear: 1,600BAY
- PP&E: KRW 510.5 billion
- Major plant & equipment investments in 2020 (investments in transformer smart factory, low voltage motor mold, etc.): KRW 15.5 billion

Intellectual Capital

- New technologies to further strengthen competitiveness in the market, reinforced R&D capacity, etc.
- 2020 R&D expenses (relative to revenue): KRW 37.7 billion (2.1%)
- No. of R&D personnel: 277

Human Capital

- Total headcount (male/female, inclusive of fixed-term contract workers): 1,956/144
- No. of labor union members (membership rate relative to those with rights to join): 796(95.4%)

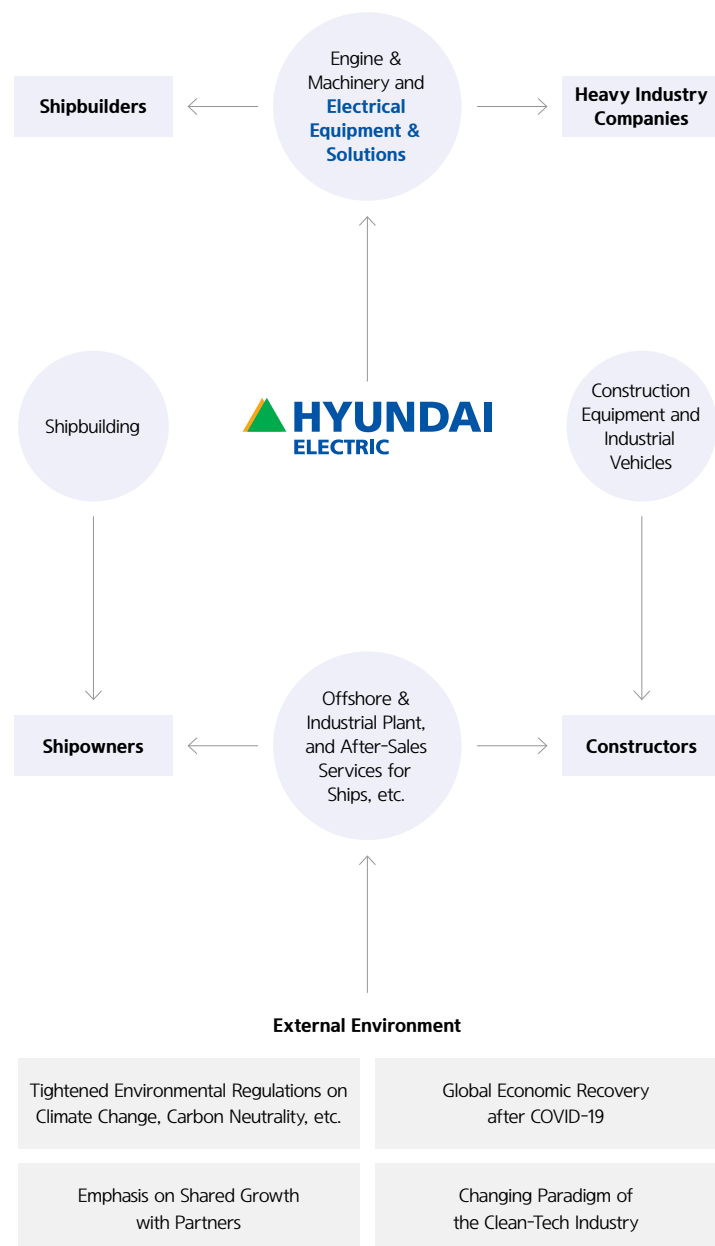
Social Relations Capital

- General shareholders' meeting for enhanced value of stakeholders and exercise of their rights
- After-sales service for customers
- Group Shared Development Committee, social contributions, etc.
- HHI Group 1% Nanum Foundation

Environmental Capital

- Certified to ISO 14001
- Environmentally friendly policies such as GHG reduction and green procurement
- Annual energy consumption: 667TJ

Business Activities



Output

Financial Capital

- Revenue: KRW 1.8113 trillion
- Credit rating: A-(corporate bone rating)

Manufacture Capital

- Output by product
 - transformer: 1,301 units
 - gas insulated switchgear: 937 BAY
- Manufacturing capacity utilization time (utilization rate): 2,102,000M/H (93.5%) *domestic

Intellectual Capital

- No. of intellectual property rights held
 - patent (model utility right) (domestic/overseas): 523 cases/141 cases
 - design right: 65 cases/13 cases
 - trademark right (domestic/overseas): 13 cases/33 cases
- Cumulative no. of skills selected for Core Skill Transfer Program: 12

Human Capital

- No. of personnel who completed job-specific specialists training: 304
- Rate of personnel staying at work over a year parental leave (male/female): 80%/50%
- Training time per employee: 4 hours

Social Relations Capital

- Market share (transformer & gas insulated switchgear): 45%/24%
* as estimated by HYUNDAI Electric
- Amount of sharing activities for local communities: KRW 770 million

Environmental Capital

- GHG emissions: 32,880 tCO2e
- Waste discharge (general/designated): 1,100 tons/111 tons
- Waste recycling rate: 58% · Wastewater discharge: 375 tons
- No. of violations of environmental laws/regulations: 0

Outcome

Shareholders and Investors

- Promoting shareholder value and protecting their rights through stable profits and risk management
- Adopting an electronic voting system (March 2021)

Customers

- Delivering products and services that satisfy our customer needs with our resources and expertise

Employees

- Boosting job satisfaction and morale via programs for learning & development and improved benefits and working conditions

Local Communities

- Seeking mutual development in partnership with local communities through steady communication and social contributions

Partner Companies

- Helping our partner companies improve their financial soundness and competitiveness
- Building a stable supply chain system to help them keep deliveries on time

Industries

- Taking responsibility for climate environment to fulfill requirements from home and abroad
- Minimizing potential environmental impact

02

SUSTAINABILITY PERFORMANCE

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Sustainable Management System

HYUNDAI Electric actively pursues corporate value enhancement through continual growth. The company creates shared values in a wide range of areas including but not limited to economy, environment and society based on its well-organized sustainable management activities. Under the three major operational policies as below, we plan and perform various activities for each category and continuously disclose key achievements to stakeholders.

HYUNDAI Electric's System

We operate an efficient and sustainable management system by assigning professionals and departments to each sustainability initiative. Relevant departments perform comprehensive management for activities planning, execution, assessment and company-wide strategic planning. Collected information is utilized to plan and execute new sustainability initiatives and is also used for integrated reporting.

ESG Management Vision

Trusted Company Creating Sustainable Value

ESG Strategic Direction

ENVIRONMENTAL	SOCIAL	GOVERNANCE
Creating Environmental Impact	Pursuing Shared Growth	Ensuring Transparency & Compliance

ESG Focus Tasks

<ul style="list-style-type: none"> Expansion of business portfolio through development of eco-friendly products and services Management of carbon emission and establishment of energy efficiency plan 	<ul style="list-style-type: none"> Establishment of social and environment risk management framework for the supply chain Strengthening of human rights management Implementation of community engagement programs relevant to HYUNDAI ELECTRIC's core business activities 	<ul style="list-style-type: none"> Establishment of ESG communication framework Improvement of transparency and Integrity of governance Establishment of ethics monitoring and evaluation system Participation in the global initiatives
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Enabler

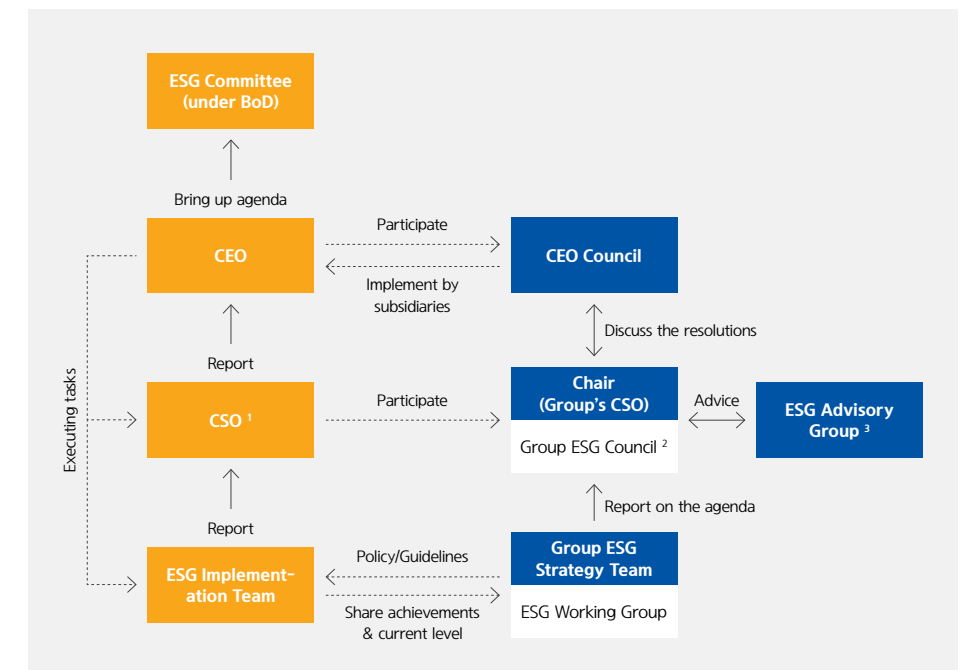
Fundamentals of ESG Management		
Operation of ESG Management Team	Establishment of ESG-related decision-making process	Establishment of ESG performance assessment system

ESG Promotion System

Establishment of a Group ESG Governance System

ESG Promotion System (Subsidiaries)

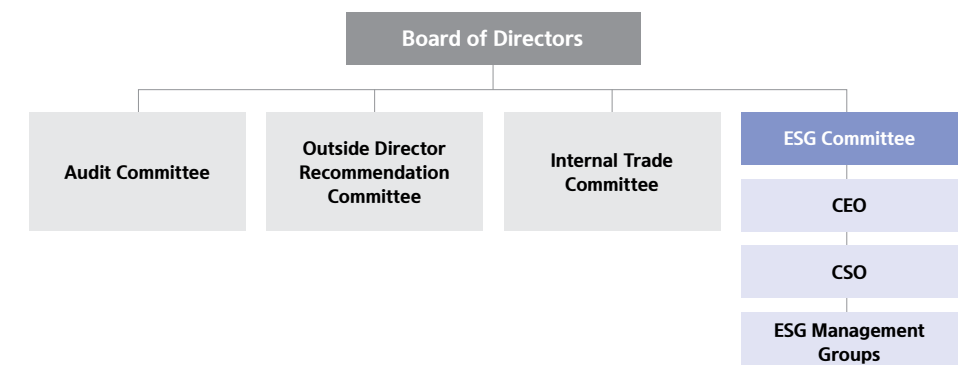
ESG Promotion System (Group)



- 1 CSO: Chief Sustainability Officer
- 2 Consists of CSOs of subsidiaries
- 3 Consists of outside experts for each ESG section

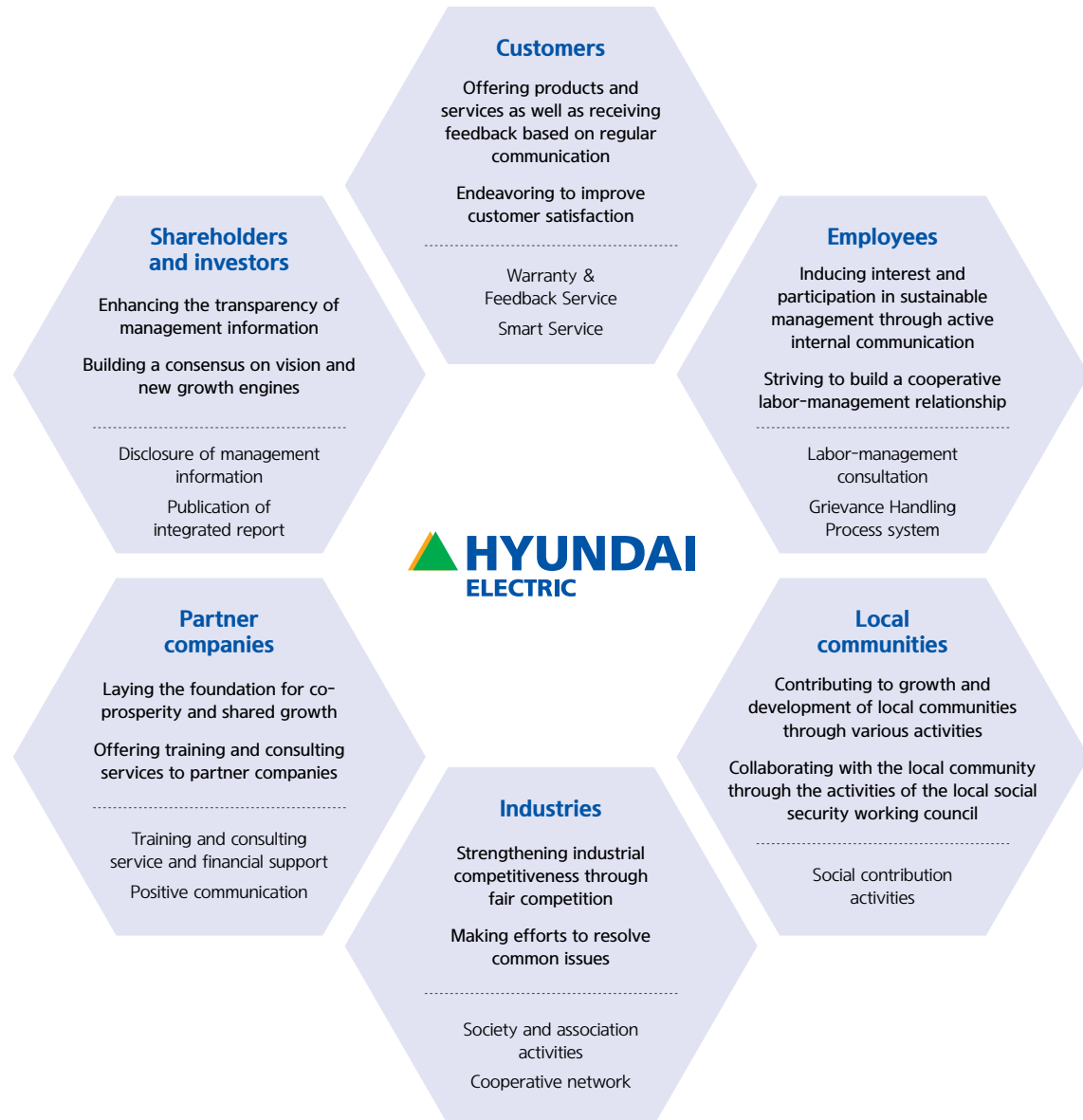
HYUNDAI Electric's ESG Management System

HYUNDAI Electric has ESG committees under the Board of Directors (BoD) for strong ESG management and ESG groups supporting the committees and decision-making processes. While ESG committees are responsible for the performance of ESG management goals as well as ESG strategic direction, ESG management groups give assistance to the committees by managing data and reporting major decision-making items. The company built the new ESG management system in order to make decisions effectively and respond to stakeholders in an integrated manner.



Communication with Stakeholders

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



UN SDGs

The UN Sustainable Development Goals (SDGs) set forth a universal call to action for the period from 2016 to 2030 to achieve sustainable development on a global scale. Achieving the goals requires efforts and cooperation throughout our society, and the role of a company in this context is to create a growth engine and Innovations for economic development and job creation.

By aligning its management direction with SDGs, a company can not only create a new business model but also evolve into a sustainable entity. HYUNDAI Electric continuously works on strategies for the Group's mid/long-term growth by identifying key global trends through the UN SDGs. Of the 17 goals, our focus mainly lies on 9 goals (3, 4, 6-10, 12, and 16) and 23 targets, as we strive to contribute to implementing this blueprint to achieve a better and more sustainable future for all.

Key SDGs	Targets
 <p>Ensure healthy lives and well-being for all ages</p>	3.4 Prevent and treat non-communicable diseases and promote mental health and well-being
	3.8 Achieve universal health coverage, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all
	3.9 Reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination
 <p>Ensure inclusive and equitable quality education and lifelong learning opportunities for all</p>	4.4 Increase the number of youth and adults who have relevant skills including technical and vocational skills for employment, decent jobs and entrepreneurship
	4.5 Eliminate gender disparities in education and ensure equal access to all level of education and vocational training for the vulnerable, indigenous peoples and children in vulnerable situations
 <p>Ensure availability and sustainable management of water and sanitation for all</p>	6.3 Reduce untreated wastewater and improve water quality by reducing pollution, minimizing the release of hazardous chemicals and increasing water recycling
 <p>Ensure access to affordable, reliable, sustainable and modern energy for all</p>	7.2 Increase the share of renewable energy in the global energy mix
	7.3 Double the global rate of improvement in energy efficiency
 <p>Promote sustained, inclusive, sustainable economic growth, full and productive employment and decent work for all</p>	8.2 Achieve higher levels of economic productivity through the diversification of industries including high-value-added ones, technological upgrading and innovation
	8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation and encourage the formalization and growth of micro, small/mid-sized enterprises including through access to financial services
	8.5 Achieve full and productive employment and decent work for all women and men, and equal pay for the work of equal value
	8.6 Reduce the proportion of youth not in employment, education or training
	8.7 Prohibit forced and child labor
 <p>Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation</p>	9.4 Increase resource-use efficiency and adopt clean and environmentally sound technologies
 <p>Reduce inequality within and among countries</p>	10.4 Adopt policies, especially fiscal, wage and social protection policies and progressively achieve greater equality
 <p>Ensure sustainable consumption and production patterns</p>	12.2 Achieve sustainable management and the efficient use of natural resources
	12.4 Achieve the environmentally sound management of chemicals and all wastes throughout their life cycle and significantly reduce their release to air, water and soil
	12.5 Reduce waste generation through prevention, reduction, recycling and reuse
	12.6 Encourage companies to adopt sustainable practices and to integrate sustainability information into their reporting cycle
 <p>Manage and protect marine and coastal ecosystems to avoid significant adverse impacts and take action for their restoration In order to achieve healthy and productive oceans.</p>	16.3 Promote the rule of law at the national and international levels and ensure equal access to justice for all.
	16.5 Reduce corruption and bribery in all their forms.
	16.6 Develop effective, accountable and transparent institutions at all levels.
	16.7 Ensure responsive, inclusive participatory and representative decision-making at all levels.

HYUNDAI Electric's Contribution to Achieving SDGs

- Supporting medical expenses and checkups for the healthy lives of personnel: operating Oriental Medical Center; and providing examinations for occupational diseases
- Health care programs for personnel such as smoking cessation and weight management treatment
- Nurturing highly skilled Professionals through a variety of technological training infrastructures and well-organized education programs
- Operating Core Skill Transfer Program
- Self-checking major wastewater discharge sources and reducing the amount of untreated wastewater by reusing laboratory water
- Developing a procurement system for managing chemical substances
- Securing orders for a large-scale ESS project
- Improving production efficiency and reducing cost through building a smart factory environment in Ulsan
- Increasing economic productivity and creating jobs through securing engines for continual growth by building smart factories and utilizing the reliability assessment center
- Creating quality jobs through employment
- Implementing a fair and objective performance evaluation & compensation system growth
- Offering training and financial services to partner companies to promote shared growth
- Creating a roadmap for human rights management at a Group level
- Developing technologies for insulation and cooling design that enables the change of insulating oil to vegetable oil
- Developing Eco Gas insulated Switchgear (EGIS) by applying eco-friendly insulation medium
- Investing in environmental equipment including the repair of worn-out dust collectors
- Caring for the underprivileged, pursuing co-prosperity with local communities, and promoting independence for future generations
- Acquiring an international certification for an environmental management system
- Performing simulation exercises to reinforce emergency response capabilities for chemical accidents
- Environmental clean-up activities around worksites
- Introducing a hazardous chemicals management system
- Implementing transparent and responsible management by valuing compliance and business ethics
- Implementing reasonable governance structure to maintain checks and balances
- Pursuing inclusive management activities by engaging various stakeholders in management including active communication with the labor union

Materiality Assessment

Each year, to select the core topics of the annual integrated report, HYUNDAI Electric conducts a materiality assessment regarding stakeholders' interests, improvements and business impact levels on corporate activities. The assessment of 2020 identified a pool of 29 topics in light of the global reporting standards such as GRI Standards, the UN SDGs, various social issues and sustainable management information within the same industries. The identified issues are classified into core, top and general topics by levels of public attention and business impact.

The report discloses HYUNDAI Electric's management approach to and key performance relating to the core topics, and where deemed necessary for continuity with the past reports and/or complete disclosure of information regarding value creation, also discloses those relating to top and general topics.

Assessment Processes

HYUNDAI Electric annually conduct a materiality assessment to select sustainability topics. Critical topics to us are determined in consideration of business impacts and stakeholders' interest.

Step 1 Identify Sustainable Management Topics	Identified 29 topics considering external environments surrounding HYUNDAI Electric <ul style="list-style-type: none"> · Requirements of ESG disclosure and assessment initiatives (GRI Standards, SASB, TCFD, MSCI, UNGC, SDGs, ISO26000) · Other sustainability issues noted by the peer group within the same industry · Other sustainability issues noted by the media
Step 2 Assess Public Interest	<ul style="list-style-type: none"> · Analyzed global guidelines (e.g., GRI Standards and UN SDGs) · Analyzed media exposure by categorizing items into three groups of economic, environmental and social issues (549 items) · Analyzed the sustainable management reports of the peer group within the same industry. · Conducted a survey on external stakeholders' interest. (March, 2021)
Step 3 Assess Business Impact	<ul style="list-style-type: none"> · Analyzed the agenda of the internal Board of Directors' meeting and CEO's messages. · Conducted a survey on the business impacts of HYUNDAI Electric employee. (March 2021)
Step 4 Verify Effectiveness	After selecting 8 major issues with large business impacts and stakeholders' interest, obtained an approval from the ESG committee, a decision maker under the BoD

Assessment Results

As a result of the assessment, a total of 8 topics were selected. This report covers HYUNDAI Electric's reactive activities, performance, plans and future directions to facilitate stakeholders' understanding.

Core Topic	Topic Boundary	GRI	Ranking by Category	
			By Public Interest	By Business Impact
1 Pursuing environmental management by developing more environmentally friendly technologies	Internally: R&D, production Externally: local communities	GRI 302-5	2	3
2 Diversifying business and exploring new opportunities	Internally: all companies	N/A	8	1
3 Improving material and energy efficiency	Internally: R&D, production Externally: local communities	GRI 301-1~3, GRI 302-1~5	1	6
4 Compliance management and business ethics (Transparent disclosure of management information)	Internally: R&D, procurement, production, sales, marketing	GRI 102-16,17 GRI 205-1~3	5	4
5 Creating corporate value through changes and innovation	Internally: all companies Externally: local communities	GRI 201-1,3 GRI 202-1	6	5
6 Operating an integrated risk management system	Internally: all companies	GRI 201-2 GRI 102-15	14	2
7 Reducing waste and pollutant emissions	Internally: production Externally: local communities	GRI 305-5~7, GRI 306-1~5	3	15
8 Improving product/service quality and enhancing customer satisfaction	Internally: R&D, production Externally: customer, partner companies	GRI 416-1,2	9	10

Materiality Assessment Matrix

Core Topics

- 1 Pursuing environmental management by developing more environmentally friendly technologies
- 2 Diversifying business and exploring new opportunities
- 3 Improving material and energy efficiency
- 4 Compliance management and business ethics (Transparent disclosure of management information)
- 5 Creating corporate value through changes and innovation
- 6 Operating an integrated risk management system
- 7 Reducing waste and pollutant emissions
- 8 Improving product/service quality and enhancing customer satisfaction

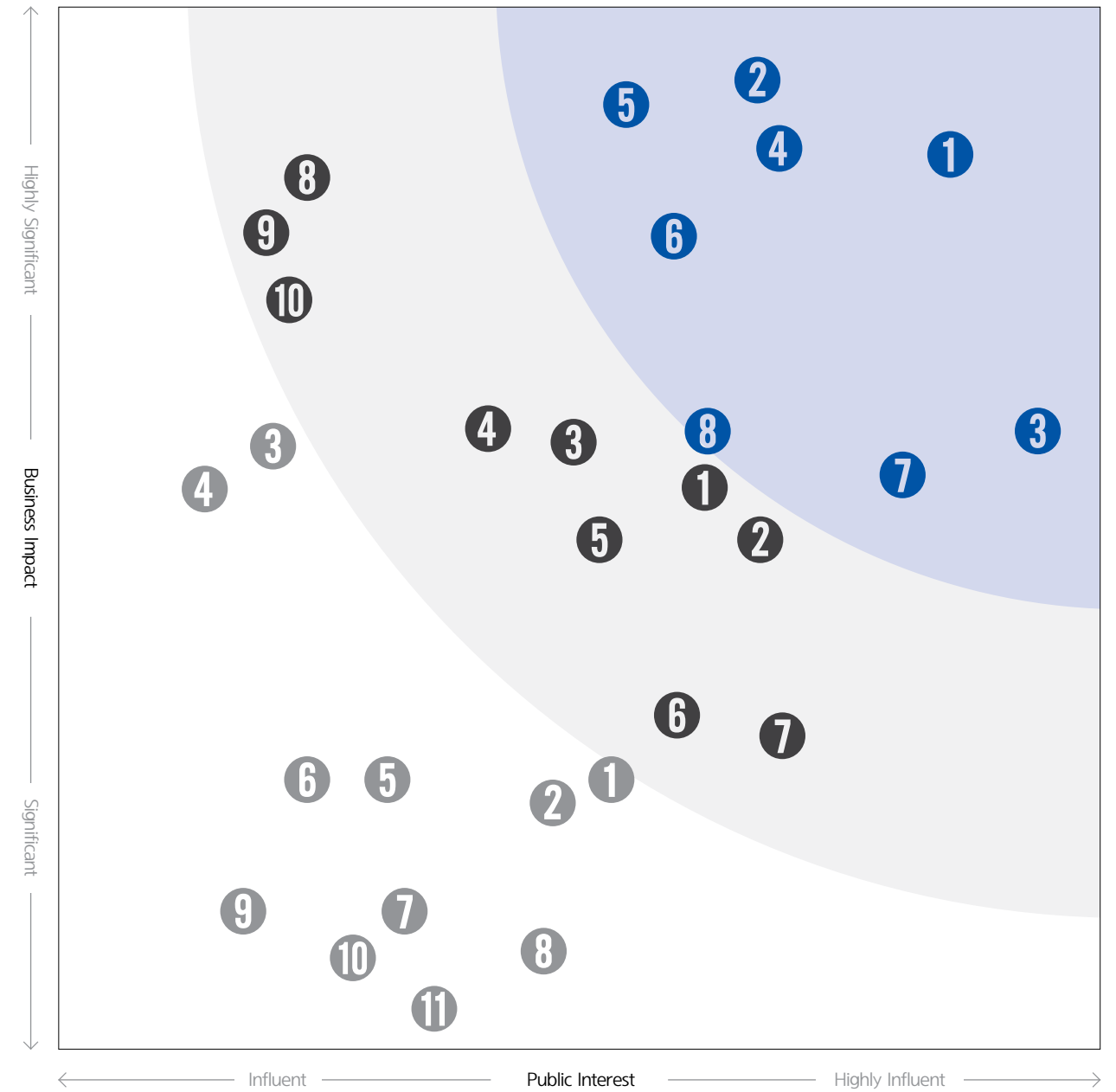
Top Topics

- 1 Creating a safe workplaces and raising safety awareness
- 2 Addressing climate change issues including GHG emissions control
- 3 Expanding (R&D) and securing new technologies
- 4 Ensuring sound governance
- 5 Ensuring customer safety and health
- 6 Respecting human rights of all personnel
- 7 Enhancing a fair trade system
- 8 Building and operating resource circulation, reuse and recycling framework
- 9 Reinforcing the competencies of personnel (HRD)
- 10 Contributing to the co-prosperity of local communities

General Topics

- 1 Social contribution activities
- 2 Attracting and retaining talent
- 3 Communication with stakeholders
- 4 Reducing adverse environmental impacts of partner companies
- 5 Ensuring diversity and inclusion
- 6 Enhancing job security and promoting sound labor-management relation
- 7 Ensuring information security including through protecting confidential and personal information
- 8 Ensuring fair distribution of earnings
- 9 Promoting shared growth with partner companies
- 10 Respecting the human/labor rights of partner companies' personnel
- 11 Ensuring fair distribution of earnings

● Core Topics ● Top Topics ● General Topics



Enhancing Corporate Value Through Sustainable Growth

Creating new growth engines through continual change and innovation is crucial to sustainable growth in the fast-paced global business environment. HYUNDAI Electric will enhance corporate and shareholder value and deliver customer satisfaction by identifying quality and technology as top priorities.

- 35 R&D
- 40 Quality Management

R&D

HYUNDAI Electric conducts R&D activities with an aim to upgrade product competitiveness based on increased technological profitability, raise sales and respond to new markets with new products and new models. Also, our R&D efforts focus on technologies to strengthen our responsiveness to the next-generation power market by providing eco-friendly power equipment, smart devices, energy solutions and DC distribution products.

Management System

Vision	Global technology leader in the electric power industry		
Mission	'Innovation through cooperation' & 'Profitability through excellent technology'		
Strategies and Directions	Electric Power Securing Profitability High Value Premium Products/ Business Diversification Upgrading Designs/Quality	Power Distribution Expanding Overseas Markets Maximizing Profitability Expanding Product Lineups	Solution Exploring and Growing New Energy Business
2020 Achievements	<ul style="list-style-type: none"> · Development of DC/DC converter for DC distribution · Acquisition of safety explosion proof international certification for low-voltage motor · 2nd Phase Development of Low-Loss High Efficiency Transformer · Development of 230kV Eco-Friendly Synthetic Ester Oil Explosion Proof Transformer 		
2021 Initiatives	To enhance Product Competitiveness	<ul style="list-style-type: none"> · Developing a cost-innovative model of an electric motor · Expanding the product lineup for a large-capacity hybrid extinction type circuit breaker 	
	New Products/ New Models	<ul style="list-style-type: none"> · Developing a new transformer to respond to customer needs · Developing Eco-Friendly GIS to preoccupy the market 	
	Smart Device/ Energy Solution	<ul style="list-style-type: none"> · Developing products and technologies for engineering business · Building a preventive diagnostic system for power/switchgear equipment 	
	Expanding the DC power distribution product offerings	<ul style="list-style-type: none"> · Expanding the DC and smart product lineup 	
	Market Responsiveness	<ul style="list-style-type: none"> · Developing a customized preventive diagnostic system for transformers · Securing the technologies applied to a fully digital substation 	

Governance of R&D

Executive in Charge (rank)	· Chief Technology Officer(Executive Director)
Decision-making Body (meeting frequency)	· Technology Development Committee (semiannually)
Responsible Organization	<p>Yong-in R&D Division</p> <ul style="list-style-type: none"> · Exploring future growth engines and developing new products/models · Strengthening the competitiveness of flagship products · Applying ICT to products · Conducting a reliability assessment <p>Overseas Research Centers (Switzerland, Hungary, China)</p> <ul style="list-style-type: none"> · Securing core technologies for electric power equipment and developing new products · Enhancing market responsiveness through enhanced cooperation and R&D allocation with the headquarters for product development · Allocating R&D areas with the headquarters for the designing/analysis process, and developing products for the global mid-to-low priced market

R&D Achievements

Development of DC/DC Converter for DC Distribution

In cooperation with Korea Electrotechnology Research Institute, we developed a DC/DC converter to be applied to a DC distribution system. The "DC/DC converter for DC distribution" is a device which converts the voltage of a DC power supply into a DC power supply having a size required by a load, and 1MW of the DC/DC converter is planned to be installed as a DC distribution facility at the Global R&D Center (GRC) of the Hyundai Heavy Industries Group, which will be built in Pangyo, Seongnam-si, Gyeonggi-do. The developed DC/DC converter is expected to contribute as a key part of a DC building, a solid-state transformer (SST), that is, a DC distribution power material in the future, and an energy router.

Acquisition of Korea's First Increased Safety Explosion Proof International Certification for 0.2~90kW Low-Voltage Motor 0.2~90kW

We acquired an increased safety explosion proof international certification for a 0.2~90kW low-voltage motor for the first time in Korea. Increased safety explosion proof is characterized by preventing the generation of excessive heat, arcs (discharge), or sparks (flames) from internal or external components in a normal operating state by the method of removing an ignition source for explosion prevention, thus, is used in the industrial areas with high explosion danger, such as petroleum, chemical and gas plants and is also characterized by high entry barriers due to requiring high quality and reliability. We expect to develop an increased safety explosion proof type motor capable of being used even in a cryogenic environment at the ambient temperature of -55°C while increasing economic feasibility by applying a standard motor frame, leading to future increases in sales in the relevant markets.

2nd Phase Development of Low-Loss High Efficiency KEPCO Transformer

We completed the manufacturing and development tests for a supply single phase 154kV 20MVA low-loss second-phase high efficiency standard transformer, which will be supplied to Korea Electric Power Corporation (KEPCO). The developed low-loss second-phase high efficiency transformer further maximized energy efficiency to the extent to have a 57% (461kW▶264kW) level of loss rate compared to that of the existing transformer, thus, it demonstrates our best technical skills in the industry once again and, at the same time, it is expected to live up to the market's expectations of a high efficiency facility, which is growing day by day in the domestic electricity market, while we are planning to actively promote the supply of high efficiency electric power facilities to the domestic and overseas market.

Development of Korea's First 230kV Eco-Friendly Synthetic Ester Oil Explosion Proof Transformer

Following last year's successive export of the 69kV synthetic ester oil transformer to overseas markets, we also succeeded in developing a 230kV synthetic ester oil transformer as well. It was general to use mineral oil to secure the cooling performance and insulating properties of a transformer, but the recent trend is such that the utilization of synthetic ester oil instead of mineral oil increases as eco-friendly technologies are in the limelight. Synthetic ester oil has characteristics of excellent fire resistance due to a high ignition point and low volatility, high biodegradability, and nontoxic properties. Which makes it appropriate for a densely populated areas that fire or oil leaks may bring great damage and environmental contamination. In particular, this transformer is a product in which high level technologies having both eco-friendliness and safety are integrated by further applying dynamic pressure resistant system (DPRS) for protecting the enclosure of a transformer when an accident occurs and, thus, a lot of demand for the transformer is expected also in the future.

R&D Plans

Developing 3-Phase (Air-Cooled) Gas Transformer

A flame retarding gas transformer is applied to an underground substation wherein fire extinguishing work is difficult when a fire occurs in a transformer. Among such substations, some are not equipped with a water-cooled tower and, thus, a water-cooled gas transformer cannot be applied in this situation. HYUNDAI Electric aims to expand a product application range by developing an air-cooled gas transformer and to contribute to increases in sales and profits by preemptively responding to customer demand.

Developing Eco-Friendly GIS (Novac), 145kV GIS (Dry air)

Eco-friendly GIS is largely divided into "fluoro-based mixed gases (Novac4710/CO₂) applying GIS" and "Dry-air/VI applying GIS," and technical development for preoccupying the market is now in progress. Recently, a technology which utilizes Dry-air/VI (GWP: 1), having lower GWP than fluoro-based mixed gases (GWP: below 500), as an insulating material for the eco-friendly GIS is emerging. Because the standards for the eco-friendly GIS are not firmly established in the global market, preemptive response to Dry-air/VI is necessary. For this, HYUNDAI Electric aims to contribute in preoccupying domestic and overseas markets and boosting sales by developing an eco-friendly 145kV 40kA GIS (Dry-air/VI).

Developing Large Capacity 2-Pole Motor for Industrial Use

A large capacity two-pole motor for industrial use is applied to the majority of loads for industrial use, such as a compressor and a pump, and a demand for a large capacity with 7MW or greater is increasing in a fresh water plant and etc. HYUNDAI Electric aims to enhance a market confrontation ability by improving the existing model to increase a capacity for securing a line-up that we have not possessed yet, and to develop a stiff shaft model for developing a two-pole motor with improved efficiency. It is planned to shorten the development period through collaboration with H-TEC, Hyundai Technologies Center in Hungary, and to carry out performance verification and series model development through the manufacturing and tests of a trial product.

Developing DC Switchgear for Land Use

Due to recent rapid increases in DC distributed resources (solar power, ESS, fuel cells) and DC loads (LED, ICT devices, inverters, etc.), DC distribution technologies are newly emerging as a future power supply method. As the design and establishment of an eco-friendly high efficiency distribution network is an urgent problem home and abroad, KEPCO is pursuing DC power supply commercialization by formulating "DC Distribution Technology Development Basic Plan." Regarding systems at the Global R&D Center (GRC) of the Hyundai Heavy Industries Group, which will be built in Pangyo, Seongnam-si, Gyeonggi-do, all of the internal electronic equipment will apply HYUNDAI Electric products while being pursued as a joint task with KEPCO and, thus, we can secure reference for the development and demonstration of tools and materials for the DC distribution project in the mill as our future project. We aim to respond to the development of next-generation DC distribution technologies and products by securing a self-demonstration site and establishing an integrated test environment.

Developing DC 1500V MCCB for Industrial Use

Interest in DC distribution is increasing due to the development of equipment for home/industrial use, which uses DC power. In this context, HYUNDAI Electric plans to carry out development which aims to secure 160AF DC MCCB Line-up for advancing into the DC MCCB market for a small-sized photovoltaic system connection board. Sales are expected to increase by enhancing the competitive power of 250/630/800AF DC MCCB Line-up, previously secured in 2019.

Developing Next-Generation IE4 Efficiency Synchronous Reluctance Motor (SynRM)

It is expected that, from 2023, the minimum efficiency regulation in Europe will upwardly apply from IE3 efficiency to IE4 efficiency. The current situation is such that the development of a product capable of having high power density and high efficiency compared to the existing induction motor is required and, thus, HYUNDAI Electric aims to reinforce a line-up by developing an IE4 SynRM product, to respond to the demand for an inverter driving IE4 motor, and to achieve a market share.

Smart Energy Platform

HYUNDAI Electric was selected as a host company of the government-led 'Smart Energy Platform' project initiated to supply a cloud-based energy efficiency management system to industrial complex areas. For 70 worksites at Banwol-Sihwa Industrial Complex, we are establishing the Smart Energy Platform for providing Cloud-based FEMS and CEMS services. By providing an integrated energy platform through the connection of demand response/ESS/photovoltaic services, the business area of energy services is expected to expand in the future through the provision of commonized energy service content.

Quality Management

HYUNDAI Electric has implemented quality policies in order to advance confidence as well as meet stakeholders' expectation and demands. We are taking a leading role in domestic quality management with the ISO 9001 certification acquired in June 1990 by QMI, a quality assurance organization in Canada. The company sustains the confidence of a quality management system by continuously conducting management activities and training. Test and assessments are also performed to maintain a consistent quality level of materials and parts required in the manufacturing process and achievement of reliability in the Reliability Assessment Center.

Management System



Governance of Quality Management

Management system	· ISO 9001(Quality Management System) certification
Executive in charge	· Head of Quality Management Dept. (directly controlled by CEO)
Departments in charge	· Quality Management Dept: Quality management control tower for domestic and overseas subsidiaries · Power Equipment QM Dept: QM of Power Equipment division · Power Distribution Equipment QM Dept: QM of Power Distribution Equipment Division
Company-wide quality management indicator	· Quality failure costs · Test defect rate · Customer complaint rate

Quality Management Achievement

QMS Operation and Assessment

The quality management system of HYUNDAI Electric reflects laws/regulations, international standards and market demands to achieve full customer satisfaction. The company has not only been awarded the ISO 9001 Quality Management System Certification since 1990 and the KEPIC certification, a quality assurance program for nuclear safety since 1980, but also maintained them to date. What is more, we make continuous efforts to satisfy customers by winning product accreditation for explosion prevention (domestic/overseas), ship classifications, KS, etc.

Quality Failure Costs

HYUNDAI Electric strives to reduce quality failure costs in a varying manner. Setting quality failure costs as a key performance indicator, we have assigned responsibility for quality problems to employees, managed relevant targets, reviewed recurrence prevention efforts, identified quality problems and then addressed them. Recently, the company has been rebuilding a development process for stronger quality control by development phase and more solid product reliability. As a result of these efforts, quality failure costs have declined for the last five years.

Overseas Subsidiaries

HYUNDAI Electric endeavors to upgrade the quality level of overseas subsidiaries stationed in Alabama, US and Yangzhong, China. In 2020, we decreased their quality problems and quality failure costs by focusing on stronger preemptive quality control and a quality process implemented in parallel with the headquarters. In 2021, further efforts will be made to update the quality capacity of each subsidiary and quality cost data. In particular, the company plans to foster the expertise of a quality workforce and the subsidiaries' analytical proficiency for causes through technology training.

Quality Management of Partner Companies

HYUNDAI Electric operates an internal dedicated organization to enhance the quality and productivity of partner companies. Quality assessments and training are regularly conducted to improve their material quality. We also listen to their VOC in addition to our management's visit to facilitate communication with the partner companies. HYUNDAI Electric will continue to work with them for quality assurance.

Operation of Reliability Assessment Center

The Reliability Assessment Center plays a central role in enhancing the quality and reliability of products by conducting total 330 tests in 2020. In the year of 2021, we will obtain reliability assessment techniques for eco-friendly products while building an accreditation system in cooperation with the external research institutes. Besides, the Center will continue to update its system as an internationally accredited testing institute by expanding the scope of KOLAS accreditation to include high-efficiency low voltage motors.

Quality Training

137 employees of HYUNDAI Electric and its partner companies completed quality training courses in an aim to produce high-quality products meeting customer satisfaction. We will continue to develop training courses and nurture excellent quality experts to reach a reliable quality level.

Upholding Fair and Transparent Business Practices

HYUNDAI Electric aims to become the most transparent company, rather than the largest one. By upholding sound ethical practices and compliance, we will work to create market environments that contribute to the growth of all our stakeholders and the sustainability of our society.

- 43 Compliance Management
- 46 Business Ethics
- 52 Risk Management
- 54 Greater Management Transparency

Compliance Management

HYUNDAI Electric strives to stand firm as Korea's leading 'Smart Solution Provider' and practice the 6 core values of C.R.E.D.I.A for the growth of customers' business. In particular, we engage in the Compliance Program (CP) activities including the related education, consulting, etc. to realize 'Reliable' among the values. Also, the company continues to mature an effective compliance mechanism, cultivate the culture of compliance management and fulfill social demands for sustainable growth.

Management System

Vision	Social responsibility and sustainable development	
Goal	To build and promote the culture of compliance through risk identification assessment, audit and education	
Directions	Improving a compliance management system	Promoting a compliance culture
2020 Achievements	<ul style="list-style-type: none"> · Building a solid compliance system by appointing a compliance officer, and actively conducting training and activities · Enhancing subcontracting procedures and training · Establishing and circulating checklists for subcontracting, fair trade and anti-corruption 	<ul style="list-style-type: none"> · Monitoring changing business regulations and providing relevant training · Exploring and introducing best compliance practices
2021 Initiatives	<ul style="list-style-type: none"> · To inspect departments with law violation risk, aggregate the plans to improve work processes and monitor its compliance status · To establish guidelines to enhance fair trade-related work 	<ul style="list-style-type: none"> · To provide a training program on corporate activities and monitor them · To lead middle-level managers to sign a pledge for the Compliance Program

Governance of Compliance Management

BoD/CEO	· Confirming compliance plans and setting directions: discussing; deciding compliance-related agenda
Compliance Officer	· Establishing/amending compliance standards and rules; offering compliance education; running training programs; performing compliance audits
On-site compliance officer/ On-site compliance organization	<ul style="list-style-type: none"> · Organization name: Legal Team · Training compliance staff on compliance systems and the related laws and regulations; internal compliance audit and monitoring · Scope: HYUNDAI Electric and overseas entities

BoD Reporting

Category	Compliance Audit Reporting	Compliance Program Audit Reporting
Frequency	Annual	Semi-annual
Content	Corporate compliance audit results	The corporation status of the CP and the following results

Key Performance of Compliance

- **The CEO declared to practice business ethics.**
- **All employees signed a pledge for the Compliance Program.**
- **The company assigned an officer to oversee personal information protection and notified the related policies.**

Major Activities and Achievements

Conducting Compliance Risk Assessments and Inspection on the Operating Status of Compliance Program (CP)

Since the enactment of the regulation on the operation of compliance programs in 2019, we have introduced various compliance programs (CPs), and surveyed on the possibility of unfair practices and illegal practices for all departments through questionnaires, etc. Among those, for some departments having meaningfully drawn compliance risks, we summarize and explain the relevant laws with cases, and continue to guide work precautions so that employees in the departments can understand and apply them with ease.

Fair Trade Compliance Training for Employees

HYUNDAI Electric regularly implements compliance training every year. Regular compliance training on major legal risk factors and contents of laws with cases are also provided to employees. Last year due to COVID-19, video-assisted training was held to raise the compliance awareness of employees.

Improving Work Processes

We established items to remove misunderstanding related to unfair treatment for stakeholders during trade among affiliates under the Monopoly Regulation and Fair Trade Act and relevant laws, to allow departments to check trade related risks for themselves depending on the contract type (a private contract or a competitive bid) for pursuing co-prosperity, and to guide to use the check items at field work. In addition, we are developing a program capable of being smoothly applied by utilizing a computational platform.

Responding to Issues and Preventing Legal Risks

In 2020, HYUNDAI Electric's domestic/overseas contacts and legal reviews amount to 570 in total. In addition, we went through an official investigation by the Fair Trade Commission (FTC) regarding technical data requirements and unfair payment determination suspicions of our partners. It was confirmed that HYUNDAI Electric did not misappropriate the technical data of our partners and had reasonable reasons of its technical data requirements, resulting in the confirmation of no-suspension. Moreover, the investigation results found no-suspension of the company because there was no fact of unfair subcontract payment determination. HYUNDAI Electric will further enhance coexisting cooperative relationships with our partners by establishing guidelines on the issuance of technical data requirements and settling a fair trade structure with our partners through rigorous inspections on contracting structures and business practices between relevant departments and the partners.

Preventing the Risks of Overseas Projects

As a global leader, HYUNDAI Electric is supplying electric and electronic devices to various overseas national electricity boards and EPC sites. To prevent the various risks that may occur at the local sites, the company checks the risks of HYUNDAI Electric's contracts and laws in advance and manages them by scoring, through Risk Check Table before signing contracts with customers.

Guidance and Training on Trends of Laws and Regulations

In December 2020, The Fair Economy Acts (the Commercial Act, the Monopoly Regulation and Fair Trade Act, and the Financial Group Supervision Act) passed the regular session of the Korean National Assembly. Related details on major revisions in the Acts were delivered to our relevant departments, and we reviewed whether compliance risks existed in HYUNDAI Electric or not, focusing on the impacts of the revisions of the Acts on the company. In the future, we plan to accurately monitor the impacts of the revisions on the governance and the voting rights of HYUNDAI Electric, to prevent business and social losses by complying with the revised Acts, and to continue to implement compliance management.

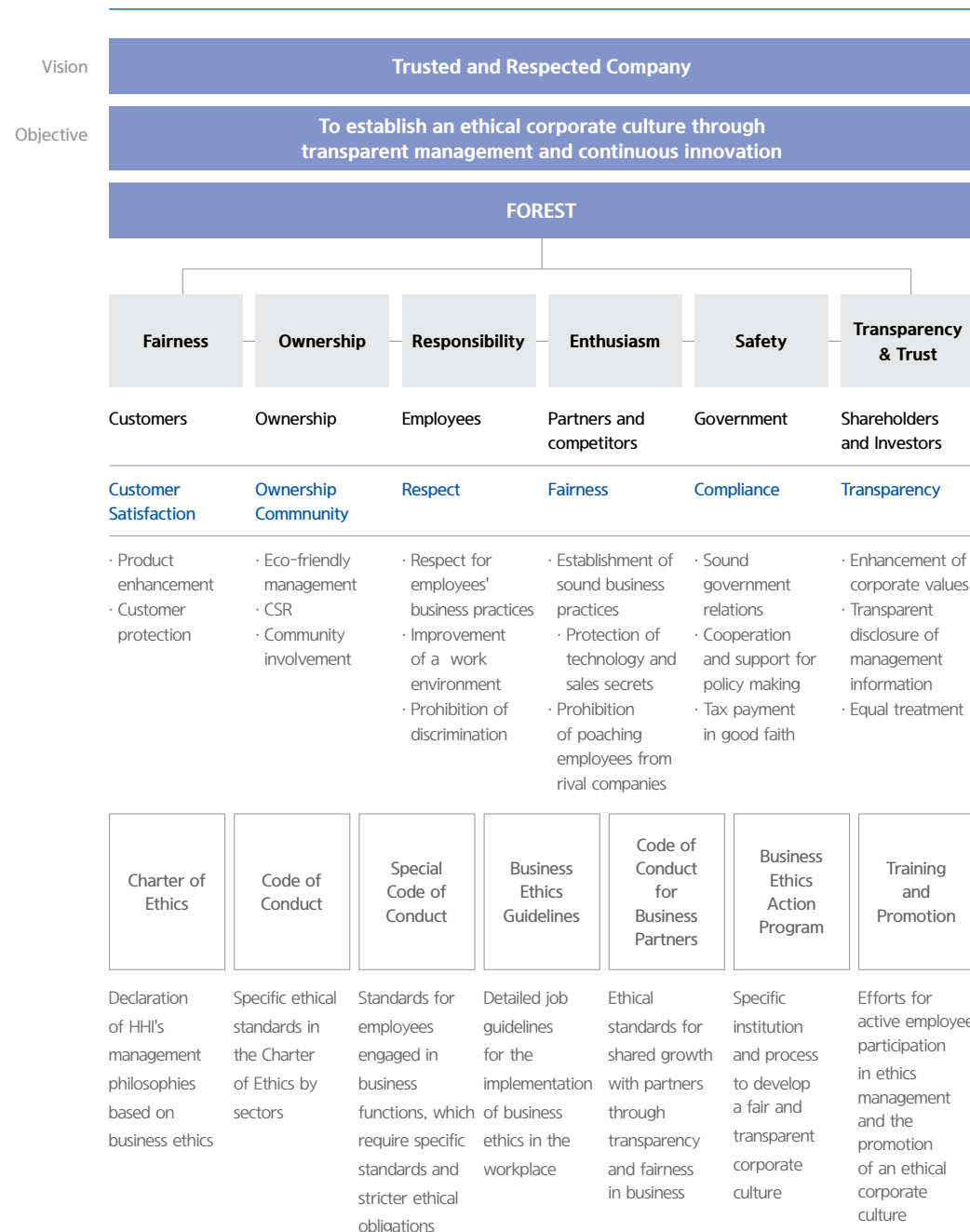
Operating Cyber Consulting System for Partners in Relation to Unfair Trade Practices

We focus on settling a fair subcontractor trading culture by operating a cyber consulting system in which the partner companies can directly report and inquire about suspicious unfair trade practices. In the cyber consulting system, we prohibit the exposure of information on the informants, and do our best to protect the informants from disadvantages by guiding them in requesting the Business Ethics Team for protective actions or relief in case of experiencing disadvantages driven by identity exposure and discrimination.

Business Ethics

Hyundai Heavy Industries (HHI) Group endeavors to further mature its presence as a ‘trusted corporation’ and ‘respected corporation’ by seeking transparent management and consistent innovation amid rapidly changing circumstances. We will put forth our best efforts to become a corporation that customers and partner companies wish to trade with, one that investors wish to invest in, one that employees wish to work at, and one that fulfills its responsibility for the nation and communities.

Management System



Item	2021 Initiatives
Clean Notice System	· To create video clips for a campaign and promote on mobile YouTube and via in-house broadcasts
Business ethics Website	· To add a Chinese version and encourage local employees to report ethics violation by promoting business ethics
Business Ethics Program	· To facilitate employees' self checks for business ethics by opening a mobile version · To expand on-line submission of an Annual Business Ethics Confirmation and a conflict-of-interest report
Online Education Contents	· To develop non-face-to-face education contents and expand online education due to the COVID-19 restrictions · To provide educational materials on business ethics to local employees

Governance of Business Ethics

Function/Position	Responsibility
CEO	· Setting directions and plans of ethics management
Audit Committee	· Evaluating audit performance and following up on corrective actions: ensuring the auditor's expertise and independence
Business Ethics Team	· Operating ethical management systems: providing business ethics trainings and programs: inspecting ethics violations: monitoring and preventing ethics risks: monitoring business ethics practices constantly

Charter of Ethics

Since ethics regulations for procurement position were established in 1994, HHI Group has practiced and expanded its ethics program by amending business ethics regulations and providing an online ethics violation reporting platform and training courses. In October 2005, we declared our Charter of Ethics which proclaims our ethical management philosophy and have worked to make it fundamental to the way we do business.

Charter of Ethics of HHI Group

We strive to become a respected and trusted company that positively contributes to its customers, shareholders and society with the HYUNDAI Spirit. To achieve this goal, we hereby establish this Charter of Ethics, which defines our standards of conduct to follow in accomplishing faithfully our original role and social responsibilities as a corporate entity and we declare that we shall comply with this Charter of Ethics.

- 1 We shall be an ethical corporation that abides by all domestic and international laws and regulations through fair and transparent management practices.
- 2 We shall achieve customer satisfaction by meeting their needs and expectations.
- 3 We shall seek to maximize shareholders' value through fair and efficient management.
- 4 We shall work to fulfill our social responsibilities and duties as a member of local communities and contribute to the development of our nation and society.
- 5 We shall work to create a transparent and clean corporate culture through fair competition and trading practices.
- 6 We shall aim to be a corporate with the highest quality human resources that offers equal opportunities to all our employees in a safe and comfortable working environment.

Materialization of Business Ethics

HHI Group has enacted the Code of Conduct, an elaboration of the Charter of Ethics by each job, and Business Ethics Guidelines, detailed job guidelines for the implementation of business ethics in the workplace. We are also regularly making revisions to reflect the changes of the environment such as related laws and regulations and social perception to enhance their effectiveness. We guide all the employees to comply with the business ethics regulations through promotional activities and internal audits.

Employees

Code of Conduct

- Enforced on October 4, 2005
- 2nd revision on July 1, 2019
- 3rd revision on April 1, 2020 (clause on human rights respect and protection added)
- Criterion for action and evaluation

Special Code of Conduct

- Enforced on May 2, 2007
- Additional duties of employees engaged in six jobs requiring higher integrity and morality (procurement, HR, sales, finance/accounting, engineering and IT)

Business Ethics Guidelines

- Enforced on January 1, 2002
- 8th revision on July 1, 2020 (clause on employee practice ethics to prevent workplace harassment)
- Business process standards for understanding and practicing business ethics policies

Partner companies

Code of Conduct for Partner Companies

- Enforced on October 4, 2005
- 3rd revision on December 1, 2019
- Duties applied to the personnel of HHI Group's partner companies

Major Activities & Achievements

Integrated Group Website

www.ethics.hhigroup.kr



In July 2018, the Group's integrated business ethics website opened to introduce the Group's business ethics practices and raise the ethics awareness of employees. Information on the Ethical Management System, Ethics Charter, Code of Ethics, and Guidelines for Practice of Work Ethics is available on the company website. The Guidelines for Practice of Work Ethics state that we comply with the laws and regulations related to fair trade and protection of SMEs, reject unfair and unlawful trade practices, and provide the standards for bans on bribery and anti-corruption. Through the Ethical Management System, it is easy to report on unethical behaviors and receive advice on unfair trade with vendors. The website provides a 'subcontractor hotline' through which partner companies can request consultation on subcontracting or unfair trades, a channel for filing complaints or reporting on corruption such as accounting fraud, and a channel for ethics counseling .



Annual Business Ethics Confirmation

HHI Group's employees and its partner companies are required to submit an annual Business Ethics Confirmation (according to the internal regulations), to pledge their commitment to understanding the relevant regulations and abiding by corporate policies and guidelines. The pledge requires compliance with ethics regulations and the anti- corruption law to avoid unfair trades, corruption, illegal solicitation and graft as prohibited by laws and regulations.

Major Activities & Achievements

Conflicts of Interest Reporting

When a possible conflict of interest is identified, the employee in question is obligated to report the issue in advance to prevent an unfair result and establish a transparent trade practice. All employees of HHI Group and its partner companies are obligated to submit this conflict-of-interest report every year.

Ethics Violation Reporting and Whistle Blower Protection

The Group's integrated business ethics website provides a 24/7 online service to report violations to the ethics regulations or the relevant acts including illegally accepting gratuities or entertainment, obtaining unjust gains using their position or authority and abusing authority. Reports can also be submitted by phone, fax, email or post. We guarantee anonymity to protect the whistleblower's identity and reward them in accordance with our reward guidelines. In 2020, total 6 cases were filed and 4 out of them were investigated. As a result of the investigation, one case was revealed as a violation to business ethics, and a punitive action was taken according to the related regulation. Additional 2 complaints were settled by the relevant departments and then the results were reported.

Business Ethics Self-Monitoring and Risk Management

Employees annually review the level of their own business ethics through self-monitoring to find areas to be improved and enhance the understanding of business ethics. Also, the company is taking measures to improve vulnerable processes by conducting the real-time monitoring of business ethics and analyze unethical conducts and risks in advance.

On-site Hearings and Assessment of Business Ethics

HHI Group holds field sessions to hear from employees and partner companies and diagnose and improve the level of ethics compliance. To this end, we assess how business ethics are implemented in the field and conduct additional reviews on items requiring further improvements.

Business Ethics Training and Promotion

HHI Group annually runs classroom training courses and online courses on business ethics. The materials are presented in formats such as animated movies, etc. to raise the understanding of employees and encourage their commitment. The training provides a case study of various unethical issues including anti-corruption, discrimination, etc. and a Q&A session designed to induce a sense of sympathy. To embed business ethics throughout the company, we mandate business ethics courses to all of the new hires and managers. Such training helps new hires understand HHI Group's Charter of Ethics and related policy while helping managers make all their business decisions based on ethical judgment. Moreover, we work to introduce our ethical management system a council with our partner companies. Ethics Management Team also works to spread ethics management over partner companies by visiting them to provide related training.

Clean Notice System

Prior to the major national holidays every year, we send out letters to our partner companies asking not to provide any gifts to our employees. We advise our partner companies to report any bribery demands including attempts to our Business Ethics Team. When an employee unavoidably receives gifts from the stakeholder, we guide them to return the gifts via our designated courier or donate to charities.

Support for Ethics Management in Partner Companies

HHI Group supports partner companies in their establishment of a business ethics culture. We have implemented the Code of Conduct for Partner Companies since 2005 to embed a clean and transparent business practice. The Code of Conduct for Partner Companies stipulated obligations such as transparent and fair business practices with partner companies and compliance with the related laws and regulations, placing a ban on giving monetary benefits, graft and treatment to employees. Other supports to partner companies include support for the establishment of business ethics regulations and practice programs, the provision of group training for the introduction of ethics management and the provision of promotional materials.

Risk Management

Financial Risk Management

HYUNDAI Electric has preemptively identified and managed internal and external risks that may arise in business operation process. Drawing on our experiences, we established a well-organized management system of financial and non-financial risks in consideration of the nature of the power industry.

Internal Accounting Control System

For internal accounting management, HYUNDAI Electric has established and revised the regulations on internal accounting control since 2017 and sophisticated the internal accounting control system according to the best practices. Upon the report from executives, the Audit Committee of HYUNDAI Electric reviews the current status of the internal accounting control system that was established to prepare and disclose reliable financial information. We evaluate the appropriateness of the system's design and operation through the services of external accounting firms, and based on the evaluation results, continuous efforts are being made to improve the system.

Foreign Exchange Risk

HYUNDAI Electric has established regulations and bylaws on foreign exchange risk and prepares policies for corporate risk management by making construction-related risk management policies. With regards to the foreign exchange risk, HYUNDAI Electric enacted and enforced regulations and bylaws on foreign exchange risk management on Jan. 1, 2015, and set major contents and procedures related to foreign exchange risk management. As a top deliberation and legislative organization for foreign exchange risk management, we have the Foreign Exchange Risk Management Committee, and the Foreign Exchange Policy Committee may be convened in order to effectively support the deliberation and decisions on foreign exchange risks made by the aforementioned Committee.

Credit Risk

Credit risk refers to the risk of a corporate financial loss resulting from a transaction partner's failure to meet contractual obligations for a financial service. Aiming to rapidly respond to any credit risk and minimize the relevant loss, HYUNDAI Electric's Bond Management Team and Budget Team oversee managing tasks regarding the withdrawal of bonds and bad account disposal. To enhance trade safety, credit insurance is mandatory for external clients, and credit limits that exceed the limit of credit insurance are given in consideration of the evaluation ratings based on internal indicators. In addition, HYUNDAI Electric puts its efforts to minimize credit risk in advance by securing additional security.

Liquidity Risk

Liquidity Risk means the risk of companies not meeting their financial obligations. In an aim to avoid liquidity risks, HYUNDAI Electric manages cash flows on a daily, weekly, monthly, and yearly basis, protecting operating and non-operating (financing, investment, and debt repayment, etc.) cash flows from external fluctuation. Moreover, for optimal working capital management, accounts receivables and account payables are efficiently managed through coordination with Bond Management Team.

Non-Financial Risk Management

Supply Chain Risk

Operating an Integrated Assessment System for Partner Companies

Growing out of the existing partner company evaluation system that puts emphasis on financial assessment, HYUNDAI Electric introduced an assessment system that puts restrictions on trading with partner companies that exploit child labor, fail to meet environmental standards, or pollutants. The assessment results will be shared during the assessment of partner companies through the partner communication channels. By setting the standards by which excellent partner companies are provided with incentives and transactions with bad business partners are suspended, HYUNDAI Electric will continue its effort to build an optimum supply chain that can satisfy investors.

Operating a System to Handle Partner Companies' Grievances and Encourage their Participation

HYUNDAI Electric sets the checklists for working departments to inspect risks by contract types (private contracts, competitive biddings, etc.) for fair trades among affiliates, getting rid of any misunderstanding about unfair treatment. In addition to the New Year's Meeting and Management Status Briefing, HYUNDAI Electric sends announcements on major agendas via e-mail, and we have implemented a system to return some of the profits to partner companies when they suggested ideas leading to improvements that generate profits. HYUNDAI Electric will put more emphasis on establishing a communication culture and pursuing co-prosperity in the future.

Establishing a Multi-Network System for the Management of Partner Companies

Experiencing disruptions in the supply chain hit by the devastating earthquake in a neighboring country, HYUNDAI Electric realized the importance of secondary subcontractor management and established a multi-network system. As the importance of supply chain management has been evidenced once again amid the COVID-19 pandemic, HYUNDAI Electric is building a system for the integrated management of secondary and tertiary subcontractors as well as primary partner companies. We plan to manage the schedule so that our advanced supply chain management system built with HYUNDAI Electric's know-how can be implemented in 2022.

Operating a Financial Assistant Program for Partner Companies

As of the end of May 2021, HYUNDAI Electric offered financial and non-financial guarantees of KRW19.5 billion to partner companies under the agreement with the Korea Credit Guarantee Fund, and we provide subcontractors with financial supports by establishing a "Mutual Growth Fund", worth about KRW 20 billion, with 3 banks: IBK (Industrial Bank of Korea), KEB Hana Bank, and Shinhan Bank. With these programs, HYUNDAI Electric will continuously establish its co-prosperity model of financial assistance which seeks mutual growth with partner companies.

Building a Material Procurement System that Abides by Relevant Rules and Regulations

With increasing regulations including those on eco-friendly regulation, etc., there is a limit to manual data management. In this sense, in a way to avoid any violations of regulations, HYUNDAI Electric has managed the procurement system to which regulated activities are applied when the relevant regulations are revised. And Company has built a preemptive system that prevents any possible violations of laws and regulations in the future.

Contractual and Legal Risk

Introducing and Operating Compliance Program (CP)

HYUNDAI Electric enacted and has implemented the regulation on the operation of compliance programs that define the procedures and standards for compliance with the competition law including the Monopoly Regulation and Fair Trade Act, etc. The internal investigation results on CP operation status are reported to the board of directors twice a year, and regular compliance training on major legal risk factors and contents of laws with cases are also provided to employees on a regular basis every year. HYUNDAI Electric will continue its effort to raise the compliance awareness of employees and to cultivate a compliance management culture inside the company.

Conducting Enterprise Compliance Risk Assessment

As a way to operate compliance programs, HYUNDAI Electric conducted compliance risk assessments for every department in order to understand the content and level of compliance risk. Depending on the assessment results, departments with high compliance risks were provided with guidance on the relevant laws and matters to note during their work, thereby improving the level of voluntary compliance.

Preliminary Inspection and Management of Contractual and Legal Risk

The number of domestic and overseas contract and legal reviews of HYUNDAI Electric is a total of 570, and these have been reviewed through legal consulting from the legal support system. To prevent various risks, HYUNDAI Electric implements the Risk Check Table system with which we make a checklist of important contract items before concluding a contract with customers. Moreover, we will thoroughly inspect the contract structure and work practices between the relevant departments and subcontractors to set up a guideline for issuing a request for technical data and enhance the mutual cooperative partnership to form a fair trade relationship between partner companies.

Greater Management Transparency

HYUNDAI Electric is committed to building an advanced corporate governance structure that ensures the Board of Directors' right to an independent and transparent decision making. Equipped with balances and checks by BoD committees such as Audit Committee, our governance structure will enhance the value of stakeholders such as the corporate itself and shareholders.

Operation and Composition of BoD

To ensure a sound corporate governance and transparent management, outside directors account for more than half of BoD members. All 5 registered directors has expertise in their own areas. As the ESG Committee was newly formed in April 28, 2021, the BoD now has 4 subcommittees of Outside Director Recommendation Committee, Audit Committee, Internal Trade Committee and ESG Committee. The BoD has the authority to vote on matters mandated from the shareholders' meeting and matters related to the basic principles of corporate operation. The BoD also has the rights to appoint a CEO and the Chair of the Board as well as the responsibility to oversee the duties of executives.

(As of late March, 2021)

Service Pattern	Name	Position	Major Career	Business Relation	Specialized Area
Full time	Cho Seok	CEO	Former president of KHNP	None	Business management
	Keum Seok-ho	Internal director	Current head of HR Support Division, HHI Holdings	None	Human resource
Part time	Park Soo-hwan	Outside director	Former CEO of Samil PwC	None	Accounting and financing
	Lee Seok-hyung	Outside director	Current lawyer of Law Firm SanGyung	None	Laws
	Song Back-hoon	Outside director	Current professor of International Trade at Dongguk University	None	International trade

BoD Subcommittees

Audit Committee	· Oversight of executives' implementation of duties, access to material and information required for audit
Outside Director Recommendation Committee	· Recommendation of outside director candidates qualified for the achievement of business objectives
Internal Trade Committee	· Establishment of basic policies on internal transactions, inspection of counterparty selection standards and practices
ESG Committee	· Enhancement of corporate value and shareholders' value by promoting ESG management · Discussion and approval of ESG strategic directions, plans and implementation-related issues

BoD Meetings

In 2020, HYUNDAI Electric held a total of 7 BoD meetings, where 21 agenda items were passed. Attendance rate of the outside directors is 100.

Sequencing	Date	Agenda Items
1st	Feb. 4, 2020	3 items including the approval of the 3rd financial statements
2nd	Feb. 21, 2020	2 items including the approval of the 3rd financial statements and amendments to the sales report
3rd	Mar. 25, 2020	4 items including the appointment of CEO
4th	Apr. 27, 2020	Approval of the issuance of corporate bonds
5th	Jul. 29, 2020	Additional approval of 2020's ceiling of transaction between directors and the company
6th	Oct. 29, 2020	Reported items only
7th	Dec. 18, 2020	6 items including the approval of amendments to the MOU with HHI Holdings

Appointment and Assessment of Outside Directors

We comply with the Commercial Act's requirements for outside director appointment, and our outside directors are not a related party to the major shareholder's, executives or affiliated companies. All BoD members comply with the Commercial Act, the Monopoly Regulation and Fair Trade Act, etc. to prevent a conflict of interests between directors and the company including regulations on transactions between the directors and the company, the prohibition of appropriation of the company's opportunities, and large-scale internal trading and disclosure. BoD members consist of professionals with expertise in each job function and we allow no limits based on age, gender, educational or regional backgrounds in appointing or evaluating the BoD members. Without any assessing measure, we just monitor outside the directors' fulfillment of duties by tracking their meeting attendance rate and agreement/disagreement ratio, etc., which are disclosed in our integrated report. We plan to review the ways to assess their activities as long as such an assessment does not undermine their independence.

Enhancement of BoD's Expertise

HYUNDAI Electric regularly provides various training sessions to outside directors to enhance their expertise and in doing so, we discuss with Group entities for training efficiency. Training covers the duties of outside directors including the roles and responsibilities of the Audit Commitment and the changed financial environment of 2020 and the strategies to run a consolidated internal accounting management system, etc. To provide more professional training, we invite lecturers from external professional bodies (accounting firms, etc.).

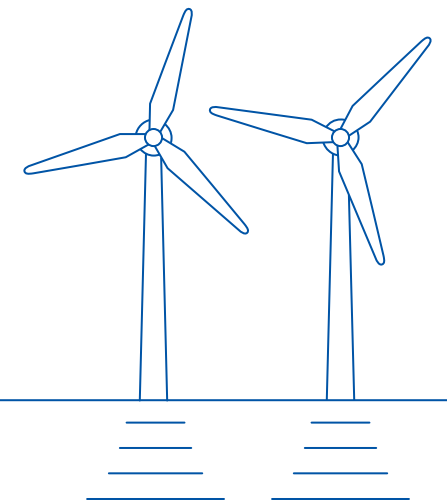
Remuneration of BoD members

The ceiling of remuneration of BoD members is decided by the resolution of the Annual General Shareholders' Meeting to ensure transparency and justification. The 2021 annual remuneration ceiling for directors approved at the 2020 General Shareholders' Meeting remains equal to KRW 2.6 billion of 2020.

Shareholders and Dividend Policy

The number of HYUNDAI Electric's outstanding shares as of the end of 2020 is 36,047,135 of which 37.22% is held by the largest shareholder, HHI Holdings. The amount of a dividend is decided in overall consideration of a profit size, investment plans for future growth and a financial structure, etc. within the available portion of the company's earnings. According to our dividend policy, the payout ratio remains 30% (relative to a net profit of the term on an income statement, which is subject to change depending to management conditions). A dividend will be decided comprehensively considering investments, a cash flow, a financial structure and dividend stability with the aim to increase shareholders' value and shareholder return in the future. Meanwhile, the company is entitled to share profits in cash and stock by obtaining the resolution of the BoD and approval of the General Shareholders' Meeting in accordance with the Articles of Incorporation. At the moment, the cancellation of shares or any further buybacks are not projected.

Category	Name of Shareholders	No. of Shares	Proportion (%)
Shareholder with over 5%	HHI Holdings	13,417,067	37.22%
	Employee's Stock Ownership Association	2,524,628	7.00%
Minority shareholders		17,597,449	48.82%



Pursuing Safe and Environmentally Friendly Business Practices

HUYUNDAI Electric strives to reduce the risk of workplace accidents, improve worker safety and health, and further minimize the environmental impact of its business operations.

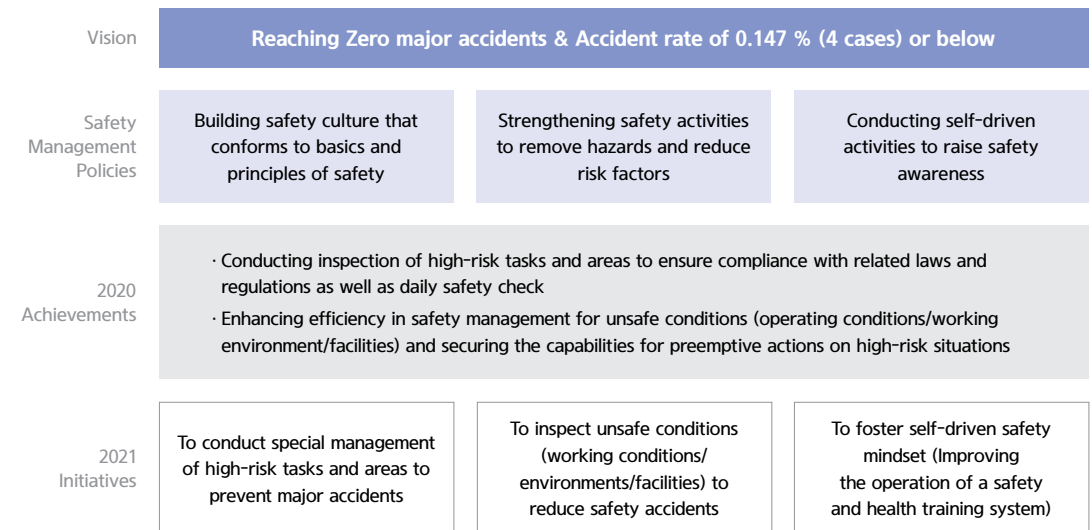
- 59 Safety Management
- 62 Health Management
- 64 Environmental Management

Safety Management

Due to the 'Act on the Penalty of Fatal Accidents' law being passed, employers and CEOs have now been assigned stronger responsibilities for risk prevention. At the same time, stakeholders are showing more interest in preventing industrial accidents and improving working environment. Setting 'Safety and Health' as a core value, HYUNDAI Electric will devise preventive measures for accidents in addition to a thorough recurrence prevention system. Our management and workforce are set to make concerted efforts to continuously update the safety scheme.

Management System

HYUNDAI Electric is operating a safety management system with focused efforts on preventing casualties and damage to facilities at work sites. All sites with safety risk factors are equipped with a safety management system based on a safety manual. In addition to a variety of training programs provided to raise safety awareness, we have maintained ISO 45001 certification for safety and health. The company prevents safety accidents by mitigating the risk factors on work sites in the PQ process.



Special Management of High-risk Tasks/Areas to Prevent Major Accidents

We plan to prevent major accidents by monitoring, detecting and tightening preventive measures relating to areas where hazardous materials are in use or stored, work handling flammable materials and work in closed places. Through the safety training tailored to high-risk tasks (cranes, forklifts, etc.), workers can learn the features and operating principles of dangerous machines along with work safety, and experience how to follow safety guidelines. This will help them to identify risks themselves and comply with safety regulations.

Inspecting unsafe conditions to decrease safety accidents

After investigating hidden risks, human error factors, measures taken for them and workers' understanding of the safety and health training, we reflect the resulting database in the safety performance assessment of the teams and partner companies. By doing this, safety managers and workers will perceive the importance of safety and health activities, which lay the foundation of a mature safety culture. What is more, teams with excellent safety performance are rewarded on a monthly basis. The company strives to reduce safety accidents by inspecting unsafe conditions (working conditions/operating environment/facilities) according to the weekly/monthly safety check plans.

Self-driven Safety Mindset

We transformed the method of regular safety and health training from lectures to discussions through which workers can explore the solutions to improve manufacturing processes. This change led them to actively participate in safety training by uncovering risk factors by process and resolving the problems themselves. Based on the results from workers' discussion, the company revised a standard work manual and a hazardous risk assessment and furthermore, devised preventive activities to decrease safety accidents. When considered necessary, the safety environment team support the safety training by inviting professional lecturers.

Governance of Safety Management

Management system	· HISEs (ISO 45001)
Decision-making body (meeting frequency)	· Industrial Health and Safety Committee (6 representatives from the management and the labor union (quarterly)) · Partner Safety and Health Council (monthly) · BoD (inside/outside directors' approval of the safety and health plans, annually)
Executive in Charge	· CEO · Head of business divisions (in chief charge of safety and health management)
Dedicated organization	· Safety & Environment Team (directly controlled by CEO): Safety control tower with the authority to investigate safety issues and accidents, Building an emergency response system · Individual department: Appointing a safety manager by department and partner company

Major Activities and Achievements

TBM Monitoring

Through TBM (Tool Box Meeting), HYUNDAI Electric seeks to emphasize the importance of expressing opinions on safety, establish a safety culture, and raise safety awareness by identifying and eradicating risk factors in advance.

Carrying out In-house Safety & Health Promotion

HYUNDAI Electric prepared a leaflet on the duties of management supervisors to enhance their safety awareness and safety capability so that they can easily understand and start their duties. In addition, Zero Disaster Record Boards were set up, through which all employees check major safety issues in real-time, thereby disclosing safety information to every employee and effectively delivering promotional contents.

Safety and Health Training

HYUNDAI Electric interviews the participants of safety and health training to check whether employees attend the safety and health training sessions and how much they understand the training contents, in order to enhance their awareness of the training. With these, we raise the awareness of safety and health, prevent safety accidents, and eradicate the risks of violating relevant rules and regulations. In addition, all the employees who use the company buildings, including office workers, manufacturing workers, those from partner companies, etc., were provided with systematic educational sessions, and with forensic compulsory education for each job and hierarchy, and as a result, the risk of infringement of the Occupational Safety and Health Act was decreased. For those who handle dangerous equipment such as forklifts, cranes, etc., HYUNDAI Electric runs the Equipment Operation Qualification System with the aim of nurturing professional personnel and preventing relevant safety accidents by carrying out specialized educational sessions.

Reinforcing On-site Inspection

When unsafe behaviors and conditions are found during the on-site inspection, HYUNDAI Electric actively takes measures to enhance safety accident prevention activities and implements one-on-one training sessions so that the person who violated safety rules can recognize dangers. We frequently inspect post-management status in areas where industrial accidents or minor accidents have occurred in such a way to prevent a recurrence of similar accidents. Moreover, we check and examine whether the results of the Standard Operating Procedures and Hazard and Risk Assessment are applied in the workplace, and monitor the implementation of safety measures including the re-evaluation based on the reason of the amendments. In order to tighten the on-spot management of safety and health, those in chief charge of the management inspects the safety status more than once a month, encourage workers and address problems.

Rewards for Safety Practices

We motivate employees to achieve safety goals of their organization, aiming to build a safety culture that conforms to basics and principles of safety and implement a spot rewards system for safety activities to raise employees' safety awareness and encourage safety activities. These systems started to take their roots in the company and resulted in the workers voluntarily engaging in safety activities.

Industrial Health & Safety Committee

In order to deliberate and make decisions on safety and health-related matters, HYUNDAI Electric established the Industrial Health & Safety Committee which is composed of the same number of members from labor and management: 6 employers including a representative employer, and 6 workers including a representative worker. The main agenda includes the improvement of protective gears, the environment in factories, and safety equipment and facilities, and deliberation and decision-making on the safety & health management regulations and annual safety training plan. The committee is convened after the joint labor-management due diligence according to the quarterly agenda. In 2020, 12 out of a total of 20 deliberation and resolution items were completed, and the remaining 8 items are also being deliberated, aiming to be completed within the agreed period.

Operating Hyundai Integrated Health, Safety and Environment Management System (ISO 45001)

HYUNDAI Electric strengthened its safety management system by obtaining ISO 45001 certificates, the international standard that replaced the group standard certification OHSAS 18001, in March 2020 for the safety management system, and reports on the achievement of the previous year and the goals set for the current year through management review every year. In addition, we nurture in-house personnel for ISO internal audit who thoroughly review the previous year's performance and check the current year's goals of each department in an effort to improve and supplement the results focusing on the inappropriate matters. Each year, HYUNDAI Electric implements safety and health management that meets the global standards by undergoing a post-audit by DNV, a third-party verification agency.

Safety Management for Partner Companies

For a short-term construction and the fieldwork of companies that enter our company, HYUNDAI Electric requires a face-to-face application and provides the notification of risk so that workers can thoroughly follow the safety regulations and standard work. In case a partner company observe unsafe equipment, the use of equipment is immediately taking out of service and, through coordination and cooperation with on-site supervisors, safety measures are taken for the company to use verified tools. We are doing our utmost to help partner companies' workers prevent safety accidents by distributing safety education materials, carrying out training sessions, and holding briefing sessions for safety personnel of our partner companies to enhance their safety work capabilities.

Disaster and Emergency Responses

In order to prevent fire and explosion accidents in 12 places including vacuum drying ovens and filtering room where hazardous substances are handled in power transformer factories, and to minimize the spread of fire and the loss of lives in case of a fire, HYUNDAI Electric completely supplemented facilities and installed halogen compound and inert gas fire extinguishing facilities pursuant to Act on the Safety Control of Hazardous Substances. And since 2017, we have continued our investment in the improvement of fire-fighting equipment, and completed equipment upgrades, such as the replacement and improvement of fire alarm system, replacement and stabilization of old fire extinguisher lines, the upgrade of fire detectors, and the establishment of an integrated fire monitoring system, etc.

Health Management

Though HYUNDAI Electric set a target to reduce the obesity rates of individual departments by inducing employees to autonomously join an obesity management program, we stopped running the program in compliance with the COVID-19 restrictions. Moreover, as their physical activities decrease under the pandemic circumstances, we could not reach the intended obesity rate. However, the company took a prompt action to actively respond to the spread of COVID-19 around the globe by providing masks, hand sanitizers and thermometers, strengthening quarantine activities and offering education on infection prevention guidelines. The managerial efforts and people's participation successfully prevented the spread across the company, which is seen as the achievement of our health management

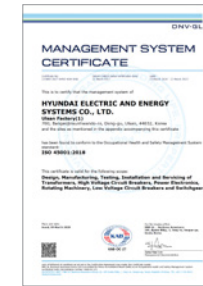
Operating System

Vision	Creating Healthy and Comfortable Environment			
Health Management Policies	Continuing with the efforts to improve working environment		Revitalizing disease prevention and health promotion programs	
2020 Achievements	<ul style="list-style-type: none"> Blocking the entry of hazardous substances through the introduction of a chemical substance management system Preventing hearing problems by using hearing protection fit tester Encouraging the use of a mobile walking program (WalkOn) with rewards Creating and sharing health education materials monthly Preventing obesity through exercise, diet counselling and body fat measurements 			
2021 Initiatives	To build a comprehensive assessment of hazardous risks	To improve working environment and protective gear	To prevent the spread of an infectious disease in local communities	To contain an obesity rate at or below 40%
	Focusing on electronic registration by MSDS	Selecting protective gear fit for working conditions and improving safety materials	Supplying quarantine items, operating a quarantine day, checking mask wearing and prohibiting visitors	Sending e-mails titled "Healthy HYUNDAI Electric!": informative materials on obesity, diets, walking, physical exercise, etc.

Governance of Health Management

Management system	· HISES (ISO 45001)
Decision-making body (meeting frequency)	· Industrial Health & Safety Committee (6 representatives from the management and the labor union/quarterly) · Partner Safety and Health Council (monthly) · BoD (inside/outside directors' approval of safety & health plans, annually)
Executive in charge	· ICEO · IHead of the business divisions (responsible for safety and health management)
Dedicated organization	· Safety & Environment Team (directly controlled by CEO): Safety control tower with the authority to investigate safety issues and accidents, Building an emergency response system
Company-wide health performance indicator	· Occupational Illness Frequency (OIFR)

International Certification for Safety and Health Management System



Key Support and Facilities

COVID-19 Quarantine and Supply of Protective Items

Category	Description
Supplying masks	All employees (partners included) 5 masks per person 15 times
Placing hand sanitizers	In individual departments, team offices, training room, etc.
Placing thermometers	In individual departments and team offices (tympanic contact/non-contact)
Providing fist aid kits to those going on overseas business trips	Before an overseas business trip
Special quarantine activities	Operating a company-wide quarantine day (Stage 1-2: monthly, Stage 2.5-3: weekly)

Medical Examination and Follow-Up Care

We support regular medical checkups and a special examination on exposure to hazardous factors including organic compounds, dust, noise to measure the health status of employees. Comprehensive and selective (in-depth) examinations are also offered to long-serving employees. Based on the checkup results, our dedicated medical staff provide medical counseling, medication and health education to those with underlying diseases such as high blood pressure, diabetes and dyslipidemia that are highly likely to lead to cardiovascular diseases, and those with other diseases.

Healthcare Center

We run healthcare centers to help employees recover quickly from injuries and other health problems by providing high-quality medical care including treatments (drug administration, etc.), health counseling and physical therapy.

Health Promotion Centers and Oriental Medical Clinic

There are health promotion centers at work sites, which are operated under shared service arrangements with HHL. The centers provide medical services including physical therapy and rehabilitation through attending occupational health physicians. An oriental medical service is also offered to help with the treatment of musculoskeletal disease

Support for Other Medical Examination and Endemic Disease Prevention

We request medical examination at medical institutions for employees before/after assignment, new recruits, expatriates and others who need overseas medial checkups. We also support a vaccination against yellow fever and malaria before overseas business trips and a seasonal influenza vaccination for all employees each year through the designated institutions.

Support for Outside Rehabilitation

In order to help employees recover from an industrial accident in a fast and healthy manner, we provide various outside rehabilitation programs in connection with Hanmaum Center.

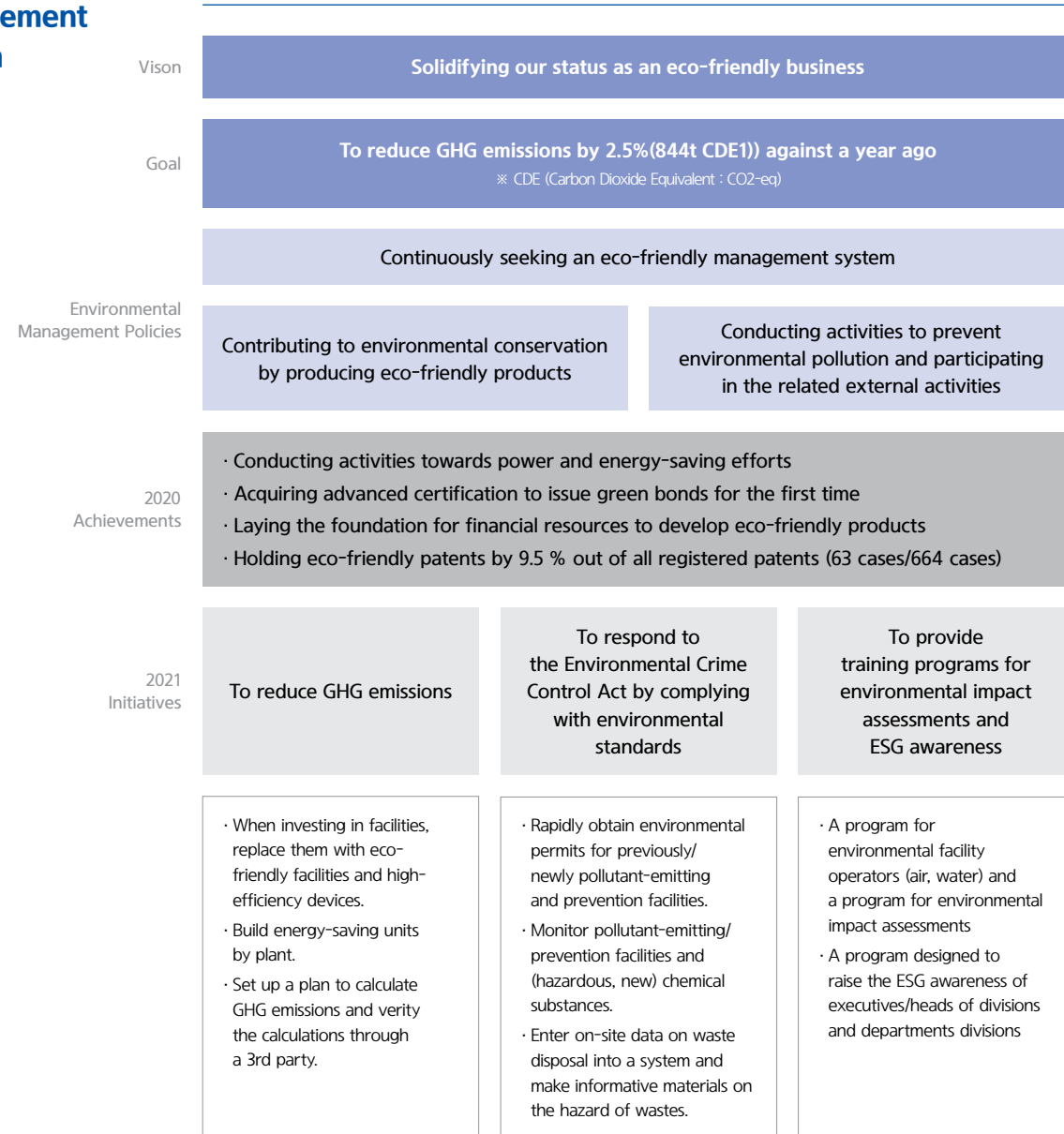
Health Promotion Programs

In order to encourage employees to participate in an obesity program, we monthly reward excellent participants of a mobile walking program (WalkOn) for their efforts. Besides, the company share health education materials covering walking, obesity, dietary habits, diets and physical exercise by e-mail. A smoking cessation clinic operated in partnership with local health centers is not underway as planned due to the surging COVID-19 pandemic.

Environmental Management

As a leading energy solution provider, HYUNDAI Electric is committed to environmental management with the aim to reduce Green House Gases, (GHS) emissions by proactively responding to climate change and achieving carbon neutrality and zero violations of environmental laws and regulations by area. In a company-wide effort to reduce GHG emissions, we are carrying out energy-saving activities. Furthermore, the company endeavors to advance the ESG management by purchasing green products, develop eco-friendly products and achieving the targets toward resource circulation.

Management System



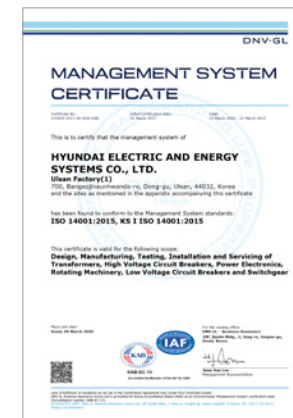
Resource Recycling Targets

Category	Target
Recycling rate	59.46%
Final disposal rate	8.94%
Quantity of wastes	2,787ton

Governance of Environmental Management

Management system	· Maintaining the international certification for environmental management system (ISO 14001: 2015)
Executive in charge	· Directly controlled by CEO
Decision-making body (meeting frequency)	· ESG TFT, When necessary
Dedicated organization	· Safety Environment Team
Company-wide safety performance indicator	· GHG reduction

Acquisition of Environmental Management System Certification



Energy Management and Response to Climate Change

Energy Management System

For energy management, HYUNDAI Electric has recently introduced the FEMS to optimize energy usage and is encouraging all employees to participate in energy-saving activities. In addition, the company achieved to generate new renewable power of 17,788MWh and reduce CO₂ by 22,142 tons for full 2020 through a variety of eco-friendly projects building a power plant for new renewable energy and installing ESS.

GHG Management System

HYUNDAI Electric monitors all GHG-emitting facilities operated at Ulsan/Seonam/Anseong plants and Yongin Research Center through the HHI Greenhouse Gas management System (HGMS) to control the emissions of GHGs. Each facility's energy use is entered into the system by personnel in charge on a monthly basis and GHG emissions are calculated based on internally-verified data. The calculations from the system are subject to regular stage-by-stage verification from a third party to improve reliability.

Climate Change Risks and Opportunities

Broken off as a separate entity in April 2017, HYUNDAI Electric has three business establishments and was granted the GHG emission quota for its Ulsan plant. The quota was canceled for Seonam plant and Yongin Research Center due to a small amount of emissions. Anseong plant built in September 2020 was classified into a facility emitting a small amount of GHGs. The company is making efforts to abide by the quota specified under the domestic emissions trading scheme. As it turns to a paid quota depending on a plan period, we strive to secure excess allowances by investing into energy-saving facilities and developing energy efficient equipment.

Energy and GHS Management

By investigating unnecessary energy use on work sites, the company engages in energy-reducing activities. We continue to decrease the use of energy by adjusting the operating time of air-handling facilities which used to be run 24/7, 365 days out of the year or by stopping the operation in the nighttime. While adding GHG reduction targets to the goals set for company-wide safety and health environments, the company is also replacing aging equipment with energy efficient one through continued investments. In terms of electricity use accounting for the largest percentage of our total energy use, each department establishes its own energy-saving plan and conducts related activities including power saving during off-hours.

Worksites Striving to Minimize Environmental Impact

Reduction of Raw Material Consumption

Setting environmental targets by department for cutting down on raw material consumption, we strive to minimize the use of raw materials by improving the processes in the design stage, reducing welding points and recycling steel sheets through design standardization, and reducing the number of installed components by component integration through molding.

Air Pollutant Control (Managed through HiSEs)

We focus on managing fine dust generating facilities at worksites in order to realize a clear blue sky without fine dust. We are actively participating in fine dust reduction activities including a voluntary activity to reduce fine dust by shortening the operation time of our painting facilities when emergency high-concentration fine dust reduction measures are issued. We were permitted as a business subject to the emission cap and trade system, and achieved the result of reducing pollutant emissions to a 46% level compared to the emission cap while we check and manage pollutant emissions on a monthly basis through facility investment and fuel consumption reduction in order to meet the allocated emission cap.

Wastewater and Water Pollutant Control (Managed Through HiSEs)

We do not operate an additional wastewater treatment facility but have water tanks for generated wastewater by production process. All of the stored wastewater is treated by specialized treatment businesses, and a facility to reuse cooling water used in the test process was installed to reduce the use of water. In addition, we are making the effort to prevent leakage accidents by conducting voluntary inspection mainly on wastewater sources.

Waste Reduction

We are trying to recycle general waste which accounts for the biggest ratio at worksites by conducting joint inspection by the Safety Environment Team and the Integrated Material Management Department for reduction in the amount of generated waste. In addition, filters and filtration equipment for insulating oil are installed to reuse oil after removing moisture and impurities in it, and insulating oil and others subject to ultimate disposal are stored in outdoor storage tanks for being recycled by insulating oil recycling businesses.

Chemical Substance Management

We plan to introduce the chemical hazard assessment program from May, 2020, in an effort to prevent the use of hazardous chemical substances through hazard assessment in the purchasing process and to prevent chemical accidents through rigorous management. In addition, we report on the status of using chemicals to the relevant office through a survey on the discharged amount (annually) and a statistical survey (biennially), and every imported chemical is legally processed through an import declaration.

On-Site due Diligence and Regular Inspection Regarding Environment

Environmental facilities inside our worksites are frequently checked by environment engineers who completed legal training. We manage discharged pollutants to be appropriately treated by checking non-operating preventive facilities, damage to preventive facilities, etc., and pay attention to prevent legal violations by providing environmental facility operators with education on yearly revised laws and regulations as well as environmental issues.

Environmentally Friendly R&D Activities

SF6-Free GIS (Eco-Friendly GIS)

In April 2021, HYUNDAI Electric succeeded in developing 170kV 50kA 4000AGIS, that is, an eco-friendly gas insulated switchgear (GIS) based on technical skills which have been accumulated for a long time. While the existing GIS uses sulfur hexafluoride (SF6) gas, having a global warming potential 23,900 times that of CO2, as an insulating material, the new GIS replaced it with NOVEC gas, reducing the emissions of greenhouse gases by approximately 99.2% compared to the existing one. Starting from the SF6-Free GIS, developed only by the company's own technologies for the first time in Korea, we will continue to make every effort to develop various eco-friendly GISs and, through this, will continue with activities that respond to climate change.

EMG Type Shaft Generator for Ships

In November 2020, HYUNDAI Electric developed an engine mounted generator (EMG) type shaft generator for ships. As this shaft generator is a representative eco-friendly product of the company, which generates the electric power necessary for a ship by using the rotational force of an engine shaft during the operation of the ship, the shaft generator can produce electricity with a large-sized engine having a higher efficiency than that of a power generation engine and, thus, it can reduce approximately 2-3% of fuel and approximately 4-5% of carbon emissions.

ESS Electric System Engineering Technology

HYUNDAI Electric secured an electric system engineering technology for the energy storage system (ESS) based on its ability to implement the energy management system (EMS) and its comprehensive engineering capability. The ESS is an eco-friendly system capable of reducing potential environmental contaminants such as the installation of additional generation facilities by preventing the unnecessary use of electric power through energy efficiency. We are planning to continuously develop ESS solutions capable of contributing to carbon emission reduction effects and energy efficiency, falling in step with the trend toward the application of ESS to various fields by converging with ICT technologies.

Major Activities and Achievements

Environmental Investment Activities and Achievements

HYUNDAI Electric conducted the replacement of old outdoor storage tanks, the expansion of secured open area, and the moving work of the buried piping on the ground surface inside the Ulsan plant in order to prevent environmental contamination, and also moved the buried piping of outdoor storage tanks in the Seonam plant on the ground surface in an effort to minimize environmental contamination in case of an emergency. In addition, we are continuously reducing the emission of air pollutants by identifying the facilities inside the worksites, which generate fine dust, and by replacing a boiler facility, one of the major pollutants, with a low-NOx burner, that is, a pollutant reduction facility.

Unit	Investment Plan	Actual Investment	Details of Investment
KRW 100M	4.4	5.3	Newly installing and updating environmental facilities

ESG and Environmental Management Training for Employees

HYUNDAI Electric conducted ESG training for employees in order to internalize ESG throughout the entire management. The training was participated by all executives and department heads, and raised the understanding of employees on ESG. In addition, HYUNDAI Electric carries out environmental impact assessments by department in order to produce products with the minimum environmental impact by considering the environmental impact from the standpoint of the entire process ranging from the design, production, use, to the disposal of products, and carries out continuous training in order to frequently reflect customer and law requirements into systems and procedures so that all employees can reflect them in tasks by individual fields by considering the life cycle assessment (LCA) of products.

Environmental Cleanup Activities around Work sites

Environmental engineers from HYUNDAI Heavy Industries affiliates are joining forces to promote environmental conservation activities for local streams, and periodically cleaning around Jujeon Stream. In addition, managers from the Ulsan 2 plant and the Seonam plant are voluntarily making an effort to maintain clean roads around the worksites by cleaning dust on the roadside, collecting garbage, and removing weeds to help reduce fine dust and maintain cleanliness on the roadside inside the national industrial complex.

Promoting Strong Labor-Management Relations Built on Mutual Respect and Trust

HYUNDAI Electric establishes a high-trust corporate culture through continuous communication. It aims to build a cooperative labor-management relationship based on respect for all stakeholders including employees.

- 71 Human Rights Management
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Human Rights Management

HYUNDAI Electric respects the dignity and human rights of all stakeholders in direct and indirect relationships and aims to implement human rights management based on such efforts.

Management System

Vision

Realizing a society that embraces diversity and respects all stakeholders

Objective

To establish the human rights management system and spread a culture of respecting human rights

Strategy

Protecting the human rights of employees

Respect for diversity and non-discrimination

Supply chain human rights protection policy

Conflict minerals Non-use Policy

Policies and Progress

Grievance Handling Program

Running the Grievance Handling Program is mandatory in HYUNDAI Electric: each affiliate should appoint at least two responsible committee members (from management and labor). The appointed members should check and review the details and facts in relation to the grievances they received, regardless of the sector or field. Based on the review result(s), a form of disciplinary action must be implemented, and necessary help is provided to the victim.

STEP 1

Receipt of a grievance

- Receive all grievances related to the company from employees or external stakeholders
- Grievance reception desk: Employee representative body, intranet, hotline, offline, etc.
- Meetings for each position held at least once a quarter: Managers, production managers, production team leaders, personnel without titles, etc.

STEP 2

Check/review the grievance

- Receipt and Review by Grievance Handling Committee
 - Check details and facts
 - Listen to the victim's wishes
 - Review the action plan according to the checked details

STEP 3

Notify the review result

- Notify the review results and listen to the victim's opinions
- * Re-examine the measures to be taken when the victim is dissatisfied with the review result.

STEP 4

End of grievance handling

- Training, disciplinary action against violators, provision of necessary help, infrastructure improvement, and policy/procedural improvement related to grievance handling, as needed
- Establish and reflect the improvement measures to prevent the recurrence of the same issue

Policies and Progress

Grievance Handling Process

HYUNDAI Electric receives grievances from employees through various channels to mitigate any violation of human rights. If the risk of violation is identified, the company pursues improvement in related areas to protect employees' human rights.

Channel	Issue	Case Settlement Rate (cases settled/total)
Employee representative body	Wage/benefits, institution/system, organized culture, working hours, infrastructure, environmental safety, etc.	100%(35/35)
Intranet	HR/compensation/education, general affairs/welfare, business, safety-health, IT, etc.	100%(86/86)
Hotline	Workplace bullying, etc.	100%(1/1)
Offline	Grievance	Grievances reported through dialogues with the management at each department or personal counseling are not tallied as they are immediately processed upon reporting or delivered to the department in charge.

Supply Chain Human Rights Protection Policy

HYUNDAI Electric has complied with the Code of Conduct enacted for its suppliers to ensure that they protect the human rights of every worker and treat their workers with dignity and respect.

Voluntary employment	<ul style="list-style-type: none"> · Maintain reasonable employment according to the labor contract · Prohibit use of unethical or exploitative labor
Children and young workers	<ul style="list-style-type: none"> · No child labor is allowed · There is a need to establish a procedure to verify the age of workers
Working hours management	<ul style="list-style-type: none"> · Control the maximum working hours based on local laws · Allow at least one paid day off every 7 days
Wages and benefits	<ul style="list-style-type: none"> · Pay the minimum wage, overtime pay and statutory allowances according to the local laws · Run the welfare benefits system to provide a pleasant work environment and improve the quality of life
Humane treatment	<ul style="list-style-type: none"> · Prohibit any harsh and inhumane treatment or threat · Respect workers' privacy and provide appropriate confidentiality measures to protect personal information
Prohibition of discrimination and harassment	<ul style="list-style-type: none"> · Ban harassment in the workplace (take appropriate measures upon request of the victim) · Prohibit discrimination/harassment based on race, color, gender, gender identity, disability, etc.
Endorsement of freedom of association	<ul style="list-style-type: none"> · Endorse the right to form and join a labor union · Create an environment for communication with the management and sharing of concerns

Conflict Minerals Non-use Policy

HYUNDAI Electric strives to fulfill its corporate responsibility and control over no-use of conflict minerals. The company has recently conducted surveys among its partner companies on the use of responsible minerals, and now is in the stage of preparing a declaration on non-use of conflict minerals. Trade in minerals or raw materials that may cause environmental or human rights issues in conflict (high-risk) countries such as Indonesia and Africa is strictly prohibited. As we respect the recommendations made by the international organizations to prevent social and environmental problems caused by mineral mining, we actively participate in responsible mineral procurement activities as well.

(OECD Due Diligence, Five-Step Framework for Risk-Based Due Diligence in the Mineral Supply Chain)

Step 1	Establish a policy for the use of responsible minerals, and structure internal management to support the supply chain due diligence.
Step 2	Identify the scope of risk assessment in the supply chain, and assess the risks in the supply chain by creating a supply chain diagram.
Step 3	Re-evaluate the identified risks, and establish and implement the measures for improvement and risk reduction.
Step 4	Carry out the independent third-party audit of the supply chain due diligence at the identified points in the supply chain.
Step 5	Monitor the results of due diligence within the supply chain and disclose the status of responsible mineral purchases, including the integrated reports.

Collective Agreements for Implementation of Human Rights Management

Article 59. Parental leave

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.
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.
3. The wages during parental leave shall be in accordance with the relevant laws and regulations.
4. An eligible union member may apply for a reduction in working hours instead of parental leave.
5. Other details shall be governed by the relevant laws.

Article 60. Prevention of sexual harassment in the workplace and prohibition of violence

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.
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.

Article 61. Honorary Employment Equality Supervisor

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.
2. A person recommended by both the company and the labor union shall be requested to be appointed as the Honorary Employment Equality Supervisor.
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.

Code of Conduct (Protection of human rights of employees; respect for diversity; prohibition of discrimination, etc.)

**Article 6.
Responsibility
Towards Employees**

- **Respect for Employees**
 - We shall recognize all Employees' inherent value and respect their individual rights and dignity.
 - We shall create a work environment where all Employees feel dignity and pride in their work performance.
 - To prevent sexual harassment and bullying within the workplace, we shall provide appropriate educational training for all Employees.
- **Equal Treatment**
 - We shall provide all Employees with an equal opportunity to develop their talents and allocate tasks impartially based on their capability.
 - We shall not discriminate all Employees based on gender, nationality, religion, academic background, hometown, age and/or any other factors that are not related to their duty.
- **Human Resources Development**
 - We shall respect our Employees' autonomy and creativity and support their self-development.
 - We shall establish a system necessary to carry all our Employees' duty and personal development and also provide an environment where it can be executed.
- **Safe Working Environment**
 - We shall make our best endeavors to prevent accidents at work and shall ensure all Employees work in a clean and safe working environment.
 - We shall hold regular health and safety inspection of our facilities and provide regular safety training to all Employees in order to secure all Employees' safety at work.

**Article 7.
Employees' Basic Ethics**

- **Prevention of Sexual Harassment and Bullying in the Workplace**
 - All Employees shall recognize the illegality of sexual harassment and bullying at work, which discouraging the victims' working motivation and lower their productivity. All Employees shall not commit any acts which are bullied and sexually harassed in nature.
 - All Employees shall put in the effort to prevent infringing on human rights. All Employees shall actively participate in prevention activities to eradicate sexual harassment and workplace bullying.

**Article 8.
Respect and Protection
of Human Rights**

- **Respect for Human Rights**
 - Company and employees shall respect the dignity and human rights of its members as well as its suppliers, business partners, and all the interested parties in the community, and shall practice human rights management based on this principle.
- **Duties to Protect and Respect the Human Rights**
 - We set up the strategies and policies of human rights management in order to respect the human rights of all the interested parties and to prevent any infringement, and share this with all the relevant parties. In particular, we try to protect the general principles of human rights including the following cases.
 - We support and observe the basic principles of protection and respect of human rights implemented by the relevant labor laws in each county, the United Nations Universal Human Rights Declaration and its substantive guidelines, and the Fundamental Rights and Principles of the International Labor Organization Declarations.
 - We prohibit any form of child labor and forced labor based on our support for the United Nations Universal Human Rights Declaration.
 - We give everyone a fair and equal chances not to be discriminated on the grounds of race, nationality, gender, educational background, religion, age, disability status, birth place, marital status, gender identity, and so on.
 - We protect and observe motherhood and children and provide healthy and safe working conditions.
 - We observe all the relevant labor laws, respect the autonomy in the management of our suppliers and business partners, and try to spread human rights management to them.

· **Human Rights Due Diligence**

- We take the appropriate measures to establish the strategies and policies of human rights management including but not limited to the following.
 - We evaluate the effect and risk on human rights.
 - We perform necessary due diligence to implement human rights management.
 - We establish the appropriate plans to listen to the opinions of our members and all the interested parties.
 - We take corrective measures and announce the result.

Labor-Management Relations

HYUNDAI Electric strives to establish a sound organizational culture and advanced labor-management relations rooted in the related laws and regulations. We understand the labor union and the labor-management council are important partners to the management and endeavor to promote cooperative growth between the labor union and the management based on mutual respect and trust.

Labor-Management Council, Collective Bargaining and Labor Dispute Regulations

To ensure better working conditions, we renew collective bargaining agreements biennially and have wage negotiations annually. The Labor-Management Council holds quarterly meetings to discuss how to improve the employees' working conditions and welfare. The labor and management engaged in collective bargaining negotiations focusing on how to overcome the management crisis of 2020 in 2021. The tentative agreement was approved by the majority of the union members in February 2021. However, the conclusion of the collective agreement was delayed because the bargaining was not completed in the HHU Group accounting for more than half of the total union members.

2021 Initiatives

- To instill a sense of shared destiny between labor and management through mutual understanding and cooperation
- To establish an organizational culture of communication and participation, growing business and a happy workplace

Major Activities and Achievements

Management Status Briefing

HYUNDAI Electric holds regular management status briefings for employees and the labor union to build a consensus on the need to overcome the crisis and improve competitiveness as well as to foster an ownership mentality. Under the collective bargaining agreement, the company is obliged to inform the labor union of major management changes with different deadlines by case. For example, it is required to notify the union members of any partial or complete spin-off, transfer and merger of the business at least 40 days before such changes take effect. We held two briefings in 2020 and plan to share the current management status with employees more frequently and strengthen their commitment to achieving business goals going forward.

Major Activities and Achievements

Dialogue with the Management

HYUNDAI Electric organizes meetings between employees and executives to establish a healthy corporate culture through effective internal communication. The CEO and the heads of Divisions and Departments participate in the meetings to explain corporate policies and direction, while employees are given the opportunity to suggest the ideas for further development of the company.

Publication of Newsletters

HHI Group publishes newsletters on a regular basis to deliver company news and employees' stories. HYUNDAI Electric also shares the major business issues and research results on the online bulletin boards.

Labor-Management Relations Training

We provide labor-management relations training to help employees understand the importance of sound labor-management relations and reinforce communicative capabilities. The training also focuses on promoting communication and strengthening the leadership of managers to establish a healthy corporate culture, which is required to establish win-win labor-management relations. Seven courses are offered including various internal programs, organizational culture camps, and external training programs.

Organizational Vitality Education

We operate organizational vitality education for senior foremen who control work sites. In 2020, a total of 65 senior foremen participated in education to strengthen their leadership capabilities. A mentoring program is also provided for employees to help them enhance their job competencies, adapt to an organizational culture and maintain a work-life balance. The one-on-one mentor and mentee relationships between junior and senior employees contribute to developing the job skills of junior staff and promoting a voluntary cooperative culture

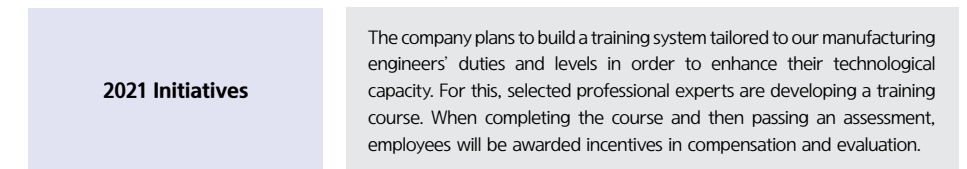
Learning and Development

Focusing on reinforcing the competency of its workforce, HYUNDAI Electric has been nurturing future leaders to change the world. We offer a wide variety of training programs to help employees grow into next-generation leaders, convergence talents, job-specific specialists and global talents. In particular, a newly designed program will be operated in 2021 in order to cultivate the 'Digital Transformation (DT)' culture intended to prepare our people for DT. The company emphasizes the importance of continuous self-development and provides various opportunities to improve job-related capabilities for employees.

Management System



Competitive Talent Nurturing System



A Roadmap to Foster Talents

We provide training programs customized for employees' different responsibilities and working levels after they are hired. Based on the programs, the company actively prepares our people for the qualifications required for high-ranking positions and furthermore, develop them into well-prepared leaders.

Training Programs

HYUNDAI Electric has developed training programs to help all employees in various positions harness their full capabilities at their job based on the characteristics and roles by position. It focuses on developing job training courses by hearing the actual needs of departments and helping them develop training courses and foster instructors themselves. The developed courses contribute to improving job performance through autonomous education.

Rank	Required for New	Fostering Leaders	Nurturing of Convergence Talents	Job Expertise Program	Nurturing of Global Talents	Others
Executives	New Executives	HLC V	Special lecture for executives, special lectures in Seoul Metropolitan Area			
Senior Officer	Technical Master	HLC IV	Leadership development program	New Dept. Head		· Training to support retirement planning
Officer	Senior Technician	HLC III		New Team Leader	· Engineering education for humanities/business graduates	· OJT at the overseas business locations
		HLC II		New Senior Foreman	· Electricity/machinery cross-training	· Online training
New Hires	Technician	M/B			· Business administration training for engineers	
		HLC I				
		J/B				
	Second-year follow-up training, adaptability training	M/B				
	Mentoring	Jr. M/B				
	Onboarding training for new/experienced employees and meister high school graduates					

Leadership Development Program

The role of leaders is becoming increasingly important to flexibly respond to rapidly-changing business conditions and efficiently manage the organization. In this regard, to nurture next-generation leaders, we have newly established two training courses: i) a 5-step HHI Group Leader Course (HLC) for office workers, and ii) a 2-step HHI Group Technical Leader Course (HTLC) (also known as "Production Manager Nurturing Course") for production technical staff. With this two-track training program, we will further concentrate on the leadership building of all occupational groups.

Nurturing Convergence Talents

We have expanded the program to nurture convergence talents with consilience competency and business insights across Group affiliates. The program helps talented employees with humanities/business majors to learn engineering basics and provides cross-education for electricity/machinery engineers.

Nurturing Talents Trained for DT

HYUNDAI Electric operates a training program to raise employees' awareness about the DT culture at a fast pace, and foster talents equipped with DT technologies. We are stepping up our efforts to cultivate an efficient and agile organizational culture through the two-tracked program.

DT Training Programs	Trainees	Training Goal/Content
Spreading the DT Culture	All employees	DT Mind-Set All office workers, researchers, and production managers
	Leading group	DT Expert Lecture Common leadership
		DT Leadership Training Newly-appointed position
Nurturing the DT Technical Talent	Business Implementation	DT Beginner Training 4th Grade/Assistant Manager
		DT Agent Business practitioner
	Tech Development	DT Planner Business manager
		Intermediate Developer Reasearcher/Developer
		Advanced Developer Intensive AI, Deep Learning, Voice Recognition, etc.

Developing Training Programs

We focus on developing job training courses by hearing the actual needs of departments and helping them develop training courses and foster instructors themselves. The developed courses contribute to improving job performance through autonomous education.

Core Skill Transfer Program

The highly skilled engineers' technical skills on the shop floor are the most valuable assets in the manufacturing industry. Accordingly, we have been running the 'Core Skill Transfer Program' to systematically transfer and manage the core skills from 2016 onward. Total 12 core skills have been successfully transferred to peer engineers to date.

Diagnosis-Based Learning System

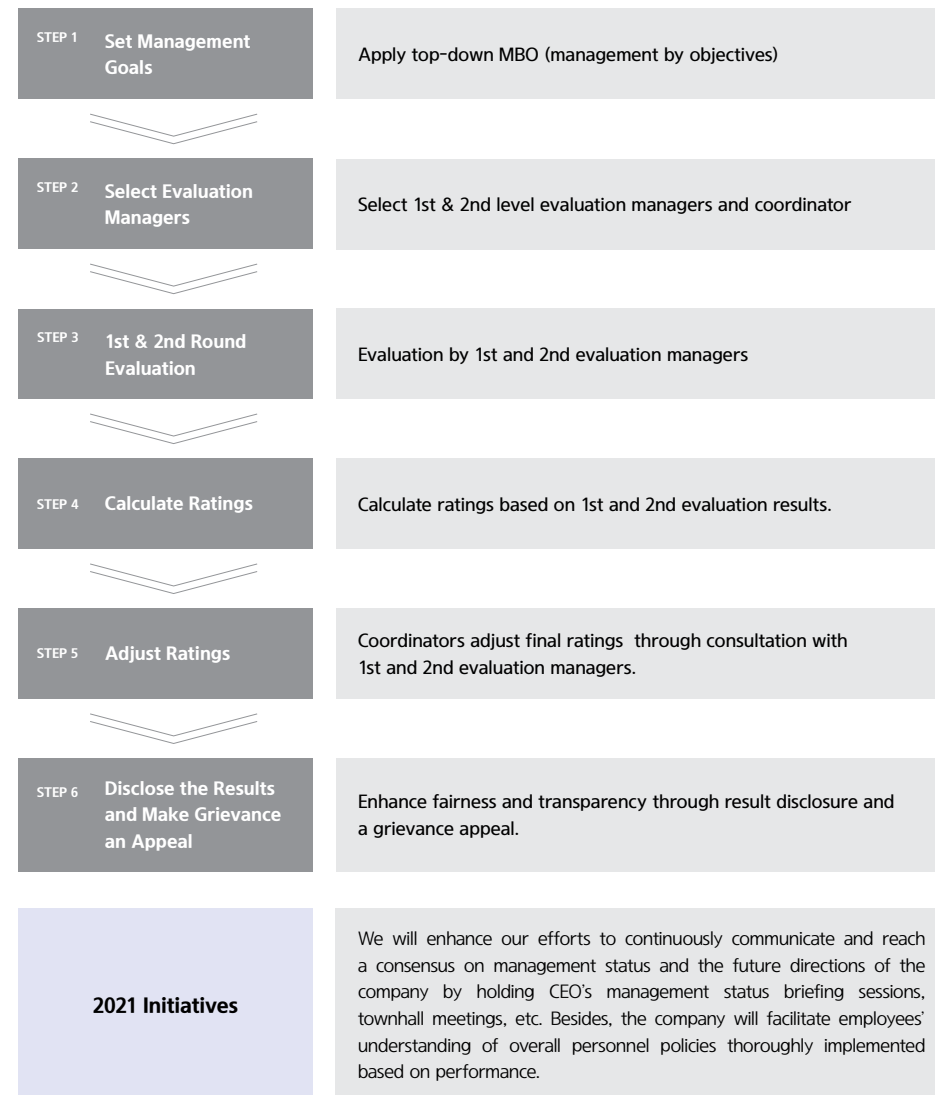
The role of leaders is becoming more important to flexibly respond to rapidly-changing business conditions and efficiently manage the organization. As such, HYUNDAI Electric has established the leadership capabilities required for each position. The managers are assessed for the capabilities and receive feedback every year.

Evaluation & Compensation

Management System

HYUNDAI Electric is operating a transparent and objective performance evaluation and a compensation system to assess employees' efforts with fairness. Various rewards are provided to motivate employees and promote a sense of achievement in a positive work environment.

We conduct performance and competence evaluation on every employee in the first and second halves of each year. The results are leveraged when making decisions on promotion, compensation, training and leader selection. Leveraging basic data collected through regular performance management throughout the year, the comprehensive evaluation of employees' performance and capabilities are carried out. The persons holding the positions of department/team head or higher are subject to the Management by Objectives (MBO) process and evaluated for actual achievements.



Compensation System

In accordance with the performance-focused personnel principles, we run a differentiated compensation system based on evaluation results. The persons in managerial or higher positions are subject to a performance-based salary system that provides different compensation depending on the evaluation results of personal/organizational performance. Assistant managers and the below positions receive bonuses, incentives and birthday cash gifts in addition to their monthly salaries.

Reward Policy

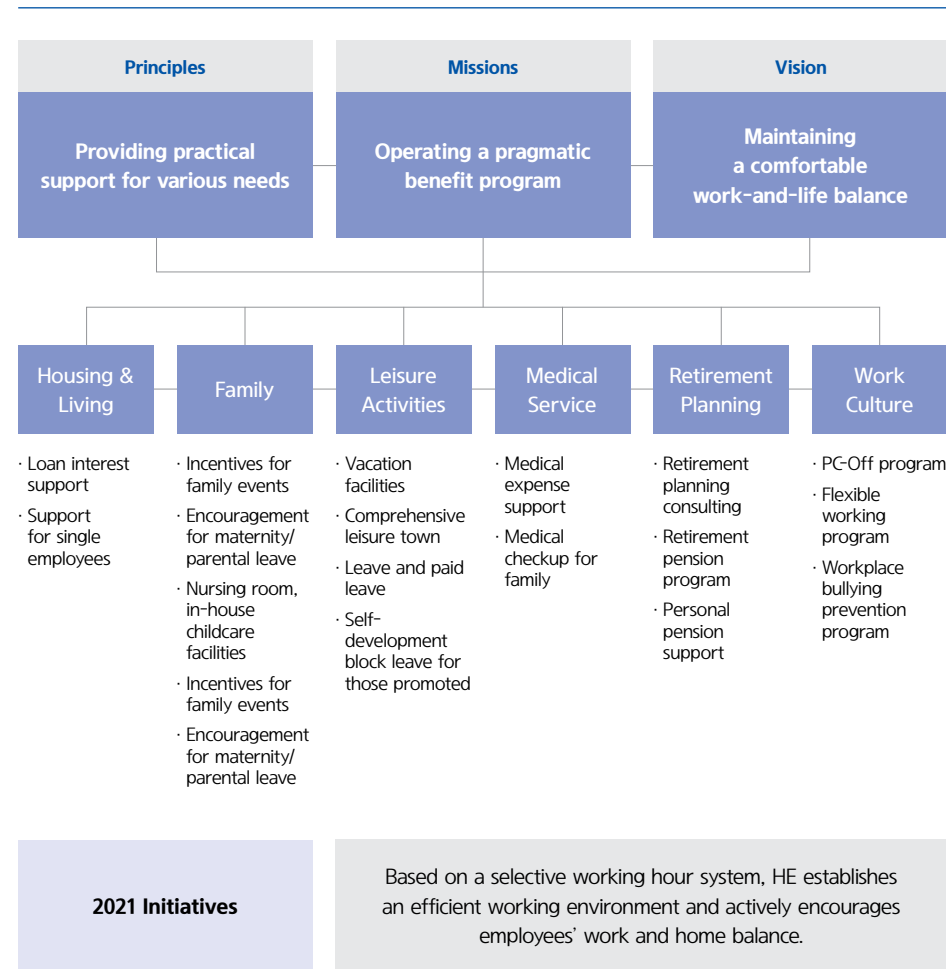
Under the principle that every achievement needs to be rewarded, HYUNDAI Electric operates a mobile reward program for excellent performance with the aim to foster a culture of harmony and encouragement.

HUYNDAI Electric Award	Ensure the fair selection of award winners among employees with excellent business achievements.
On-the spot reward for outstanding performance	An on-the spot reward is given to employees who have contributed to visible earnings growth, cost reduction, etc. based on the size of the profit improvement
Praise Your Colleague Program	A mobile reward program to boost organizational vitality and create a culture of encouragement
Others	Safety and quality rewards, etc.

Employees' Quality of Life

HYUNDAI Electric operates a benefits program under the principle of providing practical support for the various needs of their employees. We help employees maintain a comfortable work-and-life balance by offering systematic support ranging from cultivating a work culture of the company to support for housing, family, leisure activities and retirement preparation.

Key Programs



Major Activities and Achievements

Retirement Pension Program

HYUNDAI Electric operates a retirement pension system, for which all employees become eligible after one year of service. Those aged 56 and older are under the Defined Contribution (DC) plan, while the remaining employees are under the Defined Benefit (DB) plan, as agreed between the management and the labor union.

Retirement Planning Consulting

We provide retirement planning consulting to help employees maintain a healthy and stable life even after retirement. During the consulting session, participants learn about asset and health management and share the information on starting a business or a new job for a new chapter of their lives. All 25 employees received counseling in 2020 through this program offered to those who will reach the retirement age in the near future. Going forward, we plan to improve the program to reflect the needs of our employees as much as possible, while incorporating activities such as experiencing the cases of successful retirement, married couple events and furthermore special lectures on an up-to-date IT and economy.

PC-OFF Program

The company strives to cultivate a company culture of a well-balanced work and family life by providing efficient working conditions. We have been running the PC-OFF system that automatically shuts down the PCs of all employees at a fixed time of each working day to minimize unnecessary overtime. The system serves to boost employees' concentration during working hours.

Work-from-Home Option

In the wake of the COVID-19 pandemic, the work pattern of 30 to 50% of workers in the Metropolitan area of Seoul has been shifted to homeworking in order to control the spread of infection at work. By effectively operating the working-from-home system, we are taking steps to minimize the post pandemic impacts arising from the changed work pattern and furthermore, build efficient working environments.

Demonstrating Our Commitment to Global Corporate Citizenship

HYUNDAI Electric pursues a society of shared happiness under the core values of love, sharing and happiness. We will create a better future by creating shared values with strategic social contribution activities.

85 Supply Chain Management

90 Social Contribution

Supply Chain Management

HYUNDAI Electric promotes the growth and development of partner companies under the core value of 'Just, Fair and Legitimate Performance'. We will create a healthy corporate ecosystem where everyone can grow hand-in-hand by establishing fair trade practices and supporting partners in enhancing their competitiveness.

Management System

Core Value

'Just, Fair and Legitimate Performance'

Key Policies

Continuously Improving a System

- Refraining from engaging in unrelated business fields
- Increasing SME's participation
- Building support systems and practicing the three shared growth strategies

Establishing Fair Trade Practices

- Introducing and complying with the four key guidelines of the Fair Trade Commission
- Establishing reasonable trade practices
- Enhancing communication with partners

Enhancing the Competitiveness of Partners

- Supporting the sales increase of partners
- Supporting training, recruitment, technology and financing
- Adjusting supply prices considering the situation of the partner companies

Organization in Charge

Group Shared Growth Committee

Ensuring company-wide consistent policies for shared growth, activity planning and consultation.

Shared Growth Council

Developing policies for mutual growth and cooperation with primary and secondary subcontractors.

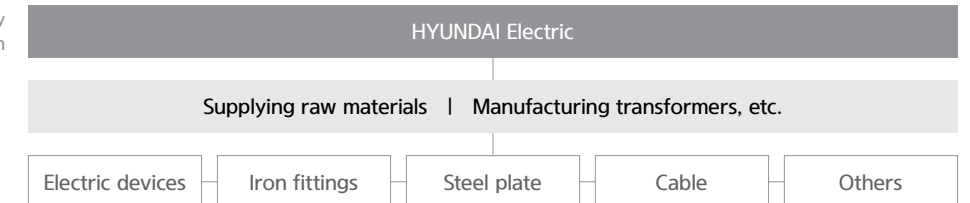
Shared Growth Support Organization

Implement shared growth policies, activities and performance management, and give feedback.

2021 Initiatives

- To select a competitive partner company in order to develop hydrogen fuel-cells within the frame of the HHI Group's 'On/Off-Shore Hydrogen Value Chain' project
- To develop the 'Procurement System' based on a high-quality supply chain, reflecting the quality and ESG indexes of the supplier.
- To improve a procurement process by upgrading the G-HiPRO system and reinforce various activities for a smart workplace

Major Supply Chain



Definition of Supply Chain

Category	Key Products	Usage	Procurement Amount (KRW 100M)
Raw Material	Electric devices	Manufacturing transformers, etc.	4,907
	Iron fittings		3,734
	Steel plate		817
	Cable		194
	Others		2,405
Total			12,058

Governance of Shared Growth

Decision-making body (meeting frequency)	· Business Partners Council (semiannually)
Dedicated organization (Executive in charge) - Major responsibilities	· Procurement Department (responsible for procurement) - Supervising meetings, collecting & implementing key decisions on support for partner companies
Regular communication channels with partner companies (meeting frequency)	· Business Partners Council's new year's meeting (annually), listening to the VOC of partners (ad hoc basis) · Offering information on business status & outlook and policies for each sector, awarding prizes to the best performing partner companies

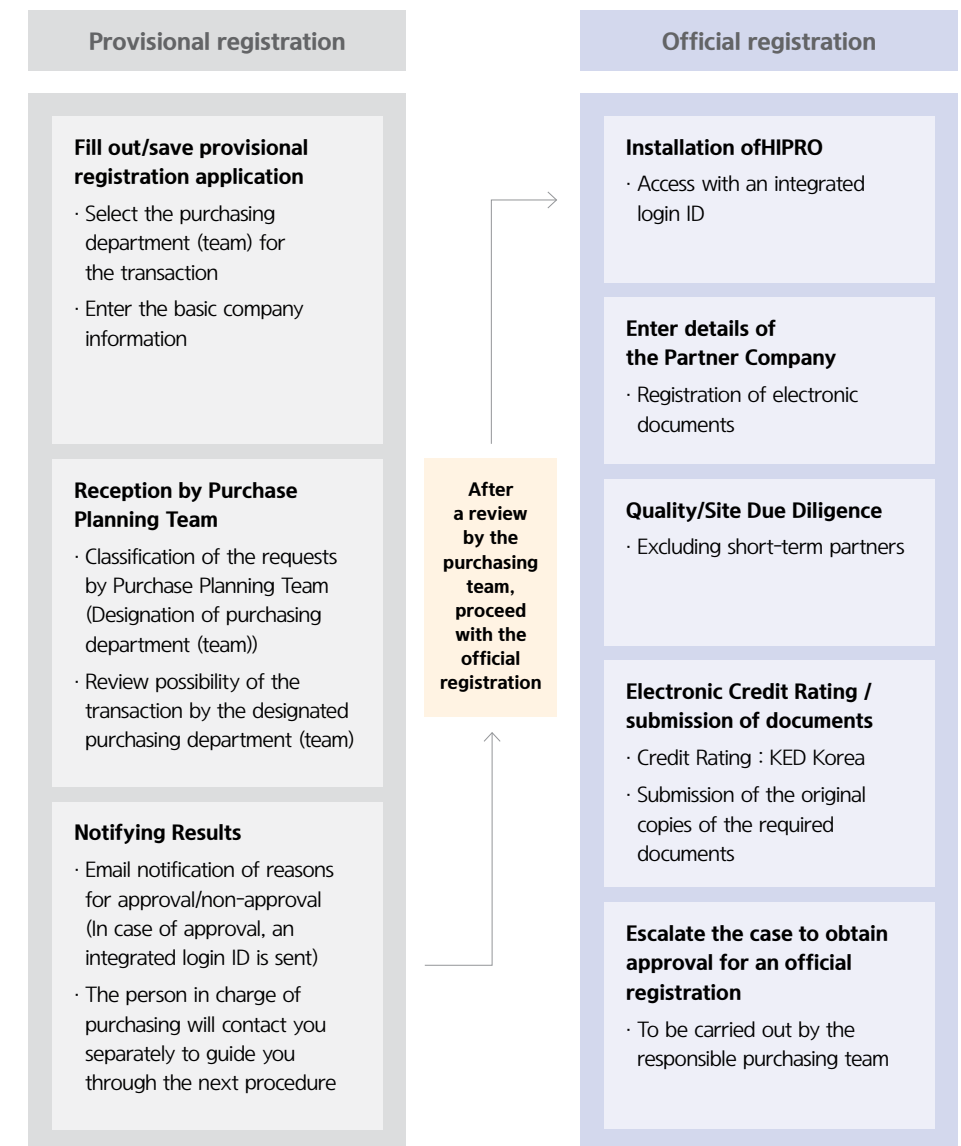
Operation Principles of Supply Chain

Setting its sights on the social trend of ESG activities, HYUNDAI Electric has been building a process linked with direct procurement. With the aim to achieve the satisfaction of over 70 out of 100 points on average in each area of the Environment Social Governance, the company will inform all partner companies of the relevant training and detailed criteria. Meanwhile, the customers' expectation level of quality is on the rise, we are devising a system to award incentives to partner companies that reach high quality standards by developing a system integrating quality and procurement. HYUNDAI Electric intends to create a leading clean environment with an emphasis on transparent business relations and fair competitiveness in selecting a partner company or operations in cooperation with employees and partner companies conducting autonomous monitoring. Based on those efforts, we will carry the value of 'togetherness' into action by growing hand-in-hand with our partner companies.



Selection Process of a Partner Company

At a document-screening stage to select a new partner company, we preview a certification, the status of manufacturing and test facilities required to manufacture the requested product along with financial risk factors leading to supply failure. Also, we conducts a close assessment of the management status of environmental pollutants including CO2, NOx, SOx, etc. Then, in case that the candidate partner company obtains over 70 points in a quality assessment made at its own plants in the areas of design/manufacturing/procurement/quality, it is selected and registered as our partner. In order to build a stable SCM system, our support department actively conducts the follow-up monitoring of its quality/manufacturing/delivery for at least one year.



Major Activities and Achievements

Support for Our Partners' Financial Stability

HYUNDAI Electric is in preparation of the 'Co-prosperity Loan' for partner companies. It is a type of low-interest 'Network Loan' that is rapidly being provided simply by submitting documentary evidence of their supply records even when they are not paid for the supply of goods. In addition to the loan, further measures are explored to insure our partners' financial stability. What is more, KRW 19.5 billion worth of financial and non-financial guarantees were offered to them at the end of May 2021 according to the agreement with the Korea Credit Guarantee Fund (KODIT). We also raised the 'Joint Growth Fund' of KRW 20 billion with Industrial Bank of Korea, Hana Bank and Shinhan Bank to finance the partner companies. Based on continuous financial support, we will build a co-prosperity model designed to stimulate mutual growth with our partners.

Co-prosperity Loan	
Feature	Network Loan
Limit	50% of delivery contract price
Interest rate	2.64% (As of now)
Extra costs	premium (0.47~1.9%), stamp tax, etc.

Vibrant Communication with Partner Companies

In 2021, HYUNDAI Electric continues to make efforts to vitalize the communication with the partner companies. For the first time, an anonymous survey of the partners' VOC was conducted to objectively identify what to improve in the assessment criteria of order volumes/delivery/quality. Based on the survey results, we are trying to actively make improvements in cooperation with the related support departments. Also, the CEO and senior executives participated in a meeting with partners to transparently share the information on the management status of HYUNDAI Electric and the business directions of individual plants. Our management listened to the VOC of the representatives from the partner companies again in an effort to set an outstanding example of mutual growth.

Category	Main Details of Partners' VOC	Major Improvement Plans
Order volume	<ul style="list-style-type: none"> Continuously declining orders increase the burden of fixed expenses. The fluctuating volume of monthly orders impedes the stable operation of workforce. 	<ul style="list-style-type: none"> To increase the volume of orders by enhancing sales capacity. To refurbish the selection criteria for a partner company
Delivery	<ul style="list-style-type: none"> Frequently changing delivery dates serve as an obstacle to partners' delivery management. Reasonable manufacturing L/T is not given. 	<ul style="list-style-type: none"> To minimize the changes in delivery dates by improving the management mechanisms of a production schedule by stage
Quality	<ul style="list-style-type: none"> Inspection criteria are not clear. Depending on the capacity of an inspector, the results are changed. 	<ul style="list-style-type: none"> To operate a TF that collects improvement recommendations for partners' quality To run a know-how transfer program for new inspectors

Support for Partner Companies Based on the Improvement Activities Conducted with McKinsey and Company

Building on the 'DNA Project' operated together with McKinsey and Company from 2020 onward, HYUNDAI Electric has internalized its own experience in process improvement. We are in preparation for training for our partners to share the results from the DNA activities as mentioned at the meeting with partner companies. It will be provided only when applying for the course via VOC in order to avoid an additional work burden.

Enhancing RPA Technology to Increase Procurement Efficiency

HYUNDAI Electric plans to build a smart workplace by improving RPA (Robotics Process Automation) system. The scheme includes HiPRO notice application, PR auto-distribution system, a stock dashboard, etc., all of which function to enhance procurement efficiency for smaller size of our partners' workforce. [For example, an automotive order system contributed to reducing the frequency of participation in bidding.]

(current status: 3 out of 26 cases completed, 3 cases of over 70%, others in progress)

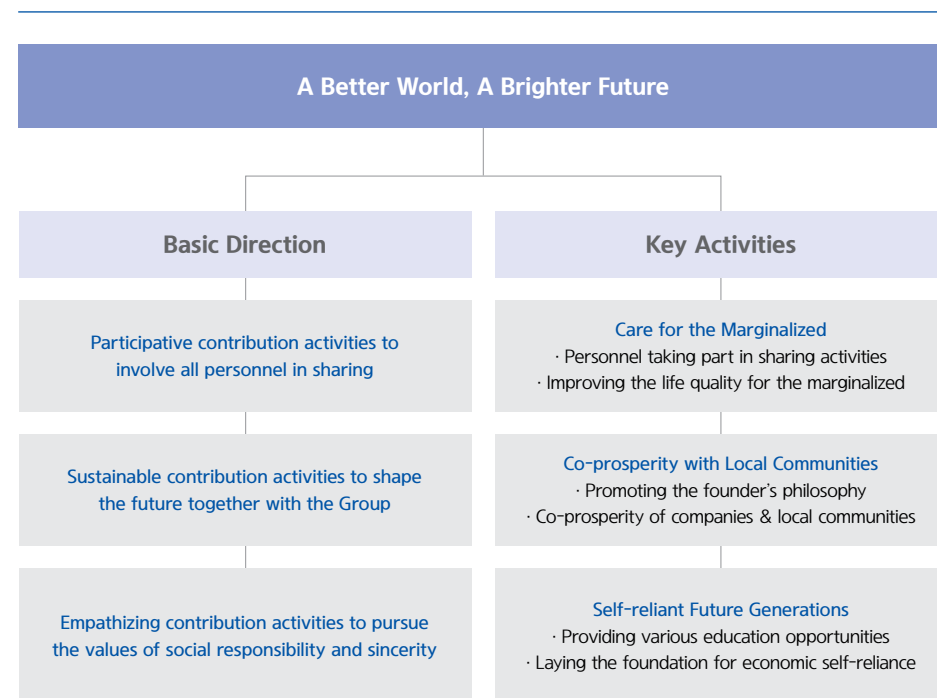
- To carry out the scheme, a person in charge is assigned in the Procurement Planning department aiming to achieve 100% within the year of 2021 in cooperation with the Information department.

RPA (Robotics Process Automation) Improvement Plan for 2021	
Category	Improvement Measures
Video Conferencing Solution	Providing a video conferencing solution optimal for the PC users' easy access
PR Auto-Distribution System	<ul style="list-style-type: none"> Enabling automotive acceptance by plant/head code Creating the criteria to classify shared service items
E-Order System	Upgrading the functions to compare and verify estimates per company, and print results when proceeding with a short-term contract
Vendor Management	Creating items' criteria and the database of partner companies ⇒ Leading to an efficient SCM system
Material Management	Improving how to enter into the G-HiPRO

Social Contribution

HYUNDAI Electric endeavors to mature into an admired corporation under the management philosophy of fulfilling its social responsibilities and furthermore, contributing to national and social development. In 2020, though the COVID-19 pandemic limited face-to-face contact with others, we continued our social contribution activities in compliance with social distancing guidelines. Also, the company actively engaged in various social contribution activities including the '1% Sharing' initiative(1% Nanum Foundation) led by the HHI Group with the aim to offer more support for our neighbors and local communities in need under the COVID-19 driven circumstances. In 2021, the establishment year of our ESG management, HYUNDAI Electric will take a leading role in addressing social issues by supporting the marginalized, vitalize local economy and foster future generations through sustainable and sincere social contribution activities.

Management System



2021 Initiatives	<ul style="list-style-type: none"> · To strengthen support for the marginalized and welfare facilities in collaboration with the HHI Group's 1% Nanum Foundation · To increase assistance to the future generations by expanding partnership with social enterprises (e.g. organizations that support the employment and self-reliance of those over the legal age for child protection and those with disabilities) · To conduct regular blood donation events in partnership with the Korean Red Cross · To operate a sustainable social contribution program covering volunteering at farms, sisterhood sponsorship, improving educational environments, etc. for co-prosperity with local communities
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Activities and Achievements of Support for the Marginalized

1% Nanum Foundation of Hyundai Heavy Industries Group

In January 2020, the 1% Nanum Foundation of Hyundai Heavy Industries Group came to encompass the whole group. Accordingly, Hyundai Electric contributed 700 million won to the foundation and its executives and employees have also participated voluntarily in salary sharing activities to donate 1% of their basic wages every month. In 2020, our 124 executives and employees supported about 50,163,000 won for the salary sharing fund.

Hyundai Electric's special fund and employees' salary sharing fund were utilized to help underprivileged families: the 1% Nanum Meal Center (free meal service for seniors), countermeasures against flood damage and COVID-19, scholarships for the bereaved families of sailors who sacrificed their lives for the country, supply of agricultural and fishery products for 2,000 vulnerable households in Ulsan, Daegu, Gyeongsangbuk-do, and Jeollanam-do through the Win-Win Fund. In addition, they were also put into public various programs that were implemented by the 1% Nanum Foundation of Hyundai Heavy Industries Group such as a sharing program to offer heating oil to small welfare facilities and low-income households and a plant garden development program to promote the emotional stabilization of children in the nursery facility.

Group Blood Donation Event

To help medical institutions that had experienced difficulties in supplying blood due to the spread of COVID-19 infection, Hyundai Electric staged an event to donate the blood of its executives and employees along with the Korean Red Cross. In 2020, 66 Hyundai Electric workers in Ulsan and the metropolitan area donated their blood seven times, and the blood was delivered to medical institutions through the Korean Red Cross Blood Source Centers in Ulsan, Gyeonggi-do, and Southern Seoul. As this group blood donation event is a life-sharing activity with neighbors and medical institutions, Hyundai Electric will pursue greater engagement by signing a partnership agreement with the Korean Red Cross in its operation areas.

Activities and Achievements for Co-prosperity of Local Communities

Sharing Activities for Local Senior Centers and Facilities for the Disabled

Hyundai Electric has continued its support for senior centers and social welfare facilities in Dong-gu, Ulsan for more than 20 years since 2000 before it was split from Hyundai Heavy Industries. In 2020, Hyundai Electric delivered 206 bags of rice worth 10,805,000 won through the Community Chest of Korea to nine senior centers in Dong-gu, and five welfare facilities such as the Hwajeong Social Welfare Center, and the Dong-gu Branch of the Korea Blind Union. The rice was used to provide free meals for needy neighbors.

Sisterhood Sponsorship

This year marks the third anniversary on which Hyundai Electric concluded a sisterhood sponsorship agreement with the House of Open Love and Seongnam City Arium, welfare institutions in Seongnam, Gyeonggi-do in 2018. In 2020, 7,256,000 won was donated for the salary sharing activities of employees working in the metropolitan area. The fund was used in operating the House of Open Love, a residential facility for the developmentally challenged, and Seongnam City Arium, a residential facility for the elderly living alone, and improving the welfare of people in the facilities.

Campaign for Promoting Purchases of Agricultural and Fishery Products

Hyundai Electric engaged in the agricultural and fishery purchase campaign of the HHI Group in 2020. It aimed to help the farmers and fishermen who were suffering from demand reduction caused by the rampant COVID-19 and revive rural economies. The agro-fishery product purchase campaign was conducted twice in partnership with the Agricultural Cooperative Federation and the National Federation of Fisheries Cooperatives. Through it, Hyundai Electric's executives and employees bought agro-fishery products worth 6,089,000 won in order to revitalize the economies in farming and fishing villages.

Silver Car Support Project of the Ulsan Dong-gu Office

In November 2020, Hyundai Electric performed a project to support silver cars (walking aids) to the elderly in the area who have trouble in moving alone, together with the Ulsan Dong-gu Office. With the cooperation of the office, the company supplied 50 silver cars worth 7.75 million won to the senior welfare facilities and long-term care facilities in Dong-gu, Ulsan, including Dong-gu Senior Welfare Service Center and Saesomang Senior Welfare Center.

Activities and Achievements in Support for Future Generations' Self-Reliance

Support Services for the Children of Protected Families

Hyundai Electric has been conducting an emergency welfare support program for families in crisis since 2016, before the company was split from Hyundai Heavy Industries, to support future generations and protective families. In 2020, a total of 7.2 million won was delivered to children in six households under difficult living conditions that were selected by the ChildFund Korea. In 2021, the company will continue to promote the support program for children in protected families to contribute to future generations' independence.

A Program to Improve the Educational Environment of a Sisterhood School

Hyundai Electric sponsored 5,104,000 won to install blackout roll screens for classrooms at Nammok Elementary School in Ulsan in 2020 as part of its program to improve the educational environment of a sisterhood school in Dong-gu, Ulsan. The program was chosen through a contest to upgrade the educational environment at the sisterhood school of Hyundai Heavy Industries Group. The screen installation helped provide even more pleasant educational conditions for students at Nammok Elementary School.

End-of-protection Partnership with a Social Enterprise that Provides Children with Jobs

In May 2020, Hyundai Electric signed a flowerpot management contract with the Brother's Keeper, a social enterprise that provides jobs for children discharged from care facilities, and commissioned a flowerpot rental and management service worth 3,696,000 won. In 2021, Hyundai Electric plans to actively utilize products and services of social enterprises that provide jobs in an effort to support job creation for children with disabilities or discharged from care facilities.

Support of Scholarships for Yeongcheon-si and Gunwi-gun

In September 2020, Hyundai Electric offered scholarships of 40 million won to Yeongcheon-si and Gunwi-gun, Gyeongsangbuk-do, the areas where wind farms are built. The scholarships were equally allocated to the Yeongcheon Market Society and the Gunwi Education Development Committee to foster future talents in the community.

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Summary Consolidated Financial Statements

(Unit: KRW 1M)

Title of Account	4th Reporting Period	3rd Reporting Period	2nd Reporting Period
Summary Consolidated Financial Statements	(As of late Dec. 2020)	(As of late Dec. 2019)	(As of late Dec. 2018)
Current assets	1,474,375	1,484,220	1,651,652
Cash & cash equivalents	524,257	189,725	376,329
Short-term financial assets	10,511	149,681	15,000
Trade & other receivables	385,082	487,479	649,019
Contract assets	173,161	202,505	145,931
Inventories	358,594	390,771	424,705
Non-current assets held for sale	-	33,629	-
Other current assets	22,770	30,431	40,668
Non-current assets	798,245	772,255	674,404
Long-term financial assets	6,665	2,998	3,098
Long-term trade & other receivables	3,405	1,162	1,195
Property, plant & equipment	510,470	516,894	527,968
Intangible assets	51,119	49,386	17,410
Other non-current assets	226,587	201,816	124,733
Total assets	2,272,620	2,256,475	2,326,056
Current liabilities	1,275,329	1,123,767	1,123,316
Non-current liabilities	318,118	432,492	351,441
Total liabilities	1,593,447	1,556,259	1,474,757
Capital stock	180,236	180,236	101,786
Capital surplus	901,707	901,707	874,149
Capital adjustment	- 15,241	- 15,241	- 15,241
Accumulated other comprehensive income	73,951	61,155	63,626
Retained earnings (deficit)	- 461,480	- 427,893	- 173,308
Non-controlling interests	-	252	287
Total equity	679,174	700,216	851,299
Summary Consolidated Statement of Comprehensive Income	Jan. 1- Dec. 31, 2020	Jan. 1- Dec. 31, 2019	Jan. 1- Dec. 31, 2018
Revenue	1,811,345	1,771,134	1,940,412
Operating profit (loss)	72,699	- 156,695	- 100,582
Net profit (loss)	- 40,246	- 264,301	- 178,926
Equity attributable to owners of the parent	- 40,247	- 264,261	- 178,910
Non-controlling interest	0.8	- 39	- 16
Total comprehensive income (loss)	- 20,292	- 257,091	- 188,246
Equity attributable to owners of the parent	- 20,293	- 257,056	- 188,231
Non-controlling interest	0.8	- 35	- 16
Earnings per parent share (Unit: KRW)	- 1,118	- 12,961	- 8,812

Independent Auditors' Report

Audit Opinion

We have audited the consolidated financial statements of HYUNDAI Electric & Energy Systems Co., Ltd. and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, the consolidated statements of comprehensive loss, changes in equity and cash flows for the years that 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, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years that ended in accordance with Korean International Finance Reporting Standard ("K-IFRS").

Basis for Audit 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 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 other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriated to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those that, in our professional judgement, were of most significance in our audit of the consolidated financial statements as of and for the year ended December 31, 2020. 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.

Assessment of impairment on cash generation unit

Management reviews whether there are any impairment indicators at the end of each reporting period, and if there are any, the coverable amount is estimated and the impairment is assessed. As described in the Note 4(12) to the consolidated financial statements an impairment loss is recognized if the carrying amount exceeds the recoverable amount.

Reasons determined as Key Audit Matters

The Group estimated the recoverable amount of Cash Generating Unit ("CGU") due to identified impairment indicators that caused by a cumulative operating loss of ₩ 184,577million resulting from the continuous deterioration of the operating environment for the last 3 years and the expected economic performance of assets less than the expected level. Considering an increase in the uncertainty relates to the estimation of the recoverable amount based on assumptions and estimates applied by the Group, we identified the assessment of the impairment on CGU as a key audit matter.

How Key Audit Matters were addressed in the audit

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

- Assessing the qualification and independence of the external institution engaged by the Group for the impairment assessment.
- Engaging our valuation specialists to assist us in evaluating the key assumptions used to determine the value-in-use including the discount rates and others and the methodology of the assessment.
- Comparing and analyzing the financial data used for impairment assessment and the mid-to long-term business plans confirmed by the management.
- Testing certain internal controls over the Group's impairment assessment process

Responsibilities of Management and the Governing Body for Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Korean International Financial Reporting Standards 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 financial statements, management is responsible for assessing the Group's ability to continue as going concern, disclosing, as applicable, matters related to the going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or the 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.

Auditor's Responsibilities for Auditing the Consolidated Financial Statements

Our objectives are to obtain reasonable assurances about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or errors, and to issue an auditors' report that includes our opinions. '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 errors and are considered material if, individually or in 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 the material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedure responsive to those risks and obtain the 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 the audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of the accounting policies used in the preparation of the consolidated financial statements and the reasonableness of the accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the 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 concluded that material uncertainty exists, then 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 a 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 retain sole responsibility 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 the relevant ethical requirements regarding independence and communicate with them regarding 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 as of and for the year that ended December 31, 2020 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 audit resulting in this independent auditors' report is Jeon Won-pyo.

CEO of KPMS Samjong Accounting Company
Kim Kyo-tae



March 15, 2021

This Independent Auditor's Report is valid as of the date of the Independent Auditor's Report. Accordingly, between the date of the Independent Auditor's Report and the time this report is read, events or circumstances that may materially affect the attached company's financial statements may occur, and this Independent Auditor's Report may be modified as a result.

Main Performance Indicators

Enhancing Corporate Value through Sustainable Growth

R&D

Category	Unit	2018	2019	2020
R&D expenses ¹	KRW 1M	57,816	50,782	37,653
R&D expenses relative to revenue	%	3.0	2.9	2.1
R&D personnel ²	Headcount	240	350	277
No. of patent registrations ³	Case count	479	586	664
No. of patent of eco-friendly technologies ³	Case count	53	55	63

¹ Based on our annual report

² Inclusive of 69 in the overseas research institutes (as of Dec.2020)

³ As of application date: Inclusive of patents, model utility rights and design rights (domestic/overseas)

Quality Management

Category	Unit	2018	2019	2020
Internal quality audit	Case count	21	32	24
Quality audit of in-house and external partner companies	Case count	154	122	136
Personnel who completed quality training course (inclusive of partner companies)	Headcount	136	576	137

Upholding Fair and Transparent Business Practices

Compliance Management

Category	Unit	2018	2019	2020
Current status of corporate sanctions	Case count	3	8	5
Compliance training sessions	Case count	1	1	1
Compliance training participants	Headcount	95	300	1,428
Department in charge of subcontract risk audit	No.	0	59	59
Legal consulting related to fair trade	Case count	16	20	63
Legal consulting related to corruption prevention and financial sanction	Case count	17	19	13
Other legal consulting	Case count	330	356	465
Violations of improper solicitation and graft act	Case count	0	0	0

Business Ethics

Category	단위	2018	2019	2020	
Employees	Business ethics training (off-line)	Headcount	68	109	0
	Business ethics training (on-line)	Headcount	163	1,069	1,499
	On-site hearing on business ethics	Headcount	8	271	0
Partner companies	Business ethics training	Headcount	0	0	0
	On-site hearing on business ethics	Headcount	12	0	97

Greater Management Transparency

Category	단위	2018	2019	2020
Attendance of outside directors	%	97.4	93.3	100.0
No. of directors equipped with expertise	Headcount	5	5	5
Ratio of female directors	%	0	0	0

Pursuing Safe and Environmentally Friendly Business Practices

Safe Management

Category	Unit	2018	2019	2020
Accident rate	%	0.311	0.188	0.342
Fatalities	Headcount	0	0	0
Frequency rate of accidents (per 1 million hours worked) ¹	-	1.62	0.85	1.60
Lost Time Injury Frequency Rate (LTIFR, inclusive of non-accidental injuries, per 1 million hours worked ²)	-	2.06	1.13	3.35
Spot rewards cases for best safety practices	Case count	2,505	2,370	2,089
Reward amount	KRW 1,000	12,525	11,850	10,445
Safety Academy attendees ³	Headcount	24	33	-
Emergency drills	Case count	5	5	5
Safety training for partner companies	Case count	61	70	83

1 Inclusive of partner companies

2 LTIFR: industrial accidents + minor accidents not reported as industrial accidents + occupational diseases (exclusive of hearing loss)

3 The admission to the Safety Academy was temporarily delayed in 2020 due to the COVID-19 pandemic.

Health Management

Category	단위	2018	2019	2020
Medical service users ¹	Headcount	3,954	3,635	2,961
Smoking cessation clinic participants ²	Headcount	21	16	-
Obesity program participants ³	Headcount	16	73	-
Obesity program success rate ⁴	%	50.0	34.2	-
OIFR ⁵	%	1.0	0.0	0.0

1 Visits to oriental medical clinic and health promotion center

2 The program linked to community health center was not operated in 2020.

3 Check on body fat reduction through exercise and improvement in eating habits was not conducted in 2020.

4 Participants who succeeded in reducing body fat percentage/total participants × 100

5 Employees with suspected occupational diseases/total working hours × 100

Environmental Management

Category	Unit	2018	2019	2020
Direct energy(fuel) consumption	TJ	166	154	115
Indirect energy(electricity) consumption	TJ	593	545	553
Total energy consumption	TJ	757	697	667
Energy savings	TJ	-	0.453	56.1
Energy consumption per revenue	TJ/revenue (KRW 100M)	0.044	0.045	0.043
Direct(Scope1) emissions	tCO ₂ e	8,725	8,112	6,020
Indirect(Scope2) emissions	tCO ₂ e	28,820	26,470	26,862
Total GHG emissions	tCO ₂ e	37,543	34,582	32,880
GHG emission reduction	tCO ₂ e	-	58	7,266.7
GHG emissions per revenue	tCO ₂ e/revenue (KRW 100M)	2.167	2.220	2.121
Air pollutant dust	Ton	8	4	1
Air pollutant NOx	Ton	N/A	3	3
Water usage	Ton	291,679	281,095	146,073
Water usage per revenue	Ton/revenue (KRW 100M)	16.3	18.1	9.4
Wastewater	Ton	456	383	375
General waste(reclamation)	Ton	26.8	20.4	68.0
General waste(incineration)	Ton	1,217.5	1,018.6	1,032.2
Designated waste(reclamation)	Ton	51.3	14.1	1.6
Designated waste(incineration)	Ton	129.0	112.4	108.9
Recycling	%	67	67	58
Violation of environmental laws/regulations	Case count	0	0	0

Promoting Strong Labor-Management Relations Built on Mutual Respect and Trust

Personnel Status

Category	Unit	2018	2019	2020
Total employees	Headcount	2,560	2,307	2,100
Non-fixed term workers(male)	Headcount	2,384	2,145	1,940
Non-fixed term workers(female)	Headcount	106	90	83
Fixed term workers(male)	Headcount	11	12	16
Fixed term workers(female)	Headcount	59	60	61
Average years of continuous service(male) ¹	Year	18.2	19.2	20.1
Average years of continuous service(female) ¹	Year	16.2	17.5	17.8
Average salary per person(male)	KRW 1M	78	75	82
Average salary per person(female)	KRW 1M	55	51	53
External workers(male)	Headcount	616	621	567
External workers(female)	Headcount	138	180	166

¹ The years include the continuous service in HHI Group.
(Our company was spun off from HHI Group in April 2017. The majority of employees have been in service from HHI Group onward.)

Labor-Management Relations

Category	Unit	2018	2019	2020
Rate of employees eligible or collective bargaining	%	52.4	46.1	39.7
Employees eligible for labor union membership	Headcount	1,325	1,066	834
Union members	Headcount	1,256	990	796
Union Membership rate	%	94.8	92.9	95.4
Labor-management council sessions	Case count	4	4	4
Proposals submitted to council	Case count	33	40	35
Management status briefing sessions	Case count	1	5	5
Labor-management relations training sessions	Case count	2	2	1
Training participants	Headcount	135	74	69

Learning & Development

Category	Unit	2018	2019	2020
Participants in training	Headcount	402	324	460
Training time per employee	hour	10	16	4
Investment in training	KRW 10M	2	9	9
Fostering leaders	Headcount	21	74	49
Nurturing convergency talents	Headcount	4	8	5
Nurturing job-specific specialists	Headcount	30	88	304
New hires training	Headcount	53	83	0
Nurturing global talents	Headcount	25	35	8
Other programs	Headcount	75	17	79

Evaluation & Compensation

Category	Unit	2018	2019	2020		
Total	%	94.4	97.6	97.5		
Percentage of employees evaluated for performance	Male	Office workers	%	95.8	97.8	98.9
		Production workers	%	93.5	8.0	96.4
	Female	Office workers	%	87.6	91.3	94.9
		Production workers	%	92.3	100.0	100.0
Total wages	KRW 100M	2,506	1,695	1,615		

※ Exclusive of employees newly hired, on leave, or scheduled to retire

Promoting Strong Labor-Management Relations Built on Mutual Respect and Trust

Employees' Quality of Life

Category		Unit	2018	2019	2020	
Loan interest support amount		KRW 100M	19.2	19.5	17.7	
Employees on maternity leave	Male	Headcount	61	75	58	
	Female	Headcount	2	3	9	
Employees on parental leave	Eligible for parental leave ¹	Male	Headcount	79	56	58
		Female	Headcount	1	3	9
	Taking leave ²	Male	Headcount	16	6	9
		Female	Headcount	3	1	4
	Returning to work ³	Male	Headcount	17	10	8
		Female	Headcount	9	1	2
Serving 1+ year after return ⁴	Male	%	53	90	80	
	Female	%	67	100	50	
Average continued service period ⁵		Year	1.0	1.9	2.8	
Retirement planning consulting attendees		Headcount	54	47	15	
Retirement pension system	DB ⁶	KRW 100M	760	883	986	
Personal pension support amount		KRW 100M	6.3	5.6	5.3	
In-house employee benefits fund		KRW 100M	26.9	27.4	28.1	

1 Estimated based on money gift for birth paid by the company

2 Employees on parental leave as of 2020

3 Employees who have returned to work as of 2020

4 The percentage of workers staying at work at the end of the year after returning from parental leave in the previous year

5 Period from the spin-off on April 1, 2017

6 Total amount of the retirement pension plan is invested in guaranteed capital products as of the end of 2020.

Demonstrating Our Commitment to Global Corporate Citizenship

Shared Growth

Category	Unit	2018	2019	2020
Cash payment	%	100.0	100.0	100.0
Early payment	KRW 100M	1,136	905	808
Trainees from partner companies	Headcount	600	45	20
Partner companies in total	No.	49	43	43
Regular management of partner companies ¹	%	37	15	16

1 Inclusive of partner companies' sustainability risks

Social Contribution

Category	Unit	2018	2019	2020
Total contribution from sharing with local communities ¹	KRW 1,000	41,976	24,823	766,805
Total salary donation ²	KRW 1,000	34,720	29,081	57,419
Salary donation participants ³	Headcount	2,787	2,431	256
Social service activities ⁴	Hour	NA	NA	397
Social service participants	Headcount	NA	NA	81

1 Based on corporate donation (Exclusive of employees' salary donation and suggested donation)

2 Based on HHI Group's 1% salary sharing and social welfare institutions in Seongnam

3 The program to donate less than KRW 1,000 each from all employees ended in Dec. 2019.

4 Based on the participants of the group blood donation event (4 hr./case) and flood damage restoration service (The social contribution system was adopted in 2020 and is now in operation.)

GRI Content Index

GRI Universal Standards

GRI 102: General Disclosures 2018

Classification	Disclosure	Content	Page
GRI 102: Organization Profile	102-1	Explanation of the material topic and its boundary	8
	102-2	The management approach and its components	13~18
	102-3	Location of headquarters	117
	102-4	Location of operations	19
	102-5	Ownership and legal form	50~52
	102-6	Markets served	19
	102-7	Scale of the organization	12, 20
	102-8	Information on employees and other workers	104
	102-9	Supply chain	85
	102-10	Significant changes to the organization and its supply chain	8~11
	102-11	Precautionary principles or approaches	64~66
	102-12	External initiatives	117
	102-13	Membership of associations	116
GRI 102: Strategy	102-14	Statement from senior decision-maker	8
	102-15	Key impacts, risks and opportunities	8~11
GRI 102: Ethics and Integrate	102-16	Values, principles, standards and norms of behavior	46~48
	102-17	Mechanisms for advice and concerns about ethics	49, 50
GRI 102: Governance	102-18	Governance structure	54~56
	102-19	Delegation of authorities	54
	102-20	Executives' responsibilities for economic, environmental and social topics	54
	102-21	Consulting stakeholders on economic, environmental and social topics	54
	102-22	Composition of the organizations and committees under the Board of Directors	54
	102-23	Chair of the Board of Directors	55~56
	102-24	Nomination and selection of the Board of Directors	54
	102-26	Roles of the highest governance body in setting purposes, values and strategies	54
	102-27	Collective knowledge of the highest governance body	55~56
	102-28	Evaluation of the highest governance body's performance	55~56
	102-29	Understanding and managing the economic, environmental and social impacts of the Board of Directors	54
	102-30	Effectiveness of risk management processes	52~53
	102-31	Review of economic, environmental and social topics	54
	102-32	Roles of the highest governance body in reporting sustainability	54
	102-33	Communicating critical concerns	54
102-34	Nature and total number of critical concerns	54	
102-35	Remuneration policies	56, Annual Report	
102-38	Annual total compensation ratio	56	

Classification	Disclosure	Content	Page
GRI 102: Stakeholder Engagement	102-40	List of stakeholder groups	26
	102-41	Collective bargaining agreements	104
	102-42	Identify and selecting stakeholders	26
	102-43	Approaches to stakeholder engagement	26
	102-44	Key topics and concerns raised through stakeholder engagement	26

GRI 102: General Disclosures 2018

Classification	Disclosure	Content	Page
GRI 102: Reporting Practice	102-45	Entities included in the consolidated financial statements	19
	102-46	Defining report content and topic boundaries	31~33
	102-47	List of material topics	32
	102-48	Restatements of information	4, 12, 48, 96, 100~107
	102-49	Changers in reporting	19
	102-50	Reporting period	117
	102-51	Date of most recent report	117
	102-52	Reporting cycle	117
	102-53	Contact point for questions regarding the report	117
	102-54	Claims of reporting in accordance with the GRI Standards	117
	102-55	GRI content index	108~111
	102-56	External assurance	114~115
GRI 103: Management Approach	103-1	Explanation of the material topic and its boundary	30~33
	103-2	The management approach and its components	8~11, 28, 46~47, 64~66, 85, 90
	103-3	Evaluation of the management approach	

GRI Topic Specific Standards

Economic Performances (GRI 200)

Classification	Disclosure	Content	Page
GRI 103: Management Approach	103-1	Explanation of the material topic and its boundary	30~33
	103-2	The management approach and its components	8~11
	103-3	Evaluation of the management approach	8~11
GRI 201: Economic Performances	201-1	Direct economic value generated and distributed	11
	201-2	Financial implications and other risks and opportunities due to climate change	65~66
	201-3	Defined benefit plan obligation and other retirement plans	106
GRI 103: Management Approach	103-1	Explanation of the material topic and its boundary	30~33
	103-2	The management approach and its components	85~89
	103-3	Evaluation of the management approach	50
GRI 205: Anti-corruption	205-1	Operations assessed for risks related to corruption	46~51
	205-2	Communication and training regarding anti-corruption policies and procedures	46~51
	205-3	Confirmed incidents of corruption and actions taken	None
GRI 206: Anti-competitive Behavior	206-1	Legal actions for anti-competitive behavior, antitrust practices and monopoly practices	None

Environmental Performances (GRI 300)

Classification	Disclosure	Content	Page
GRI 103: Management Approach	103-1	Explanation of the material topic and its boundary	30~33
	103-2	The management approach and its components	64~65
	103-3	Evaluation of the management approach	64~65
GRI 301 : Materials	301-3	Reclaimed products and their packaging materials	66
GRI 103: Management Approach	103-1	Explanation of the material topic and its boundary	30~33
	103-2	The management approach and its components	64~65
	103-3	Evaluation of the management approach	64~65
GRI 302: Energy	302-1	Energy consumption within the organization	103
	302-2	Energy consumption outside of the organization	103
	302-4	Reduction of energy consumption	65~66
	302-5	Reductions in energy requirements of products and services	65~66
	303-4	Water discharge	66, 103
GRI 303: Water	303-5	Water consumption	66, 103
	303-4	Water discharge	66, 103
GRI 103: Management Approach	103-1	Explanation of the material topic and its boundary	30~33
	103-2	The management approach and its components	64~65
	103-3	Evaluation of the management approach	64~65
GRI 305: Emissions	305-1	Direct (scope 1) GHG emissions	103
	305-2	Energy indirect (scope 2) GHG emissions	103
	305-5	Reduction of GHG emissions	65~67, 103
	305-7	Nitrogen oxides (NOX), sulfur oxides (SOX) and other significant air emissions	103
GRI 103: Management Approach	103-1	Explanation of the material topic and its boundary	30~33
	103-2	The management approach and its components	64~65
	103-3	Evaluation of the management approach	64~65
GRI 306: Waste	306-2	Waste by type and disposal method	103
	306-3	Significant spills	None

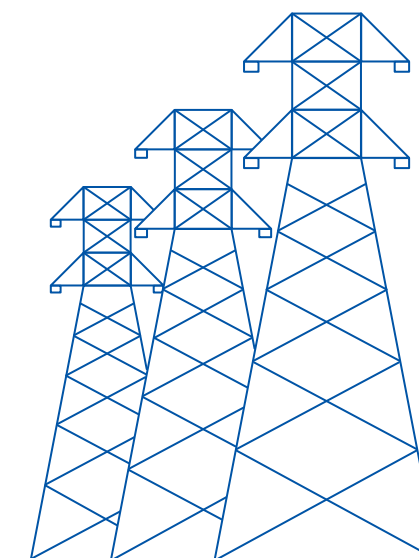
Classification	Disclosure	Content	Page
GRI 307: Environmental Compliance	307-1	Non-compliance with environmental laws and regulations	None

Social Performances (GRI 400)

Classification	Disclosure	Content	Page
GRI 401: Employment	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	82~83
	401-3	Parental leave	106
GRI 402 Labor Management Relations	402-1	Minimum notice periods regarding operational changes	77~78
GRI 403: Occupational Health and Safety	403-1	Workers representation in formal joint management-worker health and safety committee	59~60
	403-2	Types of injury and rates of injury, occupational diseases, lost days and absenteeism and number of work-related fatalities	102
	403-3	Workers with high incidence or high risk of diseases related to their occupation	59~63
	403-4	Health and safety topics covered in formal agreements with trade unions	59~60
	403-5	Staff training on occupational health and safety	102
	403-6	Improve staff health	62~63
	403-7	Prevent or reduce direct impact on occupational health and health management system	62~63
	403-8	Workers covered by an occupational health and safety management system	62~63
	403-9	Work-related injuries	102
	403-10	Work-related illness	102
GRI 404: Training and Education	404-1	Average hours of training per year per employee	105
	404-2	Programs for upgrading employee skills and transition assistance programs	79~81
	404-3	Percentage of employees receiving regular performance and career development reviews	105
GRI 405: Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees	54
	405-2	Female-male ratio of base salary and remuneration	105
GRI 406: Non Discrimination	406-1	Incidents of discrimination and corrective actions taken	72
GRI 413 : Local Communities	413-1	Operations with local community engagement, impact assessments, and development programs	90~93
GRI 103: Management Approach	103-1	Explanation of the material topic and its boundary	30~33
	103-2	The management approach and its components	40~41
	103-3	Evaluation of the management approach	40~41
GRI 416 : Customer Health and Safety	416-2	incidents of non-compliance concerning the health and safety impacts of products and services	None
GRI 417 : Marketing and Labeling	417-2	Incidents of non-compliance concerning product and service information and labeling	30~33
	417-3	Incidents of non-compliance concerning marketing communications	None
GRI 418 : Customer Privacy	418-1	Substantiated complaints concerning breaches of customer privacy and loss of customer data	None
GRI 419 : Socioeconomic Compliance	419-1	Non-compliance with laws and regulations in the social and economic area	None

SASB Index

Category	SASB Code	Accounting Metric	Unit	2020
Energy Management		Total energy consumed	GJ	667,000
	RT-EE-130a.1	Percentage grid electricity	Percentage (%)	69.71%
		Percentage renewable	Percentage (%)	0.01%
Hazardous Waste Management	RT-EE-150a.1	Amount of hazardous waste generated, percentage recycled	Metric tons, Percentage (%)	p.99
	RT-EE-150a.2	Number and aggregate quantity of reportable spills, quantity recovered	Number, kilograms (kg)	Hazardous chemicals unused
Product Safety	RT-EE-250a.1	Number of recalls issued, total units recalled	Number	None
	RT-EE-250a.2	Total amount of monetary losses as a result of legal proceedings associated with product safety	KRW	None
Product Lifecycle Management	RT-EE-410a.1	Percentage of products by revenue that contain IEC 62474 declarable substances	Percentage (%)	-
	RT-EE-410a.2	Percentage of eligible products, by revenue, that meet ENERGY STAR® criteria	Percentage (%)	n/a
	RT-EE-410a.3	Revenue from renewable energy-related and energy efficiency-related products	Percentage (%)	5.6%
Materials Sourcing	RT-EE-440a.1	Description of the management of risks associated with the use of critical materials	-	2021 Standards in the making
Business Ethics	RT-EE-510a.1	Description of policies and practices for prevention of corruption and bribery	-	p. 42~47
		Description of policies and practices for prevention of anti-competitive behavior	-	p. 42~47
	RT-EE-510a.2	Total amount of monetary losses as a result of legal proceedings associated with bribery or corruption	KRW	-
Activity Metrics	RT-EE-000.A	Number of units produced by product category	Number	· Transformer: 1,301 units · Gas insulated switchgear: 937 BAY
	RT-EE-000.B	Number of employees	Number	2,100



Third-Party Assurance Statement

Introduction

Korea Management Registrar (KMR) was commissioned by Hyundai Electric & Energy Systems to conduct an independent assurance of its Sustainability Report 2020 (the "Report"). The data and its presentation in the Report is the sole responsibility of the management of Hyundai Electric & Energy Systems. KMR's responsibility is to perform an assurance engagement as agreed upon in our agreement with Hyundai Electric & Energy Systems and issue an assurance statement.

Scope and Standards

Hyundai Electric & Energy Systems described its sustainability performance and activities in the Report. Our Assurance Team carried out an assurance engagement in accordance with the AA1000AS v3 and KMR's assurance standard SRV1000. We are providing a Type 2, moderate level assurance. We evaluated the adherence to the AA1000AP (2018) principles of inclusivity, materiality, responsiveness and impact, and the reliability of the information and data provided using the Global Reporting Initiative (GRI) Index provided below. The opinion expressed in the Assurance Statement has been formed at the materiality of the professional judgment of our Assurance Team.

Confirmation that the Report was prepared in accordance with the Core Options of the GRI standards was included in the scope of the assurance. We have reviewed the topic-specific disclosures of standards which were identified in the materiality assessment process. We also confirmed that the report was prepared in accordance with the SASB.

- GRI Sustainability Reporting Standards
- Universal standards
- Topic Specific Standards
 - Management approach of Topic Specific Standards
 - GRI 201: Economic Performance
 - GRI 202: Market Presence
 - GRI 205: Anti-Corruption
 - GRI 301: Materials
 - GRI 302: Energy
 - GRI 305: Emissions
 - GRI 306: Effluents and Waste
 - GRI 416: Customer Health and Safety
- SASB Sustainability Disclosure Topics & Accounting Metrics

As for the reporting boundary, the engagement excludes the data and information of Hyundai Electric & Energy Systems' partners, suppliers and any third parties.

KMR's Approach

To perform an assurance engagement within an agreed scope of assessment using the standards outlined above, our Assurance Team undertook the following activities as part of the engagement:

- reviewed the overall Report;
- reviewed materiality assessment methodology and the assessment report;
- evaluated sustainability strategies, performance data management system, and processes;
- interviewed people in charge of preparing the Report;
- reviewed the reliability of the Report's performance data and conducted data sampling;
- assessed the reliability of information using independent external sources such as Financial Supervisory Service's DART and public databases.

Limitations and Recommendations

KMR's assurance engagement is based on the assumption that the data and information provided by Hyundai Electric & Energy Systems to us as part of our review are provided in good faith. Limited depth of evidence gathering including inquiry and analytical procedures and limited sampling at lower levels in the organization were applied. To address this, we referred to independent external sources such as DART and National Greenhouse Gas Management System (NGMS) and public databases to challenge the quality and reliability of the information provided.

Conclusion and Opinion

Based on the document reviews and interviews, we had several discussions with Hyundai Electric & Energy Systems on the revision of the Report. We reviewed the Report's final version in order to make sure that our recommendations for improvement and revision have been reflected. Based on the work performed, it is our opinion that the Report applied the Core Option of the GRI Standards. Nothing comes to our attention to suggest that the Report was not prepared in accordance with the AA1000AP (2018) principles.

Inclusivity

Hyundai Electric & Energy Systems has developed and maintained different stakeholder communication channels at all levels to announce and fulfill its responsibilities to the stakeholders. Nothing comes to our attention to suggest that there is a key stakeholder group left out in the process. The organization makes efforts to properly reflect opinions and expectations into its strategies.

Materiality

Hyundai Electric & Energy Systems has a unique materiality assessment process to decide the impact of issues identified on its sustainability performance. We have not found any material topics left out in the process.

Responsiveness

Hyundai Electric & Energy Systems prioritized material issues to provide a comprehensive, balanced report of performance, responses, and future plans regarding them. We did not find anything to suggest that data and information disclosed in the Report do not give a fair representation of Hyundai Electric & Energy Systems' actions.

Impact

Hyundai Electric & Energy Systems identifies and monitors the direct and indirect impacts of material topics found through the materiality assessment, and quantifies such impacts as much as possible.

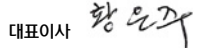
Reliability of Specific Sustainability Performance Information

In addition to the adherence to AA1000AP (2018) principles, we have assessed the reliability of economic, environmental, and social performance data related to sustainability performance. We interviewed the in-charge persons and reviewed information on a sampling basis and supporting documents as well as external sources and public databases to confirm that the disclosed data is reliable. Any intentional error or misstatement is not noted from the data and information disclosed in the Report.

Competence and Independence

KMR maintains a comprehensive system of quality control including documented policies and procedures in accordance with ISO/IEC 17021:2015 - Requirements for bodies providing audit and certification of management systems. This engagement was carried out by an independent team of sustainability assurance professionals. KMR has no other contract with Hyundai Electric & Energy Systems and did not provide any services to Hyundai Electric & Energy Systems that could compromise the independence of our work.

June 2021 Seoul, Korea



Membership Status & Information Disclosure Activities

Membership Status

- Korea Software Association
- Korea Information & Communication Contractors Association
- Korea Intellectual Property Association
- Korea Electrical Contractors Association
- Korea Fire Safety Association
- Korea Electric Association
- Korea Electrical Manufacturers Association
- Conseil International des Grands Reseaux Electriques (CIGRE)
- Conseil International des Grands Reseaux Electriques de Distribution (CIRED) Korean National Committee
- Korea Smart Grid Association
- Korea Industrial Technology Association
- Ulsan Chamber of Commerce & Industry
- Korean Standards Association, etc.

Information Disclosure Activities

Disclosure Channels for Additional Management Information		Main Contents
HYUNDAI Electric Website	http://www.hyundai-electric.com/elec/ko/index.jsp	Introduction of the company, IR, products & dealerships, customer service
HYUNDAI Electric Instagram	https://www.instagram.com/hyundaelectric.official	Information on HYUNDAI Electric products and news
HYUNDAI Electric YouTube	https://www.youtube.com/channel/UCGvTqI-HAyiv183xwVd8lsw	Information on HYUNDAI Electric products and news
HHI Group Business Ethics Website	https://ethics.hhigroup.kr/html/main.html	Group ethics management direction, ethics regulations, online report/counselling
HHI Group Webzine 'Magazine H'	http://www.hyundai-holdings.co.kr/magazine-h	HHI Group's general management status (monthly)
Financial Supervisory Service DART	http://dart.fss.or.kr	Various disclosures made either mandatorily as a listed company or voluntarily
Investor Relations	http://www.hyundai-electric.com/elec/ko/publicity/publicity6_1.jsp	Regular announcement of business performance and outlooks

HYUNDAI Electric Integrated Report introduces financial and non-financial performance of HYUNDAI Electric and its subsidiaries. To provide relevant information to stakeholders, core issues derived from our materiality assessment are reported on the basis of our Group's five management philosophies.

Reporting Principles and Framework	<ul style="list-style-type: none"> · Global Reporting Initiative (GRI) Standards (Core) · International Integrated Reporting Council's (IIRC) integrated reporting framework · Sustainability Accounting Standards Board (SASB)
Reporting Boundary	HYUNDAI Electric and its subsidiaries
Reporting Scope	Economic (under K-IFRS), social and environmental aspects (under domestic standards)
Reporting Period	For the year ended Dec. 31, 2020 (some of the achievements: 2018 to March 2021)
Reporting Frequency	Annual (last report issued in June 2020)
Reporting Assurance	Third party's independent assurance (overall sustainability management, GHG emissions and energy consumption separately verified)

Those Credited with Helping Issue This Report
 Safety & Environment Team, Technology Planning Department, HR Team, Coexisting Cooperation Team, Procurement Department, Quality Management Department, General Affairs Team, Business Planning Department, Electrical Business Support Team, Distribution Business Support Team, Accounting Team, Legal Team, Finance Team, IR Team

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HYUNDAI Electric Integrated Report 2021 is available on our website (<http://www.hyundai-electric.com>) as an interactive PDF for more convenient user experience.

