

**HYUNDAI
ELECTRIC**
INTEGRATED
REPORT

2021

Smart Connection to the Future



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Report Overview

HYUNDAI Electric’s Integrated Report provides an honest account of our financial performance, efforts, and progress for ESG (Environmental, Social, and Governance) management. And this report contains our competitiveness, future plans, and directions we will follow through the section named, ‘Sustainable Value Story’ (page 17~24). Going forward, we will disclose our business data in a transparent manner through the continuous publication to actively communicate with various stakeholders.

Reporting Principles and Framework

This report aligns with the Core Option of Global Reporting Initiative (GRI) Standards. In order to address the issues that relate to the electricity business, we comply with Sustainability Accounting Standards Board (SASB). And we follow the integrated reporting framework of International Integrated Reporting Council (IIRC).

Reporting Period

This Report covers our sustainability performance from January 2021 through December 2021. For some of data, it contains data from the past three years from 2019 to June 2022.

Reporting Scope and Boundaries

This report covers HYUNDAI Electric and its subsidiaries. When it comes to the financial data provided herein, we follow the Korean Version of International Financial Reporting Standards (K-IFRS).

Data Assurance

With the aim of ensuring the reliability and quality of this report, the data in this report has been subject to third-party verification (sustainable management, GHG emissions and energy consumption verified separately). And the results are available on page 76.

Those Credited with Helping Issue This Report

Safety & Environment Department, Technology Planning Department, HR Team, Coexisting Cooperation Team, Procurement Department, Quality Management Department, General Affairs Team, Business Planning Department, Electrical Business Support Team, Distribution Business Support Team, Accounting Team, Legal Team, Finance Team, Energy New Biz. Planning Department, ERP Information Technology Department, ICT Solution Research Department

HQ Address

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

Contact Point

Please contact our Management Planning & Co-prosperity Department for any questions or comments regarding this report.
 HYUNDAI Electric Management Planning & Co-prosperity Department
 t. 82-31-210-9237 e. hecsr@hyundai-electric.com

Interactive Guide

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

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CEO Message

We will reinvent ourselves as a global energy solution company that leads carbon neutrality.

President & CEO of HYUNDAI Electric and Energy Systems
Cho Seok



HYUNDAI Electric has never relented in innovating ourselves to elevate our corporate value and contributing to community development as a global citizen since the spin-off from HYUNDAI Heavy Industries in April 2017. Especially, we put safety and the environment at our heart of the management while building a labor-management culture underpinned by mutual respect and trust and embedding a transparent business environment. However, we were still in the vice-grip of the COVID-19 last year, suffering from the shrinking global real economy and uncertain political landscape that entailed increases in raw material prices and logistics costs stemming from the Russia's invasion of Ukraine. All these challenges have threatened business management. Fortunately, we could deliver stable performance due to growing demand for power equipment in our key markets, the Americas and Middle East, based on which, we have sharpened our capabilities to run overseas businesses by securing hubs for sales and logistics in foreign countries.

The most encouraging thing about the recent trends is the acceleration of the transition of energy resources from fossil fuels to electricity worldwide. The strong trend of electrification will present a host of opportunities to us, giving rise to demand for the efficient power grid, stable electricity supply, and eco-friendly power generation to mitigate carbon emissions. Against

this backdrop, HYUNDAI Electric will vault into a global energy solution provider that drives carbon neutrality. In this era of transformation, we will be at the forefront of reaching net-zero, thereby ushering in a better world for the next generation.

First, we will secure an energy new growth engine.

HYUNDAI Electric is committed to promoting the energy solution business that enables the efficient use of electric power as a new growth engine. Since last year, we have worked on establishing the Banwol-Sihwa Smart Green Industrial Complex, and the carbon-neutral campus of Kyungpook National University. On the strength of the performance and experiences earned through the projects, we will secure unrivaled competitive edge in energy solution sector.

Along with mentioned above, we took over a company specializing in 'power conversion technologies,' an integral part of electrification, which has laid the foundation for us to grow.

Second, we will lead the eco-friendly premium market with outstanding technical prowess.

Last year, HYUNDAI Electric rolled out a large-engine mounted shaft generator and environment-friendly 170kV GIS following the launch of our eco-friendly brand, 'GREENTRIC.' And this year, we are redoubling our efforts to develop green and

high-efficiency electric power devices, such as vegetable oil-filled transformer, SF₆ FREE gas transformer, and eco-friendly / extra-high-voltage vacuum circuit breaker, thereby responding to global warming in a proactive manner.

Our ultimate goal is to become a leading player in the eco-friendly premium market through technical development. To this end, all-out efforts are being made in R&D activities.

Third, we will step up our ESG management to create sustainable value.

With the aim of achieving sustainable management, we have established our ESG strategy and framework following the declaration of ESG management. We will make 2022 the inaugural year of embedding ESG elements into all facets of our business by mapping out detailed tasks by area: environmental, social, and governance, and putting them into action.

To achieve this specified purpose, we will reinforce our human rights management, persistently carry out social contribution activities for local communities, and pursue mutual trust and shared growth with all our stakeholders including employees and local communities.

We look forward to your unwavering interest and support on our journey towards 'Trusted Company Creating Sustainable Value.' Thank you very much.

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Company Profile

Since the inception as Electro Electric System Division of HYUNDAI Heavy Industries in 1977, HYUNDAI Electric has run the business in this field with the growth of our clients' business. On the strength of the know-how on the power transmission and transformation sector, which is our focus area, earned through a wealth of experiences, we have been equipped with competitiveness in the sectors of power distribution and solution as well. In recent years, with the purpose of becoming a digital-based 'Smart Solution Provider,' all-out efforts are being made to meet the growing demand for new and renewable energy.

Company Profile (As of December 2021, on a consolidated basis)

Company Name	HYUNDAI Electric & Energy Systems
HQ Address	75, Yulgok-ro, Jongno-gu, Seoul, ROK
Date of Establishment	April 1, 2017 (spun off from HYUNDAI Heavy Industries)
CEO	Cho Seok
No. of Employees	2,122
Revenue	KRW 1.80 trillion
Operating Profit	KRW 9.7 billion

Mission

Hyundai Spirit

The founder Chung Ju-yung believed that there is nothing impossible when we take on the challenge with indomitable spirit and unwavering driving force, underpinned by infinite potential. This is the philosophy of the founder that drives us, the very spirit in which HHI Group has its root.

<p>Creative Wisdom</p> <p>Wisdom in pursuit of novelty to meet the needs of customers and our society</p>	<p>Strong Determination</p> <p>Attitude to take bold adventures with a strong sense of ownership</p>	<p>Unwavering Drive</p> <p>Power to achieve goals with a strong mind and iron will</p>
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Management Vision

HYUNDAI Electric that has grown by driving innovation in the power and energy market established missions as follows in order to realize the core value, 'Empower Growth.'

Hyundai Electric's strong drive is leading the growth of our customer's businesses and industries.	We provide integrated energy solutions to improve our customers' business productivity and lead the growth in their respective industries.	With sheer determination and strong drive, we will spearhead the global heavy electrical machinery market with unlimited potential.
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Management Philosophy

On the basis of 'C.R.E.D.I.A,' we are committed to fulfilling our missions.

<p></p> <p>Creative</p> <p>Providing products and solutions with creative foresight; unique technology that is faithful to the essence of our customers' business</p>	<p></p> <p>Reliable</p> <p>Building customer trust by implementing a proactive "Before Service" philosophy, which meets the needs of customers before they have been discovered</p>	<p></p> <p>Efficient</p> <p>Providing products and solutions based on energy efficiency to improve our customers' business efficiency and return on investment (ROI)</p>	<p></p> <p>Driven</p> <p>Achieving our goal of spearheading the market with strong drive and determination, as well as proactively leading customer communication</p>	<p></p> <p>Integrated</p> <p>Advancing as a total solution provider that offers integrated product and control technology</p>
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Business Overview

HYUNDAI Electric manufactures and supplies a variety of power equipment and solutions required for power supply. Our products encompass transformers, high voltage circuit breaker, rotating machinery, switchgear, low & medium voltage circuit breaker, low voltage motor, and power control.

 <p>Power Solution</p>	<p>We are a provider of power systems required within the grid (electricity grid) for power generation, transmission, transformation, and power plants and substations are the areas of application. Our products include extra-high-voltage transformers, extra-high-voltage circuit breaker, medium & high voltage motor, and generator.</p>
 <p>MV/LV Solution</p>	<p>We supply power distribution and control systems to chemical plants and in various industries. This solution applies to the oil & gas, and building sectors. Our products include switchgear, distribution transformers, low & medium voltage circuit breaker, and low voltage motor.</p>
 <p>Marine Solution</p>	<p>We provide electrical systems to ships and offshore facilities for general ships, warships, and offshore plants. Our marine products include switchgears, distribution transformers, and rotating machinery.</p>
 <p>Energy Solution</p>	<p>Energy solution business is about designing, procuring, and establishing the system that enables the efficient use of electric power through the integrated management of power generation, consumption, sales, and operation. It aims to build Demand Side Management System in association with FEMS(Factory Energy Management System), BEMS (Building Energy Management System), and ESS (Energy Storage System), thereby raising the efficiency of electric power.</p>
 <p>Asset Management Solution</p>	<p>We provide the systematic management of products in terms of their performance, risk, and maintenance costs according to PLC (product life cycle) as well as solutions tailored to customers' conditions. This service enables customers to maximize their business efficiency.</p>

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Company Profile

2021 Performance

HYUNDAI Electric succeeded in developing eco-friendly 170kV 50kA 4000A GIS (Gas Insulated Switchgear) for the first time in the industry, taking advantage of our original technologies. As the deterioration of climate crisis has put carbon neutrality in a spotlight, our 170kV 50kA 4000A GIS presents a solution to SF₆ gas which is being widely used and has a high global warming potential. In addition, we design it to be the same size with the GIS using SF₆ gas, which enables itself to be compatible with the existing parts up to 80%. This product serves two ends: meeting eco-friendly needs from customers and mitigating GHG emissions by up to 99%.

Operating Profit (Unit: KRW 100 million)

Classification	2019	2020	2021
Revenue	17,711	18,113	18,060
Power equipment	8,564	9,348	9,760
Rotating equipment	3,582	3,061	3,790
Distribution equipment, etc.	5,566	5,704	4,510
Operating profit	-1,567	727	97
Net profit	-2,643	-402	-34

2022 Outlook

HYUNDAI Electric has set up the business goals of KRW 2.07 trillion in sales, and USD 1.826 billion in orders on a consolidated basis (2022). Given the fact that the shrinking market due to the COVID-19 started bouncing back from the end of last year, we set this ambitious target. Especially as for the sales target, we set it to be more aggressive in consideration of the orders we already won. By business sector, we are seeing a noticeable turnaround in the Middle East and North America, our key markets for high voltage power equipment, so a substantial growth is projected. In terms of low voltage power distribution devices, it is projected for us to occupy more market share since we make them more competitive in non-price elements. On top of that, the globally strong presence of decarbonation is likely to accelerate the growth of the ESS and energy efficiency businesses. Taking advantage of the trend, we will strive to secure business opportunities in these sectors to raised profitability.

Value Distribution to Stakeholders (Unit: KRW 100 million)

Stakeholder	Indicator	2019	2020	2021
Suppliers	Raw material procurement expenses	12,642	12,058	13,330
Employees	Employment costs	2,432	2,159	2,940
Investors	Interest expenses	336	301	247
Government	Corporate taxes (profit)	-693	-133	-67
Local communities	Donations	14	22	37

2022 Growth Strategy

HYUNDAI Electric has steadily expanded our profitability and stabilized our business since 2020 where we turned a profit. In 2022, we will continue to deliver stable business management while putting our focus on ESG management, based on which we will make remarkable progress by expanding our business into global markets and securing new business growth engines.

Expanding Global Business

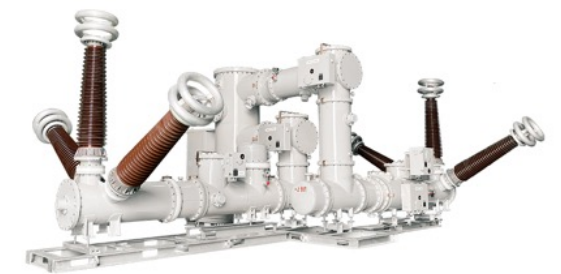
- Strengthening the role of overseas bases and expanding our global business by enlarging overseas production and sales network

Securing Energy New Growth Engine

- Sharpening capabilities required in the era of energy transition to achieve carbon neutrality and securing new growth engines

Establishing ESG Management

- Developing and supplying eco-friendly products and refining our sustainable capabilities through the shared growth with suppliers



Eco-friendly 170kV GIS developed by HYUNDAI Electric's original technology

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Main Products

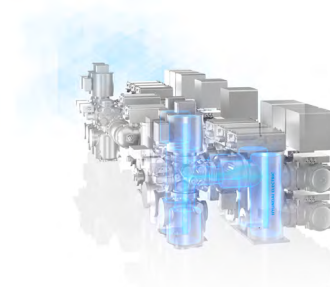
Power Solution

Solutions that enable power generation and transmission within the grid



Power Transformer

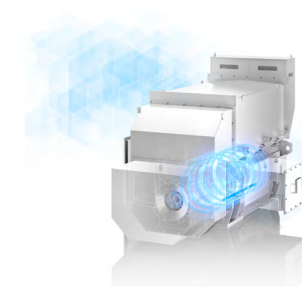
HYUNDAI Electric has supplied 1.2 million MVA power transformers to 70 countries worldwide on a cumulative basis. With the establishment of the latest equipment and production systems in line with international standards, we produce extra-high-voltage transformers with diverse specifications ranging to 800 kV, with a total production capacity of up to 100,000 MVA per year. Especially, one of our strengths lies in flexible design capabilities that enable customization that meets various needs of customers.



Gas Insulated Switchgear

HYUNDAI Electric has supplied gas insulated switchgears to 40 countries worldwide. With the aim of sharpening quality competitiveness, we have been equipped with the state-of-the-art facilities and manufacturing systems in line with international standards, which enable us to have the capacity to manufacture gas insulated switchgear up to 800 kV, the maximum rated voltage in Korea. Our product boasts stable structure, compact size, convenient control & monitoring, low-level noise & electromagnetic emission, and long product longevity. In recognition of these outstanding features, we have received certifications from KEMA¹, CESI², and KERI³, and enjoyed a large market share in the Middle East, particularly Saudi Arabia.

1. KEMA: Keuring van Elektrotechnische Materialen te Arnhem
 2. CESI: Centro Elettrotecnico Sperimentale Italiano
 3. KERI: Korea Electrotechnology Research Institute



Medium & High Voltage Motor

Our medium & high-voltage motors come in various specifications to supply models optimized for customers' operating environment and conditions. We manufacture the products under the thorough quality management, capitalizing on cutting-edge design technologies in compliance with international standards including IEC¹, NEMA², JIS³, ANSI⁴, and DIN⁵. Our medium & high-voltage motor boasts high efficiency, low vibration, and low noise level, which is supplied to various industries such as power generation, shipbuilding, offshore engineering, oil gas, water treatment, and nuclear power plants.

1. IEC: International Electrotechnical Commission
 2. NEMA: National Electric Manufacturers' Association
 3. JIS: Japanese Industrial Standards
 4. ANSI: American National Standards Institute
 5. DIN: Deutsche Industrie Normen



Generator

We are a provider of a wide range of generators ranging from ones tailored to the characteristics of each industry, such as generators for power plants, ships, general industrial use, and DPP¹ and PPS², to special-purpose generators for nuclear facilities and other testing equipment. We apply our original design and manufacturing technologies to produce generators with high efficiency and high power density (lightweight), which ensure stability in extreme conditions.

1. DPP: Diesel Power Plant
 2. PPS: Packaged Power Station

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Main Products

MV/LV Solution

Solutions supplying power distribution systems and control systems to chemical plants and general businesses



Switchgear

HYUNDAI Electric manufactures high-performance and high-reliability switchgear certified with IEC and ANSI standards. The portfolio includes gas-insulated switchgear, high / low voltage switchgear, and electric motor control panels. Our switchgear has advantages, such as high compatibility, long product life, and minimal maintenance requirements due to customized and standardized designs. Based on high reliability in quality, we have a wide range of supply records in the domestic industrial plant market, encompassing various buildings to plants and nuclear power plants.



Distribution Transformer

We produce oil-immersed and dry-type distribution transformers up to 35 kV, 50 MVA, supplying them to various places, including plants, apartments, and subways. Being recognized of the flexible design and manufacturing capabilities for the high degree of customization of oil-immersed distribution transformers, we are exporting them to around 70 countries in the world. Cast-resin transformer is fire retardant with excellent insulation and has the advantage of easy maintenance and inspection.



Low & Medium Voltage Circuit Breaker

We offer a broad spectrum of low & medium voltage circuit breakers from MCCBs¹ for households to ACBs² and VCBs³ for industrial plants. The remarkable feature and advantage of our voltage circuit breakers are that it safely protects the electrical equipment. In particular, our 'HG Series' won several design awards, including the 'IF Design Award 2016' for its compact and sophisticated design.

1. MCCB: A molded case circuit breaker that detects an abnormal current state and blocks the circuit before it is burned or damaged by heat
2. ACB: An air circuit breaker that detects overvoltage, overcurrent, and under-voltage and protects motors by blocking the circuit
3. VCB: A vacuum circuit breaker that detects overvoltage, overcurrent, under-voltage, and short circuit and protects the discharge of a transformer by evacuating the inside of the circuit breaker



Low-Voltage Motor

We released the low-voltage motor as a premium new product with high efficiency with great pride. It has optimized structural design with low noise and low vibration, reducing power costs through premium efficiency operation. It is also effective in extending the motor life with class F insulation, winding temperature below class B, and low bearing temperature. In addition, it allows inverter duty and high IP degree protection, certified in efficiency and safety from around the world.

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Main Products

Marine Solution

Solutions supplying electrical systems to ships and offshore facilities



Marine Switchgear

The marine switchgears safely supply power to onboard electric equipment and protect systems¹ in the case of electrical accidents. On the foundation of our unrivaled quality and technology, we have supplied our products to HYUNDAI Heavy Industries as well as Samsung Heavy Industries, Daewoo Shipbuilding & Marine Engineering, and various other shipyards.

1. A power transmission system that is widely connected with power plant, substation, transmission, and others



Marine Distribution Transformer

Our marine distribution transformers have unparalleled advantage in stability, low loss, low noise, compactness, and lightweight. In addition, advanced molding technology eliminates the risk of explosion and fire. It also gives excellent crack resistance and insulation properties.



Rotating Machines for Marine

HYUNDAI Electric manufactures ship generators and motors that meet worldwide ship classification standards such as KR¹, ABS², and LRS³, and has supplied our products to HYUNDAI Heavy Industries, Wartsila, MAN, and many other engine manufacturing companies. We produce models not only for general merchant ships, but also for warships, FPSOs⁴, drill ships⁵, and other specialized ships. With our unrivaled technologies, we supply the optimized models for the characteristics of each ship. Our excellent corrosion resistance of the product and global after-sales service network, enabling swift customer service, raise the reliability of the quality.

1. KR: Korea Register of Shipping
 2. ABS: American Bureau of Shipping
 3. LRS: Lloyd's Register of Shipping
 4. FPSO: Floating Production Storage and Off-roading
 5. Drill ship: A ship-type drilling facility specially designed to perform oil and gas drilling in the deep sea or in the middle of the ocean where fixed structures cannot be installed

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ICT Solution Brand, INTEGRICT

INTEGRICT is an ICT-based intelligent solution that remotely controls electric power devices for buildings, plants, and ships. It enables to systematically manage various energy facilities, including electricity, heat, and gas while raising energy efficiency and maintaining facilities by analyzing operation data. INTEGRICT provides services in two areas: 'energy solution' and 'asset management solution.'

Energy Solution

INTEGRICT's energy solutions business establishes, procures, and builds systems that enable efficient use of electric power through the integrated management of energy production, consumption, sales, and operation. At this juncture when efficient energy management is critical, our INTEGRICT energy solution is particularly at the center of attention. Our Energy Storage System (ESS) is a customized system for energy production, efficiency, or management while the Building Energy Management System (BEMS) refers to a system that maximizes efficiency by integrating the analysis, operation, and management of energy used in buildings. The Factory Energy Management System (FEMS) provides an energy-efficient environment by combining the analysis, operation, and management of energy consumption in plants. The Microgrid solution is a next-generation power system that supports independent supply by building smart systems capable of self-sustaining power in small areas.

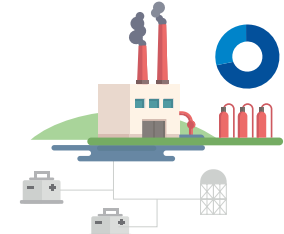
INTEGRICT Energy Solution



ESS
Energy Storage System



BEMS
Building Energy Management System



FEMS
Factory Energy Management System



Microgrid
Microgrid Solution

All information from each device is gathered and analyzed via the INTEGRICT platform to draw insight



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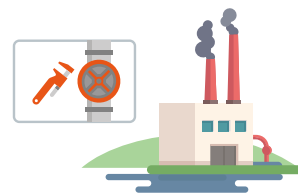
ICT Solution Brand, INTEGRICT

Asset Management Solution

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

The connection between the ICT platform and major power facilities enables to acquire and analyze essential information to manage operation performance by considering the product lifespan and predicting failures. Therefore, through this connection, the overall facility performance is improved and problems such as breakdowns can be preemptively prepared. In addition, maintenance and replacement inventory management can also be performed in an efficient manner, leading to optimal business performance.

INTEGRICT Asset Management Solution



Improving the quality and reliability of power facilities



Optimal performance management in real time



Minimizing downtime by forecasting and preventing malfunctions



Reducing costs for maintenance and parts inventory

All information from each device is gathered and analyzed via the INTEGRICT platform to draw insight



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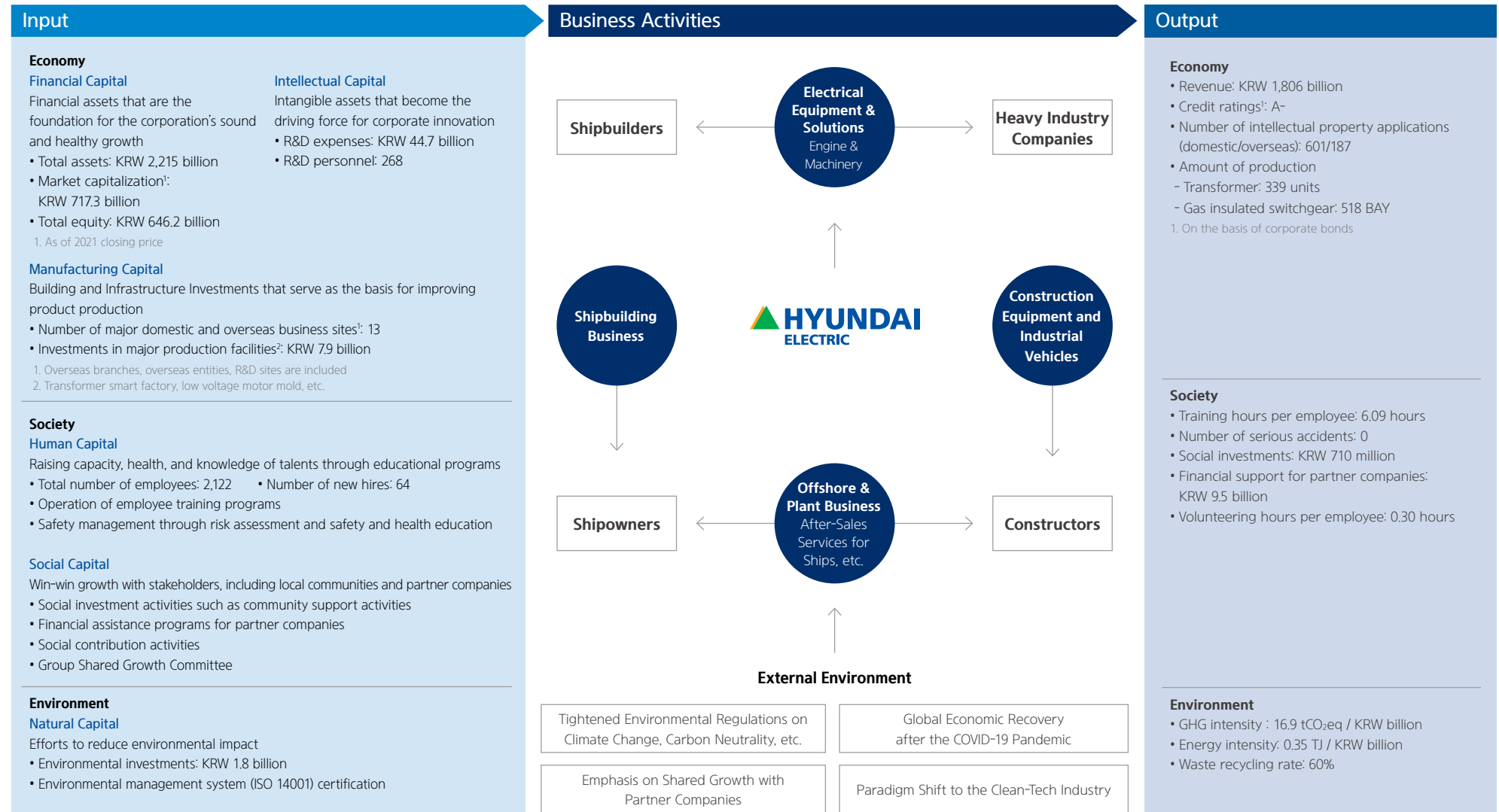
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Value Creation and Distribution

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



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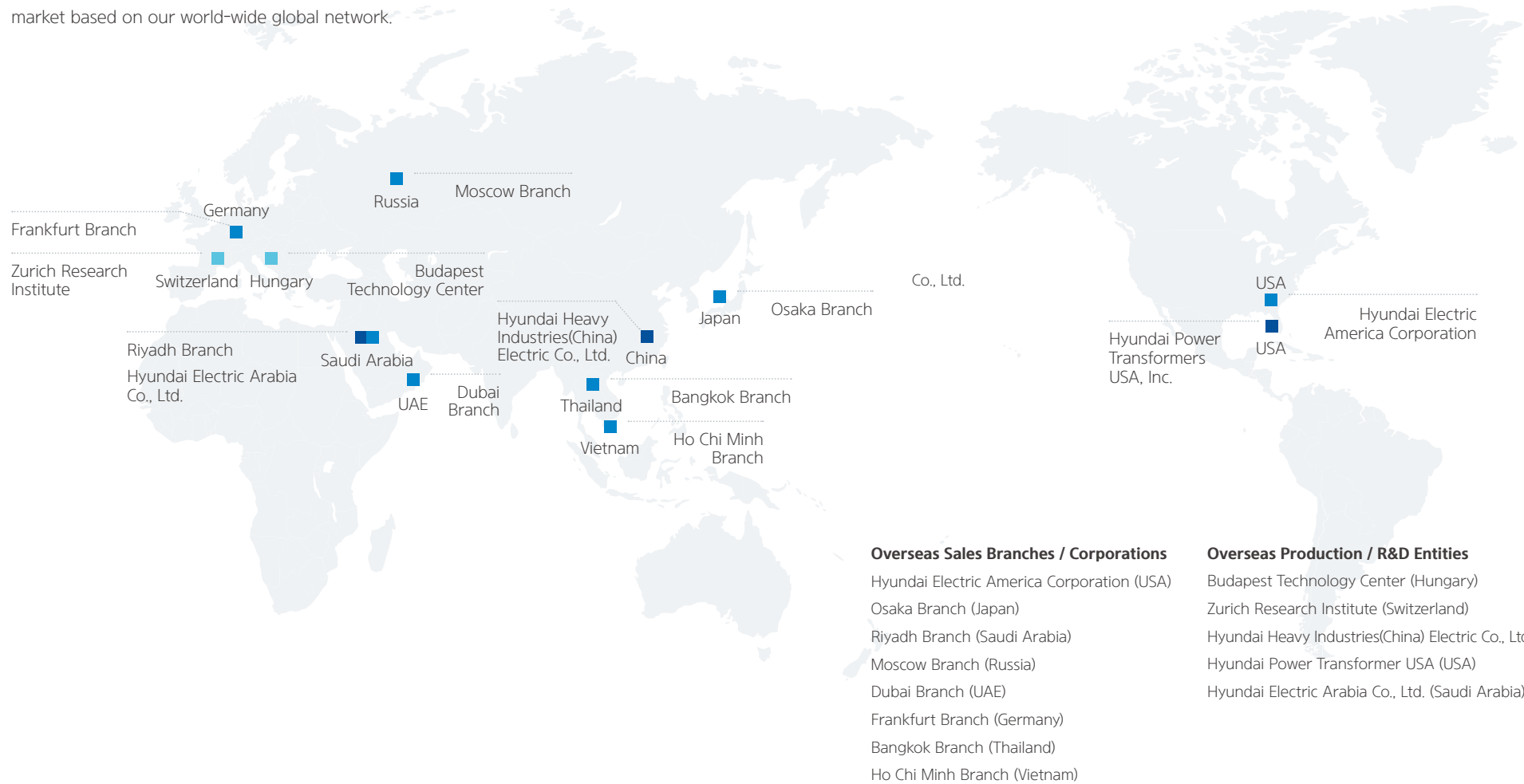
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Global Network

HYUNDAI Electric has established overseas branches, corporations, and R&D hubs in key countries, including the U.S., China, and Germany. We produce and supply electrical / electronic devices and energy solutions that are required in every stage of electricity supply in the global market based on our world-wide global network.



Overseas Sales Branches / Corporations

- Hyundai Electric America Corporation (USA)
- Osaka Branch (Japan)
- Riyadh Branch (Saudi Arabia)
- Moscow Branch (Russia)
- Dubai Branch (UAE)
- Frankfurt Branch (Germany)
- Bangkok Branch (Thailand)
- Ho Chi Minh Branch (Vietnam)

Overseas Production / R&D Entities

- Budapest Technology Center (Hungary)
- Zurich Research Institute (Switzerland)
- Hyundai Heavy Industries(China) Electric Co., Ltd. (China)
- Hyundai Power Transformer USA (USA)
- Hyundai Electric Arabia Co., Ltd. (Saudi Arabia)

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ESG Vision System

As a global energy company, we established the ESG slogan, 'Efficiency, Sustainability, Growth' on the basis of our ESG management directions, aiming to become a trusted company creating sustainable value. Under the ESG slogan, we have set out three strategic directions: creating green impact through eco-friendly management, promoting shared growth based on mutual respect and engagement with stakeholders, and practicing fair and transparent ESG management. We keep these directions in mind in implementing plans for each ESG sector. The major performance has been disclosed to our stakeholders in a transparent manner.

ESG Management Vision

Trusted Company Creating Sustainable Value

ESG Strategic Direction



Creating Environmental Impact

Creating green impact through eco-friendly management



Pursuing Shared Growth

Promoting shared growth based on mutual respect and engagement with stakeholders



Ensuring Transparency & Compliance

Practicing fair and transparent ESG management

ESG Focus Tasks

- | | | |
|--|--|---|
| <ul style="list-style-type: none"> • Expanding business portfolio through the development of eco-friendly products and services • Contributing to the social development as a global corporate citizen through managing carbon emissions and establishing the energy efficiency plan | <ul style="list-style-type: none"> • Establishing social and environmental risks management framework for the supply chain • Strengthening human rights management • Implementing community engagement programs relevant to HYUNDAI Electric's core business activities | <ul style="list-style-type: none"> • Establishing ESG communication framework • Improving transparency and integrity of governance • Establishing ethics monitoring and evaluation system • Participating in the global initiatives |
|--|--|---|

Enabler Fundamentals of ESG Management

- | | | |
|-------------------------------|--|--|
| Operating ESG Management Team | Establishing ESG-related decision-making process | Establishing ESG performance assessment system |
|-------------------------------|--|--|

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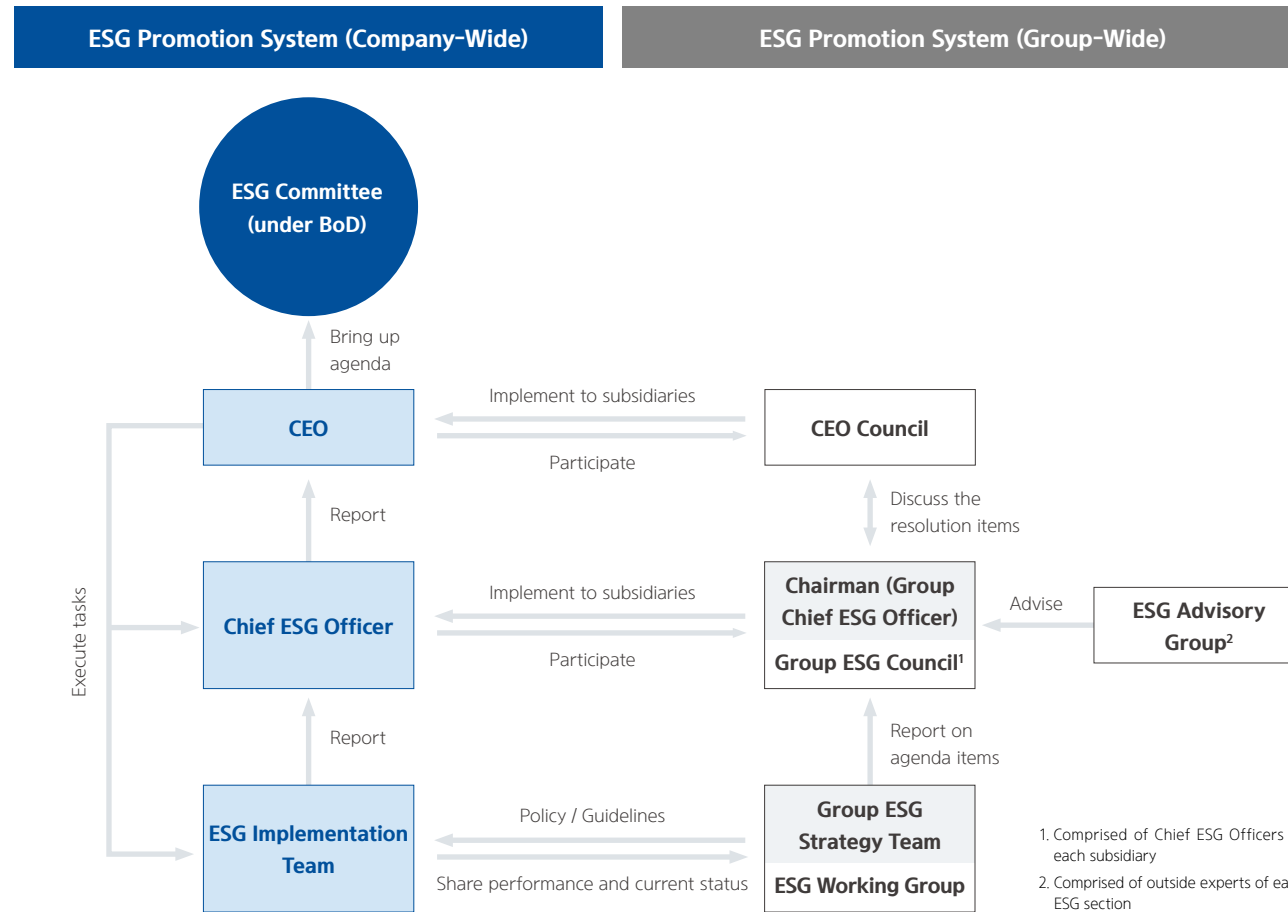
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ESG Vision System

With an aim to discuss key policies and current issues in regard to ESG, we have established an ESG decision-making system at a group level. HYUNDAI Electric and other subsidiaries swiftly grasp ESG issues through the ESG decision-making system and induce proper policies and response plans.

ESG Governance



ESG Issue Sharing and Decision-making System

Report on Agenda	Report ESG agenda items and key issues for the Group
Deliberate on Agenda	Discuss ESG agenda and counterplans for the issues
Seek Consultation	Seek advice from outside experts on the ESG agenda items and other matters
CEO Council	Discuss policy decisions and review the implementation plan for subsidiaries
Execute Tasks	Manage implementation of tasks for ESG teams in the subsidiaries and achievements of ESG departments for subsidiaries

Group ESG Council Operation in 2021

Category	No. of Meetings Held	Key Agenda Items
Group ESG Council	1	<ul style="list-style-type: none"> Establishing the strategies and directions for climate change response Plans to reinforce environmental management Plans for energy saving Plans to enhance ESG and manage risks of partner companies
ESG Working Group	2	<ul style="list-style-type: none"> Plans to respond to the changes in ESG evaluation standards Plans for implementing ESG in the supply chain Plans for enhancing human rights management Directions for building an ESG homepage, etc.

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01. ‘Carbon Neutrality,’ the First Step to Usher in a New Future

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The efforts to achieve carbon neutrality to combat climate crisis have become an integral part for companies to survive. HYUNDAI Electric will be committed to developing green power equipment and providing integrated energy solutions, thereby unleashing ‘carbon neutrality,’ the most daunting challenge confronting the mankind, and leading the next generation power equipment market.



‘Eco-friendly Management,’ the Most Daunting Challenge

As the concerns have mounted over climate crisis, the global community has been actively responding to the crisis, which is evidenced by the declaration of decarbonation and following practices. In addition, more and more people are raising their voices to demand companies across the globe to take action to reach net-zero. Against this backdrop, environmental management to achieve carbon neutrality is no longer a matter of choice, but a prerequisite for sustainable survival. Keeping pace with these trends, HYUNDAI Electric aims to vault into ‘Green Energy Company,’ to usher in a better future beyond profit generation. To this end, we have been bringing together the technologies and know-how earned through long years of experiences so as to develop green products and services. In addition, we will be strict about the management of energy consumption and carbon emissions, thereby making ourselves ‘Green Factory.’

‘Eco-friendly leader’ in the Next-generation Electricity Market

As climate crisis has become real, all eyes are on eco-friendly electricity worldwide. In the face of growing demand for green renewable energy, HYUNDAI Electric has intensively invested in developing eco-friendly products and cultivating required technologies and capabilities in proactive response to the changing market and customers’ needs. As a result, we succeeded in the development of 170kV GIS using our original technology, which was the first achievement in the domestic market. Furthermore, diverse green products that meet environmental regulations by country, such as eco-friendly insulating oil-filled transformers and shaft generators, have been invented. In addition, with the launch of eco-friendly brands, ‘GREENTRIC,’ and ‘INTEGRICT,’ we have developed and provided green technologies, thereby leading the next-generation electricity market.

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02. Standing in the Middle of Energy Transformation

Climate crisis is accelerating energy transition, and major countries are scaling up their efforts to deliver renewable energy policy such as the expansion of solar and wind power generation and the complete electrification of buildings. Keeping pace with these trends, HYUNDAI Electric launched our eco-friendly power equipment brand, 'GREENTRIC,' and has applied it to our green product line developed based on our original technologies. Taking advantage of our experiences of optimizing the operation of ESS which enabled maximized economic feasibility, we will enter the U.S market where the ESS sector is being on the rapid rise, and sharpen our competitiveness.

Future Growth Engine, Eco-friendly Power Equipment Brand 'GREENTRIC'

With the purpose of reinforcing our competitiveness in the green power equipment market, we rolled out our eco-friendly brand, 'GREENTRIC,' which is a compound word of 'Green' and 'Electric.' We will add this brand to our green product line developed through our original technologies, thereby raising the profile of HYUNDAI Electric as a sustainable company.

Eco-friendly '170kV GIS' Moving towards the Global Stage

Our three green models, eco-friendly 170kV GIS, eco-friendly insulating oil-filled transformer, and engine-mounted shaft generator, fall under GREENTRIC. The eco-friendly 170kV GIS enables GHG emissions mitigation up to 99.2%, which put itself in the spotlight worldwide. The Europe's GIS market size amounted to approximately KRW 2 trillion as of 2021, showing an annual growth rate of 7%. Given this growth rate, the

market is projected to reach KRW 2.62 trillion by 2025 in size. Our GIS product line is expected to annually grow by 65% on average over the next five years in terms of its market share, it will amount to KRW 600 billion by 2025.

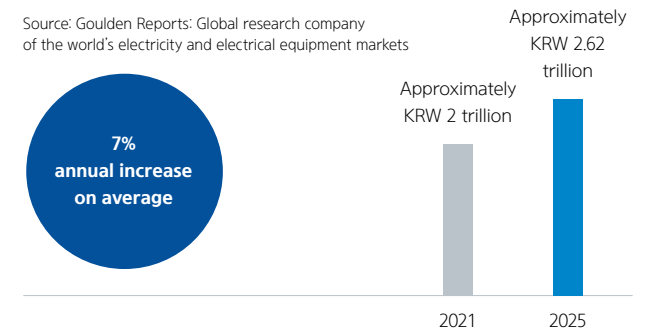
'Engine-mounted Shaft Generator' for Green Vessel Operation

Three years of R&D resulted in the invention of 'engine-mounted shaft generator,' one of the representative GREENTRIC models. Shaft generator is a device that generates electricity utilizing the turning force of engine shaft when a vessel is on the move, and our product is an eco-friendly one capable of reducing fuel consumption and exhaust gas emissions. It also allows users to improve Energy Efficiency Design Index (EEDI) presented by International Marine Organization (IMO) by 3% to 5%, and can be mounted on the front of a large engine, which occupies a space 40% less than the previous one.



Europe's GIS Market Size

Source: Goulden Reports: Global research company of the world's electricity and electrical equipment markets



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02. Standing in the Middle of Energy Transformation

Eco-friendly New Growth Engine ‘ESS’

On the strength of the technological prowess we have built through the long years of experience in the ESS market, HYUNDAI Electric has put spur to our entrance into the global market. ESS is a system that raises the efficiency of power use by storing excess electricity and supplying it when needed. The feature of reducing carbon emissions and improving the efficiency of energy use makes it gain popularity in the future energy market. Our ‘electricity storage battery packaging’ is a business that designs a battery system tailored to each application, and plans an application business model. We have applied this business into the ESS business, and already received orders in the sectors of EV quick charging infra, AMP / ESS for vessels, and new and renewable and grid-connected ESS. In addition, it will be reflected in the energy trading, microgrid, and charging businesses to create sustainable synergy.

Global ESS Market Outlook

The entrance into the overseas ESS markets is in the pipeline with a focus on the U.S market, which amounted to USD 5.5 billion (KRW 6.53 trillion) in size in 2021. Last year alone, its market size trebled compared to the previous year. Growing demand for energy self-sufficiency and ESS for backup power is likely to serve as a driving force of increasing this market by 20% annually. Limited land area and slowdown in electricity consumption are a limit to the ESS market growth in Korea, however, the U.S market has been on the rapid rise. Accordingly, we judge that the U.S market will provide us with a new opportunity. HYUNDAI Electric aims to expand our presence into overseas markets following the entrance into the U.S market, thereby playing a pivot role in the global ESS business.

Our Competitiveness to Occupy the ESS Market Ahead of Others

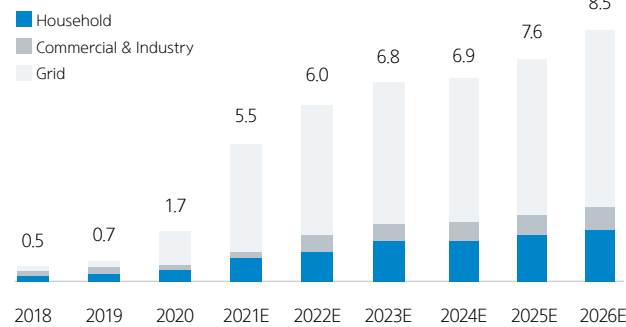
HYUNDAI Electric has a record of 1.1GWh / KRW 241.6 billion, the Korea’s top-notch achievement, on a cumulative basis in the ESS sector. A wealth of experience in ESS economic feasibility analysis, grid interpretation, electricity, construction design, construction, commissioning, and operation & management has enabled us to conduct all of ESS-related processes. Furthermore, we have a track record of establishing optimized ESS that didn’t allow a single battery fire. We are equipped with advanced capabilities to optimize ESS operation that leads to maximized economics, including peak control, arbitrage, frequency response (FR) and demand response (DR). These capabilities can be utilized in the global market as well. As part of the effort to refine our ESS-related technological prowess, we took over ‘HYUNDAI PLASPO,’ a company specializing in the development of PCS¹, a core technology of ESS.

The greatest synergy earned through the M&A is to secure an ESS soundness diagnosis solution technology. This solution controls and blocks power generation on the basis of ‘health index’ (soundness index) according to the settings of ESS storage limit, temperature and impact. It is difficult to apply a safety monitoring function to ESS with a large capacity. However, this solution enables the quantization and analysis of soundness, taking advantage of AI or Big Data, which means it allows the detection of abnormal reactions in advance. And we have obtained UL² and ETL³ certifications for this outstanding technology.

- 1. PCS: Power Conditioning System
- 2. UL: Underwriter Laboratories
- 3. ETL: Electrical Test Laboratories

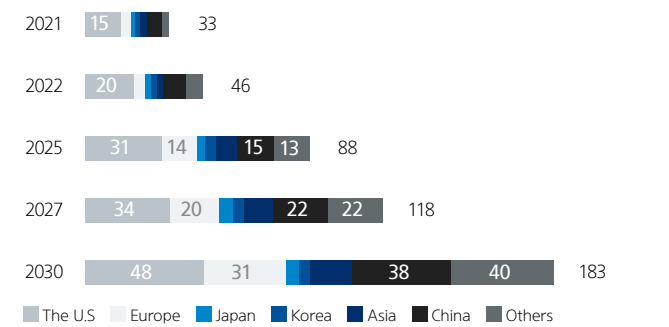
U.S ESS Market Size (Unit: USD billion)

Source: US Energy Storage Monitor, 2021 Wood Mackenzie



Global ESS Market Outlook (ESS Installation Capacity) (Unit: GWh)

Source: SAMSUNG SDI CES



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03. Platform-based ‘SMART SOLUTION PROVIDER’



HYUNDAI Electric has reinforced competitive advantage of our ICT solution brand ‘INTEGRICT’, and built ‘Smart Energy Platform’ based on this. Setting smart energy platform at the head, which maximizes efficiency of energy management, we will take the initiative in creating a future-oriented innovative industrial complex where green and digital technologies going hand in hand.

Advancing INTEGRICT and Partnership

We reinforced data-based analysis features in AMS¹ and EMS² to enhance connectivity with existing business models while the sectors of S/W development planning and project management, data analysis, and AI are fully staffed with major talents, all of which are resulting in exceptional competitive edge of INTEGRICT. In a strategic partnership with local universities and local energy companies having expertise in energy convergence technology, we are expanding the business area of INTEGRICT.

1. AMS: Asset Management System 2. EMS: Energy Management System

Smart Energy Platform Business in Full Swing

We have been prepared for the rapid digital transformation in the energy and power equipment industry. Independent solutions within INTEGRICT are integrated to collect big data, aiming to boost AI and data analysis. Newly added UI and UX features have enhanced the connectivity with various business models, pushing ahead the evolution of INTEGRICT into a platform rather than a simple solution. The state-of-the-art INTEGRICT has empowered us to make inroads into the Smart Energy Platform business in earnest. Banwol-Sihwa industrial complex project is a representative example of building a digital-based and eco-friendly smart manufacturing plant. The completion of Smart Energy Platform in the Sihwa industrial complex accounting for about half of the energy consumption of industrial complexes in Gyeonggi-do, will bring about the highest level of energy efficiency. As the government is also promoting the conversion of national industrial complexes into smart energy complexes, our Smart Energy Platform business will be accelerated.



Screen displaying the operation of energy management system in the Smart Energy Platform industrial complex

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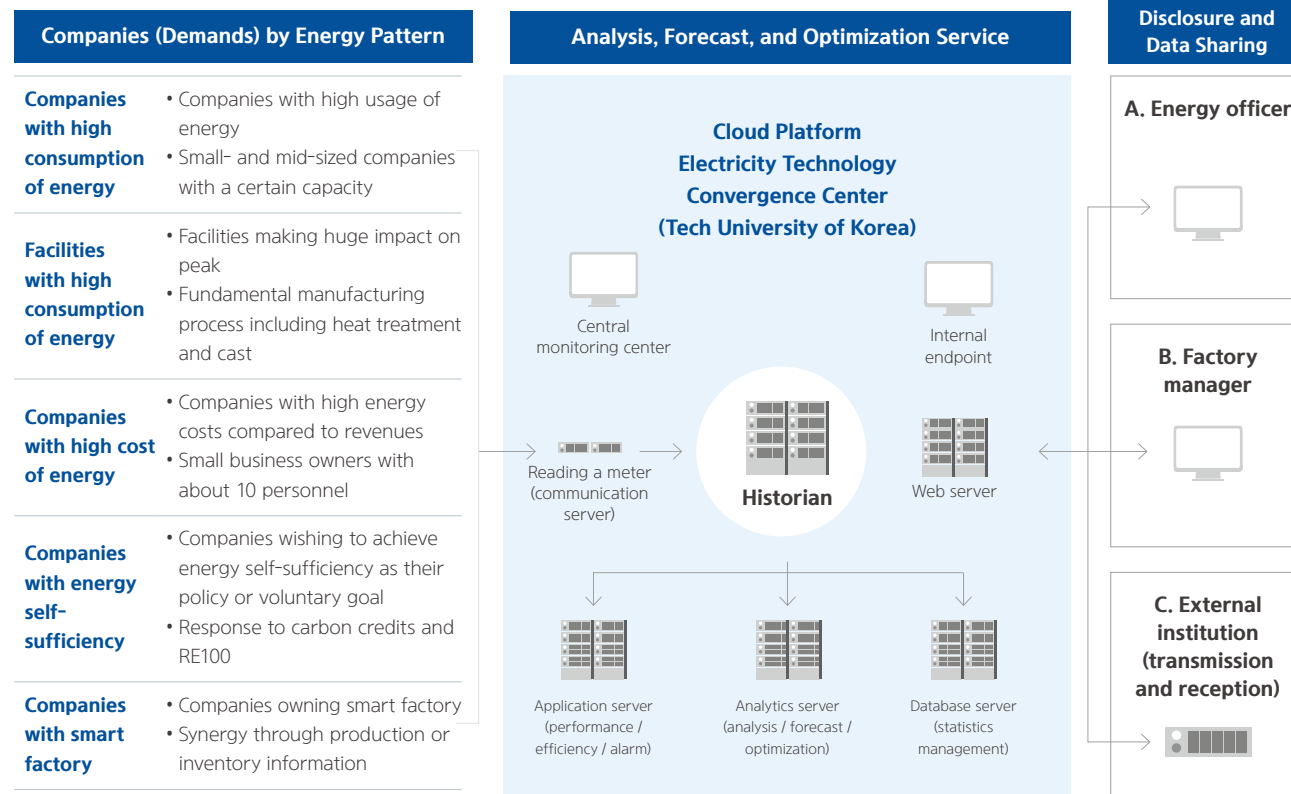
03. Platform-based ‘SMART SOLUTION PROVIDER’

Smart Energy Platform, Maximized Energy Management Efficiency

Our smart energy platform transformed an energy management system that was previously operated by business sites into a cloud-based one, maximizing management efficiency. We classify companies that demand the system by

energy usage patterns to provide optimized solutions derived through analysis and forecast technology using AI and Big data technologies. The smart energy platform not only reduces costs based on electrical energy efficiency but also secures the stability of power supply, thereby contributing to building an eco-friendly complex.

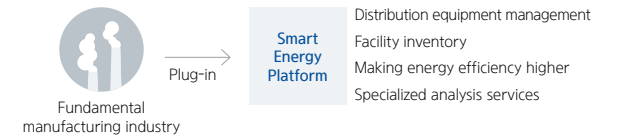
Smart Energy Platform Concept Diagram



Distinctive Advantage of Smart Energy Platform

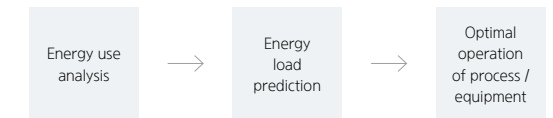
1. Energy management solution tailored to the industrial complex

- Standardization of data and solutions by Fundamental manufacturing process / equipment
- Diagnosis of motors with professional expertise in equipment diagnosis and analysis
- Online electrical energy / power quality diagnostics



2. Energy AI total solution

- Detection of energy consumption and facility efficiency anomaly
- Provision of execution guides based on analysis and prediction (optimal plan, target peak, etc.)
- Proposal of operation plans based on optimization



3. Energy ecosystem and participatory platform

- Participation of companies providing services to the manufacturing plant
- Creation of DR / M&V / O&M energy playground
- Attracting advertisements from companies with energy efficiency / independence



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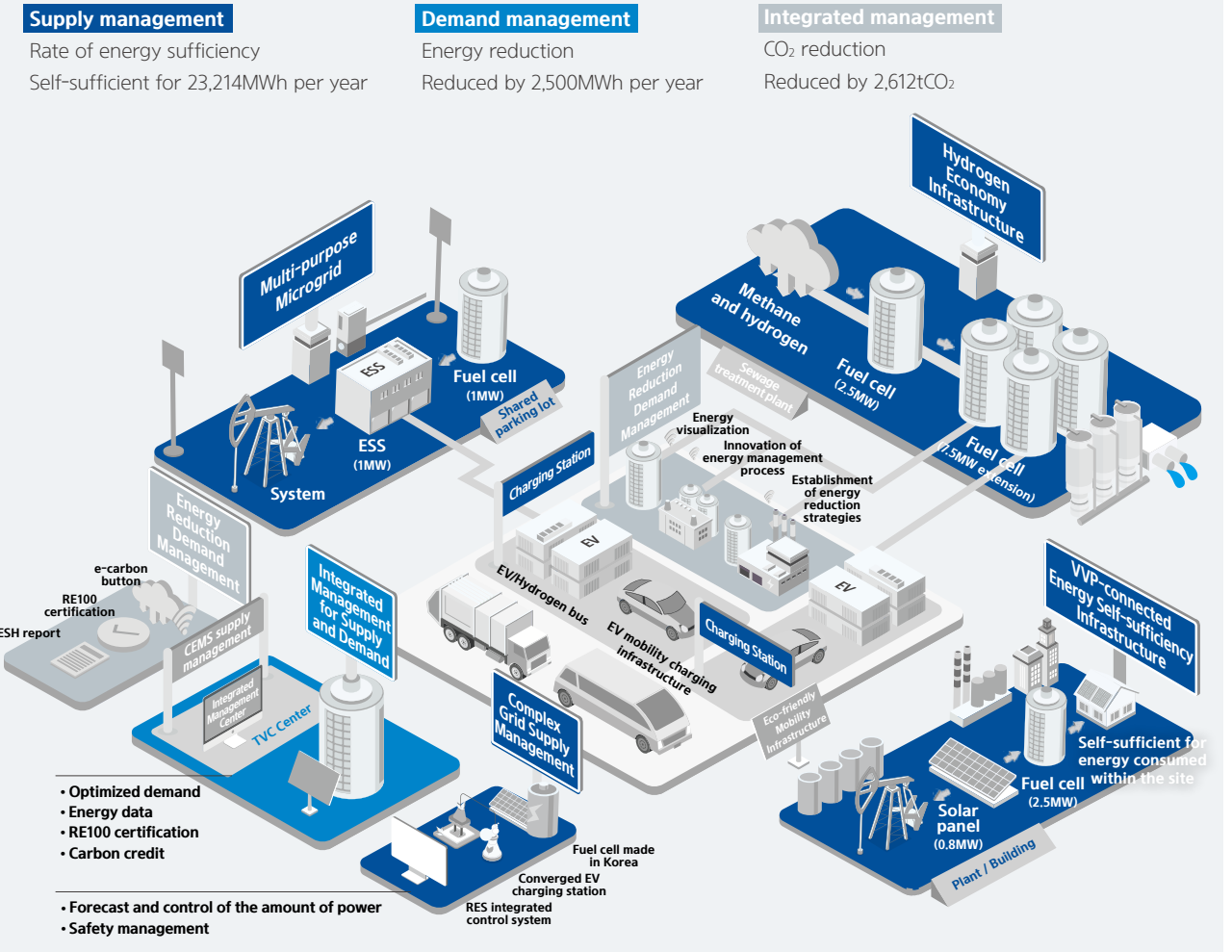
04. Frontrunner in the Energy Convergence Industry

We actively capitalize on the professional engineering capabilities in electricity to take part in energy convergence projects. The energy convergence project refers to building a self-sufficient infrastructure utilizing renewable energies such as solar and wind power as well as the hydrogen fuel cell. We plan to expand this in various areas, not only green campus but also industrial complexes

Building the Smart Green Industrial Complex

HYUNDAI Electric was selected the main organizer of the Banwol-Sihwa Industrial Complex's 'Energy Self-sufficiency Infrastructure Project,' and plans to create a 'smart green industrial complex' converged with eco-friendly technology by December 2023. At the project, we comprehensively manage the establishment and operation of an integrated energy management system and renewable/distributed energy resources. In addition, we build the infrastructure to supply renewable and eco-friendly energy, including fuel cell power facilities, solar power plants, and EV charging stations. One of the special support programs we provide for tenant companies in the complex is an energy management solution through 'Smart Mirroring' infrastructure. Smart Mirroring is a system that provides a customized energy management solution by measuring the energy usage of each company in real-time. In addition, we plan to proactively introduce a smart energy platform to offer energy demand forecasting and optimized operational solutions so that companies in the complex can participate in carbon-neutral practices.

Banwol-Sihwa Industrial Complex's 'Energy Self-sufficiency Infrastructure Project'



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04. Frontrunner in the Energy Convergence Industry



Carbon-neutral Green Campus of Kyungpook National University

Building Carbon Neutral Green Campus

HYUNDAI Electric is participating in Kyungpook National University's 'Carbon-neutral (Net-Zero) Place Creation Project,' implementing a carbon-neutral green campus construction project. We plan to secure a large-scale eco-friendly energy source capable of meeting the electricity demands of 150MWh per day and 60GWh per year within the campus. Also, the electricity used by the campus and research centers in the place will be entirely supplied with renewable energy. Besides, our plan is to build a micro-grid charging station that can operate without depending on the external energy source, aiming to create the largest carbon-neutral mobility campus in Korea. The carbon-neutral campus project will serve as a platform for us to support building green campuses across the nation.



Organization Dedicated for Business Development Based on Engineering

It is projected that the competence of engineering and business planning in diverse fields will play an essential role in the energy convergence business in the future. Therefore, we spare no effort to secure a technological gap in all stages, including technology evaluation, engineering, product, EPC, and O&M. Accordingly, we are looking into various business execution ways.



Our Commitment to Keep the Future

As Korea's representative heavy electric business, HYUNDAI Electric has been recognized for our outstanding technology and reliability by expanding into the energy solution business and developing eco-friendly and highly efficient products in line with the trend. We have never been afraid to take on challenges and change ourselves for the last 40 years in the course of business. Now, we are determined to create a sustainable energy ecosystem to safeguard humanity and the earth. We will expand the dominant status through widely distributing highly efficient green products in the electricity market, where it is reorganized, centering around new and renewable energies. To realize carbon neutrality, it is essential to transition into the era of 'electrification.' As we advance, we will become a sustainable company taking the lead in the electrification era by identifying future growth engines and energy solutions.

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Action on Climate Change

Strategy

HYUNDAI Electric has chosen eco-friendly management, such as expanding new energy businesses, as our key goal to respond to climate change. By setting 2022 as the year of leaping forward as a leading carbon-neutral company, we are making the following efforts.

Greenhouse Gas and Energy Goals Management

We are focusing on minimizing the environmental risk by establishing GHG emission reduction targets according to the Nationally Determined Contribution (NDC) standards. By implementing our own management system, HHI Greenhouse Gas Management System (HGMS), we monitor GHG emissions of each plant and we have also come up with medium to long-term measures for reduction. In addition, we are systematically responding to climate change by setting energy reduction targets for each plant.

Environmental Management System Establishment and Verification

The ESG Committee was launched to respond to climate change at the company level, and we are strengthening our environmental management system to become an energy solution company. In addition, the efforts are being made to ensure environmental management reliability through step-by-step verification by a third-party verification agency for accurate calculation and disclosure of environmental data.

Target

From the spin-off in 2017 to 2021, HYUNDAI Electric has managed the goal of mitigating GHG emissions compared to the previous year. From 2022, we established our own medium to long-term GHG emission reduction target to take part in achieving NDC, and we are managing the target more clearly and efficiently. With 2018 set as the base year, we reduced emissions by 18.6% in 2021 compared to 2018, and we are managing this with a target of 17% in 2025.

	Unit	2022	2025
Ratio of the GHG emissions reduction target compared to 2018 ¹	%	14.5	17

1. 2018 GHG emissions: 37,543tCO₂eq

Assessment

While responding to the needs of various stakeholders, HYUNDAI Electric has built an environmental management system for domestic business sites to comply with the global standards. We obtained the international certification for environmental management system (ISO 14001) in 2015 and we are maintaining this certificate by continuously renewing it.

International Certification

	Unit	2019	2020	2021
ISO 14001	Certification	V	V	V

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Action on Climate Change

Impact

HYUNDAI Electric monitors GHG emissions of all business sites on a monthly basis with HGMS. The person in charge of each emission facility enters the energy consumption data into the computer system, and the monthly data will be calculated as GHG emissions in accordance with the guidelines on emission reporting and certification of the GHG emission trading system, after internal verification. In addition, in order to raise credibility of the final data, we conduct step-by-step verification through a third-party verification agency. We carry out environmental impact assessments of each department by considering the environmental impact from the standpoint of the entire process ranging from the design, production, use, to the disposal of products. We are managing our processes to be able to produce excellent products while minimizing the environmental impact, and the stakeholders' requirements gathered during this process are frequently reflected in the system and procedures. Through these efforts, HYUNDAI Electric is reducing the environmental impact of all products in the Life Cycle Assessment (LCA) perspective.

2021 Performance

Greenhouse Gas Emissions¹

		Unit	2019	2020	2021
GHG	Total emissions	tCO ₂ eq	34,582	32,882	30,550
	Direct emissions (Scope1)	tCO ₂ eq	8,112	6,020	6,205
	Indirect emissions (Scope2)	tCO ₂ eq	26,470	26,862	24,345
	Emission intensity ²	tCO ₂ eq/ KRW billion	19.53	18.16	16.92
GHG reduction	Reduction achieved compared to the target ³	%	54.39	85.62	128.46

1. Data coverage: Ulsan Plant, Seonam Plant, Yongin Research Center
 2. Revenue: Based on consolidated financial statements of the annual report
 3. Base year of 2022 Goal: 2018, Target year: 2022, Target reduction rate: 14.5% (compared to base year)

Energy Consumption⁴

		Unit	2019	2020	2021
Non-renewable Energy	Total consumption	TJ	699	668	628
	Direct energy consumption	TJ	154	115	119
	Liquefied natural gas (LNG)	TJ	145.69	111.37	117.27
	Gasoline	TJ	0.42	0.48	0.42
	Diesel	TJ	4.59	3.36	2.72
	Kerosene	TJ	0.03	0.00	0.02
	LPG	TJ	0.04	0.03	0.03
	Indirect energy consumption	TJ	545	553	509
	Electricity	TJ	545	553	509
	Consumption intensity ⁵	TJ/KRW billion	0.39	0.37	0.35
Rate of improvement in consumption intensity (compared to the previous year)		%	-0.88	6.55	5.73

4. Data coverage: Ulsan Plant, Seonam Plant, Yongin Research Center
 5. Revenue: Based on consolidated financial statements of the annual report

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Action on Climate Change

Energy Generation Sales

	Unit	2019	2020	2021
Total production (PV)	MWh	548.0	566.0	544.2
Total sales (PV)	MWh	548.0	566.0	544.2

Energy Consumption Reduction Activities

The total energy consumption in 2021 decreased by 40TJ compared to the previous year, and this reduction trend has continued over the past three years. In order to cut down on energy consumption, we are gradually reducing the proportion of fossil fuel consumption such as gasoline, diesel, and LPG, as well as implementing a company-wide energy saving activities in the offices. In the case of electricity, which takes up the largest proportion of the total energy consumption, each department devises a voluntary reduction plan and carries out energy saving activities such as maintaining proper temperature for cooling and heating, turning off lights during lunch hours, and turning off office equipment when leaving work. Through these voluntary activities, energy consumption was reduced by 3,438,541kW, and GHG emissions were reduced by 1,603,221.1kg CO₂eq in 2021.

Next Plans

HYUNDAI Electric plans to establish a detailed classification and monitoring system for energy sources consumed by plants to response to climate change. We are also continuing sustainable development through improving the operational efficiency of GHG emission facilities on a large scale and investing in new facilities. From 2022, we plan to phase in eco-friendly insulating oil and insulating gas that can replace existing fossil fuels. We will also refine our capabilities as a leading carbon neutral company by putting spur to our research and development on facilities of high-efficiency and eco-friendly products.

Water

Strategy

HYUNDAI Electric installed a facility to reuse cooling water used in the test processes to reduce water consumption. We monitor the water consumption by the business sites on a monthly basis based on the water bill. The effluent that is generated by business sites is safely stored in the water tanks for each process, and a specialized company is consigned to handle all of the stored effluents. In addition, we are making an effort to prevent leakage accidents or law violations by conducting voluntary inspections, mainly on wastewater sources.

2021 Performance

Water

	Unit	2019	2020	2021
Total water intake	ton	281,095	146,073	229,313
Total water consumption ¹	ton	280,712	145,698	229,023
Total wastewater treatment ²	ton	383	375	290
Water consumption intensity ³	ton/KRW billion	158.50	80.45	126.81

1. Data coverage: Ulsan Plant, Seonam Plant
 2. Data coverage: Ulsan Plant (No discharge for other business sites)
 3. Revenue: Based on consolidated financial statements of the annual report

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Resource Use and Pollution Reduction

Strategy

HYUNDAI Electric has put efforts into curtailing emissions by establishing an in-house management system for pollutants and operational goals to minimize pollutant emissions. Regarding the permissible limit of air pollutants, we apply and manage more stringent standards than the legal standards. To this end, we carry out a monthly inspection on the environmental facilities, actively invest in prevention facilities and replace old equipment. In order to minimize the waste of resources, we set a target to mitigate waste discharge and monitor the entire process. In addition, we prevent the use of hazardous chemical substances in advance by conducting chemical hazard assessments from the point of purchasing raw material. In addition, we carry out activities to prevent chemical accidents by updating the Material Safety Data Sheets (MSDS) and operating storages for chemicals.

Target

Using the goals for resource recycling provided by the Korea Environment Corporation, HYUNDAI Electric sets a waste generation target. We set a new target every year and a two-year achievement period. The target for the year 2021 was 2,787 tons, and 2,593 tons were discharged, exceeding the target. We will increase the actual recycling rate through identifying the current status of waste generation by source and analyzing the treatment procedures.

	Unit	2019	2020	2021
Waste generation	ton	3,066	2,923	2,593

Assessment

Air Pollutant Control

As of January 2022, we added new items for measurement to the 13 vents to frequently identify and manage the current status of air pollutants.

Chemical Substance Management

We report on the status of chemical usage to the relevant authorities through a survey on the discharged amount (annually) and a statistical survey (biennially). And chemicals imported separately are legally processed through import declaration.

2021 Performance

Air Pollutant Control

We focus on managing fine dust generating facilities at our business sites through the in-house management system, HiSEs. When emergency reduction measures against fine dust are issued, we voluntarily and actively respond by shortening the operation time of our painting facilities. As HYUNDAI Electric is subject to the Total Air Pollution Load Management System, we contributed to protecting the local air environment by recording about 47% of pollutant emissions compared to the total emission permitted in 2021.

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Resource Use and Pollution Reduction

Air Pollutant Emissions¹

		Unit	2019	2020	2021
Nitrogen oxides (NOx)	Emissions	ton	3	3	2.3
	Emission intensity	ton/KRW billion	0.0017	0.0017	0.0013
Sulfur oxides (SOx)	Emissions	ton	0	0	0.19
	Emission intensity	ton/KRW billion	0	0	0.0001
Volatile organic compounds (VOCs)	Emissions	ton	0.16	0.86	1.18
	Emission intensity	ton/KRW billion	0.0001	0.0005	0.0007
Dust	Emissions	ton	4	1	0.8
	Emission intensity	ton/KRW billion	0.0023	0.0006	0.0004

1. Data coverage: Ulsan Plant, Seonam Plant
 Revenue: Based on consolidated financial statements of the annual report

Waste Management

To manage performance of resource circulation, the Safety & Environment Department and Logistics Material Management Department jointly monitor waste generation and treatment processes at all business sites. Some of the generated waste is self-treated, and the rest is handled by a consigned company. Recycled waste is also treated by a consigned company. In addition, we carry out a campaign for separate collection of waste to lessen the amount of general waste that is difficult to recycle.

HYUNDAI Electric produces and sells the steam generated during the incineration process. Insulating oil is reused by removing the moisture and impurities through filters and filtering facilities after one-time use, and for its final disposal, it is treated in an eco-friendly way through a recycling company.

Waste Generation²

		Unit	2019	2020	2021
Waste generation		ton	3,066.2	2,923.2	2,593.3
General waste		ton	2,675.6	2,561.3	2,232.9
Designated waste		ton	390.6	361.9	360.4
Emission intensity ³		ton/KRW billion	1.73	1.61	1.44
Rate of improvement in consumption intensity (compared to the previous year)		%	8.05	6.77	11.04
Waste disposal		ton	3,066.2	2,923.2	2,593.3
Recycling ⁴		ton	1,888	1,709.3	1,547.2
Incineration		ton	1,130	1,141.1	1,020.8
Landfill		ton	34.5	69.6	25.3
Others		ton	12.6	3.2	0.0
Recycling rate		%	61.6	58.0	60.0

2. Data coverage: Ulsan Plant, Seonam Plant

3. Revenue: Based on consolidated financial statements of the annual report

4. By re-establishing the waste classification criteria from 2020, the data for 2019 has been recalculated based on the current calculation criteria

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Resource Use and Pollution Reduction

Regular On-site Environmental Inspection

We carry out regular inspections on environmental equipment within our business sites conducted by an environmental engineer who completed statutory education, in order to create a safe workplace and manage the discharge of pollutants. We also constantly monitor our facilities so that there is no leakage of pollutants due to suspension or damage of prevention facilities. Environmental facility operators are provided with education on law revisions and permissible emission standards every year to avoid any law violations from occurring. In 2021, we carried out 3 regular inspections, and recommended to the Site Management Team to immediately take measures on matters that needed improvement.

Next Plans

We plan to expand the implementation of separate collection of waste and monitor the generated general waste to enhance efficiency of resource circulation and reduce waste in the business sites. We will constantly keep up with the global standards and requirements of initiatives regarding air pollutants, waste, chemical substances, and preemptively respond by reorganizing and upgrading the in-house standards for management.

Environmental Engagement

Environmental Programs

Signing of MOU with Ulsan on GHG Emissions Reduction

HYUNDAI Electric signed an MOU with Ulsan in December 2021 for GHG emissions reduction. We are cooperating with Ulsan in developing products and reducing emissions to minimize the emission of SF₆ (sulfur hexafluoride) generated during the production process. With the goal to establish and implement our reduction plan by 2030, we plan to replace the currently used SF₆ (sulfur hexafluoride) with another alternative substance, and cut down on the use by less than 50% by improving the process.

Eco-friendly Patents

As a result of continuously developing eco-friendly technology to minimize environmental impact, we held a total of 63 eco-friendly patents as of May 2022. With our technological competitiveness, we will continue our efforts to expand patent applications and develop eco-friendly technologies.

Advanced Certification of ESG Bond Management System

In March 2021, HYUNDAI Electric acquired advanced certification for the ESG bond management system that includes green bonds. Through the successful issuance of green bonds, we plan to carry out projects and eco-friendly activities such as reducing carbon, enhancing building energy efficiency, and transitioning to renewable energy.

Work Uniforms Made from Recycled PET Bottles

In order to curtail in-house waste, HYUNDAI Electric signed an MOU to introduce eco-friendly uniforms made of recycled materials in December 2021. We extracted recycled yarn from the PET bottles that were discarded within the company, and recreated them into work uniforms. These uniforms have been provided to our employees since May 2022. In addition, by encouraging our employees to participate in resource circulation by throwing away PET bottles separately, we are raising awareness on ESG management as well as broadening the consensus.

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Environmental Engagement

Environmental Cleanup Activities in the Vicinity of Business Sites

HYUNDAI Electric's environmental engineers participate in local stream cleaning activities, and in 2021, this activity was held once a quarter.

Employees from the Seonam Plant are voluntarily making an effort on a monthly basis to maintain clean roads and reduce fine dust around the business sites. In addition, except for the winter months, we conduct inspections around the business sites for offensive odor at least 3 times a month to prevent any damage caused by the odor.

Environmental Investment

HYUNDAI Electric actively expands investment in environmental equipment to reduce emissions of GHGs and pollutants. In particular, in 2021, we enlarged our budget compared to the previous year and were able to install and replace environmental equipment. We were able to curtail energy consumption by replacing old heaters, coolers, and ventilation equipment. Also, we newly introduced a facility for SF₆ (sulfur hexafluoride) leakage detection to immediately identify and respond to gas leakage. In addition, we discarded diesel vehicles to mitigate the use of fossil fuels, and replaced outdated environmental facilities such as activated carbon and air pollution prevention facilities.

Environmental Investment

	Unit	2019	2020	2021
Environmental Investment	KRW 100 million	2.9	5.3	18

Environment Education

HYUNDAI Electric furnishes environmental education annually to employees in charge of environmental facilities to quickly respond to changing environmental regulations. We provided education on new revisions to the environmental law, such as recognizing the revised permitted standard for air pollutant emissions and inspecting relevant items for each emission facility, as well as fine dust prevention measures and emergency reduction measures. Moreover, we increased our employees' understanding by sharing the current status of administrative dispositions and examples of other companies, and offered education on the latest environmental trends such as carbon neutrality.

Environment Education and Training

		Unit	2019	2020	2021
Environmental Education	Participants	Persons	35	35	35
	Education hour	Hours	70	35	35
	Education hour per person	Hours	2	1	1
Training on environmental accident response		Implemented	V	V	V

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Environmental Engagement

Violation of Environmental Laws and Regulations

In 2021, there was one case of violation of environmental laws and regulations. This was regarding non-compliance with the soil contamination examination periodic tests, and an administrative fine of KRW 400,000 was imposed. We conducted thorough cause analysis on this case and swiftly carried out follow-up measures. HYUNDAI Electric will advance our management system to prevent such cases from occurring again.

Violation of Environmental Laws and Regulations / Environmental Liability Insurance

		Unit	2019	2020	2021
Environmental laws and regulations	Violations	Cases	0	0	1
	Fine and administrative fine	KRW million	0	0	0.4
Environmental liability insurance		Applied	V	V	V

Labor

Strategy

Personnel Policy

HYUNDAI Electric's personnel policy process is based on principles of enhancing diversity, and does not discriminate on the grounds of gender, age, nationality, race, religion, or educational background for all stages from recruitment, placement, education, performance evaluation to retirement. We have formulated our personnel policies and employment regulations in compliance with our domestic laws and regulations, and the detailed guidelines are constantly revised. HYUNDAI Electric guarantees the freedom of assembly, association, and collective bargaining in accordance with laws and regulations, and endeavors to create a corporate culture where all employees grow and prosper together.

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2021 Performance

1. Labor Relations

Based on the cooperation between labor and management, HYUNDAI Electric establishes labor-management relations with the concept of community of common destiny, and strives to realize a productive relationship that can contribute to the company. The management expresses iron will and continuous practice, the labor union expresses community awareness and voluntary participation, and the employees express a strong sense of belonging and active support for labor-management relations.

To improve job security and work conditions, and increase welfare, HYUNDAI Electric conducts collective bargaining (once a year, renew collective agreement), and holds the Labor-Management Council (quarterly, discuss how to improve policies and welfare). On May 31, we concluded the 2021 collective bargaining agreement stipulating details on pay raise, incentives, wage system improvements, in-house welfare fund donation, new recruitment, and the improvement of treatment for partner company employees. Especially, in the 2021 collective bargaining, we adopted the labor-management joint declaration to respond to industrial transformation (climate crisis) and agreed on a future-oriented paradigm shift. In addition, the collective agreement stipulates the minimum notification period (40 days) for any changes in management, and thus ensures the rights of the employees. The labor and management of HYUNDAI Electric pursues continuous communication by holding quarterly Labor-Management Council meetings.

Labor-Management Communication Program

HYUNDAI Electric provides education for managers and new hires on organizational vitality and labor-management relations. We carry out communication programs to improve labor-management culture such as get-togethers by position and letters from the CEO (once a month), and also various activities such as a labor-management joint event for blood donation, joint small donations, regular representatives' meetings, and regular management status briefings. To embed a win-win corporate culture, we operate a grievance handling program, employee's stock ownership association, and a labor welfare fund to provide support regarding vacation facilities and funerals.

Labor Union

	Unit	2019	2020	2021
Collective agreement applicable rate	%	100	100	100
Union membership rate	%	92.9	93.5	91.2
No. of strikes	Cases	39	12	13
No. of employees who participated in strikes	Persons	883	203	264

2. Employees Status

Number of Employees

		Unit	2019	2020	2021
Total no. of employees		Persons	2,307	2,100	2,122
Age group	Below 30	Persons (%)	132(5.7)	114(5.4)	112(5.3)
	30 - 49	Persons (%)	1,222(53)	1,096(52.2)	1,064(50.1)
	50 or above	Persons (%)	953(41.3)	890(42.4)	946(44.6)
Contract type	Regular worker	Persons (%)	2,235(96.9)	2,023(96.3)	2,064(97.3)
	Non-regular worker	Persons (%)	72(3.1)	77(3.7)	58(2.7)

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Workforce Diversity

		Unit	2019	2020	2021
Gender balance	Total no. of female	Persons (%)	150(6.5)	144(6.9)	147(6.9)
	Female in management positions ¹	Persons (%)	2(1.0)	4(1.9)	5(2.2)
	Female in executive positions ²	Persons (%)	1(7.1)	0(0)	0(0)
	Female employees in revenue-generating departments	Persons (%)	84(4.2)	112(6.1)	96(5.4)
	Newly recruited female	Persons (%)	34(57.6)	20(71.4)	37(57.8)
Employment of the disabled	Total number	Persons (%)	26(1.1)	28(1.3)	27(1.3)
Employment of national veterans	Total number	Persons (%)	63(2.7)	61(2.9)	58(2.7)
Employment of foreigners	Total no. of foreigners	Persons (%)	1(0.04)	1(0.05)	1(0.05)
	U.S.	Persons (%)	0(0)	0(0)	0(0)
	Canada	Persons (%)	0(0)	0(0)	0(0)
	Japan	Persons (%)	0(0)	0(0)	0(0)
	China	Persons (%)	0(0)	0(0)	0(0)
	Mexico	Persons (%)	1(0.04)	1(0.05)	1(0.05)

1. Based on female in management position: (For office organization) executive, head of department ~ section / part chief, (for production organization) executive, head of department ~ production team leader

2. Based on female in executive position: President ~ senior vice president

Recruitment and Years of Service

		Unit	2019	2020	2021
Recruitment	Total no. of recruitment	Persons	59	28	64
	New employee	Persons	45	26	50
	Experienced employee	Persons	14	2	14
	Local employee	Persons	34	25	38
Turnover	No. of turnovers	Persons	301	220	55
	Turnover ratio	%	13.8	11.0	2.7
	Voluntary turnover ratio	Persons (%)	221(9.6)	176(8.4)	21(1.0)
Years of Service ³	Average years of service	Years	1.9	2.8	3.7
	Male	Years	1.9	2.9	3.8
	Female	Years	1.3	2.1	2.6

3. Base calculation date: April, 2017, after the spin-off from HYUNDAI Heavy Industries

Wage⁴

		Unit	2019	2020	2021
Average wage	Employee	KRW million	73	80	81
	Male	KRW million	75	82	85
	Female	KRW million	51	53	53
Equal pay	Employee	%	68	64.6	63.1
	Management position ⁵	%	136.3	97.4	92.6
	Non-management position ⁶	%	71.2	68.5	64.6

4. Wage amount: Based on annual report

5. Managerial position: (For office organization) executive, head of department, ~ section / part chief, (for production organization) executive, head of department ~ production team leader

6. Non-managerial position: All employees except managerial position

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3. Development and Education

HYUNDAI Electric has built a competitive education system and learning infrastructure to foster future talents who will lead the changes in the world. From the point of employment, we provide training programs that are suitable for each of positions, duties, and jobs, and all employees are included in the education, regardless of whether they are regular or non-regular. We provide various educational opportunities for our employees such as nurturing next generation leaders, cultivating hybrid talents, job-specific specialists, and global talents. In particular, in 2021, we conducted company-wide education in two categories: culture diffusion and human resource development to change our employees' perception of Digital Transformation (DT).

Detailed Curriculum for Technicians Working in the Office									
Job Title	Nurturing Leaders		Nurturing Hybrid Talents	Education by Rank	DT Training	Job Training	Global Training	Others	
Executive	Leader course	Leadership coaching		Education for new executives	DT leadership special lecture				
Senior Manager	HLC IV	Leadership improvement course	Hybrid course	Capacity building training	DT planner, agent course	DT development expert course	DT mindset training	Legally mandatory education	
	HLC III								New head of the department
	HLC II								New head of the job
Manager	HLC I								
Associate Manager				Training for employees at the second year of work	DT beginner				
New Hire			Hybrid course for new employees	Orientation for new / experienced employees					

Detailed Curriculum for Technicians									
Job Title	Leadership Training	Technology Transfer Training	Common Training	Job Training	Corporate Culture Training	Legally Mandatory Training			
Executives									
Production Head		Core skill transfer program	General skill transfer program	Basic capacity and job capacity building	Technical capability nurturing system	Certification training	Safety management training	Collective professional training	
Production Deputy Head	New department head								
Production Manager	HTLC II (officer)								New officer
Production Asst. Manager	HTLC I (head of production team)								New production team leader
4th Class Engineer	HHI Meister University								
5th Class Engineer									
New Hires				Mentoring for new hires					

Nurturing Leaders

A leader's role is very important to be able to respond flexibly to the rapidly changing business environment as well as lead future changes. To nurture next generation leaders, HYUNDAI Electric provides group training courses for future leaders: the HLC (HHI group Leader Course) and the HTLC (HHI group Technical Leader Course). We seek practical education through Action Learning, which focuses on selecting and solving a current task of each business project, and through this, we strive to foster excellent leaders.

Nurturing Convergence Talents

We introduced a program to nurture convergence talents to foster outstanding talents with business insights. We concentrate on fostering these talents by educating humanities / commerce talents on engineering basics, and educating the talents of electricity / machinery on basic management.

Nurturing Job Experts

We support our employees in polishing their skills through the development of training materials based on the results of survey on education required in the fields, and the field autonomous job training aiming at instructor cultivation.

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Nurturing DT Talents

Keeping pace with the acceleration of the digital transformation in the industrial structure, we operate a training program to foster DT talents to achieve early transition of employees' perspective of DT and to equip our talents with professional skills.

Education on Raising ESG Awareness

To make ESG permeate every corner of the entire management, we offered ESG training for executives and department heads. We created a consensus on the need for ESG management and improved the understanding of ESG by sharing the trends of the industry.

Employee Education and Training¹

	Unit	2019	2020	2021
Training time per person	Hours	5.83	9.84	6.09
Training cost per person	KRW 1,000	277.78	195.65	366.6
Ratio of employees who completed training	%	17.12	56.95	53.20

1. 2019 data: Statutory education not included
2020, 2021 data: Statutory education partially included

Education Time per Employee

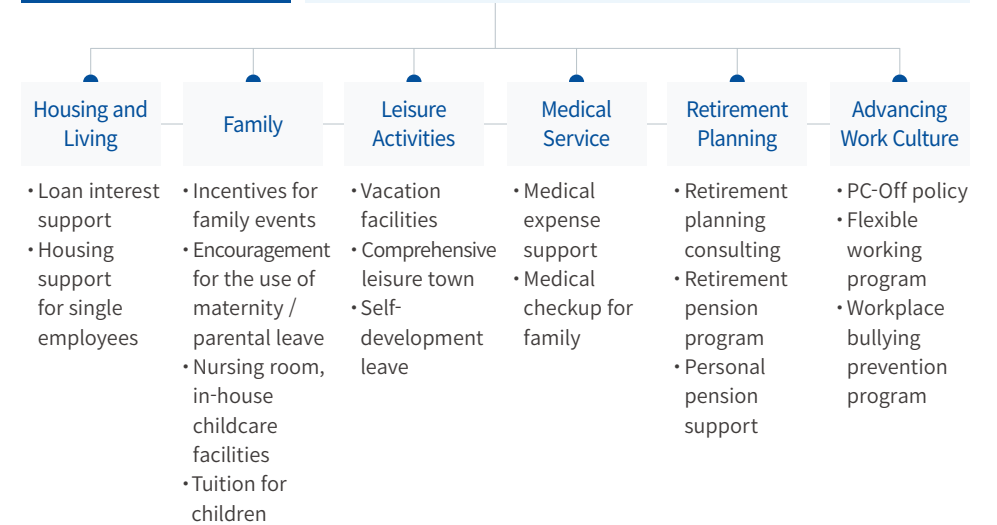
		Unit	2019	2020	2021
Contract type	Regular worker	Hours	5.81	9.97	6.21
	Non-regular worker (Contract workers, part-time)	Hours	6.53	6.55	1.17
Gender	Male	Hours	6.00	10.46	6.24
	Female	Hours	3.36	1.48	4.12
Age group	Below 30	Hours	9.88	18.97	8.05
	30 - 49	Hours	7.70	9.55	6.09
	50 or above	Hours	2.86	9.03	5.86

4. Work and Life Balance

To balance the work and life of employees, we have established an effective system and actively collect opinions from our employees. We operate programs under the principle of providing practical support for the various needs of our employees. As a result, we were selected as a family-friendly corporation by the Ministry of Gender Equality and Family in 2021.

Key Programs

Mission	Operating a pragmatic benefit program
Vision	Maintaining a comfortable work-and-life balance
Principles	Providing practical support for various needs



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Labor

Retirement Pension Program

HYUNDAI Electric operates a retirement pension program, for which all employees become eligible after one year of service. Those aged 56 and older among who are subject to the annual salary system are under the Defined Contribution (DC) plan. For those who are not subject to the annual salary system, we decided to proceed with the introduction of the DC plan after the labor-management collective bargaining agreement in 2021.

Training to Support Retirement Planning

We provide retirement planning consulting to help employees maintain a healthy and stable life even after retirement. Participants share information on asset and health management, starting a new business or job for a new chapter of their lives. In 2021, 57 employees who were expected to retire received counseling through this program. Going forward, we plan to improve the program to reflect the needs of our employees as much as possible, while incorporating activities such as experiencing the cases of successful retirement, married couple events and furthermore special lectures on an up-to-date IT and economics.

PC-OFF Program

To provide efficient work conditions, we strive to cultivate a culture of a well-balanced work and family life. We minimized unnecessary overtime work by operating a PC-OFF system that automatically shuts down all the office PCs at the end of work hours, creating an environment where employees can fully concentrate within working hours.

Welfare Benefits

	Unit	2019	2020	2021
Welfare benefit cost	KRW 1,000	12,293,000	11,868,000	11,695,000
Welfare benefit cost to revenue ¹	%	0.69	0.66	0.65

1. Revenue: Based on consolidated financial statements of the annual report

Parental Leave²

		Unit	2019	2020	2021
Taking parental leave	Male	Persons	7	9	20
	Female	Persons	1	4	5
Returning to work after parental leave ended	Male	Persons (%)	9(100)	7(70)	10(90.9)
	Female	Persons (%)	1(50)	2(100)	5(100)
Serving more than 12 months after return to work	Male	%	90	100	100
	Female	%	100	100	100

2. Eligible for childcare leave: Based on provision of childbirth (maternity) grant

5. Evaluation and Remuneration

Employee Evaluation System

We conduct evaluation for all of our employees twice a year, one in the first half and another in the second half of the year. Our employees are motivated through the fair and reasonable evaluation system, and the evaluation results are utilized to make decisions on promotion, compensation, training, and leader selection. Department / team heads or higher are subject to the Management by Objectives (MBO) process and are evaluated for actual individual achievements.

Performance Evaluation³

	Unit	2019	2020	2021
Eligible for competency development evaluation (MBO)	%	2.9	3.7	3.8

3. Eligible for MBO (Management by Objectives) evaluation: Positions of department head or above

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Strategy

Considering the accident prevention and health management of our employees as the core value of ESG management, HYUNDAI Electric has established various systems to achieve 'ZERO serious accidents'. In case of an accident, we continuously develop the system by identifying the root causes of the accident case and coming up with measures to prevent recurrence. In addition, we guarantee the employees' right to refuse work according to the collective bargaining agreement, and employees can report risk factors without fearing retaliation. HYUNDAI Electric continues to improve the system and culture to maintain safe facilities and to ensure the safety of our employees.

Safety and Health Management System

The direction and improvement of the company-wide safety and health plan are major agenda that are reviewed annually at the board meeting. Through this, the management and the BoD increase their management responsibility and expand on safety and health related investments. To strengthen responsibility of management, we conduct safety management meetings presided by the CEO and carry out on-site safety inspections once a month. In addition, we established a designated organization for safety and health to check implementation matters regarding improvement on hazardous risk factors and compliance with safety and health standards. Employees in charge of health for each business site measure toxic substance and noise generated at the business sites twice a year, draw up improvement plans and prepare solutions when the measurement is higher than the standard level.

Occupational Safety and Health Committee

To pay attention to the voices of on-site workers, we convene the Occupational Safety and Health Committee quarterly with labor and management. It consists of the same number of representatives from the management and the labor, and the business site's safety and health issues are mainly reviewed and resolved. In 2021, a total of 15 items were deliberated and resolved, and improvement plans were formulated for 13 of them. We plan to come up with an improvement plan that satisfies both labor and management through working-level discussions for the remaining 2 items. Also, to collect opinions from on-site employees, we introduced a QR code system to simplify the process of reporting risk factors at the business site.

Accident Investigation Process

HYUNDAI Electric has established accident and incident management rules by setting the criteria for preventing and handling such accidents. This is applied to all business sites, including partner companies. When an accident occurs, the supervisor will immediately notify the Safety & Environment Department, conduct an investigation for the cause, and record the matters in the safety accident report at the same time. In case of a serious accident, the Safety & Environment Department and the department where the accident occurred will conduct a joint investigation, and the Safety & Environment Department will inform the competent national authorities in accordance with the relevant laws and regulations.

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Safety and Health

Target

By setting the goal to achieve zero serious accident, we manage the accidental injury rate and obesity rate with key performance indicators (KPI). The accidental injury rate has shown a year-by-year decrease for the last three years, and in 2021, we achieved 0.108% which exceeded our target of 0.147%.

	Unit	2019	2020	2021	Target
Serious accidents	Cases	0	0	0	0
Accidental injury rate	%	0.192	0.171	0.108	0.108
Obesity rate	%	43	42.3	42.6	40.5

Assessment

We obtained the international certification for safety and health management (ISO 45001) and established a management system that meets the international standards. We nurture in-house personnel for ISO internal audit to thoroughly review the performance and check established goals of each department. We have also set out an improvement process following the thorough investigation on the cause of matters identified as inappropriate within the safety and health management system. In addition, we carry out a post-audit by DNV, a third-party verification agency to maintain our certification.

International Certification¹

	Unit	2019	2020	2021
ISO 45001	Certification	V	V	V

1. ISO 45001 Number of employees: 1,837
 ISO 45001 Number of employees for internal audit: 1,837
 ISO 45001 Certification range: All production business sites (Ulsan 1 Plant, Ulsan 2 Plant, Seonam Plant, Anseong Plant)

2021 Performance

1. Safety and Health Activities

Risk Assessment

We conduct risk assessments once a year to identify risks regarding hazardous work and equipment and to establish safety measures. Besides the regular assessment, we frequently carry out assessments to find hazardous risk factors upon the occurrence of an accident, change of process or installation of new equipment, or use of a new hazardous substance. Regarding the risk factors that are found, we remove those risk factors as a priority through appropriate measures such as improving facility safety, wearing protective gear, and conducting education, according to the management rules of risk assessment.

Disaster and Emergency Response

We installed halogen compound and inert gas fire extinguishing facilities in 12 places, including vacuum drying ovens and filtering rooms where hazardous substances are handled in power transformer factories, and supplemented facilities pursuant to the Act on the Safety Control of Hazardous Substances. And since 2017, we have continued our investment in the improvement of fire-fighting equipment, such as the replacement and improvement of the fire alarm system, replacement of old fire extinguisher lines, the establishment of an integrated fire monitoring system, and many more.

Safety Management for Partner Companies

Including the safety and health sector in the evaluation when selecting our partner companies, we conduct a monthly safety level implementation assessment for the safety management of our partner companies. By rewarding excellent partner companies, we encourage them to pursue safety management. On the other hand, in the case of a partner company with poor conditions, we support the improvement of their safety and health management level by providing guidance on their improvement plans which they submitted. We are also distributing safety education materials, carrying out training sessions, and holding briefing sessions for safety personnel of our partner companies to enhance their awareness on safety.

Safety and Health

Occupational Accidents

		Unit	2019	2020	2021
Employees	Fatalities	Persons	0	0	0
	Lost Time Injury (LTI) ¹	Cases	1	3	3
	Lost Time Injury Frequency Rate (LTIFR)	Occurrence per 1 million hours	0.23	0.74	0.74
	Industrial accident rate	%	0.04	0.14	0.14
	Severity rate	Days lost per 1,000 hours	0.01	0.03	0.02
	Occupational Illness (OI) ²	Cases	0	3	4
	Occupational Illness Frequency Rate (OIFR)	Occurrence per 1 million hours	0	0.74	0.98
Partner company employees	Near miss occurrence rate for full-time employees	%	0	0	0.05
	Near miss occurrence rate for contract workers	%	0	0	0
	Fatalities	Persons	0	0	0
Partner company employees	Lost Time Injury (LTI)	Cases	1	2	0
	Lost Time Injury Frequency Rate (LTIFR)	Occurrence per 1 million hours	0.07	0.15	0

1. Based on the number of accidental injuries

2. Based on the number of industrial accidents approved by the Korea Workers' Compensation and Welfare Service

Occupational Safety Management

		Unit	2019	2020	2021
Risk assessment	Times per year		1	1	1
Partner company safety prevention management	Implemented		V	V	V

2. Employee Health

Health Care Programs

HYUNDAI Electric operates various activities to prevent illness and enhance the health of our employees. We support regular medical check-ups to check our employees' health status and also special examination for employees who are exposed to hazardous factors such as organic compounds, dust and noise. In addition, we also provide mental healthcare support for employees such as diagnosis for job stress. We evaluate job stress in connection with Ulsan University Hospital, and provide mental healthcare support through the 'mind garden' counseling center.

We operate health promotion centers, which are operated under shared service arrangements with HHI. The centers provide medical services including physical therapy and rehabilitation, and oriental medical service through the attendance of occupational health physicians. As a health promotion program, we implement the mobile walking program (Walk On) to manage the obesity of employees. We grant monthly rewards to excellent program participants and try to enhance our employees' health by sharing health education materials covering walking, obesity, and dietary habits.

Prevention Activities for Infectious Diseases

In order to prevent the spread of infectious diseases, we established and announced in-house quarantine guidelines for COVID-19, and reinforced the prevention measures and procedures of entering and leaving the company according to the quarantine level. We constantly promoted infectious disease prevention by using official documents, mobile advertisements, and electric displays, and also support vaccination for infectious diseases such as the flu, yellow fever, malaria, and COVID-19.

Health Support

		Unit	2019	2020	2021
Support for physical health care	Implemented		V	V	V
Support for mental health care	Implemented		V	V	V

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Safety and Health

3. Education

Safety and Health Education

After the safety and health education, we confirm the actual participation rate and level of understanding by conducting interviews. We are preventing safety accidents by enhancing the educational effect and internalizing the sense of safety and health, and removing the risks related to violation of laws and regulations. In addition, we also carry out safety education for all people accessing the company site including partner company employees, as well as occupational safety and health compulsory education by job position and level. For those who handle dangerous equipment such as forklifts, cranes, etc., we support the equipment operation qualification system with the aim of nurturing professional personnel and preventing relevant safety accidents.

To alleviate language barriers during safety and health education, the education is first conducted to foreign employees who are capable of communicating fluently in the Korean language. These employees will then disseminate the education contents to other employees. The signages at business sites are written in the foreign language so that our foreign employees can recognize the signs.

Safety and Health Education

		Unit	2019	2020	2021
Employees	Education hours per person	Hours	15	20	21
	Participation rate	%	100	100	100
Partner company employees	Safety and health education for staff of partner companies on site	Implemented	√	√	√

4. Violation of Laws and Regulations

Violation of Safety and Health-related Laws and Regulations

		Unit	2019	2020	2021
Occupational accidents	No. of serious accidents	Cases	0	0	0
	Violation of laws and regulations	Cases	6	4	1
	Administrative fine	KRW 1,000	31,104	4,720	0
	Fine	KRW 1,000	4,000	3,000	2,000

Next Plans

According to the enforcement of the Serious Accidents Punishment Act in January 2022, we prepared a thorough inspection system to prevent serious accidents. We plan to identify and inspect high-risk jobs, refine the process for special inspection of preventing serious accidents, and manage the implemented measures by the dedicated organization that conducts confirmation and improvement more than once in a half year. Also, we will further advance the safety and health management system and enhance execution through an external professional consulting agency.

We will establish motivation plans to encourage employees to participate in safety management by expanding the scope of safety rewards and benefits. We are actively accepting opinions of employees and making improvements through the quarterly occupational safety and health committee meetings. We will also expand the introduction of the QR code system to identify risk factors in the business site and increase convenience in making and receiving suggestions. Moreover, we are reviewing methods to expand the implementation of safety and health promotion activities that are currently conducted to in-house partner companies to outside partners. In addition, we will make effort to create a safer work environment through adopting a safety and health contract system and including the safety and health sector when evaluating partner companies.

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Human Rights

Strategy

HYUNDAI Electric implements human rights management under the mission to realize a society that embraces diversity and respects all stakeholders. We share our human rights management guidelines, such as employment rules, collective bargaining agreements and the Code of Conduct of partner companies, with various stakeholders. We have established the foundation for the human rights management system and spread a culture of respecting human rights in the entire company.

Human Rights Policy

By establishing guidelines for the practice of human rights management and declaring human rights management in 2022, HYUNDAI Electric respects and actively supports the values presented in the UN Universal Declaration of Human Rights and the UN Guiding Principles on Business and Human Rights, such as human rights, labor, environment, and anti-corruption. The guidelines for the practice of human rights management and human rights management declaration are applied to various stakeholders including all employees, partner companies, and the local community. Human rights policies are made public on our website.

Policy and Declaration	Scope of Application	Content
Declaration of Human Rights Management	All stakeholders (employees, partner companies, shareholders, local community, government, etc.)	HYUNDAI Electric, as a global energy company, shall actively practice human rights management that respects the dignity and value of people and fulfill our social responsibility regarding the employees, customers, stakeholders and local community.
Guidelines for Practice of Human Rights Management	All stakeholders (employees, partner companies, shareholders, local community, government, etc.)	HYUNDAI Electric continues to develop a sustainable management system by newly establishing the guidelines for the practice of human rights management that includes human rights management system, human rights management committee, and procedures for relief of human rights violations.
Employee Code of Ethics	Employees	Through the Group's code of ethics, we prohibit any acts deemed to be of sexual or workplace harassment, and stipulate the obligation of protecting and respecting human rights.
Human and Labor Rights Policy	Employees, partner companies	HYUNDAI Electric established the human and labor rights policy to respect human rights and uphold the labor standards of partners, including employees and partner companies. We comply with the international standards and guidelines for human and labor rights, such as the OECD Guidelines for Multinational Enterprises, the 10 principles of the UN Global Compact, the UN Convention on the Rights of the Child, and the International Labor Organization.
Code of Conduct for Partner Company	Partner companies	HYUNDAI Electric established and announced the code of conduct for partner companies in order to manage social and environmental risk. We support the partner companies so that they can practice and implement compliance and human rights management on their own.

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Human Rights

2021 Performance

Human Rights Management Committee

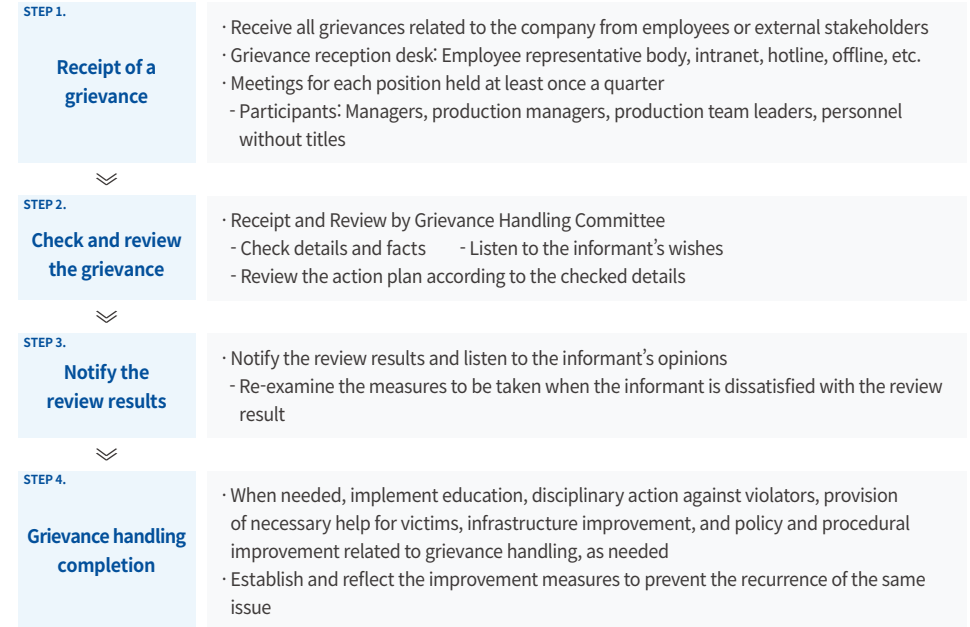
HYUNDAI Electric newly organized the human rights management committee in June 2022, and discussed the establishment of guidelines for the practice of human rights management and human rights management policies. The committee was established to set up and implement plans and check the performance regarding human rights management, which is an essential sector of ESG management. It is composed of ESG chief executives and executives of relevant departments, and will receive advice from external professionals when necessary. Through this, we are promoting effective human rights management.

Human Rights Education

	Unit	2019	2020	2021
Human Rights Education time per person	Hours	2	2	2
Sexual harassment prevention education	Hours	1	1	1
Disability awareness education	Hours	1	1	1

Grievance Handling Program

HYUNDAI Electric makes it mandatory to run the Grievance Handling Program and appoints at least two responsible members. The details and facts are checked for all areas of grievances regarding the company such as human rights violations, and according to the review results, disciplinary measures will be taken against perpetrators while necessary information and assistance are provided to the victims. We protect the confidentiality of the informant and take measures to prevent any disadvantages due to reporting.



Next Plans

HYUNDAI Electric plans to promote various activities for the advancement of human rights management besides operating the human rights management committee. We will carry out a human rights impact assessment in the second half of 2022 (July - August) and identify human rights vulnerable factors and derive improvement tasks, and also conduct human rights training for office and research employees. Through this, we will gradually improve the management system while minimizing the risk at the same time by managing human rights risks in advance.

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Supply Chain Management

Strategy

Based on the philosophy of mutual trust and co-prosperity, HYUNDAI Electric endeavors to create a sustainable business ecosystem.

Promoting a win-win management with partner companies, we organized a dedicated team directly under the CEO, and we are implementing various shared growth programs for about 900 partner companies around the world. We are raising awareness on the value of mutual cooperation and building a sustainable business ecosystem.

We drew up the '4 Keys of Shared Growth Policy' to establish ESG management system of supply chains, and through this we support the partner companies in fulfilling environmental and social responsibility while at the same time establishing fair and transparent trade practices.

HYUNDAI Electric 4 Keys of Shared Growth Policy

<ul style="list-style-type: none"> · Complying with the Subcontract Act and settling and spreading the culture of fair trade · Operating subcontractor internal deliberation committee · Conducting regular monitoring on subcontract trades 	<p>Complying with Fair Trade and Laws</p>	<p>Supporting enhancement of global competence</p>	<ul style="list-style-type: none"> · Operating a 'joint welfare fund' to Improve work conditions of partner company employees · Improving payment conditions of subcontractors · Supporting capacity-building training by job duty
<ul style="list-style-type: none"> · Establishing a dispute mediation committee · Holding quarterly meetings to share achievements · Enhancing communication with the management · Facilitating communication among first and second partner companies · Inspecting irrational and unfair transaction cases · Establishing consultative body among HE and partner companies 	<p>Establishing communication and trust relations</p>	<p>Spreading a culture of shared growth</p>	<ul style="list-style-type: none"> · Supporting management to strengthen competitiveness · Promoting expansion of shared growth agreements · Expanding ESG management of supply chain · Facilitating corporate social responsibility (CSR) · Supporting the purchase of partner companies (facility materials, IT investment, etc.)

We establish communication channels between partner companies and HYUNDAI Electric through the annual Business Partners Council led by the CEO. Shared growth sector policies, along with the business market conditions and outlooks are informed through the council, and awards are granted to excellent companies.

Operation of the Global Hyundai integrated Procurement System (G-HiPRO)

HYUNDAI Electric strives to establish a partnership based on mutual trust with partner companies. Companies that wish to be in business with us can freely apply through G-HiPRO, and HYUNDAI Electric will register a partner company in accordance with fair and transparent standards and criteria. We ensure the fairness in the selection of partner companies with an electronic bidding system process for receiving quotation, technical review, bidding, and selecting the supplier. In addition, we reinforce the competitiveness of partner companies by conducting evaluation to registered partner companies every year, while minimizing the risk of material procurement.

Assessment

HYUNDAI Electric supports the autonomous establishment of sustainable management system of partner companies, in the important trend of ESG. For supply chain ESG management, we carry out a self-diagnosis assessment, which is consisted of 18 environmental and 34 social categories, to all of our partner companies once a year. In addition to the assessment, we also provide ESG consulting for the internalization of ESG management by checking insufficient parts based on the results. Furthermore, we operate various support programs in diverse sectors to provide an optimized solution, such as establishing a smart factory.

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Supply Chain Management

2021 Performance

Strengthening the Practice of Social Responsibility

HYUNDAI Electric established the 'Code of Conduct for Partner Companies' to support them in implementing compliance and ethical management and fulfilling their social responsibilities. In addition, partner companies are encouraged to sign the 'social responsibility commitment' every year to implement the code of conduct, respect human and labor rights, and practice environmental responsibility and anti-corruption. With these efforts, HYUNDAI Electric creates a healthy corporate ecosystem where we can grow together.

Corporate Social Responsibility Commitment

1. Human Rights	Principle 1. We support and respect the protection of internationally proclaimed human rights. Principle 2. We strive not to be involved in human rights violations.
2. Labour Standards	Principle 3. We create and provide a safe working environment for our employees. Principle 4. We eliminate all forms of forced labor. Principle 5. We effectively abolish child labor. Principle 6. We eliminate discrimination in employment and work.
3. Environment	Principle 7. We support the precautionary approach to environmental issues. Principle 8. We implement measures to promote environmental responsibility. Principle 9. We promote the development and diffusion of eco-friendly technologies.
4. Anti-Corruption	Principle 10. We are against all forms of corruption, including extortion and bribery.

Financial Support Program

HYUNDAI Electric supports the financial stability and integrity of partner companies with the 'Credit Guarantee Fund' and the 'Shared Growth Fund' worth KRW 32 billion. So far, 21 partner companies have benefited from this program and we are increasing the number of recipient companies yearly. In addition, based on the 'supply (delivery) contract,' we reduced the burden of working funds by allowing partner companies to borrow working funds through establishing a 'secured loan on future sales receivable.' We also reduce the insurance fee for guaranteed securities on privately supplied material, and make early payment for the material fee. We plan to expand financial support models for partner companies that are practically helpful.

Financial Support for Partner Companies

	Unit	2019	2020	2021
Financial support ¹	KRW 100 million	-	-	95

1. Records for shared growth loan

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Supply Chain Management

Education Programs for Partner Companies

To enhance job competency of partner company employees, HYUNDAI Electric conducts practical training programs such as welding, forklift and tower wagon operation, crane operation, in connection with group companies. We will expand the number of participants and increase satisfaction by understanding the educational needs of partner company employees and developing programs based on those needs.

Strengthening Communication

HYUNDAI Electric operates various communication channels to give attention to and listen to the voices and grievances of partner company employees. All suggestions and comments from partner companies are delivered to HYUNDAI Electric management, and feedback on the implementation plans and results are provided after establishing reasonable improvement measures. The previous partner company council was re-launched as 'Team Hero', and after comprehensively evaluating the annual transaction amount, credit status, and the cooperation level of the partner companies, we reorganized the partner companies that need intensive training. In addition, we also hold regular meetings to exchange opinions and information.

Determining Material Unit Price in Connection with Market Conditions

HYUNDAI Electric strengthens monitoring of the market conditions for major raw materials that are required for the production of our main products, such as power transformers and rotating machinery. In particular, for major raw materials that have high price volatility, such as Cu (electrolytic copper) and Ag (silver), the standard price for material transactions is set in connection with international market prices and exchange rates, and this is regularly reflected in the unit price of partner companies.

Responsible Procurement

As a leading carbon-neutral company, HYUNDAI Electric strives to establish and implement a green purchase policy with the goal of purchasing eco-friendly certified products to fulfill corporate social responsibility. Also, we prepared a responsible sourcing system for minerals to ban the use of conflict minerals in principle. We will continue to expand responsible procurement by gradually increasing purchases from social enterprises such as those employing the disabled.

Local Community Relations

Strategy

In accordance with the management philosophy to fulfill corporate social responsibility and contribute to developing the country and community, HYUNDAI Electric strives to become a company loved by all stakeholders. All of our employees are participating in sharing activities to create 'a better world, a brighter future', and in accordance with SDGs, we are promoting social contribution activities based on three main sectors, 'care for the underprivileged,' 'co-prosperity with the community,' and 'self-reliance of future generations.'

Since face-to-face contact with others was limited due to the impact of COVID-19, we continued our social contribution activities by seeking contact-free methods. We also engaged in the HHI Group 1% Nanum Foundation to offer more support for our neighbors and local communities in need.

Management System



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Local Community Relations

2021 Performance

1. Caring for the Underprivileged

Support Activities of HYUNDAI Heavy Industries (HHI) Group 1% Nanum Foundation

From January 2020, the HHI Group 1% Nanum Foundation has been renewed and expanded to be operated in all affiliates. HYUNDAI Electric contributes KRW 700 million to the HHI Group 1% Nanum Foundation in special funds every year. Our employees are voluntarily participating in the sharing of their salaries every month by donating 1% to the foundation. And in 2021, a total of 175 employees donated about KRW 71.234 million. We check the details of the HHI Group 1% Nanum Foundation activities and budget accounts through monthly performance reports and notices.

Group Blood Donation Event

Since 2020, HYUNDAI Electric has been carrying out voluntary group blood donations in Ulsan and the Seoul metropolitan area to help local medical institutions that are having difficulties in blood supply due to the spread of COVID-19. To continue our blood donation activities more systematically, we concluded a regular blood donation partnership with the Korean Red Cross (Ulsan Blood Center, Seoul Nambu Red Cross Blood Center) located in our business establishment, carried out the event 8 times, and a total of 150 employees participated in donating their blood. The collected blood was delivered to medical institutions in need via the Ulsan Blood Center, Gyeonggi Blood Center, and Seoul Nambu Red Cross Blood Center. A Group blood donation event is a precious sharing activity that can save the lives of neighbors who need a blood transfusion. HYUNDAI Electric plans to actively take part in group blood donation events.

HHI Group 1% Nanum Foundation Public Services	Details of Donations of 2021 HYUNDAI Electric
Sharing Warmth · Heating Fuel of Love · 1% Soup Kitchen · Support for Disabled	· Providing free meals for the elderly 19 times in 11 welfare centers · Sponsoring smart guard products to prevent missing persons with developmental disabilities
Sharing Co-prosperity · Contributor's Proposal · Designated Donation · SOS Fund	· Sponsoring disaster relief kit production with Korea Disaster Relief Association · Supporting agricultural goods set for the underprivileged through the agricultural cooperation fund
Sharing Hope · Hope Sketch · All Together	· Sponsoring single mothers and multicultural families through 8 protection organizations · Supporting renovation, such as creating wall gardens, in 20 child protection facilities

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Local Community Relations

2. Co-prosperity with Local Communities

Supporting White Rice for Local Senior Centers and Welfare Facilities

HYUNDAI Electric has continued its support for senior centers and social welfare facilities in Dong-gu, Ulsan for more than 20 years since 2000 before it was spun from HYUNDAI Heavy Industries. In 2021, HYUNDAI Electric delivered 180 bags of rice worth a total of KRW 10.404 million through the Community Chest of Korea to five welfare facilities such as the Hwajeong Social Welfare Center, and the Dong-gu Branch of the Kore Blind Union. The rice was used to provide free meals for needy neighbors. In 2022, we plan to continue supporting white rice by including nine additional senior centers that have suspended operations due to the COVID-19 pandemic.

Sisterhood Sponsorship for Local Community Welfare Centers

This year marks the fourth anniversary of which HYUNDAI Electric concluded a sisterhood sponsorship agreement with the House of Open Love and Seongnam City Arium, welfare institutions in Seongnam, Gyeonggi-do in 2018. In 2021, a total of KRW 6.67 million was donated from the salary-sharing activities of 103 employees working in the metropolitan area, and the fund was used in operation and improvement of the welfare of the House of Open Love, a residential facility for the developmentally challenged, and the Seongnam City Arium, a residential facility for the elderly living alone.

Support Work Clothes for the Disabled and Sponsor Barista Training Program

In June 2021, HYUNDAI Electric carried out a project to provide work clothes and support the acquisition of certificates to 25 disabled workers at the Sanggae sheltered workshop run by the Nam-gu branch of the Ulsan Association of Persons with Physical Disabilities. By providing KRW 1.5 million worth of work clothes, we were able to contribute to establishing a safe work environment for the disabled workers. Also, for five severely disabled people who wished to become baristas, we provided support in developing their competencies and also provided job opportunities. For six months, from June to December 2021, we sponsored KRW 2.525 million for barista education, and the education was carried out 12 times. As a result, all five participants successfully obtained their certificates.

Purchasing Products and Services from Social Enterprises and Exemplary Companies

HYUNDAI Electric actively uses the products and services of social enterprises and exemplary companies as a coexistence activity with the local community. Since 2021, we have been using the flowerpot management service of the Brother's Keeper (a social enterprise that provides jobs for children discharged from care facilities and provides support for self-reliance) worth KRW 6.336 million per year. We also purchased cotton gloves produced by the Sanggae sheltered workshop for the disabled for KRW 4.11 million a year. In addition, we purchased heating supplies worth KRW 2.569 million commissioned by G>C, an exemplary company, and supported the supplies to the House of Open Love (a residential facility for the developmentally challenged) and the Seongnam City Arium (a residential facility for the elderly living alone) at the end of last year. HYUNDAI Electric will continue efforts to actively use the products and services of social enterprises and exemplary companies of the local communities to contribute to developing local communities and solving social problems.

3. Self-reliant Future Generation

Support for Children of Families in Need

HYUNDAI Electric has been conducting an emergency welfare support program for families in crisis since 2016, before the company was spun from HYUNDAI Heavy Industries, to support the self-reliance of future generations and families in need. In 2021, a total of KRW 6.6 million was delivered to children in six households under difficult living conditions that were selected by the ChildFund Korea. We will continue to promote the support program for children of families in need to contribute to future generations' self-reliance.

Educational Environment Improvement Program for a Sisterhood School

In 2021, as part of the Ulsan sisterhood school educational environment improvement program, HYUNDAI Electric sponsored KRW 5 million to Taeyoun School, a special school for students with intellectual disabilities located in Buk-gu, Ulsan. The program was chosen through a contest to upgrade the educational environment at the sisterhood school of HYUNDAI Heavy Industries Group. We were able to provide a storage place for dental equipment by improving the health education room. We also remodeled old toilets to prepare a more comfortable and safer environment for the students.

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Local Community Relations

Social Investment

	Unit	2019	2020	2021
Social investment amount	KRW 1,000	24,823	766,805	714,125
Employee salary donation	Total salary donation	KRW 1,000	29,081	57,419
	Participants ¹	Persons	2,431	256

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

Volunteer Activities

	Unit	2019	2020	2021
Volunteer hours per person ²	Hours	-	0.19	0.30

2. Operating the social contribution system from 2020

Next plans

In 2022, we plan to introduce a new project to support the self-reliance and technical education for children discharged from care facilities in conjunction with core businesses, and promote social contribution, focusing on practical projects that are essential to the local community by establishing a consultation channel (Community Council, Mabuk-dong, Giheung-gu, Yongin-si, Gyeonggi-do) to collect opinions from the local community residents where our business sites are located.

We will strengthen biodiversity protection activities, such as coastal cleanup in the Ulsan region, and expand support for the local economy and environment through resuming volunteer activities that were not able to be carried out due to COVID-19. To this end, we will actively utilize the 'HHI Group Social Contribution System', which was introduced in 2020, to systematically manage not only the activity performance but also performance evaluation and follow-up management and strengthen our volunteer work.

HYUNDAI Electric will continue to search for areas that need help in order to promote sustainable and sincere social contributions. And while taking the lead in revitalizing the local economy, we will become a company that actively contributes to fostering future generations.

Information Security and Personal Data Leakage

Strategy

HYUNDAI Electric operates a 24-hour information security surveillance to protect in-house security data and valuable customer data. We have maintained the certification of the international information protection system since 2020, and have appointed a Chief Information Security Officer (CISO) and a Chief Privacy Officer (CPO). The security operation council is operated once a year to share security vulnerabilities and operational statuses by sector, such as design, general affairs, and computing, and to continuously make improvements.

Assessment

By newly acquiring an information protection management system certification in 2019, we maintain an information security system that is recognized externally. We also conduct security assessments for the group companies every year to detect vulnerabilities and take measures against them.

International Certification

	Unit	2019	2020	2021
ISO 27001	Certification	V	V	V

2021 Performance

Information Leakage

	Unit	2019	2020	2021
Total no. of information leakages	Cases	0	0	0
Fines for violation of information leakage related laws and regulations	KRW 1,000	0	0	0

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Information Security and Personal Data Leakage

Education

	Unit	2019	2020	2021
Personal information protection education	Implemented	V	V	V
Information security education	Implemented	V	V	V

Next Plans

When an information protection issue occurs, it is highly likely to lead to secondary or tertiary damages. We will prevent massive damage and economic loss through a thorough protection system and enhance the corporate credibility internally and externally. We plan to supplement our vulnerabilities through mutually cooperating with the Group's security department to diagnose and improve the level of information security. Especially, we plan to implement DT (using data technology) monitoring system in cooperation with the Group's ICT organization to prevent the risk of internal data leakage in remote working conditions. In order to continuously strengthen the security system in accordance with global standards, we will review and promote other certifications that can be acquired in addition to the ISO 27001.

Research and Development

Strategy

HYUNDAI Electric is improving product competitiveness through ongoing technology developments and developing new products and new models to increase sales and respond to new markets. In addition, we are focusing on technology development activities to improve our ability to respond to the next-generation electricity market by securing eco-friendly electric power devices, smart devices and energy solutions, and DC power distribution-related products, to strengthen ESG management and respond to the global carbon-neutral market.

Management System

Vision	Global technology leader in the electric power industry		
Mission	Innovation through cooperation, leading with technology		
Strategies and Directions	<p>Electric Power</p> <ul style="list-style-type: none"> · Securing Profitability · Diversifying high-value premium products and businesses such as eco-friendly power devices · Upgrading designs and quality 	<p>Power Distribution</p> <ul style="list-style-type: none"> · Expanding overseas markets · Maximizing profitability of custom assembly business · Expanding DC power distribution equipment product lineups 	<p>New Business</p> <ul style="list-style-type: none"> · Discovering new energy businesses such as ICT convergence and expanding growth

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Research and Development

Governance

Executive in Charge (rank)	Chief Technology Officer (Senior Vice President)	
Main Decision-making Body	Technology Development Committee	Technology Development Council
Responsible Organization	<p>Yong-in R&D Headquarters</p> <ul style="list-style-type: none"> · Developing eco-friendly and high-efficiency products and technologies to establish ESG management · Finding future growth engines and developing new products and models · Strengthening the competitiveness of flagship products · Applying ICT to products · Conducting reliability assessment <p>Overseas Research Centers (Switzerland, Hungary, China)</p> <ul style="list-style-type: none"> · Securing core technologies for flagship products and eco-friendly electric power equipment and developing new products · Enhancing market responsiveness through enhanced cooperation and R&D allocation with the headquarters for product development · Allocating R&D areas with the headquarters for the designing/analysis process, and developing products for the global mid- to low-priced market 	

Target

	Unit	2019	2020	2021	2022(Plans)
No. of completed product development	Cases	52	24	29	32
No. of completed technology development	Cases	201	130	134	148
No. of research papers	Cases	66	28	24	35
No. of patents	Cases	41	14	33	49

2021 Performance

Development of Eco-friendly 170kV 50kA 4000A GIS¹

HYUNDAI Electric completed the product development of an eco-friendly 170kV 50kA 4000A GIS in 2021. This product can reduce the emissions of greenhouse gases by 99% compared to the existing one by replacing the SF₆ (sulfur hexafluoride) gas with low-carbon insulating gas. We conducted research and development to replace the SF₆ (sulfur hexafluoride gas), which has a global warming potential 23,900 times higher than CO₂, and concentrated on blocking short-circuit current and securing insulation performance. As a result, we completed the development of our own eco-friendly 170kV 50kA 4000A GIS product in a short amount of time. To ensure compatibility with the existing GIS, we designed the product in the same size as possible, and about 80% of all parts are compatible, thus improving the accessibility for customers. With this development, we plan to expand our product line for the development of products such as the eco-friendly 145kV GIS, and further accelerate the development of eco-friendly GIS for export in line with other countries' environmental regulation policies.

1. GIS: Gas Insulated Switchgear

Development of a Permanent Magnetic Shaft Generator of 2MW High Capacity

The shaft generator is a product that generates the power needed for ships by using the rotating shaft of the propulsion engine. HYUNDAI Electric launched an eco-friendly high-capacity shaft generator in 2021. This product applied the high-performance magnet, NdFeB Permanent Magnet, to the rotor, and improved the power generation efficiency by up to 3%p compared to the previous squirrel cage and wound rotor method. We also increased power density, enabling the product to be smaller-sized and lightweight.

This shaft generator is an eco-friendly product that meets the Energy Efficiency Design Index (EEDI) standards of the International Maritime Organization (IMO). By generating electric power through the rotational force of the propulsion engine. The product can reduce fuel costs and improve energy efficiency. Taking the development of this permanent magnetic shaft generator as an opportunity, we will actively target the domestic and overseas marine product market by flexibly responding to the various demands of shipowners and expanding eco-friendly technology development.

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Research and Development

Development of a Large Capacity 2-Pole Motor

HYUNDAI Electric completed the development of a large capacity 2-pole motor that can maximize system efficiency compared to the previous products. This motor is equipped with a rigid drive shaft and can operate in the inverter drive range of 0 to 4,150rpm. It also enables the user to adjust the operating speed according to the load status. In particular, this can respond to the increasing demand for large capacity motors of 7MW or higher, such as in Oil & Gas, fresh water plants, and compressors at home or abroad. We were Korea's first company to productize the 800Fr. 2P motor. In addition, the maximum power output of the product has also been significantly increased from 6.5MW to 11.3MW, which strengthens product competitiveness and enhances the application scope.

KEPCO Air-cooled Gas Transformer

We have developed air-cooled gas transformers that can be installed in urban areas and densely populated areas. By supplementing the limitations of installation conditions of the existing transformer, this product can be installed in any indoor transformer substation in the city without a separate water tank facility. With the application of HYUNDAI Electric's exquisite structural design technology, we minimized the capacity increase caused by the conversion from the water cooler to air cooler. We carried out an analysis of the heat flow with the accumulated temperature test data analysis, detailed cooling structure analysis, and loss distribution. And as a result, we secured a more precise design technique for cooling of gas transformers. We plan to not only prevent safety-related accidents, but also to highlight the advantages of the product to win contracts for ground substations in urban areas in the future.

R&D

	Unit	2019	2020	2021
R&D costs	KRW 100 million	507.82	375.26	446.88
Ratio of R&D costs to revenues ¹	%	2.87	2.07	2.47

1. Revenue: based on consolidated financial statements of the annual report

Next Plans

HYUNDAI Electric plans to develop KEPCO standard gas transformers and hybrid type 245/300/420kV 63kA GIS products to expand our flagship product line and strengthen competitiveness. Also, to rapidly respond to the carbon neutral era, we are continuously increasing R&D in KEPCO eco-friendly vegetable oil / gas transformers, KEPCO / European eco-friendly GIS, and super premium efficiency. In addition, to expand the new energy business sector, we plan to carry out advancements for the AI-based INTEGRICT platform through technology development of energy solutions, developments on DC distribution system design technology, and application and verification for power conversion equipment.

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The Board of Directors

Strategy

We are making ceaseless efforts to enhance the independence, expertise, and diversity of the BoD on the basis of the recommendations by the Code of Best Practices for Corporate Governance. For the sake of the board's independence, a majority (60%) of the BoD is composed of outside directors so that the members of the BoD can freely express their opinion untinged by the company, the management and controlling shareholders.

Composition of BoD¹

Category	Name	Position	Career Background	Subcommittee	Specialized Area
Internal director	Cho Seok	Chair	Current) CEO of HYUNDAI Electric & Energy System	Internal Trade Committee Outside Director Recommendation Committee ESG Committee	Business management
Internal director	Keum Seok-ho	Director	Current) Head of HR Support Division, HD Hyundai	Internal Trade Committee	Human resource
Outside director	Song Back-hoon	Director	Current) Professor of International Trade at Dongguk University	Internal Trade Committee Outside Director Recommendation Committee ESG Committee Audit Committee	International trade
Outside director	Park Soo-hwan	Director	Former) CEO of Samil PwC	Internal Trade Committee Outside Director Recommendation Committee ESG Committee Audit Committee	Accounting and financing
Outside director	Jeon Soon-ok	Director	Current) Executive Director of Jeon Taeil Foundation	Internal Trade Committee Outside Director Recommendation Committee ESG Committee Audit Committee	Society

1. As of the general meeting of shareholders in March 2022

2021 Performance

1. Operation of BoD

HYUNDAI Electric secures the expertise by maintaining a majority of the BoD with members with expertise in the industry and finance. With an aim of gathering opinions of various stakeholders, we are endeavoring to reinforce the diversity within the BoD, appointing one female outside director at the general shareholders' meeting in March 2022.

Operation of BoD

		Unit	2019	2020	2021
Independence	Ratio of outside directors	Persons (%)	3(60)	3(60)	3(60)
Diversity	Ratio of female directors	Persons (%)	0(0)	0(0)	0(0)
Expertise	Director with industry experience	Persons (%)	2(40)	2(40)	2(40)
	Expert in finance	Persons (%)	1(20)	1(20)	1(20)
Efficiency	Average term	Years	2.2	3.8	4
	Attendance rate	%	93.3	100	90.2
Meetings	No. of meetings held	Cases	10	7	8
Reports and Resolutions	No. of reports	Cases	7	9	10
	No. of resolutions	Cases	26	21	16
Opinions by Agenda	Agree	Cases (%)	26(100)	21(100)	16(100)
	Disagree (Objections)	Cases (%)	0(0)	0(0)	0(0)
	Amendments	Cases (%)	0(0)	0(0)	0(0)

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The Board of Directors

Responsibilities of BoD

	Unit	2019	2020	2021
Executive liability insurance	Applied	V	V	V

Appointment Process of Outside Director

Complying with the requirements for appointment of outside directors under the Commercial Act, we have no outside directors having special relationships with major shareholders, management leadership and affiliates. All directors abide by the Commercial Act, Monopoly Regulation and Fair-Trade Act to prevent conflicts of interest between the companies. To ensure diversity and professionalism in the selection of directors, the Board of Directors consists of members with expertise and rich experience in the fields of finance, law, and business management. In the process of appointment and evaluation, we do not limit the pool of candidates on the grounds of age, gender, educational background or place of birth.

Outside Director Training

Outside directors are fully supported with the training through which they can faithfully fulfill their duties. In 2021, we hired external specialized agency to provide training on overall ESG management including industrial response to ESG-related issues and application plans to our business management, giving assistance to outside directors to familiarize themselves with ESG. With a view to improving expertise of the Audit Committee, we held a workshop, where discussions were made on the amendments of major laws and the responsibilities and roles of the Audit Committee related to the internal accounting management system.

2. Committees

Outside Director Recommendation Committee

Outside Director Recommendation Committee considers candidates qualified for the achievement of independence, professionalism, and diversity within the BoD to recommend candidates at the general shareholders' meeting.

Audit Committee

Composed of outside directors only, the Audit Committee appointed a director with financial expertise for the chairperson to maintain credibility in professionalism. The committee is convened at least once a quarter to audit the overall accounting and business.

ESG Committee

The ESG Committee was established for the purpose of enhancing corporate and shareholder value with full-fledged ESG management. The ESG Committee reviews and approves the direction of ESG strategies, plans, and the progress of ESG projects.

Internal Trade Committee

In the event of transactions between affiliates, the Internal Trade Committee makes independent and efficient decisions to prevent conflicts of interest between major shareholders and the management while protecting the interests of minority shareholders. The committee is held once a year to map out basic policies in regard of internal trade, inspecting the operational status. HYUNDAI Electric will make sure transparent management in which the efficiency and fairness are guaranteed in determining transaction terms.

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Committees

		Unit	2019	2020	2021
Outside Director Recommendation Committee	No. of members	Persons	4	4	4
	Ratio of outside directors	%	75	75	75
	CEO Attendance	Participated		V	V
	No. of meetings	Cases	2	2	1
	Attendance rate	%	100	87.5	100
	No. of resolved agendas	Cases	2	2	1
	No. of reported agendas	Cases	0	0	0
Audit Committee	No. of members	Persons	3	3	3
	Ratio of outside directors	%	100	100	100
	Financial expertise of the chairman	Owned	V	V	V
	No. of financial experts	Persons	1	1	1
	No. of meetings	Cases	6	6	6
	Attendance rate	%	94.4	100	89.5
	No. of reported agendas	Cases	3	3	3
ESG Committee	No. of members	Persons	-	-	4
	Ratio of outside directors	%	-	-	75
	No. of meetings	Cases	-	-	2
	Attendance rate	%	-	-	100
	No. of resolved agendas	Cases	-	-	1
	No. of reported agendas	Cases	-	-	2

3. BoD Remuneration

The limit of remuneration of BoD members is determined by the resolution of the annual general shareholders' meeting in view of transparency and legitimacy of compensation. The 2022 annual remuneration ceiling for directors was approved at the 2021 General Shareholders' Meeting to be KRW 1.8 billion, a decrease of KRW 800 million compared to that of 2021.

Remuneration

	Unit	2019	2020	2021
Pay gap between CEO and other employees	Times	16.74	10.95	12.33
Remuneration system for non-executive director	Operated	V	V	V

4. Shareholders and Dividend Status

HYUNDAI Electric is a listed corporation on the stock market. As of the end of 2021, total number of issued shares is 36,047,135. HD Hyundai, the largest shareholder owns 37.22% of the total shares. Dividends are determined after comprehensive consideration taking into account the profits, investment plans for future growth, and financial structure. The dividend policies are subject to change depending on business conditions. With an aim of enhancing shareholder value and increasing returns to shareholders, a dividend will be decided comprehensively in consideration of investment, cash flow, financial structure, and dividend stability. Meanwhile, the company can pay dividends in cash and stock by obtaining the resolution of the BoD and approval of the general shareholders' meeting. At the moment, the cancellation of shares or any further buybacks is not projected.

Stocks

	Unit	2019	2020	2021
Ratio of shares owned by CEO and Directors	%	0.01	0	0.01
Ratio of shares owned by National Pension	%	4.47	3.57	6.15

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The Board of Directors

Enhancing Shareholders' Rights

Since 2021 the electronic voting system has been introduced on the general shareholders' meeting, enabling shareholders to exercise their voting rights regardless of time and place. The rights of shareholders are strengthened with the proxy solicitation process while the agenda has been notified prior to the general meeting to draw shareholders' attention and participation. Our dividend policy has been transparently disclosed in the report from the first quarter of 2021 as part of our effort to win credibility and protect shareholders' rights.

Shareholders' rights

		Unit	2019	2020	2021
Invigorating the exercise of voting rights	Electronic voting system	Executed			V
	Proxy solicitation for all shareholders	Implemented	V	V	V
Protecting shareholders' rights	Dividend policy	Disclosed			V
	Notice of agenda before general shareholders' meeting	Executed	V	V	V

Ethical Management

Strategy

HYUNDAI Electric has enacted the 'Code of Ethics', a standard that all employees comply with in conducting themselves on the basis of the 'Charter of Ethics' which proclaims our ethical management philosophy. 'Business Ethics Guidelines', detailed job guidelines for the implementation of business ethics in the workplace, has been introduced on top of the declaration of ethical and compliance management in the name of the CEO in January 2022. Code of Ethics contains ethical guidelines that company and employees must put into practice, such as responsibility to customers, respect for shareholder rights, win-win cooperation with business partners and compliance with domestic and international laws, corporate responsibility to employees, and basic ethical rules paramount to employees. Aiming to enhance the effectiveness, ethics regulations reflect the changing social aspect such as related laws and regulations, social perception and the prohibition of illegal solicitation and bribery.

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.

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Ethical Management

2021 Performance

Business Ethics Pledge

HYUNDAI Electric employees (leaders and managers for production technicians) and its partners are required to annually submit a pledge of commitment to business ethics, which is a 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 relevant regulations.

Ethical Education and Promotion

We conduct annual group and cyber training on ethical management with a view to enlightening our employees and sharing the visions. In pursuit of internalization of ethical management, we make it compulsory for new hires and supervisors to take training on ethical management. Training contents were produced centering on unethical cases that employees may encounter in business activities such as anti-corruption and discrimination.

On top of regular training, continuous production and distribution of ethical management promotional videos are expected to raise awareness of ethical management among employees.

Ethical Education

	Unit	2019	2020	2021
Ratio of employees who completed education on ethics	%	51.06	71.38	38.74

Reporting Channels and Whistleblower Protection

We have an online reporting channel (integrated website for ethical management) where violations of related regulations and laws can be reported 24/7 including bribery, abuse of power, unfair profit, and discriminations. Reports can be made through phone, fax, e-mail, and postal mail while received complaints are dealt with a transparent and fair process. In the event of a suspected violation, immediate investigation is conducted to take proper measures in accordance with the relevant regulations. No report was made regarding discrimination in 2021. Although cases are not suspected to violate ethical management regulations, the relevant department checks the fact of the matter and reports the results.

We guarantee confidentiality of information on whistleblower to boost the reporting and protect informants who are rewarded according to separate criteria.

Reporting and Violation

A total of 10 reports were received in 2019, among which 4 cases were investigated. No violation was found in regard of ethical management. Besides 6 other complaints were transferred to the relevant departments, and the results were confirmed. In 2020, 4 cases were investigated among 6 reports we received. Out of them, 1 case was found to be in violation of ethical management regulations, therefore, measures were taken against the employee concerned according to the relevant regulations. Besides, 2 other complaints were transferred to the relevant departments and the results were confirmed. We received 8 reports in 2021 while 3 cases were inspected. A total of 3 cases were identified as the violations of ethical management, resulting in disciplinary measures taken against related employees in accordance with the relevant regulations and procedures. The rest of 5 complaints were transferred to the relevant departments and the results were confirmed.

Next Plans

In 2022, we will provide various educational content to overseas entities and prepare measures to reinforce ethical management by analyzing the best practices of foreign countries, thereby consolidating global ethical management and establishing the culture of practice. Continuous self-inspection on ethics management will enable us to view the group's ethical management level with an objective perspective through which we identify our vulnerabilities and develop strategies to promote ethical management.

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Compliance

Strategy

As of April 2017, we have appointed a compliance officer and has established compliance guidelines so that our employees and directors must be abided by statutes and make the company appropriately when the employees and directors perform their duties. In addition, Guidelines for Compliance with Anti-Corruption Laws established in April 2018 to impose an obligation on all directors and employees and business partners to strictly comply with domestic and foreign anti-corruption laws and international anti-corruption conventions. Furthermore, from April 2019, we have introduced Fair Trade Compliance Program (CP) to ensure compliance with the Fair Trade Act and also Economic Sanctions Compliance Guidelines to remain in full compliance with any and all applicable Economic Sanction laws and regulations. With these guidelines as a firm basis, we are sparing no effort to achieve the highest level of compliance and upright business management.

Assessment

We closely look into the operation status of CP to support clean and fair work procedures and we report the status to BoD twice a year.

2021 Performance

Compliance Training for Employees

We provide training on competition laws and cases to the departments classified by internal survey as high- and medium-involved (in applicable laws) groups. The training covers legal issues, precedents, and major advisory cases so that our employees and directors can be careful when they proceed their work.

Commitment to fair-trade

	Unit	2019	2020	2021
Training hours on fair-trade and anti-corruption per person	Hours	0.66	0.97	0.6

Preventing Violation of Applicable Laws

We provide guidance in order for our employees to keep trade secrets and to ensure they are well aware of Fair Trade Act and Subcontracting Act and related precautions. In addition, we announce essential laws, cases, and work guidelines which should be checked when field departments perform their works. The Legal department keeps reviewing relevant laws, cases, and revising work guidelines.

Violation of laws

	Unit	2019	2020	2021
Violation of laws ¹	Cases	0	1	0

1. Laws including Fair Trade Act and Product Liability Act

Compliance Self Check for Employees

We distribute the CP self checklist to departments with high compliance risks and check their status. The checklist helps employees to identify potential risks of unfair transactions and violation of economic sanctions.

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Risk Management System

We lay the foundation for sustainable growth by identifying financial and non-financial risks and establishing preemptive countermeasures depending on the impact of the risks.

Financial Risk Management

Dividing financial risks into areas of foreign exchange, credit, and liquidity, we established appropriate financial management policies under the supervision of the Audit Committee. The internal accounting management regulations have been implemented in accordance with the Act on External Audit of Stock Companies, the Enforcement Decree of the Act, and the Regulations on an External Audit and Accounting. We also have set the policies and procedures necessary for evaluation and reporting in this regard. Through the rational and effective operation of the accounting management system, we enhance the reliability of the HEES financial statements.

Non-financial Risk Management

ESG Committee serves as the platform to discuss major ESG policies and current issues for providing support to task implementation. We manage ESG risks such as environment, safety / health, ethics / compliance, supply chain, and information security, fully harnessing the ESG governance system.

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Summary of Consolidated Financial Statements

Summary of Consolidated Financial Statements

Title of Account	Unit	5th Reporting Period (As of late Dec. 2021)	4th Reporting Period (As of late Dec. 2020)	3rd Reporting Period (As of late Dec. 2019)
Current assets	KRW million	1,398,338	1,474,375	1,484,220
Cash & cash equivalents		354,809	524,257	189,725
Short-term financial assets		21,057	10,511	149,681
Trade & other receivables		456,484	385,082	487,479
Contract assets		190,700	173,161	202,505
Inventories		357,079	358,594	390,771
Non-current assets held for sale		-	-	33,629
Other current assets		18,208	22,770	30,431
Non-current assets		816,632	798,245	772,255
Long-term financial assets		6,170	6,665	2,998
Long-term trade & other receivables		3,473	3,405	1,162
Property, plant & equipment		516,254	510,470	516,894
Intangible assets		52,678	51,119	49,386
Other non-current assets		238,057	226,587	201,816
Total assets	KRW million	2,214,970	2,272,620	2,256,475
Current liabilities	KRW million	1,252,496	1,275,329	1,123,767
Non-current liabilities		316,252	318,118	432,492
Total liabilities	KRW million	1,568,748	1,593,447	1,556,259
Capital stock	KRW million	180,236	180,236	180,236
Capital surplus		901,707	901,707	901,707
Capital adjustment		(15,241)	(15,241)	(15,241)
Accumulated other comprehensive income		79,334	73,951	61,155
Retained earnings (deficit)		(499,814)	(461,480)	(427,893)
Non-controlling interests		-	-	252
Total equity	KRW million	646,222	679,174	700,216

Summary of Consolidated Financial Statements

Summary of Consolidated Statement of Comprehensive Income

Title of Account	Unit	5th Reporting Period (As of late Dec. 2021)	4th Reporting Period (As of late Dec. 2020)	3rd Reporting Period (As of late Dec. 2019)
Revenue	KRW million	1,805,992	1,811,345	1,771,134
Operating profit (loss)		9,736	72,699	(156,695)
Net profit (loss)		(33,687)	(40,246)	(264,301)
Equity attributable to owners of the parent		(33,687)	(40,247)	(264,261)
Non-controlling interest		-	1	(39)
Total comprehensive income (loss)		(32,951)	(20,292)	(257,091)
Equity attributable to owners of the parent		(32,951)	(20,293)	(257,056)
Non-controlling interest		-	1	(35)
Earnings per parent share (loss)	KRW	(936)	(1,118)	(12,961)

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Stakeholder Engagement

HYUNDAI Electric makes ceaseless efforts to create sustainable value and happiness for our stakeholders, including shareholders, investors, employees, business partners, and the government. We continue to communicate with stakeholders to form a consensus on sustainable management, identifying key issues and interests of stakeholders. The Governance Charter stipulates the protection of stakeholders' rights to prevent infringement, putting emphasis on the responsibility to stakeholders ranging from consumer protection, and fair trade, to stakeholders' participation in the monitoring of management. We will achieve sustainable growth and development by sharing values with stakeholders in the process of business activities.

Stakeholders	Key issues and interests	Communication channels	Major performances
 <p>CLIENT</p>	<ul style="list-style-type: none"> Strengthening competitiveness of products and technologies Developing Eco-friendly and high value-added product Improving product stability Enhancing communication 	<ul style="list-style-type: none"> Customer satisfaction survey Customer service center 	<ul style="list-style-type: none"> Training on quality improvement for employees Acquiring eco-friendly patent Continuing product R&D
	<ul style="list-style-type: none"> Reinforcing shareholder value Generating stable business performance Managing business opportunity and risk Sustainability management Transparent governance 	<ul style="list-style-type: none"> Investment briefing session General meeting of shareholders Annual report Website 	<ul style="list-style-type: none"> Disclosing decisions made by the BoD Establishing ESG committee Introducing e-voting system Notifying agendas before general meeting
	<ul style="list-style-type: none"> Fair evaluation and compensation Improving welfare benefits and capacity building Invigorating labor-management relations and communication Sharing management status Safe work place 	<ul style="list-style-type: none"> Labor-management council Grievance handling and reporting system Intranet and in-house newsletter Communication with the management leadership Management status briefing session 	<ul style="list-style-type: none"> Holding labor-management council Operating various training systems Training on retirement planning Acquiring family-friendly company certification Establishing PC-OFF system
	<ul style="list-style-type: none"> Promoting shared growth Reinforcing fair trade Supporting capacity building Safety and health 	<ul style="list-style-type: none"> Partner meetings Counseling channel for unfair trade Dispute Mediation Committee Business Partner Council 	<ul style="list-style-type: none"> Financial support Operating fair trade system Evaluating safety management of partners Training and technical support program
	<ul style="list-style-type: none"> Taking part in government policy Supporting and joining government events Sharing industrial and corporate information Revitalizing the local economy Safety and labor related issues 	<ul style="list-style-type: none"> Policy advisory body Policy meetings Visiting the National Assembly and government ministries 	<ul style="list-style-type: none"> Operating compliance Program Investing in R&D of green energy conversion Establishing a consultative body for communication with the local community Membership and activities in major associations
	<ul style="list-style-type: none"> Invigorating local community Bring industries and jobs in the region Environmental preservation and improvement Social contribution activities centered on local community Communication with local community 	<ul style="list-style-type: none"> Local Government Council Civil groups in local community Volunteer groups in local community 	<ul style="list-style-type: none"> Development program of talents in local community Supportive policy for the socially vulnerable Investment for community development Employees' participation in salary sharing campaign Social contribution engaging employees including volunteer work
	<ul style="list-style-type: none"> Business performance and industrial issues Main issues across the company Direction of main business 	<ul style="list-style-type: none"> Press release Media center on website Press meeting 	<ul style="list-style-type: none"> Providing press release in a timely manner Posting news on website Supporting news coverage of reporters
	<ul style="list-style-type: none"> ESG strategy and direction Status of ESG management and performance Grade in ESG evaluation ESG issues 	<ul style="list-style-type: none"> Integrated report ESG website ESG meeting, conference call Open mail 	<ul style="list-style-type: none"> Publishing integrated report Posting information on ESG website Holding ESG meetings with investors and stakeholders Response to inquiries received through representative mail

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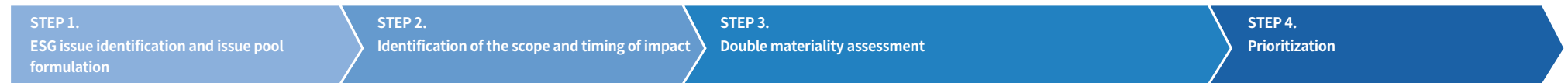
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Double Materiality Assessment

HYUNDAI Electric annually conducts a materiality assessment to listen to the voices of major stakeholders in and outside Korea and to derive critical topics to be addressed for us to promote ESG management. In the 2021 materiality assessment, we have formed a pool of 12 issues in total based on the analysis of sustainability management standards (GRI Standards, TCFD, MSCI, etc.), media, industry, investment group perception, and many more. In particular, this year, we adopted the double materiality assessment that combines the concept of double materiality and

the GRI Standards' materiality guidelines. The concept of double materiality acknowledges that a company should report simultaneously on sustainability matters that are financially material in influencing corporate value as well as material to the environment and society. By conducting a double materiality assessment, we could identify the interests and requirements of our stakeholders more accurately and reflected them in ESG strategy establishment.

Double Materiality Assessment Process



For the comprehensive response to internal and external sustainable management issues, we have formed our own issue pool to set the future direction and risk response as well as the analysis of requirements for information disclosure and assessment criteria. We analyzed domestic and foreign sustainable management standards, mainly based on Global Reporting Initiative (GRI), followed by removing overlapped issues. As a result, we selected the final 12 topics.

Analysis of sustainable management standards

GRI Standards, ISO 26000, MSCI, DJSI, CDP, TCFD, KCGS, KRX, UN SDGs, SASB, etc.

HYUNDAI Electric's issue pool analysis

Data analysis (internal materials, annual report, management strategy system, investment report, etc.), interview with ESG TF (key ESG issues and status, ESG-related risks)

We classified the scope of impact and the timing of it on the 12 topics selected in step.

Identification of impact scope

- Direct: Business operations having a direct impact
- Inducing: Business operations inducing other organizations (suppliers, customers, etc.) to conduct related activities
- Linked: Impact made by business relationship, not by business activities

Identification of impact timing

- Timing indicated when business activities have an overarching impact on each topic

To conduct the double materiality assessment, we took two-pronged perspectives; financial influence (Outside-In) and impact influence (Inside-Out). When it comes to financial influence review, we surveyed external investor groups and internal experts while surveying ESG experts and internal Working Group to examine impact influence.

Financial Materiality (Outside-In) Analysis (X-axis)

In order to analyze the impact of external factors on corporate value and finance, we reviewed financial impact, regulations and policies, the status of the same industry, reputation, economic opportunities, and many more.

- Survey period: April 4, 2022 - April 5, 2022
- Subject: Internal and external financial groups (financial and investment institutions related to the company, internal employees in charge of finance)
- Questionnaire: The financial impact on each topic (financial impact, regulations and policies, the status of the same industry, reputation, economic opportunities)

Impact materiality (Inside-Out) Analysis (Y-axis)

With an aim to analyze the impact of the company's business activities on the environment and society, we reviewed the possibility of the occurrence of the impact, the magnitude of impact, and the resilience.

- Survey period: March 31, 2022 - April 6, 2022
- Subject: ESG W/G of HYUNDAI Electric, ESG expert groups
- Questionnaire: Impact materiality for each topic (probability, the magnitude of impact, resilience, etc.)

We finalized the priority by putting together the environmental and social materiality of the business of HYUNDAI Electric and the opinions of internal and external stakeholders. In addition, a third-party organization completed the credible verification.

Prioritization

We have set the priority with 12 issues in accordance with the results of the comprehensive evaluation of impact and financial materiality.

Third-party verification

The reporting content was verified by a third-party organization (LRQA) to secure reliability and transparency.

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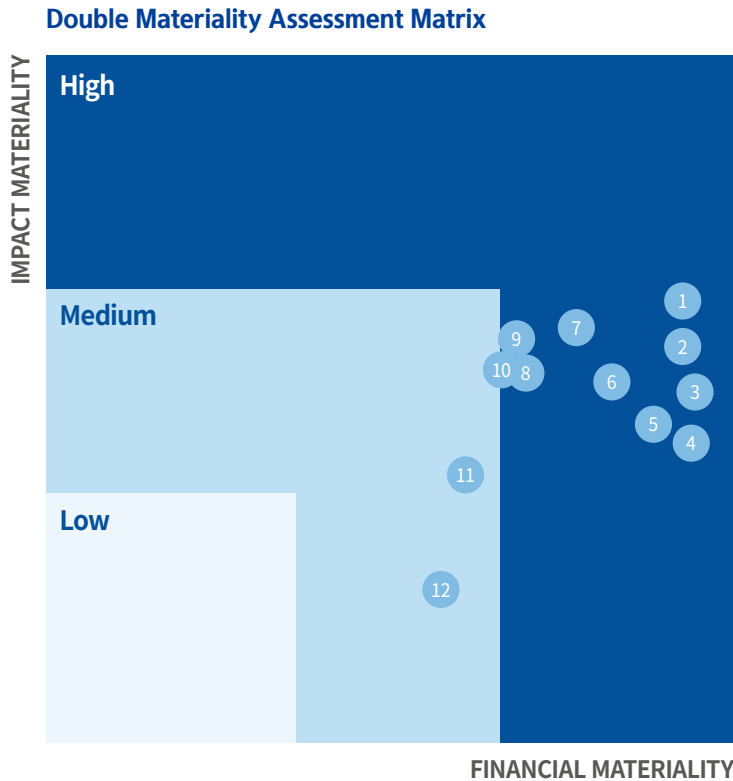
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Double Materiality Assessment



Application of the Result

As a result of the double materiality assessment, ‘sustainable technology and product development,’ ‘ESG management,’ and ‘encouraging a shared growth culture and fair trade compliance’ were evaluated as core topics related to HYUNDAI Electric’s sustainable management in 2021. At the same time, ‘transparent governance’ and ‘improving material and energy efficiency’ were ranked among the top topics. Through this assessment, we could confirm that there are expectations and social responsibility demands from stakeholders for sustainable product, ESG management on top of transparent governance and better energy efficiency.

The 12 issues derived from the assessment were reflected in our ESG management strategies along with the ESG risk and opportunity factor analysis results. In addition, our corporate activities in relation to these 12 sustainable management topics are reported in ‘Sustainable Value Story’ and ‘ESG Fact Book.’

Results of Double Materiality Assessment¹

Rank	Topic	Impact Identification			Timing of Impact		Financial Materiality	Impact Materiality	Report Page
		Direct	Inducing	Linked	Current	Potential			
1	Sustainable technology and product development	●	●		●	●	4.45	3.53	51-53
2	ESG management	●			●	●	4.45	3.36	15-16
3	Encouraging a shared growth culture and fair trade compliance	●	●		●		4.5	3.3	45-47, 59
4	Transparent governance	●			●		4.5	3.18	54-57
5	Improving material and energy efficiency	●			●		4.4	3.19	26-28
6	Ethics and integrity	●			●		4.3	3.31	57-58
7	Climate change strategies	●	●	●	●	●	4.2	3.42	26-28
8	Integrated risk management	●			●		4.1	3.32	60
9	Customer health and safety	●			●		4.05	3.35	39-42, 59
10	Occupational safety and health	●	●		●		4.05	3.33	39-42
11	Waste management	●			●	●	4.1	3.06	29-31
12	Water management	●			●		4.1	2.74	28

1. Results of financial materiality and impact materiality: 5-point scale

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	201-2 Financial implications and other risks and opportunities due to climate change	70-71
	201-3 Defined benefit plan obligations and other retirement plans	38
GRI 203: Indirect Economic Impacts 2016	GRI 103: Management Approach 2016	18-24
	203-1 Infrastructure investments and services supported	18-24
	203-2 Significant indirect economic impacts	18-24
GRI 205: Anti Corruption 2016	GRI 103: Management Approach 2016	59
	205-1 Operations assessed for risks related to corruption	59
	205-2 Communication and training about anti-corruption policies and procedures	59
GRI 206: Anti Competitive Behavior 2016	GRI 103: Management Approach 2016	59
	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	59

Environmental Performances (GRI 300)

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GRI 302: Energy 2016	GRI 103: Management Approach 2016	26
	302-1 Energy consumption within the organization	27
	302-3 Energy intensity	27
	302-4 Reduction of energy consumption	28
	302-5 Reductions in energy requirements of products and services	52
GRI 303: Water and Effluents 2018	GRI 103: Management Approach 2016	28
	303-1 Interactions with water as a shared resource	28
	303-2 Management of water discharge-related impacts	28
	303-3 Water withdrawal	28
	303-5 Water consumption	28
GRI 305: Emissions 2016	GRI 103: Management Approach 2016	26
	305-1 Direct (Scope 1) GHG emissions	27
	305-2 Energy indirect (Scope 2) GHG emissions	27
	305-4 GHG emissions intensity	27
	305-5 Reduction of GHG emissions	27
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	30
GRI 306: Waste 2020	GRI 103: Management Approach 2016	29
	306-1 Waste generation and significant waste-related impacts	30-31
	306-2 Management of significant waste-related impacts	30-31
	306-3 Waste generated	30-31
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Social Performances (GRI 400)

GRI Standard	Disclosure	Page
GRI 401: Employment 2016	GRI 103: Management Approach 2016	33
	401-1 New employee hires and employee turnover	35
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	37-38
	401-3 Parental leave	38
GRI 402: Labor Management Relations 2016	GRI 103: Management Approach 2016	34
	402-1 Minimum notice periods regarding operational changes	34
GRI 403: Occupational Health And Safety 2018	GRI 103: Management Approach 2016	39
	403-1 Occupational health and safety management system	40
	403-2 Hazard identification, risk assessment, and incident investigation	40
	403-3 Occupational health services	39
	403-4 Worker participation, consultation, and communication on occupational health and safety	39
	403-5 Worker training on occupational health and safety	42
	403-6 Promotion of worker health	41
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	42
	403-8 Workers covered by an occupational health and safety management system	40
GRI 404: Training And Education 2016	GRI 103: Management Approach 2016	36
	404-1 Average hours of training per year per employee	37
	404-2 Programs for upgrading employee skills and transition assistance programs	36-37
	404-3 Percentage of employees receiving regular performance and career development reviews	38

GRI Standard	Disclosure	Page
GRI 405: Diversity And Equal Opportunity 2016	GRI 103: Management Approach 2016	34
	405-2 Ratio of basic salary and remuneration of women to men	35
GRI 406: Non Discrimination 2016	GRI 103: Management Approach 2016	58
	406-1 Incidents of discrimination and corrective actions taken	58
GRI 413: Local Communities 2016	GRI 103: Management Approach 2016	47
	413-1 Operations with local community engagement, impact assessments, and development programs	48-50
GRI 416: Customer Health And Safety 2016	GRI 103: Management Approach 2016	39-42, 59
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	39-42, 59
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	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	50

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TCFD

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Governance

	TCFD Recommendation	Activities of HYUNDAI Electric
a	Describe the board's oversight of climate-related risks and opportunities	In 2021, the ESG Committee was established to discuss major issues of sustainability management, including the need for a strategy responding to climate change. Since the climate-related issues having a significant impact on management and financial strategies, such as the integration of climate change issues into medium to long-term business strategies, have necessitated discussion and decision-making at the BoD level, promotion strategies and plans will be on the agenda of the ESG Committee.
b	Describe management's role in assessing and managing climate-related risks and opportunities	We have established a climate change response system with close relations among the management, working-level staff, and experts to identify and manage climate change crises and opportunities in a prompt manner. We have an organization fully responsible for climate change issues, including the Chief ESG Officer and the safety and environment department, on top of the HYUNDAI Heavy Industries group-level ESG Advisory Group composed of experts in each field. The environmental departments review and discuss climate change issues on a regular basis and report the results to the CEO, who submits the agenda to the ESG committee for the final decision. Issues deliberated and resolved by the BoD are put into practice with the departments in charge while the management leadership manages climate-related goals and performance.

Strategy

	TCFD Recommendation	Activities of HYUNDAI Electric
a	Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term	With the heightened climate crisis, HYUNDAI Electric recognizes that environmental management is indispensable for the company's sustainable survival. We have identified short-term risk factors which are the government's tightening regulations on GHG emissions and the disclosure obligations. The medium to long-term risks include an increase in investment costs due to the transition to low carbon products and technology as well as the decreasing investments owing to insufficient response to climate change and a negative reputation of a company. Physical risks include the occurrence of natural disasters caused by abnormal climate events such as floods, typhoons, and large-scale wildfires. However, we are also seeing business opportunities, including the expansion of the electric power market stemming from the increased demand for green and renewable energy, the growing demand for high-efficiency products, and the entry into the ESS and hydrogen fuel cell market.
b	Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning	The growing demand for carbon neutrality at home and abroad has raised the 2030 NDCs (Nationally Determined Contributions) upwards, followed by increased demand for renewable energy. Against this backdrop, we have identified risks and opportunities that may arise from climate change. Going forward, we plan to analyze the financial impact on our business to establish a systematic response strategy. The launch of GREENTRIC, an eco-friendly product line-up, has strengthened our competitive edge in the eco-friendly electric market. We plan to advance into the next-generation eco-friendly and high-efficiency power market by developing fuel cells for power generation in preparation for the expansion of the hydrogen market, which will grow to the scale of USD 12 trillion by 2050. We have acquired 63 eco-friendly patents, taking advantage of continuous R&D investment. On top of that, signing an MOU with Ulsan City served as a platform to continue the research on green products.
c	Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	In line with the global efforts to prevent the rise in global average temperature, we are establishing a strategy to reduce GHG emissions. We are not falling under the national GHG target management system as the amount of GHG emissions per business site fall short of the standard, but we are subject to the carbon trading system. Therefore, we will review the risks that may arise in the future, paying close attention to regulatory trends such as carbon tax, carbon border adjustment tax, and emission trading system in preparation for the government's renewable energy 3020 policy and changes in climate change policy.

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TCFD

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Risk Management

	TCFD Recommendation	Activities of HYUNDAI Electric
a	Describe the organization's processes for identifying and assessing climate-related risks	The departments in charge of climate change and risk management join forces to identify and evaluate risks with certain standards. In terms of identified issues with high risk, improvement measures are taken to reduce possible risks in the future.
b	Describe the organization's processes for managing climate-related risks	HYUNDAI Electric operates an integrated risk management system with the process of risk identification-registration-evaluation to draw countermeasures based on risk management principles.
c	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management	Climate-related risks are integrated into the risk management process. The identified climate-related risks and opportunities are reported to the ESG committee in which relevant risks are under control. We will streamline the management system to advance integrated risk management where climate-related risks are incorporated, operating the ESG management system.

Metrics and Targets

	TCFD Recommendation	Activities of HYUNDAI Electric
a	Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process	HHI GHG Management System (HGMS) tracks GHG emissions and emissions per revenue, while the Factory Energy Management System (FEMS) manages energy consumption and savings. We manage indicators such as waste generation, recycling, water intake and consumption, and reuse rate of wastewater which are disclosed through the annual integrated report.
b	Disclose Scope1, Scope2, and, if appropriate, Scope3 greenhouse gas (GHG) emissions, and the related risks	We measure annual GHG emissions which are disclosed transparently. GHG emissions in 2021 are as follows. Scope1: 6,205 tCO ₂ eq Scope2: 24,345 tCO ₂ eq
c	Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets	Since 2017, we have established and achieved annual reduction targets for GHG emissions, with GHG emissions per revenue decreasing continuously over the past three years. Since 2022, we set voluntary medium to long-term reduction targets, 14.5% reduction in 2022 and 17% reduction in 2025 respectively, compared to 2018, in accordance with the Nationally Determined Contribution (NDC) standard.

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SASB

SUSTAINABILITY ACCOUNTING STANDARDS BOARD

Topic	Code	Accounting Metric	Unit	2021
Energy Management	RT-EE-130a.1	Total energy consumed	GJ	628,000
		percentage grid electricity	%	81.05
		percentage renewable	%	None
Hazardous Waste Management	RT-EE-150a.1	Amount of hazardous waste from manufacturing	ton	360.37
		percentage recycled	%	65.95
Product Safety	RT-EE-150a.2	Number and aggregate quantity of reportable spills, quantity recovered	Number, kg	Not Applicable
	RT-EE-250a.1	Number of recalls issued, total units recalled	Number	None
Product Safety	RT-EE-250a.2	Total amount of monetary losses as a result of legal proceedings associated with product safety	KRW	None
	Product Lifecycle Management	RT-EE-410a.1	Percentage of products by revenue that contain IEC 62474 declarable substances	%
RT-EE-410a.2		Percentage of eligible products, by revenue, that meet ENERGY STAR® criteria	%	Not Applicable
RT-EE-410a.3		Revenue from renewable energy-related and energy efficiency-related products	%	6.88
Materials Sourcing	RT-EE-440a.1	Description of the management of risks associated with the use of critical materials	-	p.47
Business Ethics	RT-EE-510a.1	Description of policies and practices for prevention of: (1) corruption and bribery and (2) anti-competitive behavior	-	p.59
	RT-EE-510a.2	Total amount of monetary losses as a result of legal proceedings associated with bribery or corruption	KRW	0
Activity Metrics	RT-EE-000.A	Number of units produced by product category	-	· Transformer: 339 units · Gas insulated switchgear: 518 BAY
	RT-EE-000.B	Number of employees	Persons	2,122

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UN SDGs

UN SDGs (UN Sustainable Development Goals) are global targets adopted by the UN that the international community should achieve between 2016 and 2030. To accomplish these goals requires global efforts and collaboration. And companies should play their part by creating future growth engine and attaining innovation for economic development and job creation. By aligning their business directions with the SDGs, companies can create new business models and

reinvent themselves as sustainable firms. HYUNDAI Electric is committed to developing strategies required to grow further in the medium to long-term by grasping global trends through the SDGs. Especially, we are carrying out a variety of activities with a focus on 23 targets of 9 goals, which are Goal 3, 4, 6, 7, 8, 9, 10, 12, and 16.

Key SDGs	Target	Our Contribution
 3 GOOD HEALTH AND WELL-BEING Ensure healthy lives and well-being for all ages	3.4 Prevent and treat non-communicable diseases and promote mental health and well-being	<ul style="list-style-type: none"> Supporting medical expenses and checkups for the healthy lives of employees; operating Oriental Medical Center; and providing examinations for occupational diseases Operating health care programs for employees such as smoking cessation and weight management treatment
	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	
 4 QUALITY EDUCATION 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"> Nurturing highly skilled professionals through a variety of technological training infrastructures and well-organized education programs Operating Core Skill Transfer Program
	4.5 Eliminate gender disparities in education and ensure equal access to all level of education and vocational training for the vulnerable, indigenous peoples and children in vulnerable situations	
 6 CLEAN WATER AND SANITATION Ensure availability and sustainable management of water and sanitation for all	6.3 Reduce untreated wastewater and improve water quality by reducing pollution, minimizing the release of hazardous chemicals and increasing water recycling	<ul style="list-style-type: none"> Installing an insulating oil filter and equipment to remove impurities and storing waste insulating oil in outdoor tanks, and recycling it through a water treatment company Reducing air pollutant emissions by 47% compared to the emission allowance as we are subject to the Total Air Pollution Load Management System
 7 AFFORDABLE AND CLEAN ENERGY 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"> Participating in the 'energy self sufficiency-type infra establishment project' in the Banwol-Sihwa Industrial Complex Presenting a model of carbon-neutral local community through the establishment project of carbon-neutral campus of Kyungpook National University
	7.3 Double the global rate of improvement in energy efficiency	
 8 DECENT WORK AND ECONOMIC GROWTH Promote sustained, inclusive, sustainable economic growth, full and productive employment and decent work for all	8.2 Achieve higher levels of economic productivity through the diversification of industries including high-value-added ones, technological upgrading and innovation	<ul style="list-style-type: none"> Establishing power conversion system, a core technology of ESS, increasing economic productivity and creating jobs by expanding the manufacturing business Improving productivity by investing in facilities such as machines in the plants Providing education and financial assistance for suppliers to promote shared growth Putting in place fair and objective personnel evaluation and compensation systems
	8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation and encourage the formalization and growth of micro, small/mid-sized enterprises including through access to financial services	
	8.5 Achieve full and productive employment and decent work for all women and men, and equal pay for the work of equal value	
	8.6 Reduce the proportion of youth not in employment, education or training	
	8.7 Prohibit forced and child labor	

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UN SDGs

Key SDGs	Target	Our Contribution
 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 Eco SF₆ Free Gas Insulated Switchgear · Raising the efficiency of energy generation through the development of large-scale permanent magnet shaft generator · Contributing to carbon emissions mitigation and the minimization of electricity loss through the development of small-scale transformer with high 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 supporting independence for future generations
 Ensure sustainable consumption and production patterns	12.2 Achieve sustainable management and the efficient use of natural resources	<ul style="list-style-type: none"> · Acquiring an international certification for an environmental management system · Conducting emergency drills to reinforce emergency response capabilities for chemical accidents · Carrying out environmental clean-up activities in the vicinity of business sites
	12.4 Achieve the environmentally sound management of chemicals and all wastes throughout their life cycle and significantly reduce their release to air, water and soil	
	12.5 Reduce waste generation through prevention, reduction, recycling and reuse	
	12.6 Encourage companies to adopt sustainable practices and to integrate sustainability information into their reporting cycle	
 Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels	16.3 Promote the rule of law at the national and international levels and ensure equal access to justice for all	<ul style="list-style-type: none"> · Launching the ESG Committee to lay the foundation for sustainable management · Adopting an electronic voting system to make it possible for shareholders to wield the right to vote · Opening the communication channel with local communities to allow stakeholders to more engage in decision making
	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	

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UN Global Compact



HYUNDAI Electric joined UN Global Compact (UNGC), a voluntary initiative that encourages companies to take corporate social responsibilities, in September 2021, and have followed the Ten Principles of the UNGC including human rights, labor, the environment, and anti-corruption. Going forward, we will endorse the Ten Principles and discharge social responsibilities across all our business sectors.

Category	Principle	Our Contribution	Page
Human Rights	1. Businesses should support and respect the protection of internationally proclaimed human rights; and	· Compliance with labor laws	33
	2. Businesses should support and respect the protection of internationally proclaimed human rights; and	· Operation of grievance handling system · Education on the prevention of sexual harassment	44
Labour	3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	· Abidance by the domestic Labor Standards Act	33
	4. the elimination of all forms of forced and compulsory labour;	· Operation of collective agreement and Labor-Management Council	34
	5. the effective abolition of child labour; and	· Creation of a work environment for work-life balance	37
	6. the elimination of discrimination in respect of employment and occupation.	· Fair performance evaluation and compensation systems	38
Environment	7. Businesses should support a precautionary approach to environmental challenges;	· Acquisition and maintenance of environment management system (ISO 14001)	26
	8. undertake initiatives to promote greater environmental responsibility; and	· Establishment of GHG emissions mitigation targets and the management through the GHG management system	26
	9. encourage the development and diffusion of environmentally friendly technologies.	· Establishment of energy reduction targets and implementation regarding activities by department	28
		· Management of resource circulation targets	29
Anti-corruption	10. Businesses should work against corruption in all its forms, including extortion and bribery.	· Reinforcement of eco-friendly business and acquisition of related patent	31
		· Establishment of the Charter of Ethics and the Code of Ethics	57
		· Introduction of Business Ethics Guidelines	57
		· Operation of Compliance Program	59
		· Education and promotion of ethical management and anti-corruption	58

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Third-Party Assurance Statement

Relating to HYUNDAI Electric & Energy Systems Co., Ltd.'s Integrated Report for the calendar year 2021

This Assurance Statement has been prepared for HYUNDAI Electric & Energy Systems Co., Ltd. in accordance with our contract but is intended for the readers of this Report.

Terms of engagement

LRQA was commissioned by HYUNDAI Electric & Energy Systems Co., Ltd. (HE abbreviated) to provide independent assurance on its '2021 HE Integrated Report' ("the report") against the assurance criteria below to a "moderate level of assurance and materiality of professional judgement" using "Accountability's AA1000AS v3", where the scope was a Type 2 engagement.

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

- Evaluating adherence to the AA1000 AccountAbility Principles¹ of Inclusivity, Materiality, Responsiveness and Impact
- 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, 205-1, 205-2, 206-1
 - GRI 300 (Environmental): 302-1, 302-3, 302-4, 302-5, 303-1, 303-2, 303-3, 303-5, 305-1, 305-2, 305-4, 305-5, 305-7, 306-1, 306-2, 306-3, 306-4, 306-5
 - GRI 400 (Social): 401-1, 401-2, 401-3, 402-1, 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7, 403-8, 404-1, 404-2, 404-3, 405-2, 406-1, 413-1, 416-2, 418-1

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

LRQA's responsibility is only to HE. LRQA disclaims any liability or responsibility to others as explained in the end footnote. HE'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 HE.

LRQA's Opinion

Based on LRQA's approach nothing has come to our attention that would cause us to believe that HE 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.

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.

LRQA's approach

LRQA'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 HE'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 HE'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 HE 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 HE makes informed business decisions that may create opportunities that contribute towards sustainable development.
- Auditing HE'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.
- Checking whether GHG emissions and energy consumptions in the report were transposed correctly from the GHG inventory which was verified by the third-party assurance provider.
- Reviewing additional evidence made available by HE at their office in Seongnam City.
- Checking that the GRI Content Index allows stakeholders to access sustainability indicators.

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Third-Party Assurance Statement

Observations

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

• **Inclusivity:**

We are not aware of any key stakeholder groups that have been excluded from HE's stakeholder engagement process.

• **Materiality:**

We are not aware of any material issues concerning HE's sustainability performance that have been excluded from the report. It should be noted that HE has established extensive criteria for determining which issue/aspect is material and that these criteria are not biased to the company's management.

• **Responsiveness:**

HE is setting its goals relating to climate change. We expect that HE will report the goals with achievements in the future.

• **Impact:**

HE plans to conduct a human rights impact assessment to proactively manage its impacts on human rights. We expect that HE will report the identified actual and/or potential impacts on human rights in the future.

• **Reliability:**

HE's data management system for the selected indicators are well defined.

LRQA's standards, competence and independence

LRQA 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.

LRQA 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 LRQA for HE and as such does not compromise our independence or impartiality.

Tae-Kyoung Kim

LRQA Lead Verifier
On behalf of LRQA

17th Floor, Sinsong Building, 67 Yeouinaru-ro, Yeongdeungpo-gu, Seoul, Korea



LRQA reference: SEO00000665

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Public Information

Disclosure Channels for Additional Management Information		Details
HYUNDAI Electric Website	http://www.hyundai-electric.com/elec/ko/index.jsp	Introduction of the company, IR, products & dealerships, customer service
HYUNDAI Electric Instagram	http://www.instagram/hyundaelectric.official	Information on HYUNDAI Electric products and news
HYUNDAI Electric YouTube	https://www.youtube.com/c/HYUNDAIELECTRIC	Information on HYUNDAI Electric products and news
HHI Group Business Ethics Website	https://ethics.hhigroup.kr/html/main.html	Group ethics management direction, ethics regulations, online report / counseling
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/	Various disclosures made either mandatorily as a listed company or voluntarily
Investor Relations	https://www.hyundai-electric.com/elec/ko/publicity/publicity6_1.jsp	Regular announcement of business performance and outlooks

