

HYUNDAI MIPO DOCKYARD

# BEYOND BLUE FORWARD TO GREEN

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ESG HIGHLIGHTS 2022



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**HMD ESG HIGHLIGHTS 2022**

<b>Reporting Period</b>	From January 1 through December 2022 (Some of the data extend to the period from the first half of 2023)
<b>Disclosure Principle</b>	Permanent disclosure of the Integrated Report on the website ( <a href="http://www.hmd.co.kr">http://www.hmd.co.kr</a> )
<b>Inquiries about the Report Details</b>	HMD Environment & Health Dept. E. <a href="mailto:yun5140@hd.com">yun5140@hd.com</a> Please refer to the 2022 Integrated Report



HMD Integrated report website



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# BEYOND BLUE FORWARD TO GREEN

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

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CEO MESSAGE ▶

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# CEO MESSAGE

## Lighting up the future of the sea: HMD takes the lead



### Dear Esteemed Stakeholders,

We would like to express our heartfelt gratitude for your interest and trust in HMD. Similar to how iron becomes stronger with each strike, HMD has overcome numerous challenges and adversities since its establishment, solidifying its current position. However, we do not rest on our laurels; instead, we strive for continuous growth and development through constant innovation and unwavering determination. We will establish the groundwork for future expansion by creating new value and actively engaging all employees and suppliers in our shared goals and initiatives for sustainable management.

### First, We will Strive to Establish a Global Leadership Position in Practicing ESG Management.

Recently, the transition to an eco-friendly paradigm is accelerating worldwide under the great wave of ESG. HMD which is preparing for this future at the forefront, established a carbon-neutral roadmap by 2050 for the first time in the domestic shipbuilding industry in May 2023, taking a step forward as a Global No. 1 Net-Zero Shipbuilder. Our carbon-neutral roadmap reflects our responsibilities for the environment, detailed implementation plans and practices, such as reducing our greenhouse gas emissions and introducing eco-friendly technologies and production processes. In addition, the scope of responsibility for greenhouse gas emissions has been expanded and disclosed, encompassing not only Scopes 1 and 2 but also Scope 3, which considers the entire value chain. In this process, HMD along with other major

domestic and foreign shipbuilders and global shipping companies, has implemented standardized carbon footprint calculation methodologies across the value chain. Through these efforts, we are ensuring transparency and reliability in disclosing Scope 3 emissions, further solidifying our position as the undisputed leader in the small and medium-sized shipbuilding market.

### Second, We will Achieve the 10 ESG Strategic Goals.

We aim to lead HMD's Financial Story and create a sustainable future through effective ESG management. We have established ten ESG strategic objectives, including sales of eco-friendly products, ensuring accident-free workplaces, proactive response to ESG evaluation initiatives, implementation of environmental management practices, strengthening supply chain management, promoting human rights management, introduction of ecofriendly vehicles, reduction of GHG emissions, internalization of comprehensive employee ESG management, and labor relations. To achieve these goals, we have established ten ESG strategic objectives within the internalization/labor relations sector. Furthermore, we have reinforced the role of the ESG Committee under the Board of Directors to establish HMD's vision and mid- to long-term strategies. We have implemented ESG Key Performance Indicators (KPIs) across the company to systematically monitor and evaluate our progress. By linking organizational activities with ESG goals, we ensure that executives and employees internalize the core values and goals of ESG and incorporate them into decisionmaking processes.

Throughout this entire process, we remain committed to continuous efforts and achievements, which are essential for the successful establishment and practice of our ESG management system.

### Third, We will Practice Data Management Using Information and Communication Technology.

In 2023, we will prioritize 'safety' and strive to achieve our goal of zero serious accidents for five consecutive years, including our overseas subsidiaries. Our utmost effort is to create a safe and joyful workplace for all our employees. To accomplish this, we will enhance our safety management system by leveraging various information and communication technologies. This will enable us to foster an advanced corporate culture that enhances the competence and expertise of each employee while promoting autonomy, responsibility, and fair evaluation.

HMD will continue to change and innovate for sustainable management and a better life for mankind. In addition, we will create a driving force that moves the world in the future by sincerely promoting innovation in all fields to take a step forward. We ask for your support and interest.

Thank you.

# COMPANY OVERVIEW

CEO MESSAGE

**COMPANY OVERVIEW**

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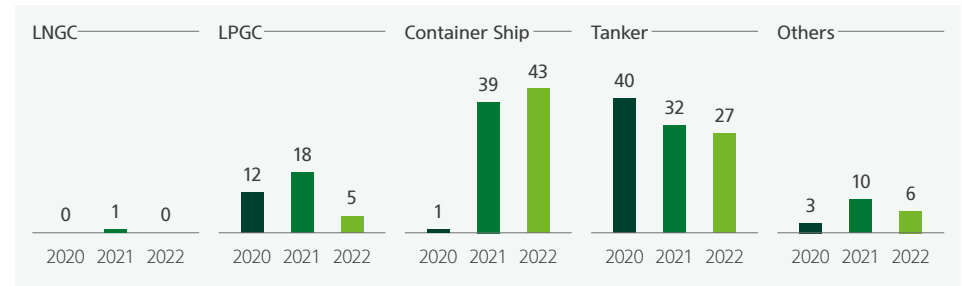
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HMD is enhancing its competitiveness by securing orders for high value-added special ships based on the world's best eco-friendly technology. We maintain our position as the world's No. 1 mid-sized shipbuilder with the industry-leading technology, productivity, continuous research and development efforts by a team of experts, and an advanced design system.

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

Company Name	Hyundai Mipo Dockyard
Head Office	100 Bangeojinsunhwandoro, Dong-gu, Ulsan, South Korea
Establishment	April 28, 1975
CEO	Kim Hyung-kwan
Employees	3,103
Total Revenue	37,169 (KRW 100 million)

## Shipbuilding Orders Unit: No. of ships



Unit: USD 100 million

Classification	2020		2021		2022	
	No. of Ships	Amount	No. of Ships	Amount	No. of Ships	Amount
Shipbuilding	56		100		81	
LNGC	0		1		0	
LPGC	12	23.2	18		5	
Container Ship	1		39	47.9	43	37.9
Tanker	40		32		27	
Others	3		10		6	

## 2022 Major Performance

### Successfully Delivered the Electric Passenger Ship Ulsan Taehwa

- Delivering Korea's first electrically propelled passenger ship, which incorporates cutting-edge information and communication technology (ICT)
- Improving energy efficiency and reducing the weight of related equipment by approximately 30% through the application of the domestically developed DC-based electric propulsion system, which was the first of its kind



### Built the World's Largest LNG Bunkering Ship

- Making significant contributions to the development of LNG bunkering infrastructure worldwide by delivering 'K.LOTUS' to the shipowner
- Reducing harmful gas emissions such as nitrogen oxides (NOx) and sulfur oxides (SOx) by installing a 'Dual Fuel Engine'



## 2023 Major Plan

### Reinforcing Competitiveness in the Field of Eco-Friendly Passenger Ship Construction

- Reducing greenhouse gas emission and lowering fuel costs by equipping the system with 280 hybrid lithium batteries, thus minimizing engine operation
- Maximizing passenger convenience with European high-end interior for low vibration and low noise design



### Promote the Development of New Decarbonized Fuel Ships

- Secures non-carbon ship technology in line with IMO 2050 Declaration of Net Zero
- Advancement of next-generation eco-friendly fuels like ammonia and LCO<sub>2</sub>



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## Environmental

### Eco-friendly Technology

Launching the World's First Eco-friendly Container Ship Powered by Methanol



Development of the Engineering Technologies for LNG Bunkering Ship



Securing an order for an 18,000 m<sup>3</sup> LNG bunkering vessel

### Environment Management Certification

Acquisition of Energy Management System Certification - ISO 50001



Acquisition of weather management excellent company certification

### Digital Transformation

Performance-data Collection Automation of Key Manufacturing Process



Non-face-to-face remote inspection platform

FOS<sup>1</sup> second-year project in full swing

1. Future of Shipyard

## Social

### Health & Safety

Achieve Goal of ZERO Serious Accidents for Five Consecutive Years on a Consolidated Basis



Building Smart HSE Management System



Establishment of Supplier Safety and Health Management Process



### Supply Chain ESG Management

Supplier Code of Conduct



Supporting Underperforming Suppliers



### Labor-management Relations

Achievement of Dispute-free Workplaces for 2 Consecutive Years



Settlement of a Culture of Mutual Communication Between Labor and Management



### Human Rights Management

Publication of Human Rights Management Report



Conducting Human Rights Impact Assessment and Human Rights Materiality Assessment



Acquired Family-friendly Corporation Certification



## Governance

### Corporate Governance

Operation of the Compliance Officer System



Securing Board Diversity through the Appointment of Female Directors



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



Acquisition of Anti-bribery Management System Certification - ISO 37001



# ESG MANAGEMENT SYSTEM

HMD establishes goals and systematically manages them to advance ESG management and promote employee participation. The company actively responds to the climate change crisis, increases sales of eco-friendly products, strengthens supply chain ESG management, expands communication with stakeholders, and establishes eco-friendly management practices.

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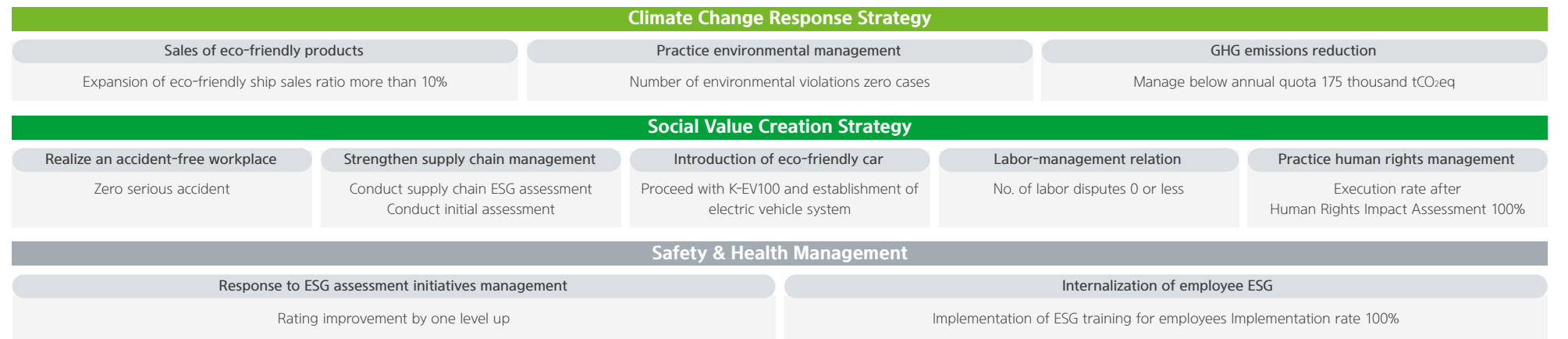
## HD Hyundai ESG Vision



## Organization Chart of ESG Management



## 2023 ESG 10 Action Strategy Goals



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## 2022 HMD FOCUS AREA

# Eco-friendly Technology

### Total Solution Provider

HMD responds quickly to decarbonization by building eco-friendly ships equipped with eco-friendly fuel and various energy-saving technologies to comply with the environmental regulations set by the International Maritime Organization (IMO), and actively utilizes. We aim to lead the eco-friendly ship market as a 'Total Solution Provider' by leveraging environmental pollutant purification technology.

### HMD's Eco-friendly Ships Portfolio

#### LNG DF Ship



#### Expected effects

- Savings compared to bunker C oil

SOx **99%**,  
 NOx **90%**,  
 CO<sub>2</sub> **30%**

#### Methanol DF Vessel



#### Expected effects

- Savings compared to conventional ships

SOx **99%**,  
 NOx **80%**,  
 GHG **25%**

#### Performance

- In April 2023, Successfully launched the world's first methanol DF container ship.

#### Electricity-powered Ships



#### Performance

- Electric propulsion solution for ships, marking the first such accomplishment in Korea
- CO<sub>2</sub> emissions by compared to conventional marine diesel engines  
**40%** reduce
- Fuel efficiency can be improved by  
**6%**

#### Hydrogen Carriers & Hydrogen-powered Ships



#### Target

- Development hydrogen carriers by establishing a hydrogen value chain

#### Performance

- In December 2022, Completed the performance validation of the 1.5 MW LNG-hydrogen blends for the HiMSEN engine, which were developed in-house

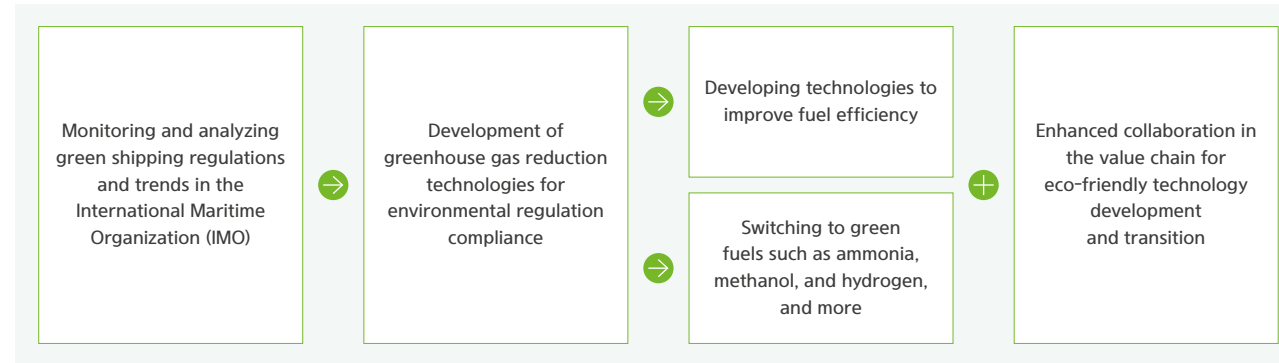


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## 2022 HMD FOCUS AREA Eco-friendly Technology

### Our Approach

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



### Risk

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

### Opportunity

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

### Roadmap for Eco-friendly Technology Development

Category	Tech List	Focus Goals and Directions	Driving roadmap
Future ships	Ammonia propulsion	Securing the technological advantage of ammonia propulsion vessel	(Short-term) Develop ultra-large ammonia carrier, FSRU, and bunkering vessel (Short-term) Develop ammonia fuel supply/cargo handling system
	Hydrogen carrier	Advance into new hydrogen business by developing core hydrogen technology	(Short-term) Commercialize small liquefied hydrogen carrier (Mid-term) Develop a large liquefied hydrogen storage tank
	Fuel cell propulsion	Preoccupation with next-generation marine power generation/propulsion systems	(Short-term) Develop fuel cell propulsion system for small & mid-sized ships (Long-term) Develop fuel cell propulsion system for large-sized ships
	Electricity propulsion	Leading the ship propulsion solution market by developing a next-generation eco-friendly/high-efficiency proprietary electric propulsion system	(Short and Mid-term) Commercialize hybrid electric propulsion system (4, 15, 30MW in order) (Long-term) 50MW class hybrid electric propulsion system
Eco-friendly technology	Reduction of GHG in ships	Commercialization of newbuilding/ retrofit business through the development of independent eco-friendly technologies	(Short-term) Develop and demonstrate an independent model of CO <sub>2</sub> capture/processing/storage system for ships (Short-term) Develop and demonstrate methane slip reduction device (Short-term) Demonstrate and commercialize independent wind assisted propulsion system model

Short-term ('23-'24) Mid-term ('25-'27) Long-term ('28-'30)

### Eco-friendly Technology Performance

Launching the world's first methanol DF container ship

1

Commercializing our own electric propulsion solution for ships, marking the first such accomplishment in Korea

2

Securing an order for an 18,000 m<sup>3</sup> LNG bunkering vessel

3

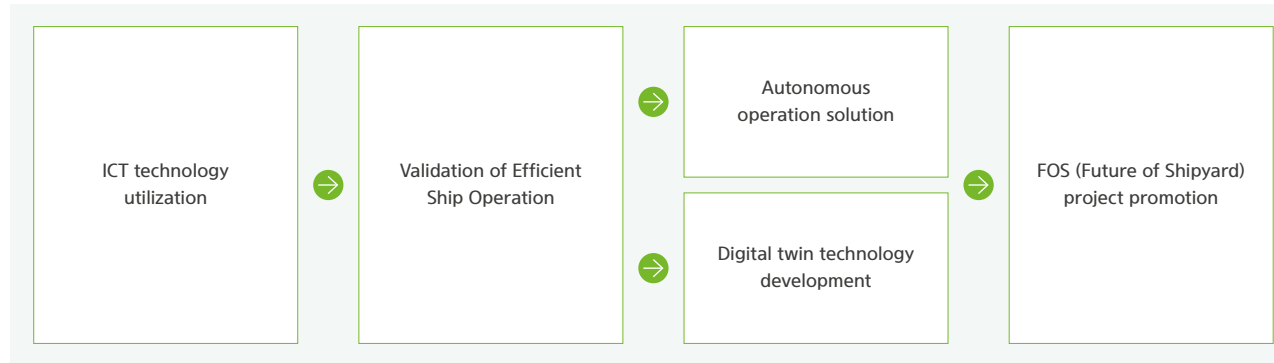
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## 2022 HMD FOCUS AREA

# Digital Transformation

### Our Approach

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



### Risk

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

### Opportunity

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

### Digital Transformation Plan

Smart Yard		Smart Ship	
<p><b>Digital Twin Yard</b></p> <ul style="list-style-type: none"> <li>· Maximizing productivity through AI based smart and optimal operation of production resources</li> </ul>	<p><b>Intelligent Automation</b></p> <ul style="list-style-type: none"> <li>· Building a Best-in-class shipyard through the development and expansion of an intelligent production automation system</li> </ul>	<p><b>Autonomous Navigation</b></p> <ul style="list-style-type: none"> <li>· Leading the autonomous ship market and technology through commercialization of autonomous ship solutions</li> </ul>	<p><b>Digital Twin Ship</b></p> <ul style="list-style-type: none"> <li>· Digitally replicating ships in cyberspace to replace actual ship commissioning, training crews and promoting new life cycle asset management services</li> </ul>

### 2030 SMART SHIPYARD(Future of Shipyard)

- 1 Visible & Understandable**  
 2021-2023
  - Glanceable and Controllable
  - Connected design / production
- 2 Connected & Optimized**  
 2024-2026
  - Smart Work Management
  - Less resource waste
  - Safe workplace for all
- 3 Autonomous**  
 2027-2030
  - Trouble-free operation
  - Automation

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## 2022 HMD FOCUS AREA

# Health & Safety

### Our Approach

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

<p><b>Acquiring and Maintaining the Safety and Health Management System (ISO 45001) Certification</b></p> <p>Establishment of a comprehensive and systematic safety and health management system</p>	<p><b>Strengthening Safety and Health Capabilities</b></p> <p>Conducting statutory safety and health education and education by class</p>	<p><b>Monitoring Compliance with Relevant Laws and Preventing Safety Accidents</b></p> <p>Conducting regular compliance assessments and risk assessments</p>	<p><b>Conducting On-site Close Safety and Health Management</b></p> <p>Expanding manpower and improving expertise in each company's safety and health organization</p>
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### Risk

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

### Opportunity

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

### Safety & Health Risk Identification/Improvement

**Goal of establishment of an autonomous safety management system across field departments**

- Identifying risk factors such as near miss incidents and unstable behavior and conditions
- Implementation of a risk monitoring system to improve safety and health risks

### Response System for Risk Reduction in the Event of Fatality

<b>Initial Response</b>	<ul style="list-style-type: none"> <li>• Rescue</li> <li>• Preventive measures for additional incidents (cut off gas, electricity, etc.)</li> </ul>
<b>Response in Full swing</b>	<ul style="list-style-type: none"> <li>• Assignment of role in handling incidents</li> <li>• Secondary control (classification of dangerous areas)</li> </ul>
<b>Investigation</b>	<ul style="list-style-type: none"> <li>• On-site preservation (attachment of signs: accident investigation, stop work)</li> <li>• Take measures to prevent secondary accidents after approval by the head of the safety department</li> </ul>
<b>Lifting the Restrictions</b>	<ul style="list-style-type: none"> <li>• After the incident investigation, if control measures are not necessary, lift the restriction after approval from the head of the safety department</li> </ul>

### 2022 Safety Management Goal & Achievement

**Prevention of serious accidents by establishing a preventive safety culture**  
**Improving unsafe behavior through active safety intervention**

**'Achieving ZERO of serious accidents and Target Accident Rate'**

- Accident rate less than 0.12
- Full response to the Serious Accidents Punishment Act
- Reinforcing on-site safety execution
- Development and operation of smart HSE management system

• Accident rate 0.14  
 • Major disaster: 0 cases achieved

• Number of on-site safety corrections: 7,622  
 • Smart HSE system investment cost: about KRW 23 billion

### 2023 Safety Goal

<b>HMD</b>	
<p><b>ZERO Serious Accident</b></p> <p>1. Safe workplace for all</p> <ul style="list-style-type: none"> <li>• Establishment of a safety-first culture in all sectors</li> <li>• Establishment of production-led responsibility and autonomous safety management system</li> <li>• DT-based smart safety work environment establishment</li> </ul>	<p><b>Accident Rate 0.133 ↓ Achieved</b></p> <p>2. Pleasant and healthy Worksite</p> <ul style="list-style-type: none"> <li>• Establishment of prevention-oriented health management system operation</li> </ul>

### Health & Safety Key Performance

<p>Conducting specialized safety and health training for older and female worker</p> <p style="text-align: right; font-size: 2em;"><b>1</b></p>	<p>Rewards to suppliers with excellent safety management</p> <p style="text-align: right; font-size: 2em;"><b>2</b></p>
<p>Supporting the establishment of a safety and health management system for suppliers</p> <p style="text-align: right; font-size: 2em;"><b>3</b></p>	



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## 2022 HMD FOCUS AREA

# Supply Chain ESG Management

### Our Approach

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



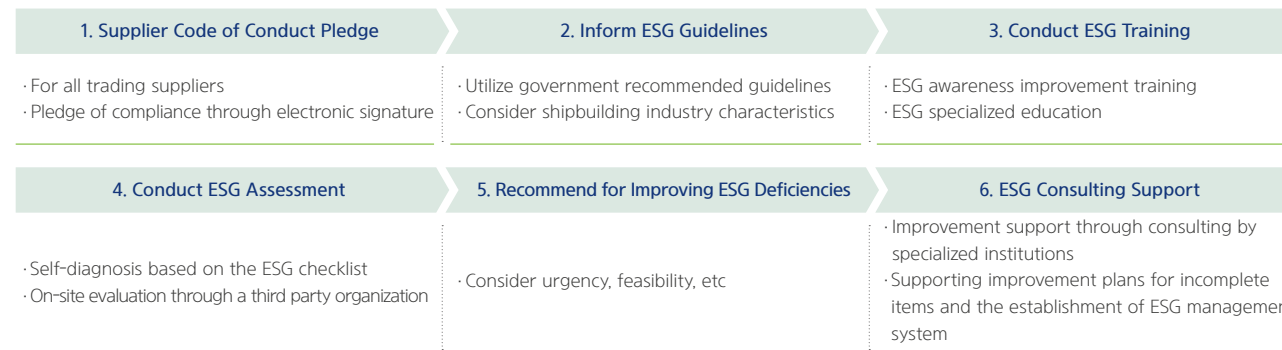
### Risk

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

### Opportunity

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

### Supply Chain Management Process



### Supply Chain Management Goals for 2023

Establishment of Supply Chain ESG Management System and Information Disclosure	<ul style="list-style-type: none"> <li>• Advance supply chain ESG policy</li> <li>• Establish the supply chain's sustainability risk management system</li> <li>• Establish ESG evaluation system for the suppliers</li> </ul>	<ul style="list-style-type: none"> <li>• Suppliers ESG Capacity Enhancement Consulting Goals in 2023</li> <li>- 20 Companies</li> </ul>
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### 2022 Supply Chain Management Key Performance

- Support for business activities of suppliers**
  - Co-Prosperity Fund and financial support
  - Co-Prosperity Fund of about KRW 5 billion
  - Joint Labor Welfare Fund, a total of KRW 4.2 billion
- Reward for excellent suppliers**
  - A total of 11 companies selected annually
  - (8 companies for quality, 2 companies for innovation, 1 company for merit)
- Handling supply chain grievances**
  - Grievance handling rate
  - 81%**

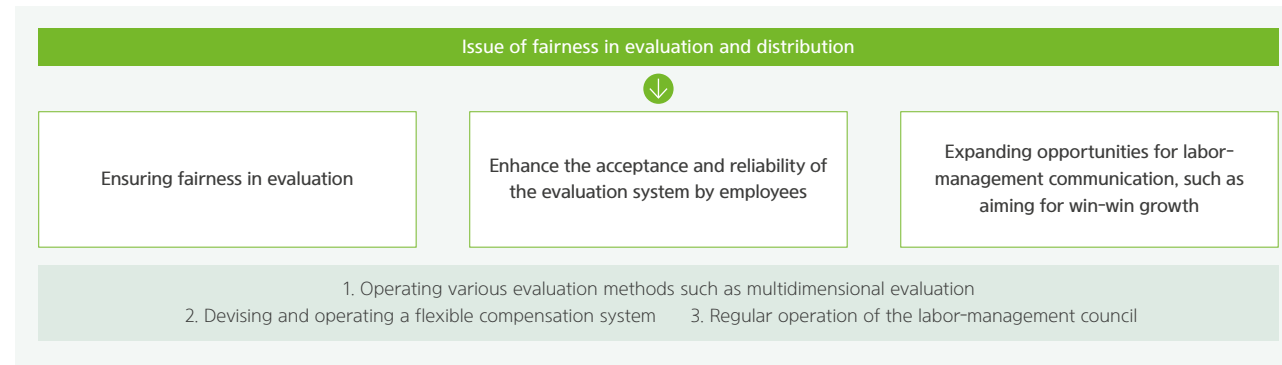
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## 2022 HMD FOCUS AREA

# Labor-management Relations

### Our Approach

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



### Risk

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

### Opportunity

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

### Operation of Labor-management Council

<p><b>Addressing grievances of employees and improving working conditions</b></p> <p>No. of Meetings    Number of Items to be Discussed/Items to be Solved</p> <p style="font-size: 2em; font-weight: bold;">4                      25/22</p>	<p><b>Agenda</b></p> <p>Replacement of on-site old mobile toilets, change of use period for congratulations and condolences holidays, installation of container for break room at Yongyeon Plant, split use of long-term service leave, change of settlement criteria of severance pay (not agreed upon), performance-based pay for 2022, etc.</p>
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### Goal of Labor-management Communication Activities

"Realization of active communication, establishment of trust between labor and management, and the goal of reaching a dispute-free wage bargaining agreement in 2023"		
Compliance with labor policy	Conducting training	Upholding freedom of collective bargaining
Based on the "Violence and Harassment Convention (No. 190) and Recommendation (No. 206) of ILO, the company is implementing measures to prevent and address workplace harassment.	The company provides guidance and training to all employees to promote awareness and understanding of these measures.	The company ensures the freedom of association and collective bargaining for its employees.

### Labor-management Relations Key Performance

- Quarterly labor-management council**

Expanding communication and maintaining trust for the establishment of cooperative labor-management culture
- Conduct regular meetings with employees**

Promoting communication through meetings with the CEO and new employees of MZ generation
- Management status briefing**

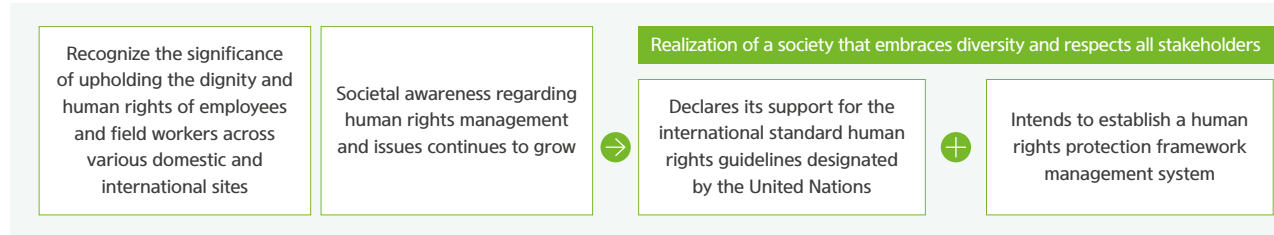
Communicating the company's management status and address various pending issues by holding separate management briefing session led by the CEO and utilizing the in-house CATV channel during quarterly performance announcements

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# Human Rights Management

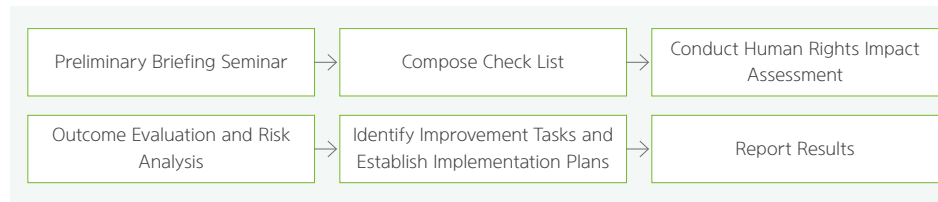
### Our Approach



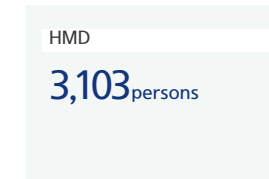
### Human Rights Management Process



### Human Rights Impact Assessment



### Scope of Human Rights Impact Assessment



### Publication of Human Rights Management Report



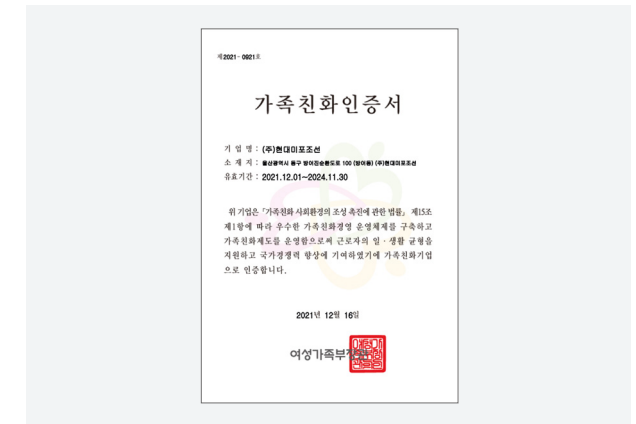
### Risk

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

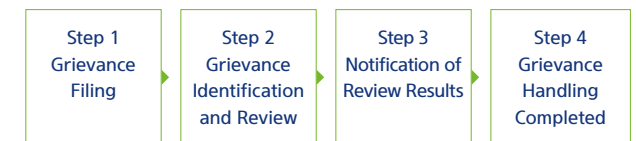
### Opportunity

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

### Ministry of Gender Equality and Family Issued Family-friendly Corporation Certificate



### Grievance Handling System





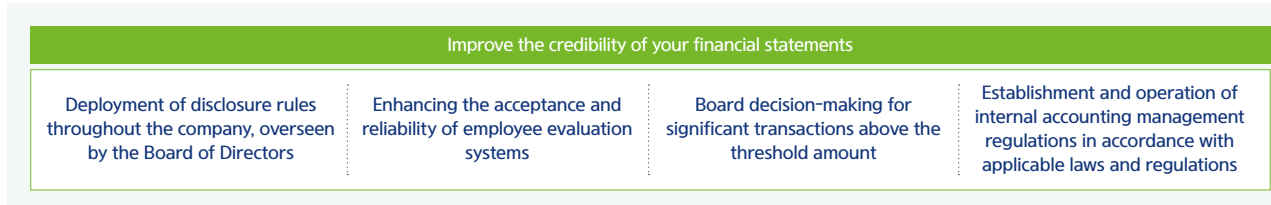
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## 2022 HMD FOCUS AREA

# Corporate Governance

### Our Approach

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

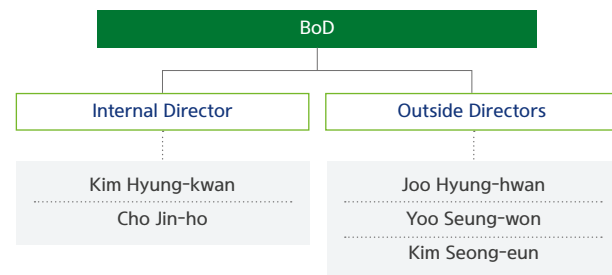


### Opportunity

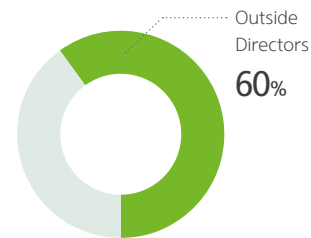
- As corporate social responsibility is emphasized, discover business opportunities that can be applied to shipbuilding and offshore businesses based on transparent investment decisions.
- Increase in corporate value through shareholderfriendly policies

### BoD Composition

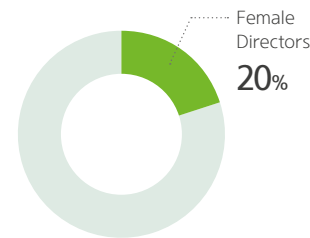
(As of March 31, 2023)



#### Percentage of Outside Directors on the Board



#### Percentage of Women on the Board



### BoD Sub-Committee

#### Outside Director Recommendation Committee

Performs the function of recommending candidates for outside directors to be appointed at the general shareholders' meeting (Three out of the four members are composed of outside directors)

No. of meetings held: 1

#### Related Party Transactions Committee

Establishment of basic policies on related party transactions of the company, selection of counterparties, inspection of standard operation status (Three out of the four members are composed of outside directors)

No. of meetings held: 2

#### Audit Committee

Matters stipulated in laws or the articles of incorporation, matters entrusted from the general meeting of shareholders, basic policy of company operation and resolution of important matters in business execution, etc. (All three members are made up of outside directors)

No. of meetings held: 6

#### ESG Committee

Review and deliberation on issues related to the improvement of shareholder value and corporate social responsibility through the advancement of governance (Three out of the four members are composed of outside directors)

No. of meetings held: 6

### Risk Management System



### Integrated Risk Management

#### [Financial Risk Management] Enhancing the reliability of financial statements

- Implementing risk management regulations in 2019
- Operate reasonably and effectively by establishing Internal Accounting Control Regulations

#### [Non-financial Risk Management] Managing risk for production population reduction

- Addressing the shortage of production personnel by deploying skilled production staff from its subsidiary, Hyundai Vietnam Shipbuilding, to Korea
- After training foreign workers in welding technology, transferred to HMD

