

H C E
INTEGRATED REPORT



HYUNDAI CONSTRUCTION EQUIPMENT INTEGRATED REPORT 2020

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2019 HIGHLIGHT



HIGHLIGHT 01.

Breaking Ground for Reliability Assessment Center & Finished Equipment Performance Evaluation Lab

In 2019, we held a groundbreaking ceremony for a reliability assessment center and a performance evaluation laboratory for finished equipment. Scheduled to be completed by August next year, these facilities will enable an integrated research approach to everything from parts to finished products. In particular, the reliability assessment center will conduct various research and experiment projects to develop technologies aimed at responding to ever-tightening exhaust gas regulations, including environmentally friendly and energy efficient technologies and noise-reducing technologies. Once completed, the center is expected to enhance our preliminary verification process from hydraulic and mechanical parts to finished products, significantly driving up the quality competitiveness of our finished equipment. In turn, the bolstered brand trust and customer loyalty would help further accelerate our global market penetration.



HIGHLIGHT 02.

Rated 'A' in Corporate Governance Evaluation

Hyundai Construction Equipment (HCE) was rated A, the highest level in the 2019 corporate governance evaluation by Korea Corporate Governance Service. Korea Corporate Governance Service reckoned that HCE has in place proper systems as set forth in the Corporate Governance Codes and there is little possibility that its shareholder value will be impaired by corporate governance risks. Notably, we received one of the highest marks in our industry in terms of introduction and implementation of a system for protecting shareholder rights. Going forward, we will continue making our best endeavors to create social values through further enhanced ESG management.



HIGHLIGHT 03.

Awarded by Minister of Economy and Finance on 53rd Taxpayers' Day

The Minister of Economy and Finance bestowed an award on HCE in recognition of its contribution to national foreign exchange earnings through active overseas sales operations, to job creation and revitalization of local economies, and to state financial enlargement by fulfilling its tax obligations. We have been continuously carrying out various sharing activities through our sisterhood relationship with welfare facilities, while also making other efforts to fulfill our CSR, including provision of daily necessities and gift certificates to multicultural households and other families in the lowest bracket of income, including those on welfare, and provision of free meals to the socially vulnerable and senior citizens.

PART.1

Business Overview

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CEO Message

President & CEO of HCE
Kong Ki-young




Our 2020 strategy converges on cementing the sound management system focused on profitability and laying the foundation for sustainable growth.

Dear stakeholders,

Throughout last year, Hyundai Construction Equipment (HCE) made relentless efforts in pursuit of sustainable growth despite tough external conditions such as the lingering trade protectionism, the US-China trade dispute, increasing exchange rate fluctuations in emerging markets, and reduced investments in the domestic infrastructure. By operating the Global Integrated System (GIS), we have set up a one-stop response scheme from design to sales and production, while also successfully developing a new excavator model that fully meets the requirement under the European emission regulations. Further, by successfully spinning off the Parts Business Unit into a subsidiary, Hyundai Core Motion, we firmly established a system for business specialization and responsible management. Also, we had the

honor of being selected as an exemplary taxpayer, recognized for our CSR commitment as a local-friendly company contributing to local economies.

In 2020, the global economy is facing an unprecedented crisis triggered by the COVID-19 pandemic. Amid this global economic slowdown, our business strategy this year will be centered around cementing the sound management structure focused on profitability and laying the foundation for sustainable growth down the road.

Above all, we will establish an organizational culture that upholds fundamental business principles and common sense in which all our people are encouraged to communicate and cooperate with each other, while boosting shareholder value and contributing to local economies. Going forward, by further strengthening our sustainable management system, we will do our best to create social values through enhanced ESG performance in addition to financial values.

Thank you.

Mission

Hyundai Spirit

We firmly believe there is no challenge too great for us to meet with our dauntlessness and unwavering drive backed up 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

A Respected Corporation with Advanced Technologies and High-Quality Products
A Trusted Corporation with Fair and Transparent Management
An Admired Corporation with Social Contributions

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

2020 Business Policy

Slogan

Sound Management Structure & Sustainable Growth

Business Guidelines

1. Customer Satisfaction
2. Enhanced Risk Management
3. Technology/Quality/Digital Innovation
4. Enhanced Compliance Management

Business Overview

HCE is a comprehensive construction equipment maker that provides a wide array of construction equipment and industrial vehicles, including excavators, wheel loaders, backhoe loaders, material handling equipment, and skid steer loaders. We have been recognized for excellence in the global market by supplying high-quality products through some 504 dealerships in 140 countries and overseas affiliates in the US, Europe, India, and China, among others. We continue to strengthen our brand power by offering products boasting ergonomic designs and advanced technologies while also developing tailored models for different regions and supplying budget models produced at local production plants located in each region.

Construction Equipment

We manufacture and sell machinery used for excavating, transporting, and crushing in large-scale infrastructure projects, such as roads and buildings, of various sectors including mining, agriculture, and forestry. Flagship products include medium and large excavators and wheel loaders.

Industrial Vehicle

We also manufacture and sell vehicles broadly used in various industries, including logistics, distribution, shipbuilding, steel, automotive, and chemical. Flagship products include forklifts, tows, and transport vehicles.

2019 Achievements & 2020 Growth Strategy

2019 Achievements

In 2019, our consolidated revenue recorded KRW 2.8521 trillion due to increasing downside risks such as the US-China trade dispute, lingering political instabilities in emerging economies, and a downturn in the global construction equipment market. Although 2019 was not one of our best performing years in the face of these external market conditions, we made proactive investments in projects aimed at enhancing our competitiveness, such as breaking ground for the Reliability Assessment Center and launching the Global Integrated System (GIS), among others. More recently, we successfully completed a 5G-based road construction demonstration project, continuously working on the development of new technologies to improve our competitiveness.

2020 Outlook and Targets

Although there are lingering concerns over the global economic downturn, we are targeting KRW 2.9995 trillion in consolidated revenue in 2020 to further bolster our future growth base. That said, the global COVID-19 pandemic is expected to significantly drive down the demand for construction equipment in significant regions. In the face of these challenges, HCE will still strive to meet the 2020 targets by maintaining its superior position in the Indian market - one of our future growth engines - and by continuously working to improve profitability, such as expanding sales of high-yield products. In doing so, at the heart of every effort we make will be 'technology' and 'quality' as two key goals.

Growth Strategy

Our 2020 strategy converges on cementing the sound management system focused on profitability and laying the foundation for sustainable growth.

1. Becoming fit for growth by securing fundamental competitiveness

- All business units focusing on strengthening their sales capabilities by actively fostering dealerships
- Improving customer productivity and satisfaction by strengthening product support efforts, including full-scale operation of HiCare Center and establishment of Global Training Center in North America

2. Focusing on advance risk management

- Implementing global SOPs (standard operating procedures) efficiently and conducting advance inspections thoroughly to check whether any overseas dealers face insolvency risks and/or partner companies face

management risks, centered around areas where a sharp economic downturn is expected

3. Establishing the foundation for sustainable growth

- Expanding the profitable parts business in addition to the finished equipment business and focusing on quality & durability improvement of partner companies for our enhanced quality
- Stabilizing Global Integrated System (GIS) and securing base technologies for the future such as ICT and battery/unmanned technologies

Financial Highlights

Category	Unit	2017	2018	2019	
Total Revenue	KRW 100M	18,867	32,339	28,521	
	Construction Equipment	KRW 100M	14,073	25,305	21,367
	Industrial Vehicle	KRW 100M	3,299	4,655	4,770
	Parts, etc.	KRW 100M	1,495	2,379	2,384
Operating Profit	KRW 100M	952	2,087	1,578	
Net Profit	KRW 100M	466	1,411	509	
Total Equity	KRW 100M	11,709	15,682	15,771	
Total Liabilities	KRW 100M	10,577	15,583	16,109	
Total Assets	KRW 100M	22,287	31,265	31,881	
Debt Ratio	%	90.3	99.4	102.1	
Net Debt-to-Equity Ratio[(loans - deposits)/total equity * 100]	%	21.2	30.6	46.7	
Operating Margin	%	5.0	6.5	5.5	
Return on Assets (net profit/total assets * 100)	%	2.1	4.5	1.6	
Credit Rating (by Korea Ratings)	Grade	A-	A-	A-	

Value Distribution to Stakeholders	Means of distribution	Unit	2017	2018	2019
Partner companies	Raw material procurement (major raw material purchasing prices, inclusive of intercompany transactions)	KRW 100M	17,613	36,973	21,107
Employees	Salary and benefits	KRW 100M	392	816	902
Shareholders and investors	Dividend	KRW 100M	-	164	-
	Interest expense	KRW 100M	142	291	388
Government	Corporate tax	KRW 100M	232	354	196
Local communities	Donations	KRW 100M	16	19	29

Main Products

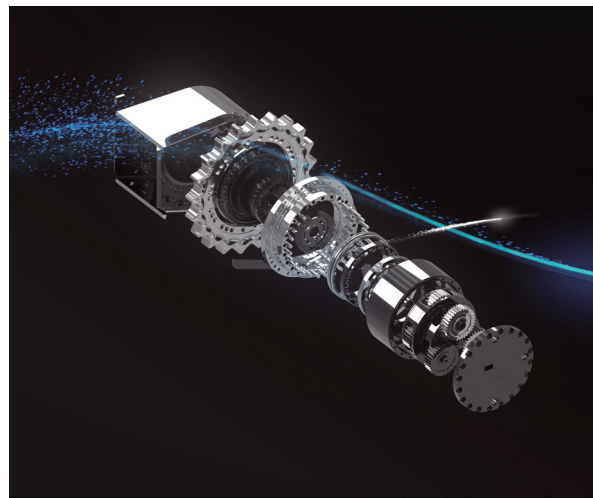
HCE is a global manufacturer of comprehensive construction equipment that provides a wide array of construction equipment and industrial vehicles, including excavators, wheel loaders, backhoe loaders, forklifts, and skid steer loaders.



Construction Equipment



Material Handling



Parts



Technologies

Construction Equipment: Main Product Lineup

Excavator

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



Wheel Loader

- 10 to 32 tons



Backhoe Loader

- H940S
- H940S-4WS
- H940C



Skid Steer Loader

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



Roller

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



Special Equipment

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



Attachment

- HDB S Series
- HDB Series



Construction Equipment: Flagship Product



Key Specifications 2D Machine Guidance System

HCE's 2D Machine Guidance System is a state-of-the-art system that enables users to check surveying information on a real-time basis through sensors and monitors mounted on the equipment. By carrying out or supporting the essential surveying tasks at civil engineering sites, it contributes to excellent work efficiency and productivity.



Key Specifications The 22-ton HX220AL crawler excavator is an up-to-date machine built on the STAGE V engine platform.

HX220AL greatly helps improve work efficiency, packed with new technologies, such as hydraulic control, combined with enhanced features, such as superior fuel efficiency and improved driver's task control due to advanced machine controls. The EPFC (electric positive flow control) results in the improvement of fuel efficiency and controllability by a flow reduction technique for excavator operations. Also, the auto safety lock prevents unintended operation/start of the excavator which improves safety. The eco guidance indicates an 'inefficient operation' status to prevent fuel consumption by improper working habits as displayed on the machine cluster.

Construction Equipment: Key Technologies

HYUNDAI CONNECT

HYUNDAI CONNECT is the ICT brand name of HCE, committed to maximizing the value of your business by connecting people, machines and worksites through technologies.

- The demand for smart construction solutions to increase productivity and enhance safety is on the rise, as ICT and AI technologies evolve at construction sites.
- Smart construction solutions consist of drone surveying, worksite management, intelligent construction, and we are focusing on creating an ecosystem, making construction equipment intelligent, and developing technologies for sensing the surrounding environments and troubleshooting, in collaboration with specialized companies.
- Hi ASSIST, an intelligent operator assistance system enhancing productivity, and Hi DETECT, which provides a full spectrum view of the equipment's surroundings, were launched in 2019 and are being applied to products released on a wider scope of markets including Korea, Oceania and Europe.



HiMATE

- Hi MATE is a cloud-based telematics service that remotely controls equipment, and the Hi Mate mobile app has recently been developed.
- This advanced fault-diagnosis and repair service of HCE combines with a failure prediction technology to take necessary steps before the user recognizes the need.

- Mobile Fleet App.
- Connected Diagnostics



HiASSIST

- Guiding and/or automatically controlling tasks by recognizing the location of the equipment
- Increasing productivity (by 20% to 40%)
- Minimizing unnecessary surveying tasks
- Evolving into an autonomous unmanned technology

- MG | Machine Guidance
- MC | Machine Control



HiDETECT

- Detecting surrounding environments and warning for hazards
- Preventing safety accidents at worksites
- Protecting personnel and assets
- Evolving into an active safety function featuring a combination of AI recognition and control technologies

- SGS | Smart Guard System
- E-Bounds with MG/MC

Industrial Vehicle: Main Product Lineup

IC Truck

Diesel engine forklifts
: 1.5 to 30 tons
LPG engine forklifts
: 1.5 to 7 tons



Electric Truck

1 to 5 tons



Reach Truck

1.3 to 3 tons



Order Picker

1 ton, 1.3 tons



Tow Tractor

1.5 to 4 tons



Electric Pallet Truck & Stacker

Electric pallet trucks
: 1.5 to 3 tons
Electric stackers
: 1 to 2 tons



Manual Hand Pallet Truck

2 to 3 tons



Attachment



Industrial Vehicle: Flagship Product



Key Specifications

Autonomous Forklift

This HCE-developed autonomous forklift features self-driving and remote controllability, equipped with a vehicle control system that uses 2D laser scanners to recognize surrounding environments and detect obstacles, effectively responding to unexpected situations.

As for the repeated, routinized loading-unloading processes, a significant improvement in the productivity was unlikely when conventionally carried out by a manned forklift at logistics sites because of restrictions experienced by the operator, such as the continued anxiety to stay safe, limitations of productivity improvement due to accumulated fatigue, and the limited length of time that one can work straight. With HCE's RS010A-9, however, enhanced economics and productivity beyond imagination become a reality at your worksite.

This unmanned forklift can shorten the cycle of logistics processes by automating tasks, while making efficient use of inventory space. Moving along pre-planned paths, it also helps reduce the risk of accidents at worksites.

Industrial Vehicle: Key Technologies

AUTONOMOUS FORKLIFT

The HCE-developed autonomous forklift features self-driving and remote controllability, equipped with a vehicle control system that uses 2D laser scanners to recognize surrounding environments and detect obstacles, effectively responding to unexpected situations.



- Operation software (WMS)
- Autonomous control system (ACS)
- Highly accurate sensor (less than 10mm, 5deg)

HiMATE

With our forklift management system HiFLEET incorporated into HiMATE, an integrated solution for managing a variety of vehicles is now available, which is capable of remote management of industrial vehicles in addition to construction equipment and management of drivers.



- Driver management
- Vehicle management
- Safety management
- Maintenance management

LI-ION

The LI-ION battery supports fast charging and enables long continuous hours of work on a single charge, resulting in greater productivity and cost savings.



- Fast charge & high safety
- Easy maintenance & long life cycle
- Cost savings

Parts: Main Product Lineup (Hyundai Core Motion)

Travel Motor

Excavators
: 14 to 50 tons



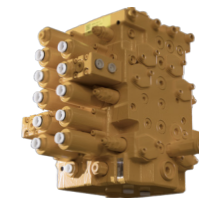
Swing Motor

Crawler excavators
: 14 to 50 tons



MCV

Excavators
: 14 to 33 tons



Transmission

IC trucks
: 1.5 to 10 tons



Drive Axle

IC trucks
: 1.5 to 10 tons



Hydraulic Cylinder

Excavators
: 214 to 1,820 mm stroke
Wheel loaders
: 510 to 863 mm stroke
Forklifts
: 40 to 3,739 mm stroke



Spare Parts

Parts for maintenance of HCE equipment



Global Network

Consolidated Entities

HCE's consolidated subsidiaries (10 entities) are engaged in manufacturing and selling excavators, wheel loaders, forklifts, etc.

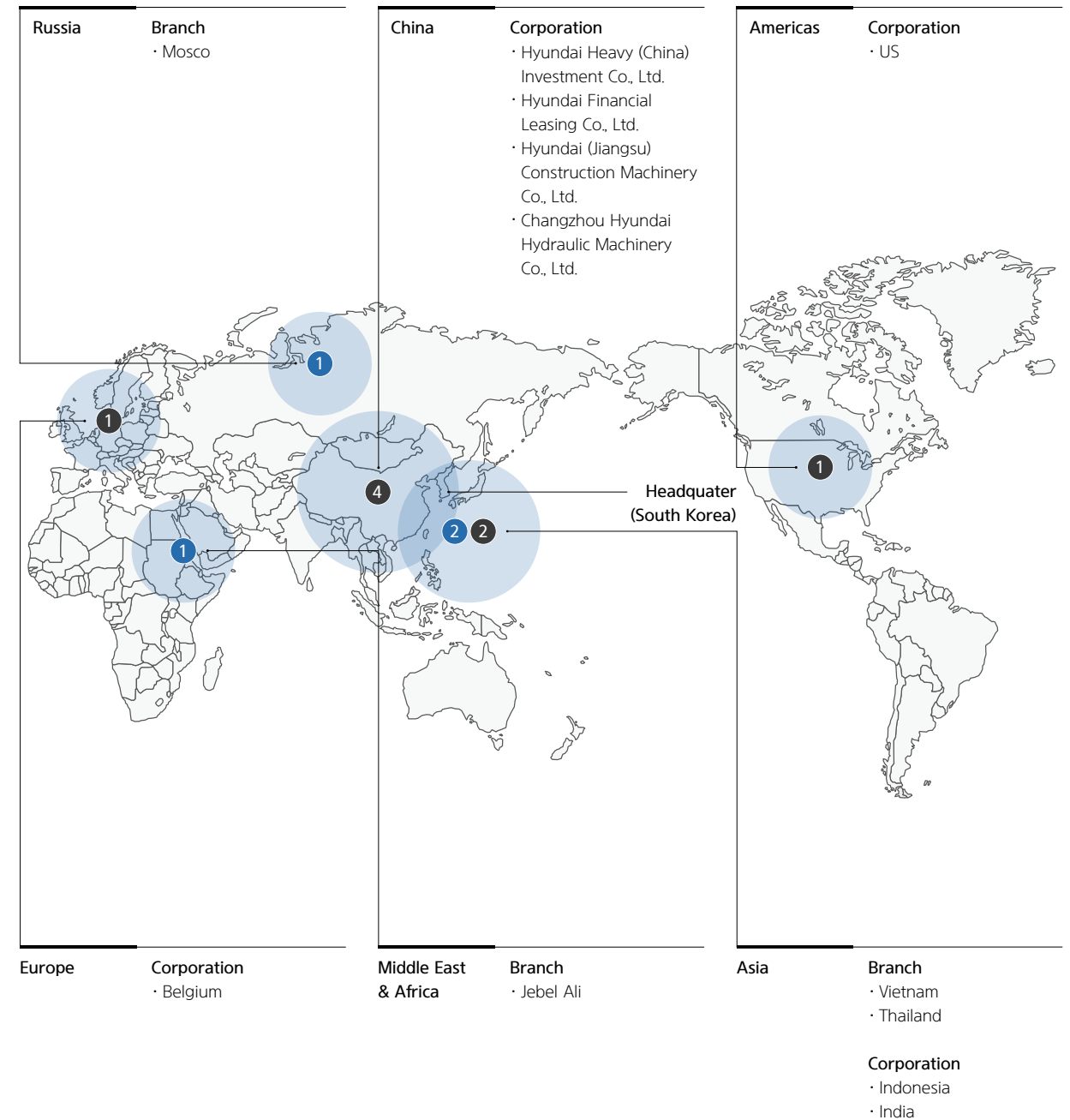
(Unit: KRW 1M)

Entity Name	Foundation Date	Location	Main Business	2019 Total Assets
Hyundai Construction Equipment Americas, Inc.	Nov. 8, 1991	US	Sale of construction equipment and machinery	198,211
Hyundai Construction Equipment Europe N.V.	Feb. 7, 1995	Belgium	Sale of construction equipment and machinery	173,901
Hyundai Construction Equipment India Private Ltd.	Jun. 18, 2007	India	Manufacture and sale of construction equipment and machinery	176,950
PT. Hyundai Construction Equipment Asia	Apr. 22, 2008	Indonesia	Import and wholesale of construction equipment	2,280
Hyundai Heavy (China) Investment Co., Ltd.	Jun. 1, 2006	China	Holding company	394,574
Hyundai Financial Leasing Co., Ltd.	Apr. 25, 2007	China	Financial leasing and other financial services	360,858
Hyundai (Jiangsu) Construction Machinery Co., Ltd.	Jan. 25, 1995	China	Manufacture and sale of construction equipment and machinery	324,688
Changzhou Hyundai Hydraulic Machinery Co., Ltd.	Jan. 1, 2007	China	Manufacture and sale of hydraulic cylinders	43,367
Weihai Hyundai Wind Power Technology Co., Ltd.	May 31, 2010	China	Wind power generation business	11,203
Hyundai Core Motion Co., Ltd.	Apr. 1, 2019	Korea	Supply of genuine spare parts of construction equipment and manufacture of hydraulic components	310,023

Key Changes in 2019: Beijing Hyundai Jingcheng Construction Machinery Co., Ltd. and Yantai Hyundai Moon Heavy Industries Co., Ltd. were excluded from the consolidation scope after HCE's indirect disposal of shares, and Hyundai Core Motion Co., Ltd. was newly included in the consolidation scope through the simple division and split-off method as defined under the Commercial Code of Korea. TNA Co., Ltd., shortly after the inclusion as a new subsidiary through HCE's acquisition of shares, was merged into Hyundai Core Motion Co., Ltd.

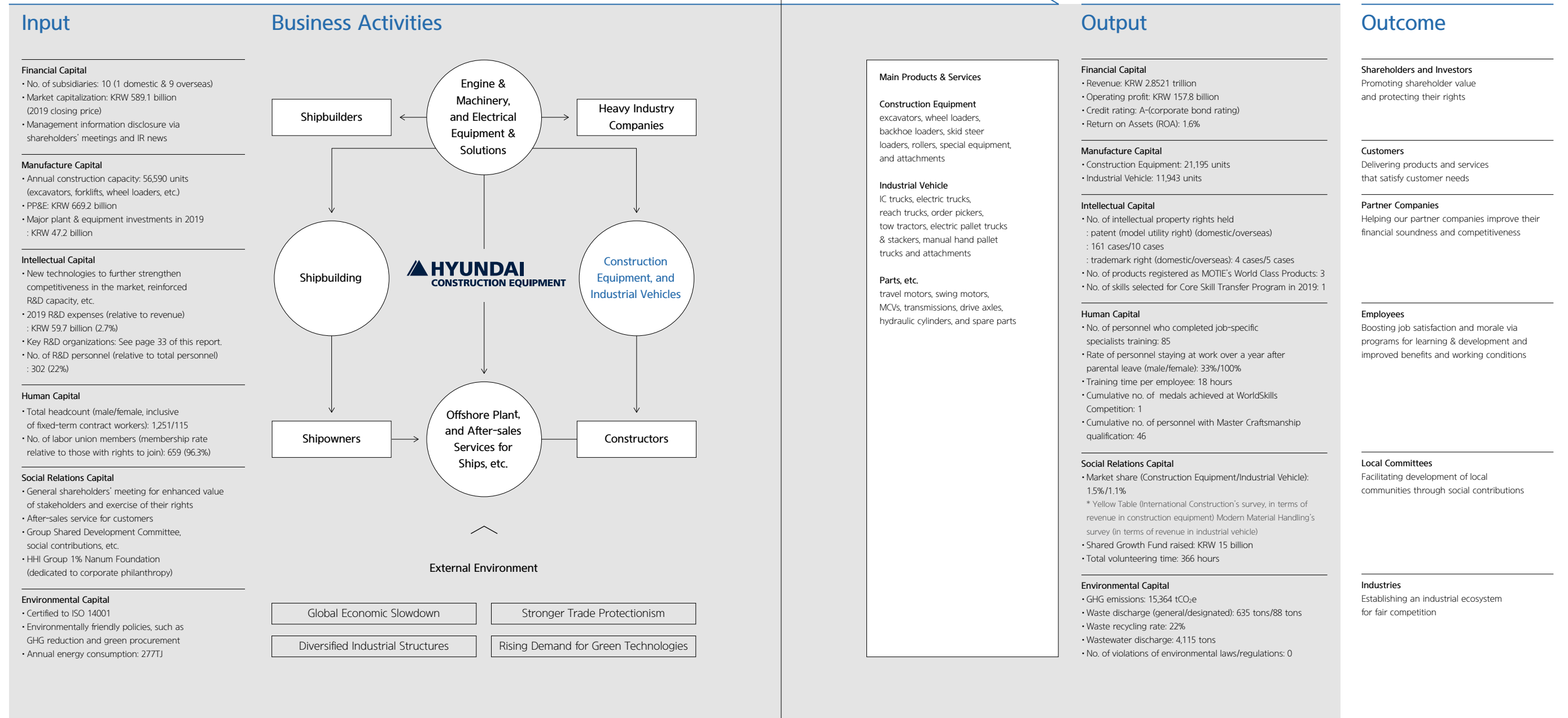
Overseas Branches and Corporations

● Branch Total 4
● Corporation Total 8



Value Chain

HCE generates value using their 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.



PART. 2

Sustainability Performance

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Sustainable Management System

HCE actively pursues corporate value enhancement through continual growth. The mission of a global corporate citizen is to value the co-prosperity of mankind and to fulfill its corporate social responsibilities and roles. HCE 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. HCE is leading the efforts to make a better tomorrow by actively responding to the needs of our society, and by analyzing and improving our performance as well as strengthening our areas of excellence.

Operational Policy



Transparent Disclosure

- Operating communication channels customized to different groups of stakeholders
- Disclosing sustainable management activities and achievements



Systematic Performance Management

- Following up on each area of sustainable management activities and performance under the five management philosophies



Continuous Improvement

- Conducting an multidimensional analysis of sustainable management activities and performance
- Addressing shortcomings and enhancing strengths

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 HCE, across all management activities. HCE operates various communication channels for these stakeholders' participation in sustainable management.



Customers

Issues of Interest

- Customer satisfaction improvement
- Excellent quality
- Safe use of products

Key Communication Channels

- Warranty & Lifetime Service
- Feedback Service
- Smart Service

Direction of Approach

- Offering products and services as well as receiving feedback based on regular communication
- Endeavoring to improve customer satisfaction



Shareholders and investors

Issues of Interest

- Corporate value increase
- Protection of shareholder interests
- Stable growth

Key Communication Channels

- Shareholders' meeting
- Annual report
- IR Meeting
- Conference Call

Direction of Approach

- Enhancing transparency of management information
- Building a consensus on vision and new growth engines



Employees

Issues of Interest

- Safe working environment
- Career development
- Benefits
- Respecting diversity/non-discrimination

Key Communication Channels

- Collective bargaining and wage negotiations
- Labor-management council
- Industrial Health & Safety Committee
- HHI Group webzine & HCE News

Direction of Approach

- Inducing interest and participation in sustainable management through active internal communication
- Striving to build a cooperative labor-management relationship



Partner companies

Issues of Interest

- Co-prosperity
- Fair transactions
- Long-term partnership

Key Communication Channels

- Group Shared Development Committee
- Shared Growth Expansion Council
- Conference
- New Year's meeting

Direction of Approach

- Laying the foundation for co-prosperity and shared growth
- Offering trainings and consulting services to partner companies



Industries

Issues of Interest

- Creation of an industrial ecosystem
- Improvement of industrial competitiveness

Key Communication Channels

- Activities at Korea Construction Equipment Manufacturers Association and others of similar nature
- Working group meetings of the same industry

Direction of Approach

- Strengthening competitive edge through fair competition
- Benchmarking, sharing information, and forming partnerships to resolve common issues



Local communities

Issues of Interest

- Revitalization of local economies
- Local environmental protection
- Social contribution activities

Key Communication Channels

- Charity Bazaar with Love
- Delivering coal briquettes to the socially marginalized
- Employee volunteer activities

Direction of Approach

- Contributing to growth and development of local communities through various activities

Strategic Direction and Performance Indicators

Based on the management philosophy of Hyundai Heavy Industries Group, Hyundai Construction Equipment is promoting long-term and strategic sustainable management activities. The management philosophy of a company is the value shared and practiced by all its employees in order to faithfully the CSR. Accordingly, Hyundai Construction Equipment annually sets the implementation direction for sustainable management and metrics for the relevant goals, which we aim at in everything we do.

Philosophy	Direction	Metrics for Strategic Goal	Stakeholder	Category	Indicator	Unit	2019
Enhancing Corporate Value through Continual Growth	<ul style="list-style-type: none"> Securing core capability to drive future growth Implementing flexible business management and global business system 	<ul style="list-style-type: none"> R&D expenses, and no. of patent applications filed Operation/evaluation of Quality Management System, and personnel who completed quality management trainings No. of manufacturing engineers who completed job improvement trainings 	Customers Employees Partner companies Shareholders	R&D	R&D expenses (relative to revenue) ¹	KRW 100M	597 (2.7%)
				Quality Management	Rate of worksites certified to ISO 9001	%	100
					Internal evaluation of Quality Management System	Caseload	11
					Personnel who completed quality management trainings	Headcount	184
Upholding Fair and Transparent Business Practices	<ul style="list-style-type: none"> Supporting open and fair competition in accordance with free market economy Promoting sound and transparent corporate governance structure 	<ul style="list-style-type: none"> No. of participants in compliance and ethics management trainings No. of legal/regulatory violations Attendance rate of outside directors 	All	Compliance Management	personnel who completed compliance management trainings	Headcount	200
					Sanctions imposed on the Company ²	Caseload	2
				Business Ethics	Personnel who completed business ethics trainings (partner companies) ³	Headcount	499 (32)
Pursuing Safe and Environmentally Friendly Business Practices	<ul style="list-style-type: none"> Creating a pleasant and safe work environment Environmentally friendly production activities and technology development 	<ul style="list-style-type: none"> Accident rate and amount of spot rewards for exemplary safety practices No. of personnel who completed safety trainings No. of cases where employees used health promotion services GHG emissions 	Employees Local communities	Greater Management Transparency	Attendance rate of outside directors	%	92.6
				Safety Management	Accident rate ⁴	%	0.2
					Amount of spot rewards for exemplary safety practices	KRW 1,000	2,470
					Safety Academy attendees	Headcount	14
				Health Management	Usage of medical services ⁵	Headcount	2,096
Promoting Strong Labor-Management Relations Built on Mutual Respect and Trust	<ul style="list-style-type: none"> Fostering a vibrant organizational culture based on trust and participation Performing all duties and responsibilities to enhance corporate competitiveness 	<ul style="list-style-type: none"> No. of personnel who completed management-labor relations trainings and union membership rate No. of personnel who completed talent nurturing course and amount of investment in talent nurturing Fair performance evaluation and improvement in employees' quality of life 	Employees Partner companies	Environmental Management	GHG emissions	tCO ₂ e	15,364
				Labor-Management Relations Advancement	Union membership rate (relative to those eligible for collective bargaining)	%	96.3
				Learning & Development	Training time per employee	Hours	18
					Investment in training	KRW 10M	9
Demonstrating Our Commitment to Global Corporate Citizenship	<ul style="list-style-type: none"> Contributing to mankind prosperity by creating social values 	<ul style="list-style-type: none"> Amount of shared growth funds and early payment for deliveries Participation in social contribution activities and amount of salary donation 	Partner companies Employees Local communities	Evaluation & Compensation	Rate of personnel evaluated for performance ⁶	%	93.1
				Employees' Quality Of Life	Rate of personnel staying at work over a year after parental leave (male/female)	%	33/100
				Shared Growth	Amount of shared growth funds executed/collected	KRW 100M	150
					Amount of early payment for deliveries	KRW 100M	446
	Total volunteering time	Hours	366				
	Amount of salary donation	KRW 1,000	17,044				






Scope: Domestic business establishments





1 On a consolidated basis at HCE
 2 One violation of Fair Transactions in Subcontracting Act (administrative penalty of KRW 431 million/corrective order); One violation of Tax Law (restitution of KRW 2,224 million)
 3 Inclusive of all forms of ethics management trainings such as classroom and online sessions
 4 No. of personnel involved in accidents/total headcount * 100
 5 Visits to oriental medical clinics, in-house hospitals, or health promotion centers
 6 Exclusive of personnel newly hired, on leave, or scheduled to retire

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.

HCE 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 related to HCE	HCE's contribution to achieving SDGs
 Ensure healthy lives and well-being for all at all ages	3.4 Reduce premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being.	<ul style="list-style-type: none"> Supporting medical expenses and medical checkups for the healthy lives of personnel; supporting medical expenses for personnel and their families with heart disease and incurable diseases; providing health allowances for personnel with occupational diseases Operating in-house Oriental Medical Center for preventing musculoskeletal disorders; health promotion centers and designated health managers on worksites; rehabilitation programs Supporting medical expenses for preventing endemic diseases
	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.	
 Ensure inclusive and equitable quality education, and lifelong learning opportunities for all.	4.4 Increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.	<ul style="list-style-type: none"> Providing training to overseas dealers and operating a global online technical training system
	4.5 Eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, indigenous peoples and children in vulnerable situations.	
 Ensure availability and sustainable management of water and sanitation for all	6.3 Reduce untreated wastewater and improve water quality by reducing pollution, minimizing release of hazardous chemicals, and increasing water recycling	<ul style="list-style-type: none"> Employing internal environmental standards for effluent discharge stricter than legal requirements; minimizing the amount of untreated wastewater by proactively managing wastewater sources; treating wastewater from washing painting facilities at in-house effluent treatment plant; and monitoring the quality of treated water regularly
 Ensure access to affordable, reliable, sustainable and modern energy for all.	7.2 Increase the share of renewable energy in the global energy mix.	<ul style="list-style-type: none"> Developing hydrogen fuel cell construction equipment Reducing energy consumption by using high-efficiency LED lights and motion-sensing restroom lights
	7.3 Double the global rate of improvement in energy efficiency.	
 Promote sustained, inclusive, sustainable economic growth, full and productive employment and decent work for all.	8.2 Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value-added and labor-intensive sectors.	<ul style="list-style-type: none"> Achieving higher levels of economic productivity and creating jobs through expansion in high-value-added sectors using an integrated global information system and smart construction solutions Creating quality jobs through employment Implementing a fair and objective performance evaluation & compensation system for all personnel Offering trainings and financial services to partner companies to promote shared growth Creating a roadmap for human rights management at the Group level
	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 work of equal value.	
	8.6 Reduce the proportion of youth not in employment, education or training.	
	8.7 Prohibit forced and child labor.	

Key SDGs	Targets related to HCE	HCE's contribution to achieving SDGs
 Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.	9.4 Increase resource-use efficiency and adopt clean and environmentally sound technologies.	<ul style="list-style-type: none"> Developing environmentally friendly construction equipment including hydrogen fuel cell construction equipment Increasing resource efficiency through developing excavators with higher fuel efficiency
 Reduce inequality within and among countries.	10.4 Adopt policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality.	<ul style="list-style-type: none"> Caring for the underprivileged, pursuing co-prosperity with local communities, and promoting independence for future generations
 Ensure sustainable consumption and production patterns.	12.2 Achieve sustainable management and efficient use of natural resources. 12.4 Achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, under agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment. 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.	<ul style="list-style-type: none"> Acquiring international certification for environmental management system Minimizing pollutant discharge through prevention facilities, environment personnel training, and regular monitoring of concentration Reducing waste through installing recycling containers Finding substitutes for hazardous chemicals and inspecting facilities regularly
 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.	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.	<ul style="list-style-type: none"> 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

Materiality Assessment Process

Each year, to select core topics of the annual integrated report, HCE conducts a materiality assessment regarding stakeholders' interests, improvements, and business impact levels on corporate activities. The assessment of 2020 identified a pool of 28 topics in light of global reporting standards, such as GRI Standards and 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.

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

Step 01. Identify Sustainable Management Topics

Identified 28 topics that affect HCE's sustainable management activities and value creation, taking into account sustainable management trends and the requirements under global guidelines.

Step 02. Assess public Interest

1. Analyzed global guidelines (e.g., GRI Standards and UN SDGs).
2. Analyzed media exposure by categorizing items into three groups: economic, environmental, and social issues. (1,099 items)
3. Analyzed the sustainable management reports of the peer group within the same industries.
4. Conducted a survey on external stakeholders' interest. (March 2020)

Step 03. Assess Business Impact

1. Conducted a survey on internal stakeholders' interest. (4,076 respondents)
2. Analyzed key performance index (KPI) per function.

Step 04. Verify Effectiveness

Reported the materiality assessment result to and obtained approval from the decision maker.

Materiality Assessment Result

Five Key Management Philosophies

1. Enhancing Corporate Value through Continual Growth ① ② ⑧
2. Upholding Fair and Transparent Business Practices ③
3. Pursuing Safe and Environmentally Friendly Business Practices ⑥ ⑦ ⑧

4. Promoting Strong Labor-Management Relations Built on Mutual Respect and Trust ④ ⑤
5. Demonstrating Our Commitment to Global Corporate Citizenship -

Core Topic	Topic Boundary	GRI Topic	Ranking by Category	
			by Public Interest	by Business Impact
① Expanding R&D and securing new technologies	· Internally: R&D · Externally: research institutes	N/A	1	2
② Improving product/service quality and enhancing customer satisfaction	· Internally: R&D and production · Externally: customers and partner companies	N/A	4	1
③ Compliance management and business ethics	· Internally: R&D, procurement, and sales & marketing	102-16~17, 205-2, 206-1, 307-1, 417-2~3, 418-1, 419-1	5	3
④ Reinforcing competencies of personnel (HRD)	· Internally : all companies	404-1~3	7	5
⑤ Enhancing job security and promoting sound labor-management relations	· Internally : all companies	102-41, 402-1	14	4
⑥ Creating a safe workplace and raising safety awareness	· Internally: production · Externally: partner companies	403-1~4	11	7
⑦ Pursuing environmental management by developing more environmentally friendly technologies	· Internally: R&D and production · Externally: local communities	302-5	2	23
⑧ Reducing waste and pollutant emissions	· Internally: production · Externally: local communities	305-7, 306-1~3	13	14

Materiality Assessment Matrix

Core Topics

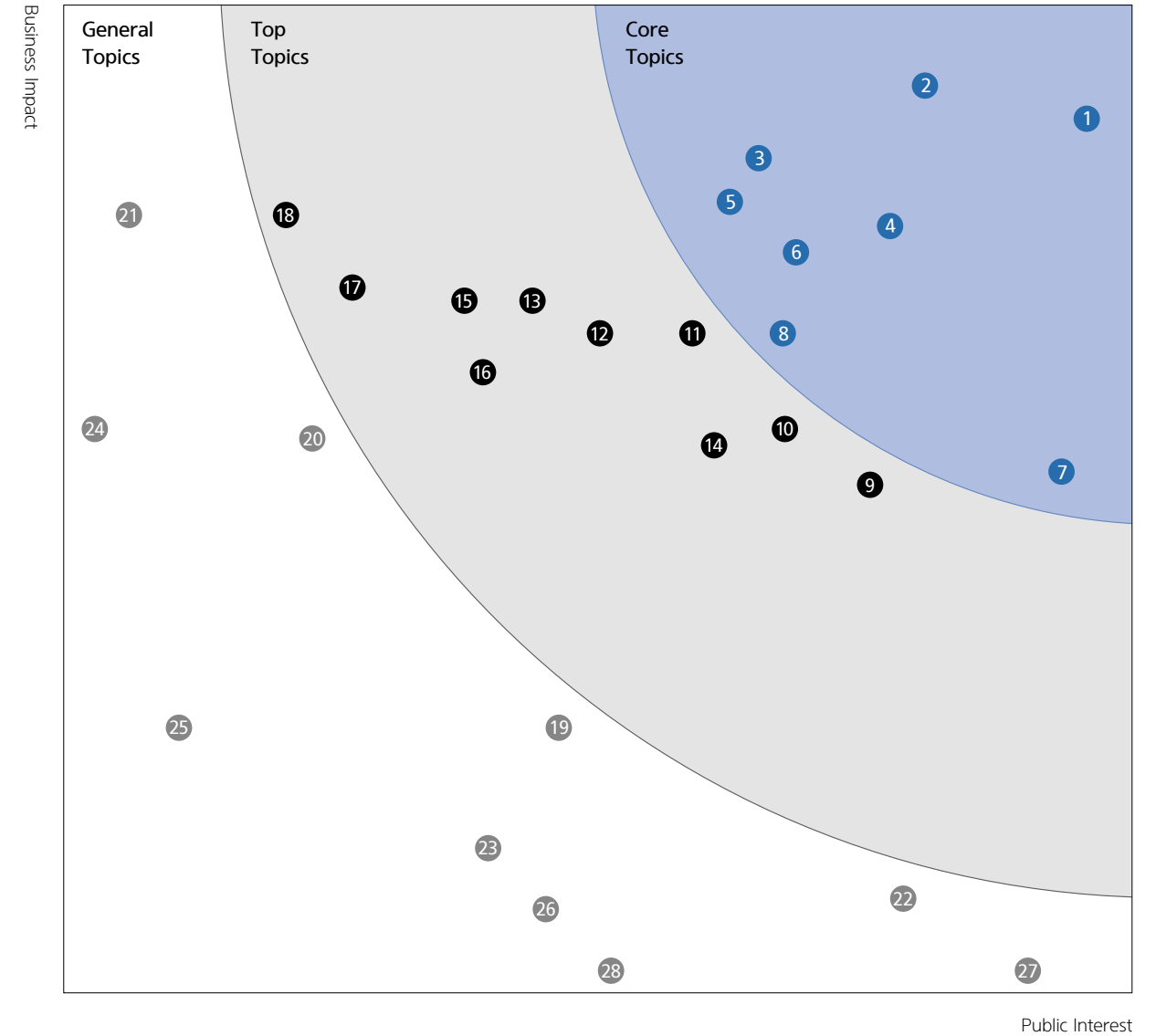
- 1 Expanding R&D and securing new technologies
- 2 Improving product/service quality and enhancing customer satisfaction
- 3 Compliance management and business ethics
- 4 Reinforcing competencies of personnel (HRD)
- 5 Enhancing job security and promoting sound labor-management relations
- 6 Creating a safe workplace and raising safety awareness
- 7 Pursuing environmental management by developing more environmentally friendly technologies
- 8 Reducing waste and pollutant emissions

Top Topics

- 9 Diversifying business and exploring new opportunities
- 10 Ensuring sound governance
- 11 Reducing adverse environmental impacts of partner companies
- 12 Ensuring customer safety and health
- 13 Attracting and retaining talent
- 14 Promoting shared growth with partner companies
- 15 Respecting human rights of all personnel
- 16 Enhancing fair trade system
- 17 Ensuring diversity and inclusion
- 18 Improving the quality of life for all personnel, including through a better welfare system

General Topics

- 19 Respecting human/labor rights of partner companies' personnel
- 20 Building and operating resource circulation, reuse, and recycling framework
- 21 Ensuring fair distribution of earnings
- 22 Improving material and energy efficiency
- 23 Communication with stakeholders
- 24 Ensuring information security, including through protecting confidential and personal information
- 25 Operating an integrated risk management system
- 26 Addressing climate change issues, including GHG emissions control
- 27 Contributing to co-prosperity of local communities
- 28 Social contribution activities



Public Interest

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. HCE will enhance corporate and shareholder value and deliver customer satisfaction by identifying quality and technology as top priorities.

R&D	p.37
Quality Management	p.40
Technology Empowerment	p.44

R&D

HCE has achieved sustainable growth by overcoming the crisis and securing a new growth engine based on the significantly differentiated technologies it developed. Our R&D activities are focused on the development and designing of core parts and automotive electronics in construction equipment and industrial vehicles as well as the technologies required to improve their performance and reliability.

Management system

Vision	· Cement our position as a global top 5 construction equipment manufacturer
Mission	· Strengthen technology-oriented business base
Strategy and Direction	· Achieving QCD (Quality, Cost, and Delivery) of new models · Developing ICT service and solution technologies · Strengthening R&D base by improving infrastructure, human resources, and technologies

Governance of R&D

Category	Details
Executive in charge	· Chief Technology Officer (Executive Vice President)
Decision-making body (meeting frequency)	· Product Development Planning Deliberative Council (ad hoc basis)
Responsible organization	<p>Institute of Technology</p> <ul style="list-style-type: none"> · Seongnam: Designing of construction equipment and related core parts which are designed, manufactured, and sold by HCE; research on ICT platform development, automotive electronics and mechatronics technologies, and product designs, etc. · Yongin: Research on base technologies such as structure, vibration/noise dynamics, thermal fluid related to construction equipment; research on advanced technologies such as automated or intelligent construction equipment, etc. <p>Reliability Research Institute</p> <ul style="list-style-type: none"> · Ulsan: Assessment of the performance and reliability of construction equipment designed, manufactured, or sold by HCE; research on the improvement of manufacturing procedures and methods; research on the improvement of materials and welding quality; improvement of the performance and reliability of products launched

(As of March 2020)

Performance Indicators¹

Category	Unit	2017	2018	2019
R&D expenses	KRW 100M	377	519	597
R&D expenses (relative to revenue)	%	2.0	1.6	2.7
R&D personnel	Headcount	229	278	302
Patent applications ²	Caseload	-	5	-
Environmentally friendly-related patent applications ²	Caseload	1	1	1
Intellectual property applications ^{2,3}	Caseload	25	20	9
Overseas patent applications ²	Caseload	-	-	1
Overseas patent registrations	Caseload	6	1	1

¹ Inclusive of HCE and its subsidiaries

² As of application date (As some of the patent applications filed in the pertinent year are currently in the stage of examination request and additional applications are scheduled to be filed, numbers may later be upwardly revised.)

³ Inclusive of patents, model utility rights, and design rights

R&D Achievements

Roll-out of New Excavator Models

To launch a new excavator lineup that satisfies the New European Stage V Emissions Standards, HCE developed five new models in 2019 and plans to develop nine more models by the end of 2020. The recently developed new models demonstrate greatly enhanced operational performance and fuel efficiency based on the new electro-hydraulic system, and their safety and convenience specifications have been considerably improved with new technologies. We helped revitalize overseas markets to which we have directly exported the same set of product models for a long time by unveiling new models, while refreshing our image with enhanced product performances.

Commercialization of RDS for Equipment Safety

HCE developed its RDS (Rear Detection System) which detects rear obstacles of the construction equipment by using radar and gives alarms accordingly. Beginning with wheel loaders in 2019, RDS application will be expanded to wheel excavators in 2020. The radar sensor tailored to construction equipment was added to the existing rear detection system that uses camera sensors, etc. to accurately detect obstacles within 10 meters from the rear of the equipment even in severe conditions such as dust, fog and low light intensity. Free of false alarms that often drive down work efficiency, our RDS provides correct alarms and has thus increased the safety of the equipment.

Development of Remote Control System for Wheel Loaders

HCE developed a remote control system for wheel loaders and completed the verification of its prototype functions in the US worksite. Consisting of an operator station, a wireless communication system, and a control system, the remote control system receives real-time full HD video (<300ms) from a total of six cameras including four cameras attached to the equipment and drone cameras. Its control system consists of five controllers installed in the equipment and facilitates unmanned operations (including steering, driving,

and breaking functions) on the site according to remote-controlled signals (communication data).

Commercialization of 2D MG System for Excavators

HCE launched its MG (Machine Guidance) system which provides excavator operators with precise bucket locations in real time. We also developed a subsequent version to add the laser receiver which allows sharing the base measurement height in a large worksite. It reduces procedures remarkably by providing operators with a real-time distance from the base operation surface to the end of the bucket and a simplified method compared to the existing method which depended on each surveying engineer's level of precision.

Development of Eco-Friendly Technologies

HCE's eco-friendly R&D efforts are focused on the development of new power technologies that will reduce emissions, noise, and fossil energy consumption. In these efforts, HCE aims to develop a new power system away from the combustion engine and deal with ever stricter emissions and noise regulations. HCE set two directions for these efforts: electric mini excavators and fuel cell electric construction equipment. Since beginning investment in electric mini excavators in full in 2019, HCE has developed a battery-type mini electric excavator and internalized related technologies with plans to also develop mid-sized electric excavators. For fuel cell electric equipment, HCE signed an 'Agreement on the Joint Development of Hydrogen Fuel Cell' with Hyundai Motor Group and began developing medium and large fuel cell excavators and forklifts that will produce no hazardous gas at all.

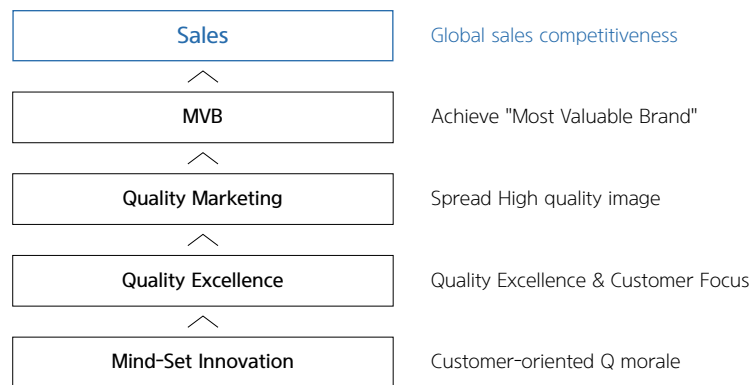
2020 Initiatives

- Developing high-quality equipment satisfying local regulations on safety and environment
- Developing advanced products and ICT services and solutions
- Establishing R&D infrastructure by completing Durability Center and supplementing engineers
- Developing eco-friendly construction equipment powered by new engines such as electric or fuel cell excavators

Quality Management

With an aim to raise customers' loyalty to our products, HCE has defined the quality management policy for 2020 as "realizing quality excellence with a focus on the market and customers." To that end, we have maintained the certification to ISO 9001, the international standard for QMS (Quality Management System). Since acquiring the certification after the initial audit by DNV.GL in 2017, we have acquired the re-certification after periodic audits every year and a re-certification audit every three years. The certification to ISO 9001 demonstrates the effectiveness of and customer trust in our QMS.

Management System



Quality Management Policy

Quality management policy for 2020
"Realizing quality excellence with a focus on the market and customers"

1. Establishing global QMS
2. Accomplishing advanced product quality through company-wide engagement
3. Achieving durability that would impress customers
4. Securing profitability through quality improvement

Governance of Quality Management

Category	Description
Management system	· Certification to ISO9001(QMS)*
Executive in charge	· Head of Quality Dept.
Decision-making body (meeting frequency)	· Monthly quality meeting: Monthly review of quality performances and improvements · Global conference: Global roll-out of quality strategies
Responsible organization	· Quality Dept.: Quality management command center for domestic and overseas entities
Company-wide quality management indicator	· Durability index improvement · Initial quality index improvement

* ISO 9001 re-certification efforts for 2020 will begin after June 2020 due to delays caused by COVID-19.

Quality indicators¹

Indicators	Unit	2017	2018	2019
Internal audit of QMS	Cascount	22	12	11
Quality audit of in-house and outside partner companies	Cascount	59	71	117
Personnel who completed quality training course	Headcount	154	136	184
Rate of worksites certified to ISO 9001	%	100	100	100

¹ Scope: All domestic business establishments

QMS Operation and Assessment

HCE has operated the QMS that satisfies international standards in order to produce defect-free products with outstanding performances that live up to customer expectations. We strive to maintain the effective QMS by reviewing and improving each team's work processes through annual internal audits. In addition, we manage quality risks and opportunities by preparing for internal or external changes, various issues, and stakeholder demands and monitoring such preparation efforts regularly.

Achievements

Quality Training

Since 2018, HCE has operated TTC (Technical Training Center) to offer systematic trainings that will enhance competencies of each level. TTC trainings have enhanced the job competency of employees by providing courses specialized for each job such as advanced product quality, partner companies' quality, field quality, etc. A special lecture on NDT (Non-Destructive Test) for welded structures and other five courses were provided to managers and manufacturing engineers, and 108 employees completed TTC courses in 2019. Our trainings enhanced the competency of both new hires and existing employees and helped all employees become an expert in their own field.

Management of Quality Failure Cost

For a systematic management of quality failure costs, HCE has assigned accountability in line with attributability and conducted target management. In addition, we increased the quality level continuously while decreasing failure costs by identifying problems from the multi-sided failure costs analysis by factory or model and aligning those problems with follow-up measures.

Quality Index Management

HCE uses two quality indices for its products: the number of on-site equipment breakdowns that occurred within the first six months (up to 200 hours of operation) after sales and that within 12 months after sales, to follow up on initial quality and long-term durability of its equipment. Both indices improved steadily in 2019 compared to the previous year, and we strive to keep the improving trend by making company-wide efforts to reduce customer complaints

with a division-specific responsibility system in operation.

- Initial quality index improvement rate: Construction equipment (21%), Industrial vehicle (15%)
- Durability index improvement rate: Construction equipment (31%), Industrial vehicle (37%)

Improved Process for New Model Development

The process of developing new models has been improved to enhance product planning, design and field testing, and our Reliability Assessment Center and Quality Assurance Office have been newly established to ensure customer-oriented verification of equipment. Further, we keep improving the quality of new models by introducing the assessment of customers' perceived quality of equipment usability and establishing a database of past quality issues for reflection in developing new models.

Assessment of Quality and Productivity by Factory

HCE promotes the upward levelling of the entire factories' quality and productivity by performing a monthly assessment of quality and productivity of factories at home and abroad and supporting the improvement of low-ranking factories.

Product Satisfaction Measurement

For each after-sales service offered, Happy Calls are made to identify room for improvement and product satisfaction levels. Further, customer feedback, collected via branch meetings and meetings of expatriates of each hub, and customer satisfaction surveys, is fed into our product roadmap for constantly improving customer experience. From the Happy Calls which are made to customers who experienced after-sales services on a random basis, we found that product satisfaction score in 2019 is 8.5 out of 10 (9.3 in 2017, 8.9 in 2018). We use the survey result to raise customers' satisfaction with after-sales services. As major complaints occurred from delays in after-sales services in 2019, we conducted case studies and took measures to minimize such delays.

Quality Management for Products of Partner Companies

HCE has built an end-to-end parts quality management system to monitor the entire process in real time from occurrence to resolution of parts issues. We also monitor partner companies' quality improvement consistently by setting each company's quality improvement target and monitoring its performance. In 2019, we managed the targets of 89 partner companies and analyzed the cause of defects occurring from 61 underachievers. We strive to improve their quality management by collecting information on changes in their 4Ms (man, machine, material, and method), conducting regular audits, providing on-site skill training, and monitoring compliance with work standards.

Endeavors to Reduce Customer Complaints

HCE saw reduced customer complaints after making it a priority to address customer complaints through the TFT activities designed to reduce field complaints. By improving the quality assurance process, we eliminated overlapping works and devoted all our customer satisfaction capabilities to making us highly responsive and prompt in addressing field breakdowns and quality issues.

Quality Conference for Customers

HCE has invited customers to Quality Conference to expand contacts with customers and hear their voices on site.

Category	Description
Global VIP tour	We held a global VIP tour by inviting 180 large customers from 23 countries in Central and Latin Americas, Africa, Asia and CIS. The VIPs visited Ulsan and Eumseong factories to see manufacturing procedures and QMS. We successfully raised their confidence in our products by demonstrating equipment operation and displaying new models.
New Electric Forklift Model Showcase	We showcased a new electric forklift model for 80 salespeople, including branch heads, in two sales branches of Ansan and Gyeongnam. The two small electric forklift models (2.5 to 3.5 tons) have operation time 40% longer than the existing models, and Electric Hydraulic Power Steering (EHPS) equipped in the models increases energy efficiency and reduces hydraulic noises.

2020 Initiatives

Category	Description
Improving market quality	· Analyzing breakdowns and making improvement efforts in a global perspective
Achieving advanced product quality	· Advancing new model development processes · Building infrastructure to verify advanced product quality (Reliability Assessment Center and Quality Assurance Office) · Strengthening efforts to verify parts developed by partner companies
Securing durability	· Enhancing durability audit of parts and equipment
Improving profitability	· Recognizing issues and taking preventive measures before a breakdown occurs · Shortening the development process of outsourced parts and equipment

Technology Empowerment

HCE's technological excellence is attributed to its talented technical personnel and its training infrastructure that enables strategic fostering of such excellent professionals. As it becomes increasingly important to strategically nurture talented professionals, HCE is putting great efforts to establish a well-organized incubation system to improve the competencies of its manufacturing engineering workers.

Management System

To lay the foundation for nurturing global technicians, HCE provides overseas dealer trainers with technical trainings to foster them first and let them offer trainings in their local language. We developed the global online technical training system (HETA) which offers video-based technical and sales training courses while preparing to join a consortium training project in 2020. In addition, we provide a systematic training curriculum for employees of both HCE and partner companies to empower HCE and encourage partner companies to grow together as partners through innovations of manufacturing, quality and cost.

Direction

Providing future-oriented global training programs



Nurturing dealer trainers

Securing a pool of global technical trainers by nurturing qualified trainers in overseas dealers that will maximize the technical effect of equipment with the latest technologies and drive customer satisfaction.

Joining consortium projects

Joining consortium projects that will provide substantial training curriculum and lay the foundation for the co-prosperity of HCE and partner companies; Improving education infrastructure by participating in a state-sponsored education project satisfying the national policy of nurturing excellent technicians.

Hyundai construction equipment E-Training Academy (HETA)

Establishing a system which offers technical trainings to trainees wherever and whenever they want in an aim to increase beneficiaries of technical trainings.

Achievements

Overseas Dealer Nurturing Program

In the trainer nurturing program for overseas dealers since 2019, HCE has provided the trainees with technical knowledge and hands-on experience of training methodology so that they can faithfully serve as a trainer of dealer's independent training sessions. We keep striving to inspire them with a sense of belonging as a member of HCE by having a field trip to HCE's Ulsan factory and Korean historic sites (Bulguksa or Folk Village) with dealer trainers.

- Offered seven times for 88 trainers
- Participated by trainers of 42 dealers from 37 countries across all continents

Global Online Training System

HCE opened the global online technical training system in May 2019. All online training courses are provided in video form. As writing tools are embedded in the system to help dealer trainers provide trainings in their local language, they can easily prepare training materials on their own.

- Courses provided: 44 courses (as of the end of February 2020)
- English: 18 courses (Including courses prepared by overseas entities)
- Korean: 24 courses
- Spanish: 2 courses

2020 Initiatives

- Preparing for and taking on consortium projects

Upholding Fair and Transparent Business Practices

HCE aims to be the most transparent company, rather than the largest one. By upholding sound ethical practices and compliance, we will work to create a market environment that contributes to the growth of all our stakeholders and the sustainability of our society.

Compliance Management	p.47
Business Ethics	p.59
Greater Management Transparency	p.55

Compliance Management

HCE is committed to raising awareness of ethical and lawful conduct and complying with all applicable laws and regulations by ensuring the compliance guidelines are embedded in all our business activities. Our Compliance Program (CP) has been in existence since 2020, and we actively engage in compliance activities such as assessment, audit, training, and consulting.

Management System



Governance of Compliance Management

Category	Responsibility
BoD/CEO	· Confirming compliance plans and set directions ; discussing and decide compliance-related agenda
Compliance officer	· Ensuring centralized operation of Compliance Team's compliance system; Establishing/amending compliance standards and rules; Offering compliance education and running relevant training programs; Performing compliance audits
On-site compliance officer/on-site compliance organization	· Organization name: Compliance Team · Training on compliance systems and related laws and regulations for compliance staff, compliance audit · Scope: HCE and its subsidiaries

BoD Reporting

Category	Compliance Audit Reporting
Frequency	· Annual
Content	· Corporate compliance audit result
2019 Agenda	· Compliance risk assessments · Publication and circulation of key compliance checkpoints, matters to be noted in inter-entity transactions of the Group, and standard manual on contract process with partner company · Publication of Compliance Newsletter

Performance Indicators¹

Category	Unit	2017	2018	2019
Compliance training sessions	Caseload	1	No training offered	1
Compliance training participants	Headcount	11	No training offered	200
Departments audited for compliance practices	No.	-	No audit conducted	3
Legal consulting related to fair trade	Caseload	3	2	1
Legal consulting related to corruption prevention and financial sanction	Caseload	3	2	2
Other legal consulting	Caseload	153	201	401
Violations of Improper Solicitation and Graft Act	Caseload	-	-	-

¹ All domestic business establishments

Activities and Achievements in Compliance Control and Fair Trade

Enhancement of Compliance Capabilities and Understanding

HCE provides regular compliance trainings for major decision-making positions such as new executives, department heads, team managers, and new hires. HCE also offers “Compliance Training at Your Doorstep” program where a lecturer visits a department with a greater risk of compliance violation and delivers training, thereby spreading the mindset of compliance management throughout all personnel. In addition, we publish compliance newsletters on the intranet on an ad-hoc basis to educate personnel on compliance management in an effort to alleviate the risks of compliance violations that may arise during the course of business.

Approval and Review Regarding Anti-Corruption and Financial Sanctions

HCE implements pre-approval system and conducts legal reviews based on the guideline on compliance with anti-corruption laws and regulations to cultivate a clean and fair management culture and prevent legal risks. In addition, we go through pre-approval system and legal reviews based on the guideline on compliance with laws and regulations on financial

sanctions to effectively prevent risks at home and abroad. We completed the introduction of those two guidelines in 2019.

Compliance Training for Fair Subcontracting and Work Process Enhancement

HCE offers a periodic and ad-hoc training on subcontracting compliance to the personnel who deal with contractors in their work capacity and improves the relevant work process, thereby addressing the associated risks in a proactive manner.

Fair Trade Compliance Handbook, Checklist, and Manual in Place

We have developed and circulated the Fair Trade Compliance Handbook, Checklist, and Manual for the reference of our employees, to help our people avoid compliance-related risks that may occur in the course of business, providing ad hoc updates and amendments as necessary.

Major Amendments

- In 2017: Subcontracting section of Fair Trade Compliance Handbook amended
- In 2020: Abuse of market-dominant position & Unfair trade practices sections of Fair Trade Compliance Handbook amended

Monitoring Implementation of Fair Trade Compliance Program

HCE newly introduced the Fair Trade Compliance Program in 2020, faithfully conducting relevant trainings and inspections with the support of KSOE’s Compliance Team.

Online Channel for Partner Companies

Acting on our commitment to fostering a culture of fair subcontracting practices, we operate an online channel through which a partner company can directly contact our Compliance management organization and report or request a consultation on suspicious business transactions indicative of corruption.

Compliance Risk Assessments

To accurately understand the content and level of compliance risk, HCE conducts risk assessments for all departments and utilizes the results for system improvement, trainings, and inspections to enhance the effectiveness of compliance.

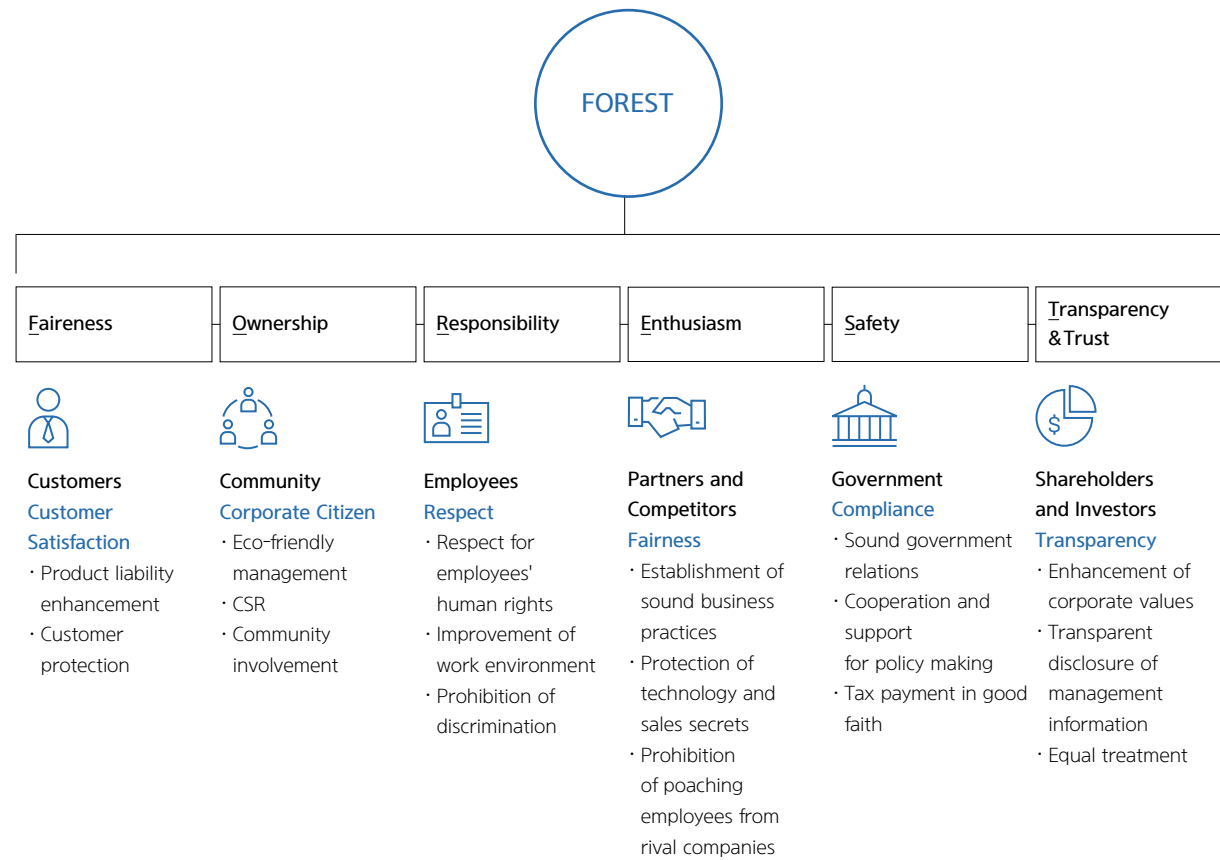
2020 Initiatives

Category	Responsibility
Improving compliance management system	· Appointing a compliance manager, establishing a solid compliance system through active trainings and activities · Improving subcontracting procedures and providing more trainings · Establishing and circulating checklists for subcontracting, fair trade, and anti-corruption
Promoting compliance culture	· Providing intensive support for solid establishment of compliance systems · Discovering and spreading best compliance practices

Business Ethics

Like a forest that contributes to the co-existence of all surrounding lives, HCE will foster an environment for all stakeholders' growth and development and pursue a sense of fairness, ownership, responsibility, enthusiasm, safety, transparency and trust. We will put forth our best effort to become a corporate that customers and partner companies want to trade with, one that investors want to invest in, one that employees want to work at, and one that fulfills its responsibility for the nation and communities.

Management System



Charter of Ethics	Code of Conduct	Special Code of Conduct	Business Ethics Guidelines	Code of Conduct for Business Partners	Business Ethics Action Program	Training and Promotion
Declaration of HHI's management philosophies based on business ethics	Specific ethical standards in the Charter of Ethics by sectors	Standards for employees engaged in business functions, which require specific standards and stricter ethical obligation	Detailed job guidelines for the implementation of business ethics in the workplace	Ethical standards for shared growth with partners through transparency and fairness in business	Specific institution and process to develop a fair and transparent corporate culture	Efforts for active employee participation in ethics management and promotion of ethical corporate culture

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 Management scope: HCE

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 changes of the environment such as related laws and regulations and social perception and enhance their effectiveness.

Employees			Partner Companies
Code of Conduct	Special Code of Conduct	Business Ethics Guidelines	Code of Conduct for Partner Companies
<ul style="list-style-type: none"> · 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 	<ul style="list-style-type: none"> · 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) 	<ul style="list-style-type: none"> · Enforced on January 1, 2002 · 7th revision on December 1, 2019 · Business process standards for understanding and practicing business ethics policies 	<ul style="list-style-type: none"> · Enforced on October 4, 2005 · 3rd revision on December 1, 2019 · Duties applied to personnel of HHI Group's partner companies

Performance Indicators¹

Category	Unit	2017	2018	2019		
Employees	Business ethics training	Classroom Promoted employees	Headcount	46	No promotion offered	5
	Classroom training	New hires (including experienced hires)	Headcount	9	45	59
		On-site training	Headcount	443	339	32
		Others	Online training	Headcount	31	75
		Department-level training	Headcount	0	350	133
		On-site hearing on business ethics	Headcount	18	7	216
Partner Companies	Business ethics training ²	Headcount	25	10	32	

¹ Scope: All domestic business establishments

² 2017 and 2018: on-site hearing participants/2019: training participants

Ethics Management Activities & Achievements

Integrated Group Website

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. 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 corruption such as accounting fraud, and a channel for ethics counseling. Once a report is filed, the reporter is updated on the progress and result of the case via email or SMS.

Annual Business Ethics Confirmation

HHI Group's employees and its partner companies are required to submit an annual Business Ethics Confirmation, 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.

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

Business Ethics Team receives reports on allegations of wrongdoing, which include illegally accepting gratuities or entertainment, obtaining unjust gains using their position or authority, and abusing authority. Reports can be submitted by phone, fax, email or post, or online. We aim to protect the whistleblower's identity and reward them in accordance with our reward guidelines.

Business Ethics Self-monitoring

Annually HCE employees are provided a survey-format checklist to find areas to be improved and enhance the understanding of business ethics through self-monitoring and evaluation.

On-site Hearings and Assessment of Business Ethics

HCE 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 improvement.

Business Ethics Training and Promotion

HCE 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 trainings provide a case study of various unethical issues 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. Moreover, we work to introduce our ethical management system at a council with our partner companies. Ethics Management Team also works to spread ethics management over partner companies by visiting them to provide related trainings.

Clean Notice System

Prior to major national holidays every year, we send out letters to our partner companies asking not to provide any gift 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 stakeholders, 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 stipulates obligations such as transparent and fair business practices with partner companies and compliance with 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, provision of classroom trainings for the introduction of ethics management, and provision of promotional materials.

2020 Initiatives

Category	Responsibility
Classroom training	· Improving training satisfaction level by catering to the specific needs and assigning full-time training coordinator personnel
Promotion activities	· Creating new contents and using video clips for promoting ethics management
Amendment of Code of Conduct and establishment of Human Rights Hotline	· Incorporating a new clause on human rights respect and protection to the Code of Conduct for promoting human rights in business · Providing a reporting hotline in the Group's integrated ethics management website
Identification of ethical risks and preventive actions within department	

Greater Management Transparency

HCE 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.

BoD Operation & Composition

To ensure a sound corporate governance and transparent management, we have the Articles of Incorporation in place stipulating that more than half of BoD members must be outside directors. There are three subcommittees: Outside Director Recommendation Committee, Audit Committee, and Internal Trade Committee. The BoD has the authority to vote on matters mandated from the shareholders' meeting and matters related to basic principles of corporate operation. The BoD also has the rights to appoint CEO and Chairman of the Board as well as the responsibility to oversee the duties of executives.

Category	Name	Position	Gender	Current Occupation	Committee (where listed as a member)	Initial Appointment Date
Internal director	Kong Ki Young	Chair	Male	President and CEO of HCE	Outside Director Recommendation Committee	March 2020
	Song Myung Joon	Director	Male	Head of Finance, HHI Holdings	Internal Trade Committee	March 2018
Outside director	Sohn Sung Kyu	Director	Male	Professor of Accounting at Yonsei University	Audit Committee, Internal Trade Committee, Outside Director Recommendation Committee	March 2019
	Lee Jeon Hwan	Director	Male	Senior Advisor at Bae, Kim & Lee LLC	Audit Committee, Internal Trade Committee, Outside Director Recommendation Committee	March 2019
	Shin Pill Chong	Director	Male	Attorney at Law Firm Pyungjeon	Audit Committee, Internal Trade Committee, Outside Director Recommendation Committee	March 2020

(As of March 2020)

BoD Subcommittees

Committee	Objective and Authority
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

BoD Meetings

In 2019, HCE held a total of nine BoD meetings, where 32 agenda items were processed. Attendance rate of outside directors is 92.5% (exclusive of interim resignations).

Date	Agenda items reported and proposed
Jan. 30, 2019	3 items including the reporting on the operation of internal accounting system in 2018
Feb. 28, 2019	2 items including the reporting on the assessment of internal accounting system operations
Mar. 26, 2019	5 items including the appointment of BoD Chairman and the decision of the order of succession (acting for Chairman) in case of absence
Apr. 2, 2019	2 items including the reporting on separation result and the disclosures
Apr. 30, 2019	Reporting on the sales performance of 1Q 2019
Jun. 19, 2019	Approval on the ceiling of corporate bond issuance
Jul. 24, 2019	2 items including the sales performance of 1H 2019
Oct. 25, 2019	2 items including the sales performance of 3Q 2019
Dec. 4, 2019	7 items including the reporting on the guideline on compliance with laws and regulations on financial sanctions

Appointment and Assessment of Outside Directors

HCE complies with the Commercial Act's requirements for outside director appointment, and our outside directors are not a related party to the major shareholders, 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 among companies. To ensure the diversity and expertise of the BoD, we organize the BoD with professionals with expertise in each job function and we allow no limits based on age, gender, educational or regional backgrounds in appointing or evaluating BoD members.

Enhancement of BoD's Expertise

HCE provides training sessions to outside directors to help them perform their duties faithfully. In 2019, our outside directors were given trainings on the things to be prepared for the amendment to the Act on External Audit of Stock Companies and the role of Audit Committee from Samil PwC, thereby enhancing their expertise as member of Audit Committee. They will continue to be given such trainings from external professional institutes in 2020 as well.

Remuneration of BoD Members

The ceiling of the remuneration of BoD members is decided by the resolution of the Annual General Shareholders' Meeting to ensure transparency and justification. The 2019 annual remuneration ceiling for directors approved by the General Shareholders' Meeting was KRW 2.6 billion. To provide remuneration details, we disclose the number of remunerated directors and the total remuneration in our integrated report.

Major Changes to Management Performance in 2019

HCE decided on spinning off its Parts Business Unit on December 20, 2018, and approved the plan at the regular general meeting of shareholders on March 26, 2019. The spin-off took place on April 1, 2019, with the rest of the business units remaining as HCE while the Parts Business Unit separated into Hyundai Core Motion.

Shareholders and Dividends

The number of the outstanding shares of HCE, a company listed in the securities market, as of the end of 2019 is 19,700,793 of which 33.12% is held by HHI Holdings. Dividend payment or its amount is decided by considering business conditions. If dividend payout is deemed necessary, we decide on whether and how much dividend will be paid based on the internal dividend policy. If we decided to pay dividends, then we disclose the resolution of dividend payment while announcing it to shareholders and sending them a dividends notice.

Category	Name	No. of Shares	Proportion (%)
Shareholders with over 5%	HHI Holdings	6,524,628	33.12
	NPS	1,439,995	7.31
Minority shareholders		10,476,801	53.18

(As of December 31, 2019)

Pursuing Safe and Environmentally Friendly Business Practices

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

Safety Management	p.59
Health Management	p.62
Environmental Management	p.64

Safety Management

HCE has pursued various activities to build a safety culture linked with strict principles and responsibility based on global standards such as ISO 45001 and OHSAS 18001. It is also establishing a safety and health management system focused on participation and prevention. The management has shown constant interest and commitment to safety by holding a morning meeting led by CEO (monthly safety performance review) and other meetings on safety measures. The company also focuses on establishing an autonomous safety culture where all workers voluntarily participate in risk assessment and finger-pointing/confirmation activities such as tool box meetings (TBMs). This year, our safety management will be focused on high-risk tasks through risk classification on a process and individual level. The collective bargaining agreement also includes clauses concerning safety and health of employees.

Management System

HCE created a database covering a comprehensive range from accident cases to safety training through the HiSEs (Hyundai integrated health, Safety and Environment system). The HiSE is accredited to ISO 45001 and operated under the safety management principles of plan-do-check-act. HCE pursues participation-based safety culture through risk assessment with employees and Industrial Health & Safety Committee composed of labor and management representatives. It is focusing its energy on strengthening the roles and functions of supervisors at production lines where responsible safety management is required. All employees can access the database via various platforms (PC, mobile, etc.) to check information in real time.

Safety Management Governance

Category	Description
Management system	· Accredited to Occupational Health and Safety Assessment System (ISO 45001, OHSAS 18001)
Executive in charge	· Chief of Manufacturing Division (Executive Vice President)
Decision-making body (meeting frequency)	· Industrial Health & Safety Committee (5 representatives each from the management and the labor union) (quarterly)
Dedicated organization	· Safety & Environment Team: Safety control tower for domestic/overseas corporations · Safety promoter at each department, safety manager separately assigned at partner companies
Company-wide safety performance indicator	· Accident rate (accidental industrial injuries)

Performance Indicators¹

Indicator	Unit	2017	2018	2019	2020 (target)
Accident rate	%	0.291	0.228	0.177	0.116
Direct operations	%	0.62	0.33	0.14	N/A
Partner companies	%	0	0	0	N/A
Fatalities	Headcount	0	0	0	0
Direct operations	Headcount	0	0	0	0
Partner companies	Headcount	0	0	0	0
Frequency rate of accidents (per 1 million hours worked) ²	-	0.212	0.206	0.139	N/A
Lost Time Injury Frequency Rate (LTIFR, including non-accidental injuries, per 1 million hours worked) ²	-	0.682	0.584	0.452	N/A
Spot rewards cases for best safety practices	Casecount	890	810	710	900
Reward amount	KRW 1,000	1,768	78,707	2,470	4,500
Safety Academy attendees	Headcount	35	23	14	10
Crane safety training ²	Headcount	235 ³	57	104	-
Emergency drills	Casecount	2	2	2	2

¹ Scope: All domestic business establishments

² Inclusive of partner companies

³ Temporary increase in 2017 due to retraining after spin-off

※ Safety and health training is legally mandated for all employees.

Safety Management Achievements

Golden Rules and Safety Academy

We have established a must set of safety rules that all employees, including those from in-house partner companies, should comply with on site so that Group-wide safety culture focused on basic principles can take root in the company. The Safety Golden Rules aim to improve safety awareness, establish basic discipline, and control risky on-site tasks (e.g. fasten seatbelt when working in a high place, no entrance under hoisting unit, no hot work while painting, no unauthorized parking on crane rail). Under the principle of zero tolerance, violators of the rules that accord with the group's core safety values are enrolled in a two-day program in the Safety Academy to enhance safety awareness and prevent recurrence.

Spot Rewards for Best Safety Practices

We operate the in-house safety qualification system that evaluates employees' safety knowledge and pays cash rewards for those who exceed a certain score to raise their interest and motivation in safety. There are other reward programs aimed at fostering a culture where employees encourage and inspire each other to improve on-site safety, including spot rewards for best safety practices and monthly rewards for excellent performers in risk assessment and TBM/finger-pointing activities.

Safety Training

Systematic safety training is offered to both technicians working in the office and engineers working on site. Aside from compulsory safety courses, separate training is provided on crane and manufacturing equipment operation due to frequent use of such equipment and cranes on site.

Strengthening Facility/Equipment Safety Review System

We have improved the facility change procedures and system to check licensing and other legal requirements in advance and evaluate the impact on on-site safety when changing a major facility/machinery/equipment. Any proposal for facility investment should be reviewed by the Safety & Environment Team as a process of the electronic approval system so that the team can check legal licensing requirements (safety/health/environment/fire protection, etc.) and safety conditions before starting construction. We have also revised detailed safety review rules for safety/health/environment equipment.

Reinforcing Integrated Control Center Operation Capabilities

We operate the Integrated Control Center to enable real-time communication, respond swiftly to any disaster or emergency, and protect business sites and neighboring areas. Emergency drills are conducted based on fire and oil spill scenarios in accordance with the Group-wide response manual for natural disasters such as typhoons and earthquakes. We also run a joint drill with Ulsan Dongbu Fire Station each year to better respond to actual emergency situations.

2020 Initiatives

Goal	Initiatives
<ul style="list-style-type: none"> Strengthening efficiency of safety management Securing capabilities to take preemptive action for tasks with a high risk of accidents 	<ul style="list-style-type: none"> Conducting quantitative risk analysis on the process and at the individual level Developing customized safety management guide program by risk level Preparing behavior manual for non-routine work (process change, unexpected event)

Health Management

HCE focuses on preventive health management with the aim of establishing a healthy workplace. It is continuing efforts to strengthen the management of hazardous substances by work process and improve working environment. Employees are provided with medical checkups and strengthened follow-up care based on checkup results such as adjustment of working hours, exercise, nutrition management, and health counseling so that they can stay healthy in a comfortable working environment.

Performance Indicators¹

Category	Unit	2017	2018	2019	Remark
Medical service	Headcount	1,995	1,795	2,096	Visits to the oriental medical clinic, in-house hospital or health promotion center
Occupational illness frequency rate (OIFR) limited to hearing loss and musculoskeletal diseases	%	0	0.003	0.003	5 employees diagnosed of occupational illness in 2019 (1 hearing loss, 4 musculoskeletal diseases)

¹ Scope: All domestic business establishments

Health Policy

Creating Comfortable Working Environment

- Continuing efforts to improve working environment
- Revitalizing disease prevention and health promotion programs

Key Support and Facilities

Musculoskeletal Disease Prevention

We established the musculoskeletal disease prevention/management organization, designating one representative for each department, and invited outside experts to provide four hours of education. There are 11 major tasks burdening the musculoskeletal system defined in the related law. We investigated 152 processes and found that 86 of them included such tasks. Then, the management and labor union conducted a joint on-the-spot inspection of the processes at issue and surveyed workers about symptoms. Based on the results, we have established an improvement plan and made continuous efforts to improve working environment by installing new equipment or enhancing processes.

Medical Examination and Expense Support System

We provide a medical examination (general/special) every year to promote the health of employees and their families. Comprehensive medical testing is also offered to long-serving and senior employees as well as those with suspected general diseases along with customized follow-ups as needed. We also support

the medical expenses of an employee or his or her family members with heart disease and incurable diseases (cancers/leukemia), and provide health allowances for employees suffering occupational diseases.

Health Promotion Centers

There are health promotion centers at worksites, which are jointly operated by Group affiliates to improve employee health and help the injured recover quickly. The centers are equipped with a clinic, a health care center, a physical therapy room, and a rehabilitation center. We focus on providing qualified medical care in a timely manner by operating medical offices under the control of nurses.

Oriental Medical Clinic

We operate an in-house oriental medical clinic with 20 beds under a business agreement with the College of Oriental Medicine, Dong-Eui University, to prevent musculoskeletal diseases. At the clinic, two attending Korean medicine doctors and two nurses treat employees with musculoskeletal pains such as backache and shoulder discomfort with acupuncture, moxibustion and cupping.

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 like swimming and fitness classes.

Support for Endemic Disease Prevention

We support expenses of vaccination and preventive medicine against endemic diseases like yellow fever and malaria for overseas business trips or dispatch.

2020 Initiatives

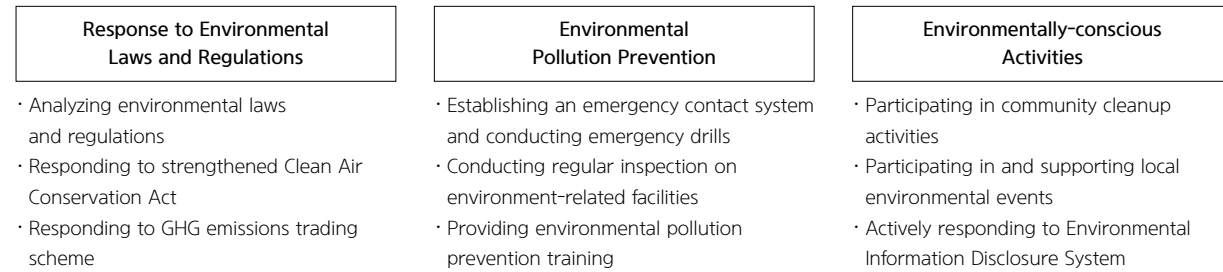
Goal	Initiatives
· Guaranteeing employee rights to health, with a focus on prevention	· Improving musculoskeletal strain factors by more than 80% · Engaging in health maintenance/promotion activities for three major diseases semiannually or more frequently * Three major diseases: high blood pressure, hyperlipidemia and diabetes

Environmental Management

HCE has established an environment management goal of “continuous improvement through environment management system” and pursued related policies focused on GHG reduction, environmentally friendly engineering design and social contribution. It is strengthening competitiveness in the market by minimizing the emission of pollutants through process improvement, establishing the waste separation/discharge system, and developing/supplying environmentally friendly products. The company will also actively respond to fine dust and other issues through investments in environmental facilities in line with government policies.

Management System

Efficient response to environmental laws and regulations and prevention of pollution



Environmental Management Governance

Category	Description
Management system	· Accredited to international certification for environmental management system (ISO 14001:2015)
Executive in charge	· Chief of Manufacturing Division (Executive Vice President)
Decision-making body (meeting frequency)	· Safety and Environment Committee (monthly)
Dedicated organization	· Safety & Environment Team: Safety control tower for domestic/overseas corporations · HSE promoter at each department
Company-wide safety performance indicator	· No. of violations of environmental laws/regulations

Environmental Policy

Establishing a Sustainable Environment Management System

- Minimizing environmental impact through continued efforts
- Conducting activities to prevent environmental pollution and participating in external environment protection activities

Acquisition of Environmental Management System Certification (ISO 14001:2015)



Response to Climate Change

Performance Indicators¹

Category	Unit	2017	2018	2019	2020 (target)
Direct energy (fuel) consumption	TJ	125	130	100	249 (10% reduction)
Indirect energy (electricity) consumption	TJ	228	276	183	
Total energy consumption	TJ	353	405	277	
Energy savings	TJ	0.08	0.38	0.36	1.37
Energy consumption per revenue ²	TJ/revenue (KRW 100M)	0.019	0.016	0.014	N/A
Reduction in energy costs	KRW 1M	2	11	35	38
Direct (Scope 1) emissions	tCO ₂ e	10,276	8,371	6,672	13,828 (10% reduction)
Indirect (Scope 2) emissions	tCO ₂ e	10,698	13,416	8,909	
Total GHG emissions	tCO ₂ e	20,974	21,784	15,364	
GHG emission reduction	tCO ₂ e	10	49	47	
GHG emissions per revenue ²	tCO ₂ e/revenue (KRW 100M)	1.146	0.868	0.782	N/A

¹ Scope: All domestic business establishments | ² Standalone basis

Energy Management System

HCE is managing its energy consumption based on HHI Group's energy management policy. It has reduced energy consumption by switching to energy efficient LED lights (costing about KRW 147 million) and encouraging autonomous energy savings by familiarizing on-site workers with energy-conserving behaviors.

GHG Management System

HCE was mandated to comply with the GHG emission quota in 2019 through the succession of related rights and obligations from HHI after the spin-off in 2017. The company monitors GHG emissions from each facility through the HHI Greenhouse Gas Management System (HGMS) for systematic management. The calculations from the system are subject to regular stage-by-stage verification from a third party to improve reliability.

Response to GHG Emissions Trading Scheme

HCE is replacing all light bulbs in plants with LED lights to reduce electricity consumption, which is the main source of GHG emissions. A total of 345,600kW of electricity was saved by replacing 625 bulbs in 2018 and 640 bulbs in 2019. The company is also making electricity conservation efforts a way of life such as cutting off standby equipment power supply and turning off lights when not in use.

- LED replacement: 640 bulbs (2019)
- Replacement of bathroom sensor lights: 40 facilities (2019)
- Cutting off standby power (continued)

Minimizing Environmental Impact of Business Establishments

Performance Indicators¹

Category	Unit	2018	2019	
Air pollutant	Dust	kg	6,738	3,979
Water usage and water pollutant	Water usage	Ton	56,073	34,700
	Water usage per revenue ²	Ton/revenue (KRW 100M)	2.2	1.8
Waste	Wastewater	Ton	5,754	4,115
	Biochemical Oxygen Demand (BOD)	kg	180	558
	Chemical Oxygen Demand (COD)	kg	560	622
	Suspended Solids (SS)	kg	10	299
Waste	General waste (reclamation)	Ton	88	26
	General waste (incineration)	Ton	825	609
	Designated waste (reclamation)	Ton	-	2
	Designated waste (incineration)	Ton	59	86
	Recycling	%	78.0	22
Violation of environmental laws/regulations	Casecount	0	0	

¹ Scope: All domestic business establishments

² Standalone basis

※ NOx and SOx are not emitted.

Reduction of Raw Material Consumption

We use electrostatic spray guns to reduce paint usage. The gun works by creating an electrostatic field between the object and the paint. The grounded object is positively charged in order to attract the negatively charged paint molecules to its surface. Electrostatic paint application can reduce paint usage by about 40% versus the conventional method and actually helped reduce our usage by roughly 580KL in 2019.

Air Pollutant Management (HISEs)

The major pollutants released from our business establishments are dust and volatile organic compounds (VOCs) from the painting process. We are controlling air pollutant emissions at or below 30% of the domestic legal threshold. We comply with related laws and regulations and strive to minimize air pollutant emissions through regular performance checks on prevention facilities, training for environmental equipment operators and regular inspection of discharge concentration. As the standards for permissible air pollutant emissions have been strengthened due to issues like fine dust, we are also replacing burners in boilers with low NOx ones and installing regenerative thermal oxidizers (RTOs) for efficient removal of VOCs. Other efforts include the operation of a vehicle that circles around the site to absorb dust for cleaning and regular (at least monthly) replacement of pre-filters at prevention facilities to increase dust collection efficiency.

Wastewater and Water Pollutant Control (HiSEs)

Wastewater released from HCE's worksites is legitimately treated in the wastewater treatment plant within the site and by outsourced vendors. The discharge water is controlled under internal standards that are 50% stricter than statutory allowance levels. Wastewater control efforts are focused on minimizing the amount of wastewater discharge based on source-management. Wastewater generated mostly from car washing and painting facilities is processed at the company's in-house effluent treatment plant, in which water quality is monitored regularly for the efficient operation of the plant.

Waste Reduction

Waste generated from production sites and office-based activities is divided into general and designated waste, which is legitimately treated by outsourced waste disposal service providers. We have made/operated recycling boxes to enhance the recycling rate for waste paper and scrap metals. Other efforts are also being made to comply with waste-related laws and regulations through regular training and increase resource recirculation. In 2019, waste paper equivalent to about 22% of what was incinerated in 2018 was recycled, contributing to resource recirculation and cost reduction. The waste paper from production sites and office-based activities is collected separately and sold to a recycling company to minimize the amount of waste requiring incineration.

Chemical Substance Management

HCE strictly manages the entire process of chemical substances usage from warehousing to disposal to ensure the health and safety of employees, partner companies, customers and community members. Business establishments are required to have Material Safety Data Sheets (MSDS) on site and hazardous chemicals found through a detailed inspection have been replaced with substitutes. Inspections on chemical substance-related facilities and equipment (biennially) as well as relevant trainings are regularly conducted.

On-site Due Diligence/Regular Inspection

Regular on-site checkups are conducted to ensure proper operation of environment-related facilities within business establishments including air pollutant discharge and prevention facilities, wastewater discharge facilities, facilities inducing soil pollution, waste paint storage facilities, and hazardous chemicals treatment facilities. Facilities generating environment pollutants and tasks inducing marine pollution are checked every day and recorded in a log. When issues are found, measures are immediately taken in collaboration with relevant departments.

Environmentally Friendly R&D Activities

HCE signed a Memorandum of Understanding (MOU) regarding the joint-development of hydrogen fuel cell construction equipment with Hyundai Mobis. The company is leading the environmentally friendly construction equipment market with the MOU, which aims to develop and commercialize medium/large-capacity hydrogen-powered excavators. Hydrogen-powered equipment emits no toxic gases and should give HCE a competitive edge in the global market where demand for environmentally friendly equipment is increasing. We have also developed a battery-type mini electric excavator and internalized related technologies with plans to expand R&D on a battery-type medium excavator.

Environmental Investment Activities and Achievements

Investment in Environmental Facilities

The Korean government has strengthened its standards for permissible air pollutant emissions as a part of its Comprehensive Plan on Fine Dust in 2020. In accordance with the strengthened standards, HCE is planning massive investment in environmental facilities for a switch to low NOx burners in boilers and energy efficient RTOs from activated charcoal to reduce NOx and VOC emissions, the major cause of fine dust.

Year	Investment Plan (KRW 100M)	Actual Investment (KRW 100M)	Details of Investment
2019	2.8	2.88	Replacement of aging equipment at wastewater treatment plant, purchase of consumables, etc.

Environmental Management Training

HCE conducted a scenario-based mock exercise for environmental accidents, including oil spills, to practice emergency response procedures. The drill was pinpointed to diesel leakage accidents that might occur during fuel tank filling and composed of scenario-based training by team, joint exercise with the fire station and evacuation training. About 300 employees participated in the drill.

Environmental Cleanup Activities

We participate in stream cleaning activities led by Ulsan Metropolitan City and Dong-gu Office every year to help conserve the local environment. Local residents, working-level personnel from the authorities and environment managers at each company join such activities, which are also used to improve the corporate image and share business information.

2020 Initiatives

Goal	Initiatives
· Zero violation of environmental laws and regulations/10% or higher waste recycling rate	· Improving boilers and optimizing the activated charcoal replacement cycle by stack · Distributing educational materials on on-site waste separation/discharge (semiannually or more frequently)

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

HCE 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.

Human Rights Management	p.71
Labor-Management Relations	p.73
Learning & Development	p.75
Evaluation & Compensation	p.79
Employees' Quality of Life	p.81

Human Rights Management

HCE 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

We have developed a roadmap on human rights management to identify and actively manage major human rights issues that could have the most serious and negative impact in 2020, considering business operations and relationships. We first established a Group-wide human rights protection policy and designated a department to handle related tasks. The Code of Conduct has been revised to specify the direction of human rights protection policies. In particular, we have secured the independence of remedial procedures for human rights violations by separating the department in charge of such procedures from the department that makes decisions and takes action for human rights management. In 2021, we plan to provide company-wide human rights trainings and continue to enhance the grievance handling process and remedial measures, and in the mid/long-term, we aim to conduct an assessment of human rights practices.

Policies and Progress

Respect and Protection of Human Rights (revised Code of Conduct)

※ Please visit https://ethics.hhigroup.kr/Html/EthicsCode/sub02_03.html#e01-07 for more details

Category	Description
Chapter 8. Respect and Protection of Human Rights	<ul style="list-style-type: none"> · Respect for Human Rights Company and employees shall respect the dignity and human rights of its members as well as its suppliers, partner companies, 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 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. · Human Rights Due Diligence We take 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 the human rights.

Human Rights Management Roadmap

※ Three-phase roadmap for each area



Grievance Handling Process

HCE receives grievances from employees through various channels to remedy any violation of human rights. If the risk of violation is identified, the company pursues improvement in related areas to protect employees' human rights. In 2019, there was no case of discrimination based on nationality, age, gender, academic background, etc. reported through three channels including the employee representative body.

Channel	Issue	Case settlement rate (cases settled/filed)
Employee representative body	Wage/benefits, institution/system, organizational culture, work hours, infrastructure, environmental safety, etc.	100% (49/49)
Intranet	HR/compensation/education, general affairs/welfare, business, safety-health, IT, etc.	100% (7/7)
Hotline	Workplace bullying, etc.	No case
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.

Labor-Management Relations

HCE strives to establish sound business ethics and advanced labor-management relations rooted in related laws and regulations. We understand each company's labor union is an important partner to the management and endeavor to promote cooperative growth between the labor and the management based on mutual respect and trust.

Collective Bargaining and Labor-Management Council Meetings

For better working conditions, we renew collective bargaining agreements biennially after the spin-off in 2017 and have wage negotiations annually. Labor-Management Council meetings are also held on a quarterly basis to discuss how to improve employees' working conditions and welfare.

Performance Indicators¹

Category	Unit	2017	2018	2019
Rate of employees eligible or collective bargaining ²	%	100	100	100
Employees eligible for labor union membership	Headcount	753	684	678
Union members	Headcount	717	659	653
Union membership rate	%	95.2	96.3	96.3
Labor-Management Council sessions ³	Caseload	-	4	4
Proposals submitted to Council ³	Caseload	-	37	44
Management Status Briefing sessions	Caseload	4	4	4
Labor-management relations training sessions	Caseload	3	2	2
Training participants	Headcount	150	106	67

¹ Scope: All domestic business establishments
² Wage system is not subject to collective bargaining.
³ Conducted from 2018 after the spin-off in April 2017

Major Activities and Achievements

Management Status Briefing and Business Target Achieving Workshop

HCE holds regular management status briefings to build a consensus on the need to overcome the crisis and improve competitiveness as well as to foster an ownership mentality in employees. 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 also hold business target achieving workshops in the first and fourth quarters and mandate the participation of all managers to strengthen their will to achieve business goals and enhance competitiveness through quality improvement, cost reduction, and creation of zero-accident worksites.

Team-Building Meetings

In order to improve the working environment and welfare, senior foremen hold meetings with team members every other month. Regular communication helps enhance job satisfaction by resolving employees' concerns and grievances and build a culture of trust.

Publication of Newsletters

HCE publishes 'HCE News' on a regular basis to deliver company news and employees' stories. These newsletters serve as the central hub for information and communication.

Athletic Meetings and Pep Rallies

HCE organizes company athletic meetings (bowling, foot volleyball, table tennis, etc.) each year to promote communication and harmony among all employees. Spring/autumn pep rallies are also held to boost employee loyalty and facilitate communication. We will continue to invite the families of our employees for family events every year to promote harmony and friendship among all employees and their families.

Labor-Management Relations Trainin

We provide labor-management relations trainings to help employees understand the importance of sound labor-management relations and reinforce communicative capabilities. The trainings also focus on promoting communication and strengthening the leadership of managers to establish healthy corporate culture, which is required to establish win-win labor-management relations.

Mentoring Program

We operate a mentoring program for employees to help them enhance their job competencies, adapt to organizational culture, and maintain a work-life balance. The mentoring program is also used to help employees just discharged from military service rapidly settle into the company, promoting a voluntary cooperative culture.

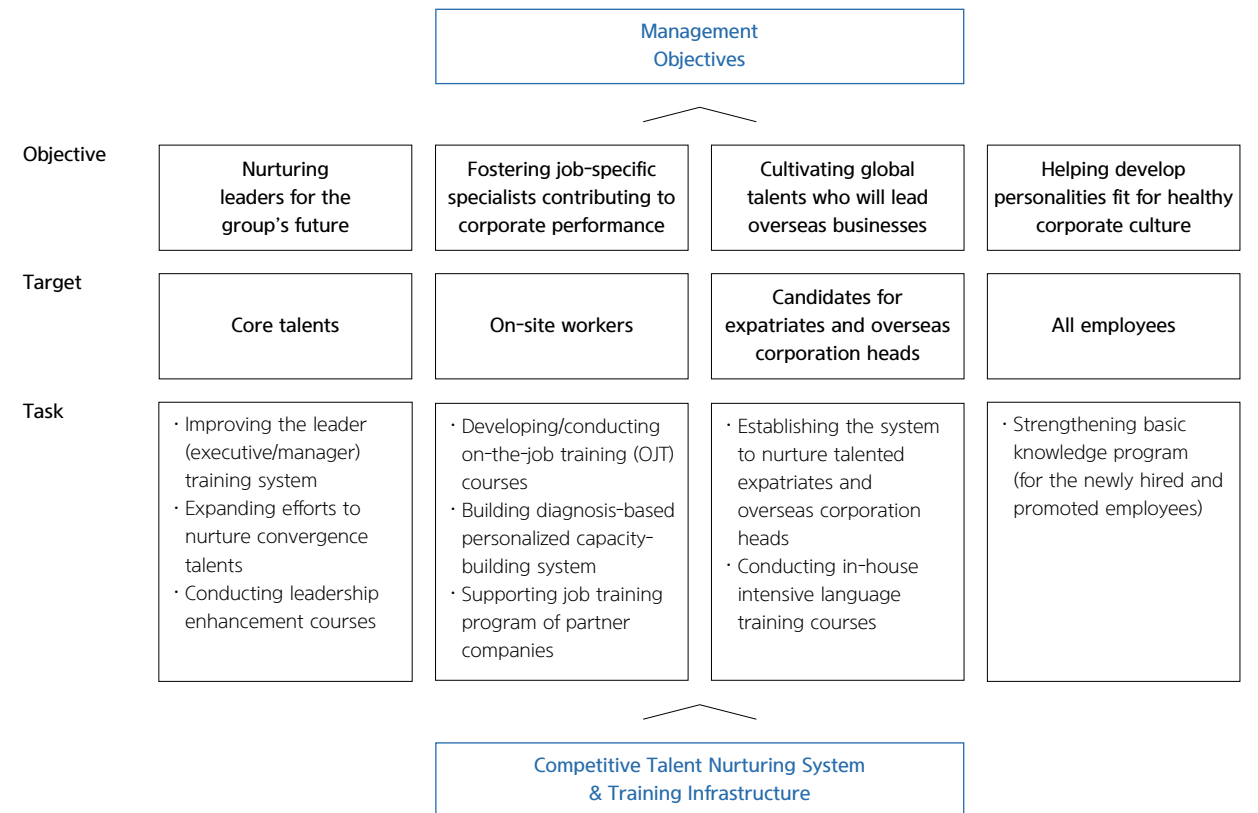
- Establishing an organizational culture of co-prosperity based on communication and cooperation
- Driving CSR activities as a community-friendly company through labor-management cooperation

2020 Initiatives

Learning & Development

HCE endeavors to secure business competitiveness and success through employee competency enhancement focused on nurturing next-generation leaders, convergence talents, job-specific specialists and global talents. It emphasizes the importance of continuous self-development and provides opportunities to improve job-related capabilities for employees at the group and affiliate levels.

Management System



Performance Indicators¹

Category	Unit	2017	2018	2019
Participants in training	Headcount	678	680	717
Training time per employee	Hour	16	18	18
Training time per employee (male/female)	Hour	16/14	18/16	18/16
Total training hours	Hour	21,016	26,284	27,714
Investment in training	KRW 10M	7	6	9
Fostering leaders	Headcount	19	11	32
Nurturing of convergence talents	Headcount	-	2	5
Nurturing of job-specific specialists	Headcount	80	31	85
New hires training	Headcount	64	46	80
Nurturing of global talents	Headcount	-	18	50
Other programs	Headcount	6	48	6
Manufacturing engineers who completed job improvement trainings	Headcount	152	80	2,512
Personnel of partner companies who completed job improvement trainings	Headcount	489	359	576

¹ Scope: All domestic business establishments

Training Programs

HCE focuses on strengthening employees' capability by actively participating in HHI Group's common capacity building and talent nurturing programs. The programs are as follows.

Leadership Development Program

The role of leaders is getting more important to flexibly respond to rapidly-changing business conditions and efficiently manage the organization. HHI Group has established leadership capabilities required for each position. The managers are assessed for such capabilities and receive feedback every year. In 2018, the advanced leadership course was newly developed to provide training based on diagnosis results. The number of personnel who completed the program increased from 11 in 2018 to 32 in 2019.

Nurturing of Convergence Talents

We have expanded the program to nurture convergence talents with consilience competency and business insights. The program helps talented employees with humanities/economics majors to learn manufacturing/engineering basics and machinery engineers to understand mechatronics based on electricity basics.

Nurturing of Job-specific Specialists

We provide various types of online/offline training courses to strengthen job competency. Online courses on languages/Office/OJT, etc. are offered through the e-learning center. Offline OJT courses are also developed every year to meet the needs for professional training, which has limits on the online platform. In particular, we newly introduced various offline programs in the second half of 2019, focusing on OJT for sales personnel. We will further

strengthen OJT courses in 2020 by opening new courses based on the feedback about the programs.

Onboarding Training

We provide training programs for new hires and experienced hires, including mentoring and second-year follow-up training, to help them rapidly adapt to the company.

Nurturing of Global Talents

Language programs are provided for a wide pool of expatriates to strengthen our capabilities as a global player. We also offer opportunities for overseas dispatch to nurture local experts. The number of personnel who received related training increased sharply from 18 in 2018 to 50 in 2019 under our goal to grow into a global company.

Retiree Support/Training

We provide the retiree training program through Hyundai Career Solution, the group's lifelong education provider, to help retirees continue economic activities. Life planning consulting is provided each year for employees within two years of retirement. From 2020, we plan to expand the program to employees aged 50 or older upon request in accordance with the revised Employment Promotion for the Aged Act.

Detailed Curriculum for Each Training Program

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	· Collective specialist training	· Language training for candidates of expatriate roles and overseas corporation heads
	Senior Technician	HLC III HLC II M/B	New Team Leader New Senior Foreman	· Engineering education for humanities/business graduates · Electricity-machinery cross-training · Business administration training for engineers	· On-job vocational training · Night-time vocational training · Consortium training · Online training · Book reading program	· Training to support retirement planning
Officer	Technician	HLC I J/B M/B				
New Hires	Second-year follow-up training	M/B				
	Mentoring	Jr. M/B				
	Onboarding training for new/experienced employees and meister high school graduates					

2020 Initiatives

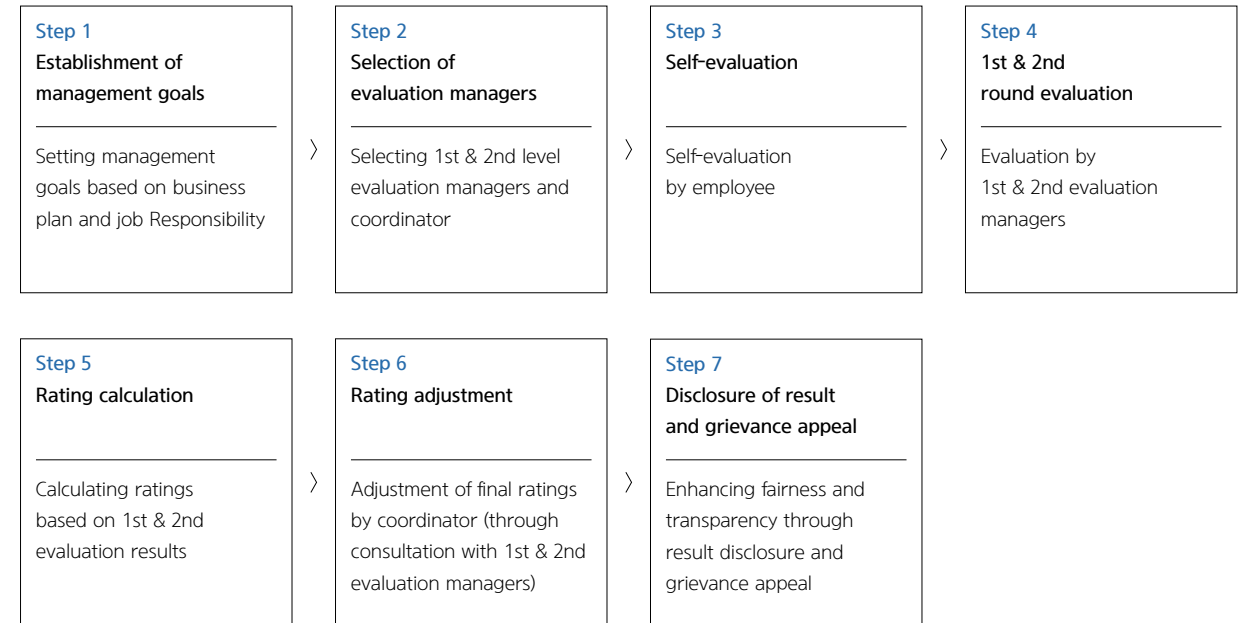
Early onboarding of new joiners	OJT	Strengthening global competence
<ul style="list-style-type: none"> · Mentoring program for new joiners · OJT to nurture core capabilities for each division 	<ul style="list-style-type: none"> · Concentrating training capacity on needs for professional training · Conducting the OJT test for R&D and sales personnel and then expanding the test to all employees · Establishing a task force to improve the training system and develop related programs and preparing training manual 	<ul style="list-style-type: none"> · Providing off-job language training and overseas OJT for expatriate appointees · Strengthening requirements for speaking skills for effective language training and providing related support

Evaluation & Compensation

HCE is operating a transparent and objective performance evaluation and 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.

Management System

We conduct performance and competency evaluation on every employee in the first and second halves of each year. The results are used when making decisions on promotion, compensation, training and leader selection. Regular performance management throughout the year provides basic data for evaluation. Employees' performance and capabilities are evaluated comprehensively. All knowledge and R&D employees are subject to the Management by Objectives (MBO) process and evaluated for actual achievements.



Performance Indicators¹

Category		Unit	2017	2018	2019	
Percentage of employees evaluated for performance ²	Total	%	97.7	94.5	93.1	
	Male	Knowledge workers	%	98.6	95.7	94.7
		Production workers	%	96.8	93.6	91.8
Female ³	Knowledge workers	%	97.9	89.3	86.2	
Wages ⁴		KRW 100M	781	1,039	982	

¹ All domestic business establishments
² Exclusive of employees newly hired, on leave or scheduled to retire
³ No female production worker subject to evaluation
⁴ 2017 wages paid from April to December after spin-off on April 1

Compensation System

We reflect inflation rates in salary settlements to help our employees lead a stable life. The persons in managerial or higher positions are subject to a performance-based salary system that provides different compensation based on the evaluation of personal/organizational performance. Assistant managers and below positions receive a bonus, incentive and birthday cash gift in addition to their monthly salaries. The same standard is applied to the male and female employees for equality.

Reward Policy

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

Reward System	Description
Outstanding Employee of the Year, Employee of the Year	Fair selection of award winners among employees with excellent achievements through evaluation by CEO and all chiefs of headquarters
Praise Your Colleague program	Mobile reward program to boost organizational vitality and create a culture of encouragement

2020 Initiatives

- Ensuring fair evaluation of performance
- Providing reasonable compensation based on personal performance
- Expanding rewards for contributing to corporate earnings

Employees' Quality of Life

HCE operates a benefits program under the principle of providing practical supports for various needs of its employees. It helps employees maintain the work-and-life balance by offering systematic support ranging from a work culture of the company to housing, family, leisure activity support and retirement preparation.

Key Programs

Housing & Living	Family	Leisure Activities
<ul style="list-style-type: none"> · Loan interest support · Support for single-status assignment 	<ul style="list-style-type: none"> · Incentives for family events · Encouragement for maternity/parental leave · Encouragement for family care leave · Tuition for childrent 	<ul style="list-style-type: none"> · Vacation facilities · Self-development block leave
Medical Service	Retirement Planning	Work Culture
<ul style="list-style-type: none"> · Medical expense support · Medical checkup for family 	<ul style="list-style-type: none"> · Retirement planning consulting · Retirement pension program · Personal pension support 	<ul style="list-style-type: none"> · PC-Off program · Workplace bullying prevention program

Performance Indicators¹

Category	Unit	2017	2018	2019		
Loan interest support amount	KRW 100M	7.9	15.4	18.0		
Employees on maternity leave ²	Male	Headcount	47	48	40	
	Female	Headcount	3	4	6	
Employees on parental leave	Employees in scope ³	Male	Headcount	389	442	406
		Female	Headcount	13	9	12
	Employees taking leave	Male	Headcount	5	6	6
		Female	Headcount	4	4	6
	Employees having returned to work	Male	Headcount	0	3	8
		Female	Headcount	0	5	0
1+ year continued service rate ⁴	Male	%	N/A	100	33	
	Female	%	N/A	N/A	100	
Average continued service period ⁵	Year	0.7	1.6	2.4		
Retirement planning consulting attendees	Headcount	32	37	25		
Retirement pension system ⁶	DB	KRW 100M	496	565	603	
	DC	KRW 100M	N/A	N/A	7.8	
Personal pension support amount	KRW 100M	2.4	3.2	3.3		
In-house employee benefits fund	KRW 100M	N/A	5.0	5.0		

¹ Scope: All domestic business establishments, inclusive of fixed-term contract workers

² Inclusive of prenatal/postnatal leave and paternity leave

³ All employees with children aged eight or younger, exclusive of those on parental leave

⁴ The percentage of workers staying at work at the end of the year after returning from parental leave in the previous year: no record for 2017 due to no female employee on parental leave as of 2016

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

⁶ Based on plan assets specified in disclosed audit report (standalone basis)

Major Activities and Achievements

Retirement Pension Program

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

Retirement Planning Consulting

We offer 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 information on starting a business or a new job for a new chapter of their life. In 2019, 32 employees out of 34 pre-retirees joined the program, recording a high participation rate of 94.1%. 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 successful retirement, couple programs, and special lectures on IT & economy.

PC-Off Program

With the amendment to the Labor Standards Act in May 2018, the maximum workhours have now been reduced to 52 per week, including overtime/holiday work. Under the new system, HCE is striving to create a flexible work environment that promotes work-life balance and efficient working conditions. We have a PC-Off system that automatically shuts down PCs of all individuals at a fixed time. In addition, employees are asked to plan their work and apply for overtime work in advance, only up to 12 hours a week.

Ban on Workplace Bullying

HCE changed various company policies (governing employment, disciplines and others) to respond to the revisions to the Labor Standards Act in July 2019 that strictly bans workplace bullying. In addition, the company has established a process to report/investigate/handle harassment incidents in the workplace and run anti-bullying campaigns through various media such as in-house news and official document. We handle all harassment cases in accordance with relevant procedures and plan to provide preventive training once a year for the establishment of a sound culture.

Gender Equality and Diversity in Employment

HCE usually sees a low portion of female applicants for job openings due to the industry's characteristics (about 10% at open recruitment in the second half of 2019). It plans to gradually expand the share of female employees going forward. The company holds female employees' meetings on a regular basis to collect their opinions and recommendations. There are eight corporations and four branches in overseas operations, which are hiring local talents (62 expatriates vs. 2,629 locally-hired employees as of December 2019) to help revitalize the local economy and promote cultural and social localization.

Key Programs

- Family day (weekly)
- Support for pregnant employees
- Tuition for children
- Work-from-home option
- Medical checkup for family (spouse)
- Vacation facilities
- Long service leave
- Family participation programs (family camp, etc.)

2020 Initiatives

- Promoting work-life balance
- Operating an employee-friendly benefit system
- Creating a culture that values employees taking maternity/parental and family care leave

Demonstrating Our Commitment to Global Corporate Citizenship

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

Shared Growth p.85

Social Contribution p.88

Shared Growth

HCE pursues shared growth with partner companies in order to secure sustainable competitiveness and lay a foundation for a fair society. Support for financing, education, recruiting, technology and management will continue to be provided to partner companies in order to reinforce their growth and competitiveness, creating a healthy corporate ecosystem where everyone can grow hand-in-hand.

Management System

Core Value	Just, Fair and Legitimate Performance		
Key Policy	<p>Continuous System Improvements</p> <ul style="list-style-type: none"> · Refraining from engaging in business in non-related fields · Encouraging businesses of SMEs · Building support systems and practicing the three shared growth strategies 	<p>Establishing Fair Trade Practices</p> <ul style="list-style-type: none"> · Introducing and complying with the four implementation areas as set forth by the Fair Trade Commission · Establishing reasonable trade practices · Improving communication with partner companies 	<p>Enhancing Competitiveness of Partner companies</p> <ul style="list-style-type: none"> · Supporting revenue increase of partner companies · Supporting training, recruitment, technology and financing · Adjusting unit price of delivery considering the situation of the partner companies
Responsible Organization	<p>Group Shared Growth Committee</p> <p>Ensuring company-wide consistent policy, activity planning and consultation</p>	<p>Shared Growth Council</p> <p>Developing policies for mutual growth and cooperation with primary and secondary subcontractors</p>	<p>Shared Growth Support Organization</p> <p>Implementing shared growth policy and activities, and providing performance management and for shared growth feedback</p>

GSRM

HCE established GSRM (Global Supplier Relationship Management) in order to enhance transparency and fairness of the contract process. GSRM's electronic bidding system transparently discloses our procurement in quotes, technical review, bidding and internal review, improving efficiency across the entire contract process from contract signing, delivery, issuance of the transaction statement to payment.

Shared Growth Governance

Category	Content
Major decision-making group (frequency)	· Win-Win Cooperation Committee (twice/year) · Listening to VOC of partner companies (at all times)
Dedicated department (person in charge) - key responsibilities	· Procurement Department (head of the dept.) - supervising the Win-Win Cooperation Committee, collecting & implementing key decisions on support for partner companies
Regular communication channels with partner companies (frequency)	· Dialogue with partner companies (twice/year) · Offering information on business status & outlook and policies for each sector, awarding prizes to the best performing partner companies

Performance Indicators¹

Category	Unit	2017	2018	2019
Shared Growth Fund in total	KRW 100M	-	-	150
Cash payment	%	100	100	100
Early payment	KRW 100M	1,105	420	446
Trainees from partner companies	Headcount	26	121	349
Partner companies in total(subcontracting partners) ²	No.	296	329	392
Regular management of partner companies ³	%	59	81	85

¹ Scope: All domestic business establishments

² Hyundai Core Motion is included from 2019.

³ Integrated management of partner companies through the Hyundai Integrated Quality ("HiQ") system

※ HCE is not subject to the assessment of the Shared Growth Index.

Definition of Supply Chain

Category	Key Products	Usage	Procurement Amount (Unit: KRW 100M)
Raw Material	Excavator & wheel loader parts	Excavator manufacturing, etc.	10,952
	Forklift parts	Forklift manufacturing, etc.	3,063
	Etc.	Etc.	1,198
Total			15,213

※ HCE's key supply chain refers to suppliers of raw materials for manufacturing.

Shared Growth Achievements

Support for Partner Companies' Financial Stability

HCE manages the Shared Growth Fund to provide our partner companies with financial assistance promoting co-prosperity. We selected five partner companies, with whom we jointly venture into overseas markets, and 87 companies to support the loan interest payment of 0.85% with a credit line of KRW 1 billion each. Furthermore, partners have been paid fully in cash for material costs, which is enhancing their liquidity. Payments are made within 10 days of bill issuance and generally earlier before the start of summer vacation or national holidays, to help the efficient funds management of partners.

Support for Partner Companies' Technology Development and Protection

We support the technology development of our partner companies by transferring new technologies, partially sharing our licenses and visiting them to provide relevant instructions. As of 2019, we have been carrying out national assignments with partners to develop three new technologies including an unmanned forklift with an embedded control system. We help them develop new technologies and enhance their competitiveness in that area by sharing part of the development cost and proving some components.

Support for Finding New Markets

We introduce our partner companies and their technological strength to potential customers by jointly venturing into oversea markets, attending renowned trade shows at home and abroad and holding business meetings with SMEs and large companies. Through these communication channels, they are able to share information, find new markets and gain a foothold for future growth in revenue.

Support for Job Competency Training

We offer online & offline education courses to employees (of partner companies) for free of charge and support the quality improvement by continuing to provide instructions.

Vibrant Communication with Partner Companies

HCE operates a partnership nurturing team to visit and listen to the opinions of partner companies on a regular basis. In addition, we organize a meeting along with the Win-Win Cooperation Committee to share our management status with partners and award prizes for excellent performance in the aspects of active quality control and delivery on schedule. As for the in-house partner companies, we support their safety managers with the help of the Safety and Health Council in order to promote their autonomous safety management. We also offer education programs to managers and new employees of partner companies. In 2019, we responded to the partners' suggestion, which was sent to the Win-Win Cooperation Committee, by adjusting the payment schedule for material costs to help their efficient funds management.

Hotline for partner companies (common for all entities of the Group)

Website: <https://ethics.hhigroup.kr/Htm/HotLine/HotLineEdit.aspx>

TEL: 02-746-8442

FAX: 02-746-4681

E-mail: compliance@hhi.co.kr

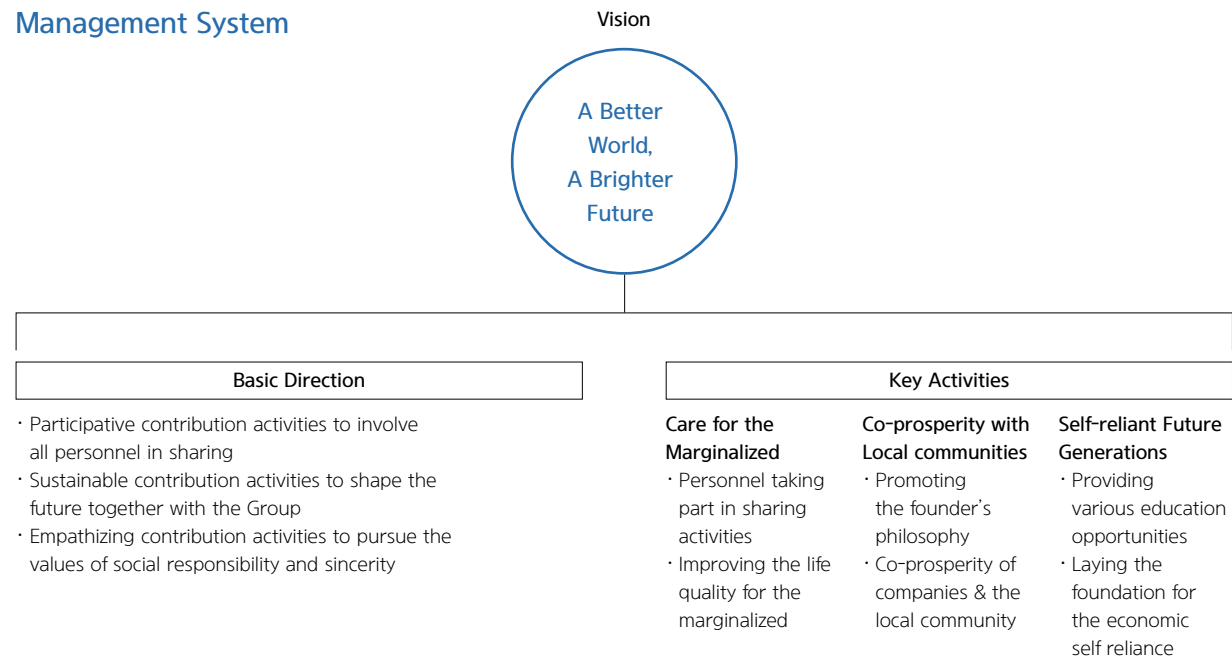
2020 Initiatives

- Promoting partner companies' collaboration with universities & research institutes by hosting conferences on advanced technologies
- Supporting quality and technology improvements in partner companies

Social Contribution

HCE has been conducting various social contribution activities to be admired by all, under our management philosophy of contributing to the national and social development. In 2019, we adopted a new vision for our social contribution activities with the slogan of "A Better World, A Brighter Future." We will give the marginalized a helping hand, boost the local economy and nurture the future generations through participative contribution activities to involve all personnel in sharing, sustainable contribution activities to shape the future together with the Group, empathizing contribution activities to pursue the values of social responsibility and sincerity.

Management System



Performance Indicators¹

Category	Unit	2017	2018	2019
Total volunteering time ²	Hour	673	2,480	366
Total salary donation value ³	KRW 1,000	2,500	12,000	17,044
Salary donation Participants ³	Headcount	297	298	423

¹ All domestic business establishments
² The number of volunteers increased in 2018 through encouragement for each department and team to participate in volunteering (No. of volunteers: 1,272)
³ The salary donation value and number of participants went up in 2019 as a result of an active awareness campaign.

Social Contribution Activities and Achievements, Connected with Our Business

HCE has been using its assets and employees' talents for social contribution activities. We launched a technology education program for the equipment operator's license at the Global Training Center located in Eumseong-gun, North Chungcheong Province, to help the marginalized and students from low-income families find their aptitude and career path. We also repair houses of neighbors in need and renovate the villages as part of the contribution activities for the local community.

Activities & Achievements of Support for the Marginalized

Salary Donation

HCE has been taking the lead in sharing activities and supporting the low-income families since it was separated from the parent group in 2017. We established a sisterhood relationship with Child Fund Korea and welfare facilities for disabled people in Bundang-gu to donate part of salaries to those in need.

Support for the Welfare Blind Spots

HCE has been actively participating in sharing with the residents of Soi-myeon, Eumseong-gun, North Chungcheong Province, promoting co-prosperity with the local community, which includes providing support during national holidays and for local events and delivering coal briquettes to people of national merit and low-income families.

Activities & Achievements of Co-prosperity with Local Community

Pulling Together in Times of National Calamity

HCE launched a campaign of purchasing local farm and marine produce and volunteering at short-handed farm houses to contribute to overcoming the regional economic crisis triggered by COVID-19. We also bought 21 tons of onions from Ulsan Metropolitan City to support farmers who suffered from oversupply and the resultant price collapse in 2019.

Laying a Foundation for Economic Self-Reliance of Welfare Facilities and Volunteering Activities

HCE supports a charity bazaar and a fund-raising event of 'Night of Donation' for people with disabilities, which are hosted by Yegawon and Somang rehabilitation center, welfare facilities located in Seongnam-si that we established a sisterhood relationship with, to improve the image and do our part as a responsible social enterprise. We are planning to make such a supportive relationship with more welfare facilities in 2020.

Coal Briquettes Delivery

Since 2017, HCE has been hosting the year-end event of delivering coal briquettes to seniors living alone and low-income families at its factory located in Eumseong-gun in the run-up to the cold winter season. Coal briquettes are purchased with the money raised from the Coin Donation Campaign the company holds every year, and 21 new employees took part in the event in 2019.

**Promoting Co-prosperity with Local Community in
Soi-myeon by Sponsoring Local Events**

Since 2017, HCE has been providing supplies for local events held in Soi-myeon, a small village where the company's Eumseong Plant is located, which includes Small Concerts, a track meet and a sharing event for the elderly "Filial Piety & Love," striving to set an example of a good corporate citizen that grows together with the local community.

2020 Initiatives

- Employees' salary donation
 - HHI Group established the 1% Donation Foundation
- Developing & operating social contribution programs
 - Training the students of underprivileged & low-income families for equipment operator's license
 - Providing equipment maintenance & technology education to the military units that we built a sisterhood relationship with
- Developing & operating social contribution programs for the local community
 - Boosting the regional economy by purchasing local gift certificates (Ulsan, Seongnam, Eumseong, Gunsan)
 - Contributing to laying a foundation for self-reliant welfare facilities and promoting volunteering

PART. 3

Appendix

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Summary Consolidated Financial Statements

(Unit: KRW 1M)

Title of Account	3rd reporting period	2nd reporting period	1st reporting period
Summary Consolidated Financial Statements	(as of Dec. 2019)	(as of Dec. 2018)	(as of Dec. 2017)
Current Assets	2,151,517	2,203,851	1,553,478
Cash and cash equivalents	222,788	322,445	426,006
Short-term financial assets	414,772	199,784	-
Trade and other receivables	629,071	595,939	425,471
Inventories	856,691	1,024,779	691,156
Other current assets	28,195	60,904	10,845
Non-current assets	1,036,534	922,664	675,179
Tangible assets	669,223	650,496	539,002
Intangible assets	184,531	152,968	121,600
Other non-current assets	182,780	119,200	14,577
Total Assets	3,188,051	3,126,515	2,228,657
Current liabilities	1,052,769	945,143	785,619
Non-current liabilities	558,139	613,205	272,100
Total Liabilities	1,610,908	1,558,348	1,057,719
Capital stock	98,504	98,504	49,381
Capital surplus	774,679	974,479	1,024,120
Capital adjustments	(42,091)	(26,689)	(12,431)
Accumulated other comprehensive income	72,738	64,118	65,639
Retained earnings	306,852	125,555	44,993
Non-controlling interests	366,461	332,200	(764)
Total Equity	1,577,143	1,568,167	1,170,938
Summary Consolidated Statement of Comprehensive Income	(For the 12 months ended Dec. 31, 2019)	(For the 12 months ended Dec. 31, 2018)	(For the 9 months ended Dec. 31, 2017)
Revenue	2,852,139	3,233,935	1,886,747
Operating profit	157,793	208,732	95,233
Net profit	50,881	141,055	46,609
Equity attributable to owners of the parent	3,227	89,937	46,609
Non-controlling interests	47,654	51,118	-
Total comprehensive income	59,918	134,015	46,495
Equity attributable to owners of the parent	7,258	85,474	46,495
Non-controlling interests	52,660	48,541	-
Earnings per share (Unit: one KRW)	169	4,585	3,119
No. of consolidated entities	10	11	4

Independent Auditor's Report

To the Shareholders and Board of Directors of
HYUNDAI CONSTRUCTION EQUIPMENT CO., LTD.
March 13, 2020

Opinion

We have audited the consolidated financial statements of HYUNDAI CONSTRUCTION EQUIPMENT CO., LTD. and its subsidiaries ("the Group"), which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Korean International Financial Reporting Standards ("K-IFRS").

Basis for Opinion

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

Key Audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements as of and for the year ended December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Assessment of impairment on development costs

As described in the Note 13 to the consolidated financial statements, the Group operates a research and development center and invests significant amounts for the technical development, construction equipment and industrial vehicles. In this regard, the carrying amount of the capitalized development costs as of December 31, 2019 is ₩64,427 million.

We identified assessment of impairment on development costs as a key audit matter by considering degree of estimates and judgement involved in the recognition of impairment on development costs, and that possible impact on the consolidated financial statements is significant.

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

- Testing the effectiveness of the design, implementation and operation of the key internal controls over the Group's development costs impairment assessment process.
- Inspecting documents to verify that capitalization requirements are met for samples selected from capitalized development costs.
- For selected on-going projects, inquiring with the project manager to understand and evaluate the overall circumstances and prospects and inspecting documents to verify the basis used in impairment test.
- For selected projects, inspecting document to assess whether related sales have incurred and appropriateness of future sales forecasts and profitability prospects to verify future economic benefit for those projects.

2. Assessment of provision for product warranty

As described in the Note 4.(13) to the consolidated financial statements, the Group provides a free warranty for the products sold for a certain period of time and the carrying amount of the provision for product warranty is ₩68,805 million (see note 18). We identified the assessment of provision for product warranty as a key audit matter by considering degree of estimates and judgement involved in the recognition of provision for product warranty, and that possible impact on the consolidated financial statements is significant.

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

- Testing the effectiveness of the design, implementation and operation of the key internal controls over the provision for product warranty measurement process.
- Evaluating accuracy of input data such as warranty amount, warranty timing and others on sample basis.
- Comparing and analyzing the basis of key assumptions used by management on the measurement of provision for product warranty with the past performance.
- Performing independent recalculation on the details of provision for product warranty provided by the Group.

Other Matter

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

represent the underlying transactions and events in a manner that achieves fair presentation.

· Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditors' report is Dong-Hyun Chi.

KPMG Samjory Accounting Corp.

Seoul, Korea
March 13, 2020



This report is effective as of March 13, 2020, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

GRI Content Index

GRI Universal Standards

GRI 102: General Disclosures 2016				
Classification	Disclosure	Content	Page	Remark
Organizational Profile	102-1	Name of the organization	6	
	102-2	Activities, brands, products, and services	10~17	
	102-3	Location of headquarters	107	
	102-4	Location of operations	18~19	
	102-5	Ownership and legal form	55~57	
	102-6	Markets served	18~19	
	102-7	Scale of the organization	9, 20	
	102-8	Information on employees and other workers	20, chapter VIII. 1. Human Capital in the annual report	In the disclosure of the annual report, other workers are defined as on-site subcontractors assigned to important part of the business.
	102-9	Supply chain	86	
	102-10	Significant changes to the organization and its supply chain	No significant changes	
	102-11	Precautionary Principle or approach	64~66	
	102-12	External initiatives	106	
	102-13	Membership of associations	106	
Strategy	102-14	Statement from senior decision-maker	6	
	102-15	Key impacts, risks, and opportunities	6~9	
Ethics and Integrity	102-16	Values, principles, standards, and norms of behavior	50~52	
	102-17	Mechanisms for advice and concerns about ethics	52~53, 71~72	
Governance	102-18	Governance structure	55~57	
Stakeholder Engagement	102-40	List of stakeholder groups	25	
	102-41	Collective bargaining agreements	73	
	102-42	Identifying and selecting stakeholders	25	
	102-43	Approach to stakeholder engagement	25	
Reporting Practice	102-44	Key topics and concerns raised	25	
	102-45	Entities included in the consolidated financial statements	18	
	102-46	Defining report content and topic Boundaries	33~35	
	102-47	List of material topics	33~35	
	102-48	Restatements of information	N/A	
	102-49	Changes in reporting	18	
	102-50	Reporting period	107	
	102-51	Date of most recent report	107	
	102-52	Reporting cycle	107	
	102-53	Contact point for questions regarding the report	107	
	102-54	Claims of reporting in accordance with the GRI Standards	107	
	102-55	GRI content index	98~102	
	102-56	External assurance	103~105	

GRI Topic Specific Standards

Economic Performances (GRI 200)				
GRI Standards	Disclosure	Content	Page	Remark
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	32~35	
	103-2	The management approach and its components	6~9	
	103-3	Evaluation of the management approach	6~9	
GRI 201: Economic Performances 2016	201-1	Direct economic value generated and distributed	9	
	201-2	Financial implications and other risks and opportunities due to climate change	66	
GRI 103: Management Approach 2016	201-3	Defined benefit plan obligations and other retirement plans	81~82	
	103-1	Explanation of the material topic and its Boundary	32~35	
	103-2	The management approach and its components	85, 88	
GRI 203: Indirect Economic Impacts 2016	103-3	Evaluation of the management approach	85, 88	
	203-1	Infrastructure investments and services supported	85~91	
	203-2	Significant indirect economic impacts	75~76, 86, 88	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	32~35	
	103-2	The management approach and its components	50~52	
	103-3	Evaluation of the management approach	50~52	
GRI 205: Anti-corruption 2016	205-2	Communication and training about anti-corruption policies and procedures	52~54	Outside directors are excluded from training
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	32~35	
	103-2	The management approach and its components	47~48	
	103-3	Evaluation of the management approach	47~48	
GRI 206: Anti-corruption 2016	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	N/A	

Environmental Performances (GRI 300)				
GRI Standards	Disclosure	Content	Page	Remark
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	32~35	
	103-2	The management approach and its components	64~65	
	103-3	Evaluation of the management approach	64~65	
GRI 302: Energy 2016	302-1	Energy consumption within the organization	66	
	302-3	Energy intensity	66	
	302-4	Reduction of energy consumption	66	
	302-5	Reductions in energy requirements of products and services	39	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	32~35	
	103-2	The management approach and its components	64~65	
	103-3	Evaluation of the management approach	64~65	
GRI 305: Emissions 201	305-1	Direct (Scope 1) GHG emissions	21, 52~53	
	305-2	Energy indirect (Scope 2) GHG emissions	21, 52~53	
	305-4	GHG emissions intensity	66	
	305-5	Reduction of GHG emissions	66	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	32~35	
	103-2	The management approach and its components	64~65	
	103-3	Evaluation of the management approach	64~65	
GRI 306: Effluents and Waste 2016	306-1	Water discharge by quality and destination	68	
	306-2	Waste by type and disposal method	66	
	306-3	Significant spills	N/A	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	32~35	
	103-2	The management approach and its components	64~65	
	103-3	Evaluation of the management approach	64~65	
GRI 307: Environmental Compliance 2016	307-1	Non-compliance with environmental laws and regulations	67	

Social Performances (GRI 400)				
GRI Standards	Disclosure	Content	Page	Remark
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	32~35	
	103-2	The management approach and its components	81~82	
	103-3	Evaluation of the management approach	81~82	
GRI 401: Employment 2016	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	81~83	
	401-3	Parental leave	81~82	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	32~35	
	103-2	The management approach and its components	73	
	103-3	Evaluation of the management approach	73	
GRI 402 Labor Management Relations 2016	402-1	Minimum notice periods regarding operational changes	73	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	32~35	
	103-2	The management approach and its components	59~60	
	103-3	Evaluation of the management approach	59~60	
GRI 403: Occupational Health and safety 2016	403-1	Workers representation in formal joint management – worker health and safety committees	59~60	
	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	59~60, 62~63	The numbers for business partners' employees are combined.
	403-3	Workers with high incidence or high risk of diseases related to their occupation	59~60, 62~63	Exemplified in Safety Golden Rules
	403-4	Health and safety topics covered in formal agreements with trade unions	73	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	32~35	
	103-2	The management approach and its components	75~76	
	103-3	Evaluation of the management approach	75~76	
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	75~76	Average hours are not provided by employee category
	404-2	Programs for upgrading employee skills and transition assistance programs	76~78	
	404-3	Percentage of employees receiving regular performance and career development reviews	79~80	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	32~35	
	103-2	The management approach and its components	79~80	
	103-3	Evaluation of the management approach	79~80	
GRI 405: Diversity and Equal Opportunity 2016	405-2	Ratio of basic salary and remuneration of women to men	80	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	32~35	
	103-2	The management approach and its components	71~72	
	103-3	Evaluation of the management approach	71~72	
GRI 406: Non Discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	71~72	

Social Performances (GRI 400)				
GRI Standards	Disclosure	Content	Page	Remark
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	32~35	
	103-2	The management approach and its components	71~72	
	103-3	Evaluation of the management approach	71~72	
GRI 412: Human Rights Assessment 2016	412-1	Operations that have been subject to human rights reviews or impact assessments	71~72	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	32~35	
	103-2	The management approach and its components	88	
	103-3	Evaluation of the management approach	88	
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	88~90	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	32~35	
	103-2	The management approach and its components	40	
	103-3	Evaluation of the management approach	40	
GRI 416: Customer Health and Safety 2016	416-1	Assessment of the health and safety impacts of product and service categories	41~43	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	32~35	
	103-2	The management approach and its components	40	
	103-3	Evaluation of the management approach	40	
GRI 417: Marketing and Labeling 2016	417-2	Incidents of non-compliance concerning product and service information and labeling	N/A	
	417-3	Incidents of non-compliance concerning marketing communications	N/A	
GRI 103: Management Approach 2017	103-4	Explanation of the material topic and its Boundary	32~35	
	103-5	The management approach and its components	40	
	103-6	Evaluation of the management approach	40	
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	N/A	
GRI 103: Management Approach 2018	103-7	Explanation of the material topic and its Boundary	32~35	
	103-8	The management approach and its components	40	
	103-9	Evaluation of the management approach	40	
GRI 419: Socio-economic Compliance 2018	419-1	Non-compliance with laws and regulations in the social and economic area	26~27	

Third-Party Assurance Statement



Relating to Hyundai Construction Equipment Co., Ltd.'s Integrated Report for the 2019 calendar year

This Assurance Statement has been prepared for Hyundai Construction Equipment Co., Ltd. in accordance with our contract but is intended for the readers of this Report.

Terms of Engagement

Lloyd's Register Quality Assurance Limited (LR) was commissioned by Hyundai Construction Equipment Co., Ltd. (HCE abbreviated) to provide independent assurance on its '2020 HCE Integrated Report' ("the report") against the assurance criteria below to a "moderate level of assurance and materiality" using "Accountability's AA1000AS (2008)", where the scope was a Type 2 engagement.

Our assurance engagement covered HCE's operations and activities in Korea specifically the following requirements:

- Evaluating adherence to the AA1000 AccountAbility Principles¹ of Inclusivity, Materiality and Responsiveness
- Confirming that the report is in accordance with GRI Standards² and core option
- Evaluating the accuracy and reliability of data and information for only the selected indicators listed below:
 - GRI 103 (Management Approach): 103-1, 103-2, 103-3
 - GRI 200 (Economic): 201-1, 201-2, 201-3, 203-1, 203-2, 205-2, 206-1
 - GRI 300 (Environmental): 302-1, 302-3, 302-4, 302-5, 305-1, 305-2, 305-4, 305-5, 305-7, 306-1, 306-2, 306-3, 307-1
 - GRI 400 (Social): 401-2, 401-3, 402-1, 403-1, 403-2, 403-3, 403-4, 404-1, 404-2, 404-3, 405-2, 406-1, 412-1, 413-1, 416-1, 417-2, 417-3, 418-1, 419-1

Our assurance engagement excluded the data and information of HCE's suppliers, contractors and any third-parties mentioned in the report.

LR's responsibility is only to HCE. LR disclaims any liability or responsibility to others as explained in the end footnote. HCE's responsibility is for collecting, aggregating, analysing and presenting all the data and information within the report and for maintaining effective internal controls over the systems from which the report is derived. Ultimately, the report has been approved by, and remains the responsibility of HCE.

¹ <https://www.accountability.org>

² <https://www.globalreporting.org>

LR's Opinion

Based on LR's approach nothing has come to our attention that would cause us to believe that HCE has not, in all material respects:

- Met the requirements above
 - Disclosed accurate and reliable performance data and information as all errors or omissions identified during the assurance engagement were corrected
 - Covered all the issues that are important to the stakeholders and readers of this report.
- The opinion expressed is formed on the basis of a moderate level of assurance and at the materiality of the professional judgement of the verifier.

LR's Approach

Note: The extent of evidence-gathering for a moderate assurance engagement is less than for a high assurance engagement. Moderate assurance engagements focus on aggregated data rather than physically checking source data at sites. Consequently, the level of assurance obtained in a moderate assurance engagement is substantially lower than the assurance that would have been obtained had a high assurance engagement been performed.

LR's assurance engagements are carried out in accordance with our verification procedure. The following tasks though were undertaken as part of the evidence gathering process for this assurance engagement:

- Assessing HCE's approach to stakeholder engagement to confirm that issues raised by stakeholders were captured correctly. We did this through reviewing documents and associated records.
- Reviewing HCE's process for identifying and determining material issues to confirm that the right issues were included in their Report. We did this by benchmarking reports written by HCE and its peers to ensure that sector specific issues were included for comparability. We also tested the filters used in determining material issues to evaluate whether HCE makes informed business decisions that may create opportunities that contribute towards sustainable development.
- Auditing HCE's data management systems to confirm that there were no significant errors, omissions or mis-statements in the report. We did this by reviewing the effectiveness of data handling procedures, instructions and systems, including those for internal verification. We also spoke with those key people responsible for compiling the data and drafting the report.
- Reviewing additional evidence made available by HCE at their head office in Seoul.
- Checking that the GRI Content Index allows stakeholders to access sustainability indicators.

Observations

Further observations and findings, made during the assurance engagement, are:

- Stakeholder inclusivity:
We are not aware of any key stakeholder groups that have been excluded from HCE's stakeholder engagement process.
- Materiality:
We are not aware of any material issues concerning HCE's sustainability performance that have been excluded from the report. It should be noted that HCE has established extensive criteria for determining which issue/aspect is material and that these criteria are not biased to the company's management.
- Responsiveness:
We recommend that HCE should establish and execute mid- to long-term improvement plans that cover review of sustainability related policies and procedures, development of objectives and targets, awareness-raising activities, etc. to ensure that corporate social responsibility is applied to its organizational structure, practices and culture.
- Reliability:
HCE has reliable data management systems for the indicators in the report.

LR's Standards, Competence and Independence

LR implements and maintains a comprehensive management system that meets accreditation requirements for ISO 14065 Greenhouse gases - Requirements for greenhouse gas validation and verification bodies for use in accreditation or other forms of recognition and ISO/IEC 17021 Conformity assessment - Requirements for bodies providing audit and certification of management systems that are at least as demanding as the requirements of the International Standard on Quality Control 1 and comply with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants.

LR ensures the selection of appropriately qualified individuals based on their qualifications, training and experience. The outcome of all verification and certification assessments is then internally reviewed by senior management to ensure that the approach applied is rigorous and transparent.

This verification engagement is the only work undertaken by LR for HCE and as such does not compromise our independence or impartiality.

31st May 2020

LR Lead Verifier **Tae-Kyoung Kim**
On behalf of Lloyd's Register Quality Assurance Limited
17th Floor, Sinsong Building, 67 Yeouinaru-ro, Yeongdeungpo-gu, Seoul, Korea

LR reference: SEO00000658



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Membership Status · Information Disclosure Activities

Membership Status

- Association of European Business (AEB)
- Korea Construction Equipment Manufacturers Association (KOCEMA)

Information Disclosure Activities

Disclosure Channels		Major Content
HCE Website	https://www.hyundai-ce.com/korean/index.aspx	Introduction, IR, products & dealerships, customer service
HCE Facebook	https://www.facebook.com/HyundaiConstructionEquipmentWorldwide/?ref=bookmarks	Information on HCE products and major news
HCE YouTube	https://www.youtube.com/user/hyundaice	Information on HCE products and major 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'	https://www.hyundai-holdings.co.kr/magazine-h	HHI Group's general management status (monthly)
Financial Supervisory Service DART	https://dart.fss.or.kr/	Mandatory and voluntary disclosure as listed companies
Investor Relations	https://www.hyundai-ce.com/Korean/IRK/IRK75.aspx	Regular announcement of business performance and outlooks

HCE Integrated Report introduces financial and non-financial performance of HCE 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

- GRI (Global Reporting Initiative) Standards (Core)
- International Integrated Reporting Council's (IIRC) integrated reporting framework

Reporting Boundary

- HCE and its subsidiaries

Reporting Scope

- Economic (under K-IFRS), social and environmental aspects (under domestic standards)

Reporting Period

- For the year ended Dec. 31, 2019 (with exceptions for some of the achievements: 2017 to March 2020)

Reporting Frequency

- Annual (last report issued in June 2019)

Reporting Assurance

- Third party's independent assurance (overall sustainability management, GHG emissions and energy consumption separately verified)

Those Credited with Helping Issue This Report

Global Risk Management Team, Global Training Center, Legal Team, Safety & Environment Team, Ethics Management Team, HR Strategy Team, Finance Team, Strategic Procurement Team, Product Development Dept., General Affairs Team, Compliance Team, Quality Planning Team, Accounting Team, Employee Benefits Team

Head Office Address

75, Yulgok-ro, Jongno-gu, Seoul, ROK

HCE Integrated Report 2020 is available on our website (<http://www.hyundai-ce.com>) as an interactive PDF for more convenient user experience.

Contact Point

Please contact our Finance Team for any questions or comments regarding the HCE Integrated Report 2020.

HCE Finance Team | t. 02-746-7562 | hceir@hyundai-ce.com

