

HDKSOE Sustainability Report 2025

BEYOND BLUE FORWARD TO GREEN

About this Report



Cover Story

The cover visual illustrates the Group's innovation and sustainable growth by incorporating the core elements of the HDKSOE corporate identity (CI). Dynamic green graphics symbolize the transition to clean energy and future technologies, while the clean, minimalist composition reflects the brand's confidence and premium identity. The design clearly conveys the message, “BEYOND BLUE, FORWARD TO GREEN.”

Report Overview

This report includes sustainable management activities and performance of HD Hyundai's Shipbuilding and Offshore Engineering Division (HD Korea Shipbuilding & Offshore Engineering[HDKSOE], HD Hyundai Heavy Industries[HHI], HD Hyundai Samho[HSHI], and HD Hyundai Marine Engine[HME]). This Sustainability Report is intended to provide transparent disclosure to stakeholders regarding the financial and non-financial risks faced by the company, as well as the current business status and plans for addressing such risks. Throughout this report, the term “HDKSOE and its shipbuilding subsidiaries” refers to HDKSOE, HHI and HSHI. Where disclosures relate to a specific company, the company name is identified accordingly. We publish our Sustainability Report annually and remain committed to transparent disclosure of our management and sustainability performance. Through this report, we continue to engage openly with our stakeholders and communicate our progress on sustainability-related matters.

Reporting Standards and Frameworks

This report has been prepared in accordance with the GRI (Global Reporting Initiative) Standards 2021, the internationally recognized sustainability reporting standards. To provide industry-specific disclosures for the shipbuilding and offshore sector, it also reflects the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and the Sustainability Accounting Standards Board (SASB). In particular, disclosures on environmental and social topics are presented using the framework of “Governance-Strategy-Risk Management-Metrics and Targets.”

Reporting Period

This report covers the activities of HDKSOE and its shipbuilding subsidiaries from January 1 to December 31, 2025. To enhance transparency and provide stakeholders with relevant and timely information, this report includes certain activities and performance that occurred outside the reporting period. The report also provides quantitative performance and metrics including financial information for the past three years from 2023 to 2025, allowing stakeholders to identify data trends.

Independent Assurance

This report has received independent assurance from an external organization to enhance its reliability and quality. Detailed assurance statements can be found on pages 197–198 of this report.

Contact Information

For any inquiries or comments regarding the 2025 HDKSOE Sustainability Report, please contact us using the information below.

Contact Info
477 Bundang Suseo-ro (Jeongja-dong), Bundang-gu, Seongnam-si, Gyeonggi-do, Republic of Korea HDKSOE: ksoe.esg@hd.com
Publication Date
August 20, 2026

Reporting Scope

This report covers HDKSOE, HHI, HSHI and HME. Financial performance has been prepared in accordance with the Korea International Financial Reporting Standards (K-IFRS). Non-financial activities and performances are limited to the domestic operations of HDKSOE, HHI, HSHI and HME. Selected data also includes HD Hyundai Engine and HD Hyundai M&S (subsidiaries of HD Hyundai Heavy Industries), as well as HD Hyundai Vietnam Shipbuilding (subsidiary of HDKSOE). To focus on the activities and performances in the shipbuilding and offshore engineering sectors, certain subsidiaries within the consolidated disclosure scope are excluded from this report.

Reporting Scope of 2025 HDKSOE Sustainability Report ¹⁾

Category	Reporting Scope
HDKSOE	97.45%
HHI	99.93%
HSHI	100%
HME	100%

1) The calculation is based on each company's total consolidated revenue, excluding revenue from certain subsidiaries outside the reporting scope.

Notice on Changes to the Reporting Scope Following the Merger

Following the merger of HD Hyundai Heavy Industries (HHI) and HD Hyundai Mipo (HMD) in 2025, certain financial and non-financial performance indicators included in this report may not be directly comparable with those of prior periods due to changes in the reporting scope. Accordingly, some indicators may not be directly comparable with the previous year's figures. Relevant explanations and notes are provided where changes to the reporting boundary affect the reported data. In future reports, we will apply a unified basis for data management and disclosure to improve the consistency and comparability of reported information.

Contents

Report Contents Outline

The 2025 HDKSOE Sustainability Report presents the ESG management approach of the HD Hyundai Shipbuilding & Offshore Engineering Business, including HDKSOE, HHI, HSHI and HME. The Report consists of an overview and company profiles, our ESG management framework, Environmental, Social, and Governance disclosures, ESG performance data, and appendices including the ESG Index and Independent Assurance Statement, providing readers with clear and accessible information.

To support a structured approach to ESG disclosure in line with recognized reporting principles, standards, and guidelines, disclosures on Environmental and Social topics are organized under the four pillars of Governance, Strategy, Risk Management, and Metrics & Targets. Quantitative performance data for each topic is presented both in the ESG Factbook and within the relevant sections of the Report.

Interactive Guide

The 2025 HDKSOE Sustainability Report is available for download from the websites of HDKSOE, HHI, HSHI and HME in an interactive PDF format for your convenience.

Introduction

About this Report	02
Contents	03
HD Hyundai's Shipbuilding and Offshore Engineering Division	04
HD Korea Shipbuilding & Offshore Engineering	05
HD Hyundai Heavy Industries	08
HD Hyundai Samho	11
HD Hyundai Marine Engine	14

ESG Management

HD Hyundai ESG Management System	18
HDKSOE ESG Management System	19
HHI ESG Management System	20
HSHI ESG Management System	21
HME ESG Management System	22
Double Materiality Assessment	23
Stakeholder Communication	30

Environmental

Climate Action (TCFD Reporting)	32
Environmental Impact Reduction Technologies	44
Environmental Management	54
Biodiversity	62

Social

Safety & Health	68
People & Labor Relations	75
Respect for Human Rights	85
Supply Chain Management	90
Quality Management	100
Social Contribution	104

Governance

Board of Directors	110
Shareholder Protection	117
Ethics & Compliance	119
Information Security	123
Risk Management	127

HME

Environmental Management	133
Safety & Health	136
People & Labor Relations	139
Supply Chain Management	141
Quality Management	143
Social Contribution	145
Board of Directors	146
Ethics & Compliance	150
Information Security	152

ESG Factbook

Summary of Financial Data	154
Environmental	156
Social	163
Governance	171
HD Hyundai Marine Engine	174
Other Subsidiaries	181

Appendix

Initiative Index	191
Independent Assurance Statement	197
GHG & Energy Assurance Statement	199
Membership Status & Public Information	200
Contributing Organizations	201



Home



Table of Contents



Previous Page



Next Page



Back



Print

HD Hyundai Shipbuilding and Offshore Engineering Division

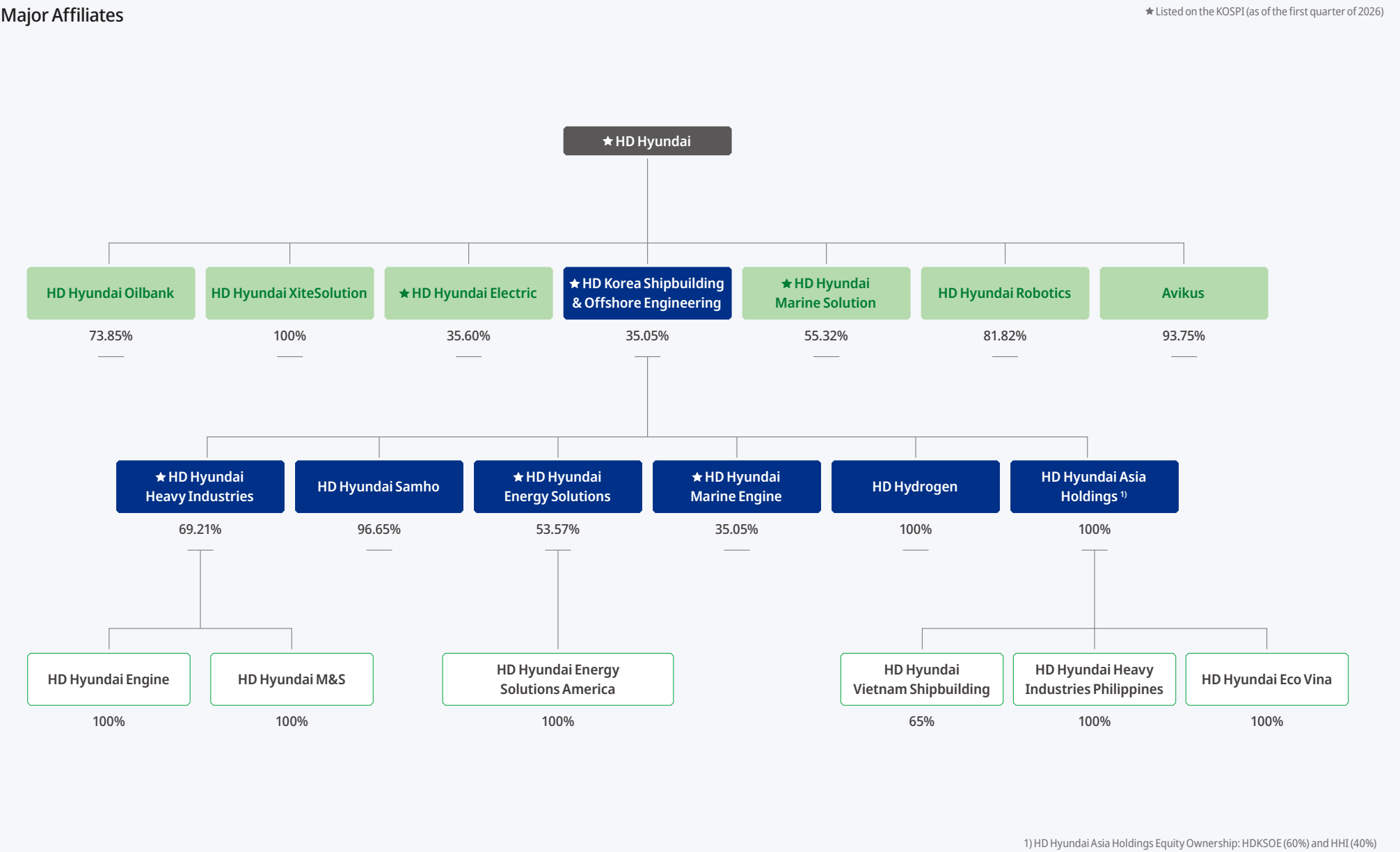
About Shipbuilding and Offshore Engineering Division

Overview

HD Hyundai’s Shipbuilding and Offshore Engineering Division is a key business division of HD Hyundai. Since construction of our first shipyard began in 1972, we have achieved major milestones, including the localization of LNG carriers and the independent development of the HIMSEN engine. Today, we are recognized as a global leader in the shipbuilding and offshore industry.

HD Hyundai has established a holding company structure for its shipbuilding and offshore engineering business, with **HD Korea Shipbuilding & Offshore Engineering (HDKSOE)** at its center. Together with **HD Hyundai Heavy Industries (HHI)** and **HD Hyundai Samho (HSHI)**, we are advancing as a technology-driven shipbuilding and offshore engineering group, underpinned by world-class R&D and engineering capabilities.

HDKSOE and its shipbuilding subsidiaries maintain a competitive position in the global shipbuilding and offshore industry through our shipbuilding, offshore energy, and engine businesses. In the shipbuilding business, our extensive shipbuilding experience, diverse vessel portfolio, and in-house manufacturing capabilities for key equipment and materials support our competitiveness in the dual-fuel vessel market, including LNG, LPG, ethane, and methanol carriers. We are also preparing for future market demand through the development of hydrogen carriers and ammonia-fueled vessels. In the offshore energy business, advanced production facilities and extensive project execution experience enable us to deliver large-scale offshore projects, while continuous improvements in safety management and cost competitiveness support our business performance. In the engine business, we are developing engines powered by a range of alternative fuels, including methanol and ammonia. We also became the first in the world to develop an ammonia dual-fuel engine and obtain classification approval, enabling us to respond proactively to evolving market needs.



HD Korea Shipbuilding & Offshore Engineering

Letter from the CEOs of HDKSOE

Turning sustainability into opportunity

to build competitiveness in the shipbuilding industry.

HDKSOE CEO

Chung Ki-sun



HDKSOE CEO

Kim Hyung-kwan



Dear Stakeholders,

Thank you for your continued interest and support for HDKSOE's sustainability journey.

The year 2025 marked a period of fundamental change for the shipbuilding industry as rising protectionism, geopolitical uncertainty, increasingly stringent decarbonization requirements and regulations across the shipbuilding and offshore sectors, and the restructuring of global supply chains all drove the need for transformation. Amid these challenges, HDKSOE remained focused on its strategy of delivering environmentally friendly, high-value-added vessels and achieved meaningful results. We reached the historic milestone of delivering our 5,000th vessel and recorded KRW 3.9 trillion in consolidated operating profit, our highest performance since the launch of the holding company structure. These achievements reflect our continued investment in future technologies and manufacturing innovation, demonstrating that technological leadership is the foundation of both business performance and long-term sustainability.

At HDKSOE, we view sustainability as more than regulatory compliance. It is a core element of our business strategy and a foundation for long-term competitiveness. As the global maritime industry accelerates its transition to low- and zero-carbon solutions, we will continue to lead transformation through technological leadership while creating sustainable value. We also recognize that the two major transitions facing the shipbuilding industry—the shift toward decarbonization and the digital and AI-driven transformation of the way we work—are not separate challenges, but part of a shared journey toward a more sustainable future. To this end, we will pursue the following strategic priorities over the medium and long term.

First, we will lead the decarbonization of the shipbuilding and offshore industry through technologies while responding to structural changes across the industry.

We will lead the industry's decarbonization transition through our unrivaled technological leadership. Over the past several decades, HDKSOE has led the structural transformation of global shipbuilding industry through continuous product and technology innovation. As the maritime industry advances toward a zero-carbon future, we will continue to develop and commercialize next-generation propulsion technologies while enhancing our leadership in the market for high-value-added environmentally friendly vessels. While expediting the commercialization of zero-carbon propulsion technologies, we are advancing transition technologies that support the industry's decarbonization pathway.

We will also proactively address structural changes affecting the shipbuilding industry. Demographic shifts and a shortage of skilled workers are reshaping the industry's future. To address these challenges, we are integrating digital technologies across the entire value chain, from design and production to operation and maintenance, and applying artificial intelligence and automation technologies to improve productivity, quality, and, above all, worker safety. We are building future-ready smart shipyards through digital twin technologies that simulate and optimize production processes in virtual environments while developing proprietary Software Defined Vessel technologies to create new smart shipping business opportunities.

Today, the industry, market, and society expect companies to demonstrate environmental responsibility and deliver sustainable growth. At HDKSOE, we believe technology is the key to meeting these expectations. By linking technological innovation with environmental and social sustainability, we will continue to create long-term corporate value and maintain our competitive position in the global market.

Second, we will enhance our integrated ESG management framework to support business sustainability and risk management while building greater trust with our stakeholders.

Business sustainability and effective risk management remain key management priorities at HDKSOE. We will further integrate climate risk management and our carbon neutrality strategy into company-wide decision-making while advancing our ESG management system. Regular monitoring of greenhouse gas emissions and progress toward our medium- and long-term reduction targets will support our decarbonization efforts. At the same time, we will refine our human rights policy and supply chain due diligence processes to proactively identify and manage ESG risks across our workplaces and suppliers.

These efforts will also enable us to respond effectively to evolving regulatory requirements, including mandatory ESG disclosure in Korea beginning in 2028 and the implementation of the EU Corporate Sustainability Due Diligence Directive (CSDDD) in 2029. Furthermore, we will continue to meet the expectations of ESG ratings and regulatory frameworks while maintaining strong commitment to communication with our stakeholders. Stakeholder evaluations and feedback will be reflected throughout our management activities, and we will respond to emerging issues with timely and consistent communication to maintain trust.

Looking ahead, sustainability will remain at the heart of our business strategy. By advancing technological innovation for a decarbonized future and upholding responsible governance, we will create long-term value and achieve sustainable growth. Together with our stakeholders, we will continue our journey of innovation and trust while reinforcing our position as a global leader.

HD Korea Shipbuilding & Offshore Engineering

About Shipbuilding and Offshore Engineering Division

Overview

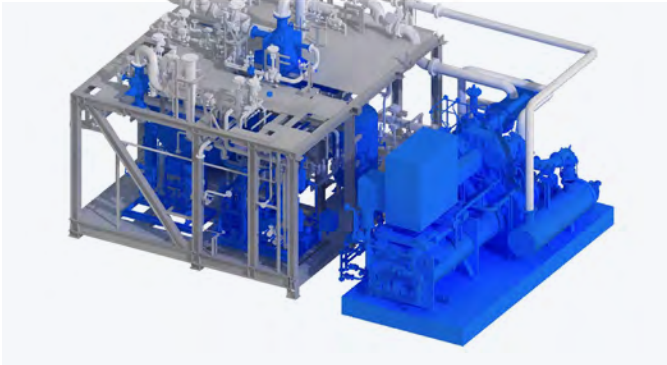
HDKSOE, an intermediate holding company managing the shipbuilding and offshore business division of HD Hyundai, is a specialized shipbuilding and offshore engineering company equipped with R&D and engineering expertise in the areas of shipbuilding, offshore engineering, marine engine and machinery, and energy. We define the long-term direction and growth strategy of the shipbuilding and offshore engineering business while playing a central role in attracting and developing the research and engineering talent that will drive future growth. Furthermore, new value will be created by maximizing synergies among affiliates while fostering shared growth across the entire industrial ecosystem, including our group companies and suppliers.

Legal Name	HD Korea Shipbuilding & Offshore Engineering Co., Ltd.
CEOs	Chung Ki-sun, Kim Hyung-kwan
Date of Incorporation	December 28, 1973
Head Office	477, Bundang Suseo-ro, Bundang-gu, Seongnam-si, Gyeonggi-do, Republic of Korea
Key Businesses	Shipbuilding, Offshore Engineering, Engines & Machinery, and Others
Credit Rating	AA- (Corporate Credit Rating) ¹⁾
Listing Date	August 24, 1999
Listing Market	KOSPI, Korea Exchange (KRX)

1) As of 2026

Environmental Impact Reduction Systems

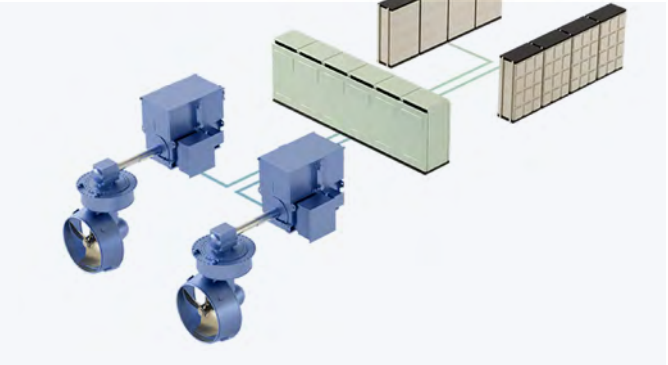
Backed by our extensive product portfolio and decades of experience as the world’s leading shipbuilder, we provide optimized solutions for gas handling systems and environmental mitigation equipment. We are also developing advanced technologies that improve fuel efficiency and reduce greenhouse gas emissions. Through seamless engineering support spanning vessel design, construction, commissioning, and after-sales services, we deliver reliable, high-quality solutions to our customers.



LNG Reliquefaction System

Low- and Zero-carbon (LZC) Ship Propulsion Solutions

Led by the EP (Eco Propulsion) business, HDKSOE supports the transition to the clean shipping industry by providing innovative and sustainable eco-friendly, high efficiency hybrid and electric propulsion solutions for various types of vessels. We accelerate the journey towards achieving Net Zero carbon emissions by offering innovative solutions that reduce greenhouse gas emissions through the use of low- and zero-carbon fuels and achieve zero emissions through electric propulsion system.



Pure Electric Propulsion System

R&D

With the goal of becoming a comprehensive technology company with world-class R&D and engineering capabilities, HDKSOE will continue to strengthen R&D as a core driver of growth and reinforce its competitiveness as a technology leader. To spearhead the group’s growth and development, HDKSOE continuously endeavors to expand infrastructure and to secure and foster talented personnel, concentrating on distinct research areas of focus that do not overlap with those of its subsidiaries to maximize R&D efficiency and synergy across the group.

Advanced Research Center (HDKSOE)

- Develop future ships incorporating new technology, propulsion system package
- Develop environmental impact reduction system and integrated engineering solutions
- Develop smart manufacturing system, production technology utilizing new materials and new processes
- Develop hybrid electric propulsion system, autonomous navigation system, and digital twin technology
- Resolve group’s key issues using AI and develop automated/intelligent AI agent
- Develop core solutions, systems, and key equipment for unmanned/ intelligent/ electrified vessels



R&D for Future Technologies

HD Korea Shipbuilding & Offshore Engineering

Business Performance and Financial Status

Overview

HDKSOE and its shipbuilding subsidiaries have extensive experience and expertise in shipbuilding, a diverse product portfolio, a proven track record with leading global clients, and strong project execution and management capabilities supported by in-house manufacturing and equipment procurement. Backed by its R&D infrastructure and technological expertise, the company continues to adapt to changing market conditions.

Orders From the Past Three Years

Category	2023		2024		2025 ¹⁾	
	No. of ordered ship (units)	Amount (USD 100 mil.)	No. of ordered ship (units)	Amount (USD 100 mil.)	No. of ordered ship (units)	Amount (USD 100 mil.)
Shipbuilding	159	212.9	177	195.0	137	184.2
Tankers (including P/C Carriers)	45		75		36	
Container Ships	29		28		73	
LNG Carriers	39		9		13	
LPG Carriers	39		27		9	
VLAC ²⁾	-		24		4	
Others	7		14		2	
Offshore Energy	1	12.9	1	14.2	-	1.3
Engine & Machinery	-	31.2	-	32.9	-	34.2
Industrial Plants	-	0.4	-	1.5	-	2.6
Equipment and Materials ³⁾	-	-	-	-	-	6.1
Total	160	257.4	178	243.6	269	228.3

1) Includes the orders for the former HD Hyundai Mipo and HD Hyundai Philippines Shipyard.
2) VLAC orders are separately reported, starting 2024.
3) Marine equipment and materials orders are reported, starting 2025.
4) Other vessel types: These include naval vessels, PCTCs, and LCO2C carriers.

Orders in 2025

Category	Opening Contract Backlog	New Contracts	Deliveries	Ending Order Backlog
Shipbuilding	72,168,671	23,669,403	(25,036,454)	70,801,620
Offshore & Plants	3,629,748	58,915	(1,243,576)	2,445,087
Others	7,710,040	4,941,098	(3,660,965)	8,990,173
Total	83,508,459	28,669,416	(29,940,995)	82,236,880

Key Financial Data for the Past Three Years

(Unit: KRW million, consolidated basis)

Category	2023	2024	2025
Revenues	21,296,206	25,538,577	29,933,215
Shipbuilding	17,694,375	22,070,873	25,036,454
Offshore & Plants	1,268,297	658,442	1,243,575
Engine & Machinery	1,640,906	2,211,348	2,890,077
Others	692,628	597,914	763,109
Operating Profit (Loss)	282,261	1,434,090	3,904,490
Shipbuilding	302,232	1,507,455	3,314,922
Offshore & Plants	(37,455)	(99,154)	137,989
Engine & Machinery	286,310	372,055	774,610
Others	(268,826)	(346,266)	(323,031)
Net Profit (Loss)	144,930	1,454,580	2,928,395
Total Assets	32,242,568	36,719,137	39,542,213
Total Liabilities	19,872,465	22,563,324	22,633,860
Total Equity	12,370,103	14,155,813	16,908,353

HD Hyundai Heavy Industries

Letter from the CEOs of HHI

Building on our integrated capabilities, we will shape a sustainable future for the shipbuilding and offshore industry.

HHI CEO
Lee Sang-kyun



HHI CEO
Keum Seok-ho



Dear Esteemed Stakeholders,

We extend our sincere gratitude for your unwavering trust and support in HHI.

The global shipbuilding and offshore industry is undergoing a period of profound transformation. Shifts in workforce demographics, increasingly stringent safety and environmental regulations, and evolving stakeholder expectations are reshaping the business landscape. Companies are expected not only to achieve long-term growth but also to fulfill their social responsibilities. At the same time, attracting and developing talent through diversity and inclusion, while building a responsible supply chain and fostering mutual growth with suppliers, has become a key management priority. Amid these industry changes, HHI became the world's first shipbuilder to deliver 5,000 vessels, reaffirming its leadership in the global shipbuilding industry. This milestone was made possible by the combination of decades of accumulated design expertise, manufacturing capabilities and the field-driven execution of our employees and suppliers. It stands as a meaningful achievement that once again demonstrates HHI's distinctive competitiveness in the global shipbuilding industry.

In December, we also began a new chapter as One Team following the merger with the former HD Hyundai Mipo. More than an expansion of scale, the merger represents a strategic step to integrate the unique design capabilities and production infrastructure of both companies, enhance operational efficiency, and respond more swiftly to changing market conditions.

Building on this foundation, we will pursue sustainable growth through the following three core strategies.

First, we will lead the decarbonization of the shipbuilding industry through the development of environmental impact reduction technologies

In response to increasingly stringent international environmental regulations and the transition toward carbon neutrality, we are developing next-generation solutions that significantly reduce carbon emissions throughout the entire vessel lifecycle, from design and construction to operation. In particular, we are accelerating the development of zero-carbon technologies based on fuel cells while advancing low-carbon vessel models equipped with these technologies. We are also developing integrated Net-Zero solutions combining ammonia fuel cells and carbon capture technologies. Building on our extensive fuel cell research and demonstration experience, we aim to reinforce our position as a first mover in the global market for zero-carbon, high-efficiency vessels.

Second, we will make safety the foremost consideration in every decision.

Under our vision of becoming "A company where everyone is safe and where safety is its brand," HHI continues to enhance its safety management framework and embed a safety-first culture. We are advancing our management framework by refining our systems, culture, technology strategies, and role-based responsibilities while clearly defining accountability across our operations. Beginning in 2026, we will introduce the "Serious Injury & Fatality (SIF) Index" to proactively identify and manage warning signs of serious incidents and implement "The Safe Care" program across our operations to further embed a preventive approach to safety management. Going forward, we remain firmly committed to fulfilling the broader responsibilities that come with our expanded business following the merger. Under our unwavering commitment to preventing even a single serious workplace accident, we will continue to turn our belief that a safe workplace is our greatest competitive strength into action.

Third, we will build a resilient and sustainable supply chain based on mutual growth.

We regard mutual growth with our suppliers as an essential driver of competitiveness. Through technology exchange and ESG capability-building initiatives, we will continue to foster mutual growth. We transparently share technology trends and production strategies in key areas, including ship blocks and marine equipment, to promote quality innovation together with our suppliers. In addition, we provide tailored ESG training and risk assessment support to help identify and manage potential risks across the supply chain. Going forward, we will expand the scope of our suppliers covered by these programs while further enhancing customized training and safety capability-building programs. Through these efforts, we will establish a virtuous cycle that enhances industry competitiveness and build an industrial ecosystem where the value of mutual growth is realized.

Building on the strong execution capabilities gained through integration, we will continue to set new benchmarks for the shipbuilding industry. Guided by a spirit of innovation and responsible management, we will continue to earn the trust of our stakeholders and will move unwaveringly toward a more sustainable future.

HD Hyundai Heavy Industries

Introduction of HHI

Overview

Since its establishment in 1972, **HHI** has grown into the world's leading shipbuilder within just a decade, based on vessel orders and deliveries. The company reached the world's first cumulative shipbuilding milestone of 100 million GT in 2012 and in 2015 became the first shipbuilder to deliver 2,000 vessels, setting the record for the highest shipbuilding output achieved in the shortest period of time. Today, HHI operates 14 building docks and 10 Goliath cranes, supported by advanced production facilities, a highly skilled workforce, and world-class technological capabilities while further enhancing its competitiveness through technological innovation to meet the diverse needs of customers. Building on its expertise developed in shipbuilding, HHI has grown into a global heavy industries company with businesses spanning offshore, engines, and machinery while responding to the evolving global market by focusing on energy-efficient and low-carbon vessel technologies, as well as digital solutions. Following the recent merger with HD Hyundai Mipo, the company has integrated its shipbuilding capabilities across the Group, further enhancing its design and production competitiveness across a broad range of vessel types. Leveraging these synergies, HHI is driving sustainable growth across all areas of its shipbuilding business.

Shipbuilding Business

HHI builds and delivers a wide range of high-quality ships including LNG carriers, LPG carriers, ethane carriers, tankers, and container-ships. In 2025, the company achieved another industry first by commencing construction of the world's first very large ammonia dual-fuel carrier, demonstrating its leadership in low- and zero-carbon vessel technologies for the energy transportation sector. HHI continues to respond proactively and efficiently to growing market demand for low- and zero-carbon, energy-efficient vessels and specialized offshore vessels, while meeting the evolving needs of customers and reinforcing its position as the world's leading shipbuilder.



16,200 TEU Container Ship

Offshore Energy Business

HHI executes offshore projects covering the engineering, procurement, construction, transportation, installation, and commissioning of a wide range of fixed and floating production facilities for oil and gas fields. To date, it has successfully delivered more than 170 projects for over 80 customers worldwide. The company is also participating in offshore wind power projects led by both public and private developers while diversifying its business portfolio into future growth areas, including Small Modular Reactors (SMRs), Carbon Capture and Storage (CCS), the International Thermonuclear Experimental Reactor (ITER), and space launch pad projects.



Trion Floating Production Unit (FPU)

Naval & Medium size Ships Business

Beginning with the development of South Korea's first domestically built combat vessel, the Ulsan-class frigate, in 1975, HHI has led the nation's naval defense industry. Building on its expertise in next-generation destroyer development, air-independent propulsion (AIP) systems, and 3,000-ton-class submarines, HHI continues to enhance its capabilities in advanced naval vessels while accelerating the development of next-generation naval platforms and unmanned vessels, including AI-enabled smart autonomous and intelligent vessels. In addition, it is diversifying its portfolio and reinforcing global competitiveness through export-oriented standard vessel models and maintenance, repair, and overhaul (MRO) services. In the medium-sized vessel market, the company maintains a dominant competitive position in small and medium-sized product and chemical tankers while actively pursuing orders in high-value-added vessel segments (LPG carriers, LNG bunkering vessels, and LCO₂ carriers) and enhancing the competitiveness of its full range of vessel types by applying technologies that improve fuel efficiency.



10,000-ton-Class Aegis Destroyer (Dasan Jeong Yak-yong)

Legal Name	HD Hyundai Heavy Industries Co., Ltd.
CEOs	Lee Sang-kyun, Keum Seok-ho
Date of Incorporation ¹⁾	June 1, 2019
Head Office	1000, Bangeojinsunhwan-doro, Dong-gu, Ulsan, Republic of Korea
Key Businesses	Shipbuilding, Offshore Energy, Engine & Machinery
Credit Rating ²⁾	A2 (Commercial Paper), AA- (Corporate Bond)
Listing Date	September 17, 2021
Listing Market	KOSPI, Korea Exchange (KRX)

1) Established HHI through the spin-off of HDKSOE

2) Commercial Paper: as of 2024, Corporate Bond: as of 2026

Engine and Machinery Business

Since entering the engine business in 1978, HHI has supplied large-bore engines, medium-speed engines (HiMSEN), environmental solutions, and land-based power generation systems. Backed by decades of technological expertise and manufacturing experience, it has established itself as the world's leading engine manufacturer. In 2025, HHI successfully delivered a large ammonia-fueled engine, and the HiMSEN engine lineup was expanded with the development of the H32CDF-LA, a 5.4 MW-class ammonia engine, further broadening its portfolio of low- and zero-carbon fuel engines. The company also successfully completed a full hydrogen combustion test, further advancing its engine technologies. Going forward, HHI will continue to advance its leading-edge technologies for ammonia and hydrogen engines and other low- and zero-carbon fuel engines, while diversifying its business portfolio through engine power generation and new businesses to further strengthen its position in the global market.



Ammonia Dual-Fuel Engine (HiMSEN H32CDF-LA)

HD Hyundai Heavy Industries

Business Performance and Financial Status

Overview

HHI maintains a leading position in the shipbuilding sector based on its extensive shipbuilding experience and know-how, diverse product portfolio, proven track record with leading global shipping companies, and integrated in-house manufacturing and procurement capabilities for key ship components. Building on its world-class shipbuilding technologies, the company continues to respond proactively to evolving market conditions. In the offshore energy sector, HHI has secured cost and technical competitiveness through localization and standardization, while continuing to strengthen collaboration with clients and manufacturing suppliers. HHI is leading the development of new engines such as methanol and ammonia dual-fuel engines and consistently investing in facilities and developing technologies to keep pace with industry changes.

Orders From the Past Three Years ¹⁾

Category	2023		2024		2025	
	No. of ordered ship (units)	Amount (USD 100 mil.)	No. of ordered ship (units)	Amount (USD 100 mil.)	No. of ordered ship (units)	Amount (USD 100 mil.)
Shipbuilding	57	109.8	37	62.5	55	91.4
Tankers (including P/C Carriers)	1		4		17	
Container Ships	5		6		28	
LNG Carriers	30		3		-	
LPG Carriers	20		9		4	
VLAC ²⁾	-		14		4	
Others ³⁾	1		1		2	
Offshore Energy	1	12.9	1	14.2	-	1.33
Engine & Machinery	-	31.2	-	32.9	-	34.2
Total	58	153.9	38	109.6	55	126.9

1) Following the merger of HHI and HMD in December 2025, the 2025 performance includes one month of results from the former HMD in December 2025.

2) VLAC orders are separately reported from 2024.

3) Other vessel types include naval vessels, PCTCs, and LCO₂ carriers.

Orders in 2025 ¹⁾

(Unit: KRW million, for the period from January 1 to December 31, 2025)

Category	Opening Order Backlog	Business Combination	New Orders / Change	Deliveries	Ending Order Backlog
Shipbuilding	33,937,341	11,376,357	11,500,524	(12,463,097)	44,351,125
Offshore & Plants	3,629,748	-	54,367	(1,239,028)	2,445,087
Others	9,364,679	-	4,102,089	(3,878,508)	9,588,260
Total	46,931,768	11,376,357	15,656,980	(17,580,633)	56,384,472

1) Includes fluctuations due to changes in exchange rates for foreign currency contracts, contract cancellations, and revisions in contract values.

Key Financial Data for the Past Three Years

(Unit: KRW million, consolidated basis)

Category	2023	2024	2025
Revenues ¹⁾	11,963,926	14,486,454	17,580,633
Shipbuilding	7,901,471	10,623,294	12,463,099
Offshore & Plants	1,269,740	649,152	1,239,028
Engine & Machinery	2,709,815	3,134,343	3,790,789
Others	82,900	79,665	87,717
Operating Profit (Loss) ²⁾	178,640	705,223	2,037,510
Shipbuilding	(33,586)	461,896	1,526,348
Offshore & Plants	(66,413)	(124,711)	142,648
Engine & Machinery	286,283	384,920	693,589
Others	(7,644)	(16,882)	(325,075)
Net Profit (Loss)	24,689	621,509	1,415,485
Total Assets	17,133,618	19,390,947	26,163,045
Total Liabilities	11,926,178	13,686,498	16,821,424
Total Equity	5,207,440	5,704,449	9,341,620

1) Following the merger of HD Hyundai Heavy Industries and HD Hyundai Mipo in December 2025, the 2025 performance includes one month of results from the former HD Hyundai Mipo in December 2025.

2) Compared to the previous year, the aggregation methodology has been revised. The Others segment includes consolidation adjustments, common selling and administrative expenses, and assets. These common expenses and assets are allocated to each business division based on allocation criteria such as revenue and headcount.

HD Hyundai Samho

Letter from the CEO of HSHI

Building sustainable competitiveness based on safety, responsibility, and technological innovation.



HSHI CEO
KIM Jae-eul

Dear Stakeholders,

Over the past year, despite increased revenues, the shipbuilding industry experienced complex shifts marked by a sharp decline in global vessel orders and stagnant newbuilding prices. Some view this as a peak following the upcycle that began in 2021, while geopolitical uncertainties such as rising protectionism and intensifying U.S.-China competition continue to shape the external environment. At the same time, long-term growth opportunities remain evident, driven by U.S. policies to rebuild its shipbuilding industry, the transition toward decarbonized vessels, and the replacement demand for vessels that were ordered in large volumes in the past. These developments highlight that the industry is once again at a structural turning point.

Despite this uncertainty, HSHI has adopted an ambitious business plan for 2026, and continues stable production and growth, focusing on eco-friendly gas carriers, container ships, and tankers. Based on a solid order backlog, we are pursuing selective order intake aligned with optimal delivery schedules, while also reinforcing our fundamental competitiveness through the development of next-generation design and production platforms, automation and robotics adoption, and key facility investments. As uncertainty intensifies, corporate performance is increasingly defined not by short-term results but by stable and sustainable competitiveness. Accordingly, HSHI has positioned sustainability as a core pillar of its management strategy as part of its strategic agenda for stable growth and long-term survival, while pursuing a systematic transformation toward building the shipyard of the future

We are accelerating decarbonization through intelligent energy management and efficiency innovation.

Carbon neutrality is not merely a slogan, but a matter of how precisely energy use can be managed and optimized at the operational level. Considering the complexity of shipyard operations, HSHI is progressively establishing an intelligent energy management system based on data and advanced technologies to build a tangible foundation for emissions reduction. We are advancing drone- and AI-based inspection of facilities and rooftops, introducing unmanned inspection systems using robotics and thermal imaging, and automating inspection data visualization to enhance continuous monitoring of energy and asset conditions.

At the same time, we are expanding the adoption of renewable energy both inside and outside our production facilities while simultaneously improving energy efficiency. We are also building an integrated platform for electricity, gas, and greenhouse gas data management, while fundamentally optimizing our energy consumption structure through remote control of key equipment and efficiency enhancements. Furthermore, we are establishing and advancing lifecycle assessment (LCA) systems to manage environmental impacts across the entire product lifecycle, enabling more systematic environmental performance management and proactive response to customer and market demands.

We are improving safety through people-centered prediction and capability building.

The sustainability of a shipyard begins with safety on the ground. HSHI is transitioning from reactive safety management to a predictive system designed to anticipate and prevent accidents, guided by a clear principle of zero tolerance for serious accidents, major equipment failures, and environmental incidents. We are strengthening preventive safety frameworks, including clearly defined absolute zero-accident standards and enhanced fire prevention and emergency response systems. We are also embedding an uncompromising safety culture through lifecycle-based health and safety training and enhanced on-site communication.

In addition, we are advancing AI- and smart technology-driven safety management to a more sophisticated level. By introducing personalized safety forecasts and accident simulation models, we proactively identify and manage potential risks while improving on-site responsiveness. We are also reinforcing management systems to ensure that all workers, including suppliers and foreign workers, operate under the same safety standards, while developing in-house foreign talent and strengthening suppliers' capabilities to build a responsible employment system and a safer working environment.

We will initiate a full-scale transition into a smart shipyard through digital transformation and automation.

In a rapidly changing industry environment, competitiveness is determined not by production scale, but by the ability to make fast and accurate decisions and execute effectively. HSHI is advancing its transformation into a “connected and predictable shipyard” through digital transformation. We are establishing a digital foundation that integrates KPIs, management indicators, yard operations, processes, and equipment status, which will serve as a stepping stone to progressively leap into a system capable of real-time visibility and predictive management across all shipyard operations.

On this foundation, we are expanding automation and AI applications across production sites. We are enhancing both safety and productivity through welding automation using collaborative robots and gradually expanding AI-based autonomous manufacturing capabilities. By leveraging AI that continuously accumulates and learns from operational data, we will realize a smart shipyard capable of faster and more accurate decision-making.

HSHI will continue to drive transformation for environmental performance, safety, and future competitiveness. This report not only serves as a benchmark for our current performance, but also marks the starting point of our commitment to building a better future. Based on trust and engagement with all stakeholders, we will continue to enhance long-term corporate value through responsible management and sustainable growth.

HD Hyundai Samho

Introduction of HSHI

Overview

HSHI was established in 1998 and currently has an annual shipbuilding capacity of approximately 3.8 million GT. The company is capable of building around 40 vessels annually, including ultra-large container ships, very large crude carriers (VLCCs), tankers, LNG and LPG carriers, car carriers, and bulk carriers. Since becoming part of HDKSOE in 2002, HSHI has integrated key functions across sales, R&D, procurement, and after-sales services to maximize synergies. Through this integrated operating model, HSHI has earned recognition from customers for its product quality and technological capabilities. HSHI achieved several industry milestones, including the world’s first LNG-fueled crude oil carrier in 2018, the world’s first LNG-powered container ship and bulk carrier in 2020, and the construction of the world’s largest LPG-powered vessel (90,000 cbm class) in 2021, demonstrating its strong capabilities in energy-efficient and low-carbon ship technologies. Building on shipbuilding expertise, HSHI is advancing into offshore facility manufacturing for overseas oil field development, further enhancing the sophistication and diversification of business structure.

Legal Name	HD Hyundai Samho Co., Ltd.	Key Businesses	Shipbuilding, Industrial Equipment Manufacturing
CEOs	Kim Jae-eul	Credit Rating	A- (Corporate Bond ¹⁾)
Date of Incorporation	November 4, 1998	Listing Date	N/A
Head Office	93, Daebul-ro, Samho-eup, Yeongam-gun, Jeollanam-do, Republic of Korea	Listing Market	N/A

1) As of 2024

LNG Carriers

LNG carriers transport liquefied methane at temperatures below −163°C using specialized cargo containment systems. HSHI builds high-performance, high-quality vessels equipped with energy efficiency optimization technologies and boil-off gas re-liquefaction systems.



HN.S970 174K LNGC

LPG Carriers

LPG carriers transport liquefied propane and butane gases. These vessels are designed to maintain cargo temperatures below -42°C using specialized containment systems. HSHI is enhancing operational efficiency and safety by adopting a One Tank installation method, where the cargo tank is prefabricated and installed as a single unit.



HN.S977 80K LPGC

Container Ships

Container ships are dedicated vessels for transporting standardized cargo containers. HSHI has built LNG-fueled container ships equipped with membrane-type LNG fuel tanks, as well as methanol-fueled ultra-large container ships, supporting the transition to low- and zero-carbon marine fuels.



8255 TEU Container Ship

Tankers

Tankers transport crude oil (COT, VLCC) and refined petroleum products (product tankers, PC). HSHI primarily builds crude oil and product carriers and has achieved a milestone by constructing the world’s first LNG-fueled crude oil carrier, demonstrating leadership in low-carbon propulsion technologies.



8232 COT

Car Carriers

Car carriers are specialized vessels for transporting passenger vehicles and trucks. HSHI builds ultra-large car carriers (8,000-unit PCTC class) designed with optimized cargo space utilization and enhanced stability, ensuring efficient and safe vehicle transportation.



HN.S889 7,500 UNIT PCTC

HD Hyundai Samho

Business Performance and Financial Status

Overview

HSHI operates advanced production facilities, including Dock No. 1 equipped with two 600-ton Goliath cranes, Dock No. 2 equipped with one 820-ton and one 1,000-ton Goliath crane, and an onshore dry berth equipped with one 600-ton and one 1,200-ton Goliath crane. The company maintains strong manufacturing competitiveness supported by a typhoon-resilient location, an efficient yard layout designed to optimize logistics flow, synergies from Group-level integrated procurement and R&D, and a comprehensive quality management system covering design, construction, and delivery. These capabilities enable the delivery of vessels and offshore facilities that meet customer requirements with uncompromising quality and on-time delivery. In particular, HSHI actively responds to global efforts to reduce greenhouse gas emissions and protect the marine environment by applying advanced technologies to LNG carriers, including solutions for emissions reduction, improved energy efficiency, and boil-off gas re-liquefaction systems. To further enhance LNG carrier construction competitiveness, the company is also focusing on the development of patented load-out systems for the onshore construction yard, aiming to secure a differentiated position in the global market.

Orders From the Past Three Years

Category	2023		2024		2025	
	No. of ordered ship (units)	Amount (USD 100 mil.)	No. of ordered ship (units)	Amount (USD 100 mil.)	No. of ordered ship (units)	Amount (USD 100 mil.)
Shipbuilding	42		43		44	
Tankers	6		9		13	
Container Ships	19		16		24	
LNG Carriers	9	66.6	6	71.1	7	66.9
LPG Carriers	4		0		0	
VLAC ¹⁾	-		10		0	
Others ²⁾	4		2		0	
Industrial Plants	-	0.4	-	1.5	-	2.6

1) VLAC orders are separately reported starting 2024

2) Other vessel types include ULEC

Key Financial Data for the Past Three Years

(Unit: KRW million)

Category	2023	2024	2025
Revenues	5,958,697	7,003,139	8,071,351
Operating Profit (Loss)	301,693	723,571	1,362,760
Net Profit (Loss)	211,165	684,107	1,001,460
Total Assets	7,457,336	8,386,198	7,952,179
Total Liabilities	5,625,561	5,901,086	4,933,575
Total Equity	1,831,775	2,485,112	3,018,604

Orders in 2025

(Unit: KRW million)

Category	Opening Order Backlog	New Orders / Change ¹⁾	Deliveries	Ending Order Backlog
Shipbuilding and Others	25,023,575	8,848,446	(8,071,351)	25,800,670

1) Includes new contract amounts, additional amounts, modifications, and fluctuations due to foreign currency translation.

HD Hyundai Marine Engine

Letter from the CEO of HME

Delivering sustainable growth

through responsible management and technological innovation



HME CEO

Yu Jeong-dae

Dear Stakeholders,

The global maritime industry saw unprecedented momentum toward the transition to sustainability in 2025. Although the 83rd session of the Marine Environment Protection Committee (MEPC 83) did not reach a final agreement on the Net Zero Framework, market demand for carbon emissions reduction continued to grow. The demand for eco-friendly engines and smart maintenance solutions also continues to increase worldwide. In this market environment, HME continued its growth by supplying large marine propulsion engines and advancing technological innovation.

Throughout 2025, we maintained stable revenue growth driven by our eco-friendly engine portfolio and service capabilities while building a more resilient earnings structure. Meaningful progress was achieved in productivity, quality, and supply stability through the wider supply of high-efficiency, low-emission engines and enhanced competitiveness in parts maintenance services. By responding proactively to evolving customer needs, the company continued to earn the confidence of customers across global markets.

In the engine business, we continue to invest in technology development and production facilities to build capabilities in manufacturing conventional diesel and LNG dual-fuel engines, as well as engines powered by other environmentally friendly fuels. Product competitiveness is also being enhanced through the in-house production of key engine components, including crankshafts and turbochargers.

Structural changes across the industry, however, continue to reshape the market. To respond to tighter global regulations, growing demand for environmentally friendly vessels, and competitors' technological advances, we will build a more systematic and integrated sustainability management framework rather than relying on current achievements. Through safer workplaces, technologies that reduce environmental impacts, and collaborative partnerships across the value chain, we will continue to enhance our sustainability management system and improve our readiness for the industry's ongoing transition.

We will maintain a safe workplace free of accidents through company-wide safety management.

Safety is not a matter of choice but an essential requirement directly linked to the company's long-term sustainability. It is also a shared responsibility that every employee must uphold, rather than the responsibility of any single organization or individual. HME will continue to identify and address workplace hazards proactively while fostering a strong safety culture through ongoing training and site-focused safety initiatives. These company-wide efforts will support our goal of achieving an accident-free workplace and maintaining a working environment where both employees and customers feel safe and confident.

We are advancing a sustainable future through technologies that reduce environmental impacts.

Tighter environmental regulations and the decarbonization of the shipping and shipbuilding industries are reshaping engine technologies. In response, we continue to advance our capabilities in eco-friendly fuel engine technologies while increasing related production capacity.

Building on the successful development of the world's first LPG dual-fuel engine, we have established a leading position in eco-friendly engine technologies. Moving forward, we will create a sustainable earnings structure by producing engines powered by other low- and zero-carbon fuels while broadening related services. Close collaboration with the Engine & Machinery Unit of HHI, an industry leader in engine technologies, will also enable us to deliver differentiated products and services to our customers.

We are embedding sustainability management across the organization.

This report goes beyond simply disclosing sustainability information. It serves as an opportunity to assess our sustainability performance, define future priorities, and further enhance our company-wide management framework.

Particular attention will be given to climate action and environmental impact management by systematically analyzing greenhouse gas emissions and energy consumption to establish a solid foundation for implementation. We will also develop management capabilities that can make a meaningful contribution to our sustainable growth strategy by proactively establishing systems to identify and manage ESG risks, including those related to supply chain management and talent acquisition.

HME remains committed to creating long-term value beyond short-term business performance while fulfilling its responsibilities to society. This report provides an opportunity to assess where we stand objectively, address areas for improvement, and build on our strengths. Through transparent engagement with stakeholders, we will continue to earn trust and grow as a company that contributes to the sustainable development of the industry and the creation of shared social value.

HD Hyundai Marine Engine

Introduction of HME

Overview

HME is a specialized engine manufacturer with more than 40 years of expertise in the production and supply of low-speed marine diesel engines and related equipment. The company manufactures marine engines as well as key components and equipment, including turbochargers and crankshafts, while operating across the entire value chain from design and manufacturing to quality management and after-sales support. Through the in-house production of core components and continuous technological advancement, HME supports the reliable operation of the marine engine industry while enhancing its competitiveness as a technology-driven business by delivering solutions aligned with increasingly stringent global environmental regulations and the transition toward cleaner energy.

Engine Business

HME has established a competitive position in the global market through low-speed marine diesel engines, environmentally friendly propulsion technologies, and integrated service capabilities. Through its technology partnership with Everllence (formerly MAN Energy Solutions), the company has built a comprehensive value chain covering engine design, manufacturing, sales, and after-sales services. Continuous technological advancement is supported by the production of large low-speed engines, including dual-fuel engines for LNG carriers. In response to increasingly stringent IMO environmental regulations, the company successfully completed the world's first test operation of the ME-LGIP LPG dual-fuel engine, delivering lower emissions and improved fuel efficiency. Technology development is also underway to support the transition to next-generation carbon-neutral fuels, including ammonia, contributing to the shipping industry's decarbonization.



Low-Speed Marine Diesel Engines

Service Business

HME provides environmentally friendly solutions, including emissions reduction and fuel efficiency improvement technologies, as well as dockside maintenance services to support the reliable operation, performance, and regulatory compliance of marine engines and related components. A lifecycle-based integrated service system covers the full range of customer support, from engine performance diagnostics and preventive maintenance to repairs, performance optimization, and the supply of genuine parts from the early stages of engine operation. This helps improve operational efficiency and long-term reliability while supporting stable engine performance through timely parts supply and robust quality management. The company also contributes to environmental value creation by improving fuel efficiency and reducing emissions, while helping customers maximize asset value and ensure sustainable operations.



Engine Maintenance Support and Genuine Parts Supply

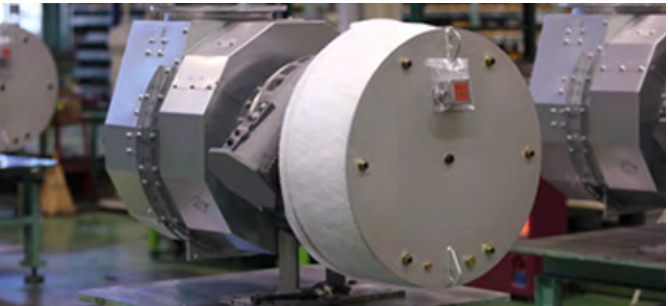
Legal Name	HD Hyundai Marine Engine Co., Ltd.
CEOs	Yu Jeong-dae
Date of Incorporation	June 15, 2001
Head Office	222, Jeokhyeon-ro, Changwon-si, Gyeongsangnam-do, Republic of Korea

Key Businesses	Manufacturing of Marine Engines and Related Equipment
Credit Rating	A- ¹⁾ (Corporate Credit Rating)
Listing Date	May 15, 2009
Listing Market	KOSPI, Korea Exchange (KRX)

1) As of 2026

Turbochargers

Based on its turbocharger manufacturing capabilities and genuine engine parts supply system, the company provides high-quality component manufacturing and integrated technical support services. Its dedicated turbocharger production facility operates the world's only fully integrated manufacturing process, covering precision casting, rotating component machining, and final assembly. Leveraging extensive production experience gained through localization projects in collaboration with licensors, HME has supplied turbochargers to shipyards worldwide. Going beyond turbochargers, the company continues to diversify its technology-based components portfolio by extending its business into related parts and services, as well as high-temperature components for industrial gas turbines.



Turbochargers for Marine Engines

Crankshafts

Crankshafts are critical drive components in marine diesel engines that convert the piston's reciprocating motion into rotational motion to drive the propeller shaft, directly affecting engine performance and operational reliability. HME's subsidiary HCS operates an integrated production system covering the entire manufacturing process for crankshafts used in large marine engines and continues to enhance both production capacity and quality management based on extensive manufacturing expertise. In addition, the company is constructing a solar power generation facility. It is scheduled for completion in June 2026 and is expected to support sustainable management through the production of renewable energy.



S46ME

HD Hyundai Marine Engine

Business Performance and Financial Status

Overview

HME’s core business is the production of marine main engines, with a focus on diesel engines and LNG- and LPG-fueled dual-fuel engines. In line with growing demand for eco-friendly propulsion systems, the company continues to enhance the competitiveness of its dual-fuel engine portfolio, including the ME-GI and ME-LGIP engines. In-house production of key marine engine components, such as 2-stroke crankshafts and turbochargers, improves product quality and delivery responsiveness, while the procurement, sales, and after-sales services for major components contribute to a more diversified business portfolio. Tailored sales activities for domestic and overseas shipyards, combined with proactive engagement to address demand for eco-friendly engines at the ship ordering stage, support business growth. At the same time, strategic initiatives to improve cost competitiveness and secure new customers provide a solid foundation for sustainable profitability.

Orders From the Past Three Years

Category	2023 ¹⁾	2024	2025
	Amount (USD mil.)	Amount (USD mil.)	Amount (USD mil.)
Marine Engines	-	363	478
Engine Components	-	54	87
Total	-	417	565

1) Data for 2023 have been excluded since it was compiled under standards prior to integration into the group. Therefore, that data would not be directly comparable with subsequent performance.

Orders in 2025 ¹⁾

(Unit: KRW million)

Category	Opening Order Backlog	New Orders / Change	Deliveries	Ending Order Backlog
Marine Engines	689,570	621,029	(300,624)	1,009,975
Engine Components	49,416	113,665	(84,158)	78,923
Total	738,986	734,694	(384,782)	1,088,898

1) Based on the consolidated financial statements. For foreign currency transactions, internal exchange rates are applied, so delivered amount may differ from actual sales.

Key Financial Data for the Past Three Years

(Unit: KRW million, consolidated basis)

Category	2023	2024	2025
Revenues	244,368	315,794	402,396
Operating Profit (Loss)	18,379	33,194	75,912
Net Profit (Loss)	31,642	75,775	165,102
Total Assets	454,014	494,963	814,697
Total Liabilities	228,638	185,588	325,785
Total Equity	225,376	309,375	488,912



ESG Management

18	HD Hyundai ESG Management System
19	HDKSOE ESG Management System
20	HHI ESG Management System
21	HSHI ESG Management System
22	HME ESG Management System
23	Double Materiality Assessment
30	Stakeholder Communication

HD Hyundai ESG Management System

Future From the Ocean

HD Hyundai ESG VISION

HD Hyundai is committed to ESG management by strengthening its technological leadership in eco-friendly technologies, digital transformation, and safety. Our ESG Vision “Future From the Ocean” expresses our commitment to realize a sustainable future from the ocean, which is the foundation and beginning of HD Hyundai’s business portfolio.

Our ESG slogan, “Beyond Blue Forward to Green,” expresses our identity and credo of pursuing technological innovation in line with future paradigm change (Beyond Blue). In line with this, we pursue a transition to future businesses based on environmental impact reduction technologies as we grow as a leader in sustainable management (Forward to Green).

To move forward with our strategic directions, Blue Ocean with Green Tech, we will continue to increase investment in developing environmental impact reduction technologies and proactively increase our efforts in strengthening climate risk management and reducing environmental impacts by increasing use of renewable energy, investing in high efficiency facilities, and managing carbon credits. To achieve Green Together with People & Society, we will further enhance our management system for addressing safety, human rights, and ethics issues across our operations and throughout the supply chain. Under Green Leadership with Responsibility, we will also continue initiatives to improve the disclosure of management information, including ESG-related information, and further enhance our internal control and risk management systems.

HD Hyundai ESG Governance

The ESG Committee under the **HD Hyundai** BOD reviews the key ESG policies and strategies from the perspective of the holding company and management, while supporting and overseeing the implementation of the Group’s key ESG initiatives.

The Chief ESG Officer of the Group supports ESG management across the HD Hyundai Group, leading the development of Group-wide ESG policies and strategic direction, establishing implementation frameworks for key ESG initiatives including ESG disclosures and monitoring performance. These efforts help embed ESG into business management and enhance execution across the Group.

The Group ESG Council, comprising the Chief ESG Officers of major affiliates, serves as a consultative body for sharing ESG issues, identifying priority initiatives, and reviewing implementation plans. They share the ESG issues of each group company, identify priority tasks, and review implementation plans as part of their efforts to drive the Group’s ESG program forward.

The Group Subcommittees (Carbon Management Committee and Human Rights Management Committee) establish strategies and targets for key ESG issues, including climate and human rights, develop detailed implementation plans, and monitor progress on related initiatives.

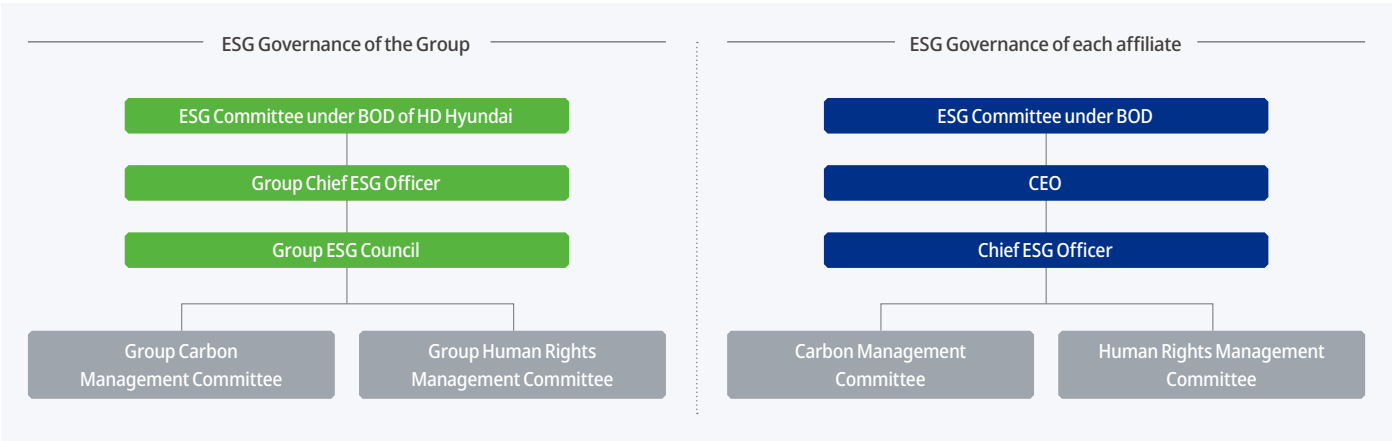
2025 Group ESG Council Meetings

Date	Key Agenda Items
Sep 18	· (Special Session) ESG Disclosure Trends and Action Plans · Group Roadmap for Mandatory ESG Disclosure Compliance · Progress Update on the Group ESG Platform Development · Direction for Establishing the Group Carbon Management Governance Framework · Integrated Energy Management System for the Shipbuilding Sector

HD Hyundai ESG VISION Framework

VISION	Future From the Ocean		
ESG Slogan	Beyond Blue Forward to Green		
ESG Strategic Direction	Blue Ocean with Green Tech	Green Together with People & Society	Green Leadership with Responsibility
	Focused on Green Tech Creating Cleaner Oceans	Focused on Green Together Pursuing Safety and Shared Growth	Focused on Green Leadership Embedding ESG into Business Management
Focus Areas	· Develop and increase investment in environmental impact reduction technologies · Enhance climate risk management · Promote environmental impact reduction initiatives	· Enhance occupational health and safety management · Promote Labor-Management cooperation and employee well-being · Promote a sustainable supply chain and ESG adoption	· Enhance management information disclosure · Advance the Board governance framework · Improve ethical management, internal controls, and risk management

Group and Affiliate ESG Governance Structure¹⁾



1) The detailed organizational structure and committee names may vary by affiliate.

HDKSOE ESG Management System

Toward ECO-ocean with Green Wave

ESG Management Plans for 2026

In 2026, **HDKSOE** will focus on three key priorities to further advance its ESG management: climate change response, human rights management, and integrated ESG management capabilities. In the area of climate change response, we will enhance decision-making processes and management systems based on our carbon management governance framework while improving oversight of emissions allowances and greenhouse gas emissions and continuing to operate our internal carbon pricing system. We also plan to establish a climate disclosure framework by reviewing our carbon reduction roadmap and developing related policies and regulations. To improve the reliability of environmental data management, we will standardize our LCA framework for the shipbuilding industry and develop a dedicated platform.

For human rights management, we will reinforce due diligence at key operating sites and establish a standardized Group-wide human rights due diligence process to support an integrated human rights management framework. Building on this foundation, we will systematically manage due diligence activities and follow-up actions while enhancing our supply chain risk management process by broadening ESG assessments and due diligence across the shipbuilding supply chain. To further improve integrated ESG management capabilities, we will enhance our Group-level ESG KPI management system on a consolidated basis and gradually increase the scope of ESG disclosures while establishing a global ESG regulatory response framework to address key regulatory requirements, including mandatory climate-related disclosures and the CSDDD. We will also enhance ESG communication with internal and external stakeholders and further refine our response to stewardship codes and stakeholder engagement processes to improve reputation risk management and the effective execution of our ESG initiatives.

2026 HDKSOE ESG Management Plan

Goal	Toward ECO-ocean with Green Wave		
Strategic Priorities	Advance climate change response framework	Strengthen human rights management system	Enhance integrated ESG management capabilities
Key Initiatives	Establish carbon management governance framework - Enhance oversight of carbon credits and GHG emissions - Operate internal carbon pricing system Establish a climate disclosure framework - Review the carbon reduction roadmap - Develop related policies and regulations Enhance LCA framework - Standardize methodology that reflects the characteristics of the shipbuilding industry - Establish platform to increase reliability	Establish and manage an integrated human rights management system - Establish a group-wide standard human rights management process Conduct human rights due diligence and manage actions for improvement - Strengthen due diligence on human rights - Implement actions to minimize the risks Strengthen supply chain management - Conduct due diligence - Improve risk managing process - Advance risk management process	Manage consolidated ESG indicators for the group - Advance scope and calculation criteria of ESG indicators - Gradually expand ESG data disclosure Address global ESG regulations - Implement initiatives to comply with mandatory climate disclosure requirements - Establish a response process for CSDDD Respond to stewardship codes - Establish processes for external ESG assessments and stakeholder engagement

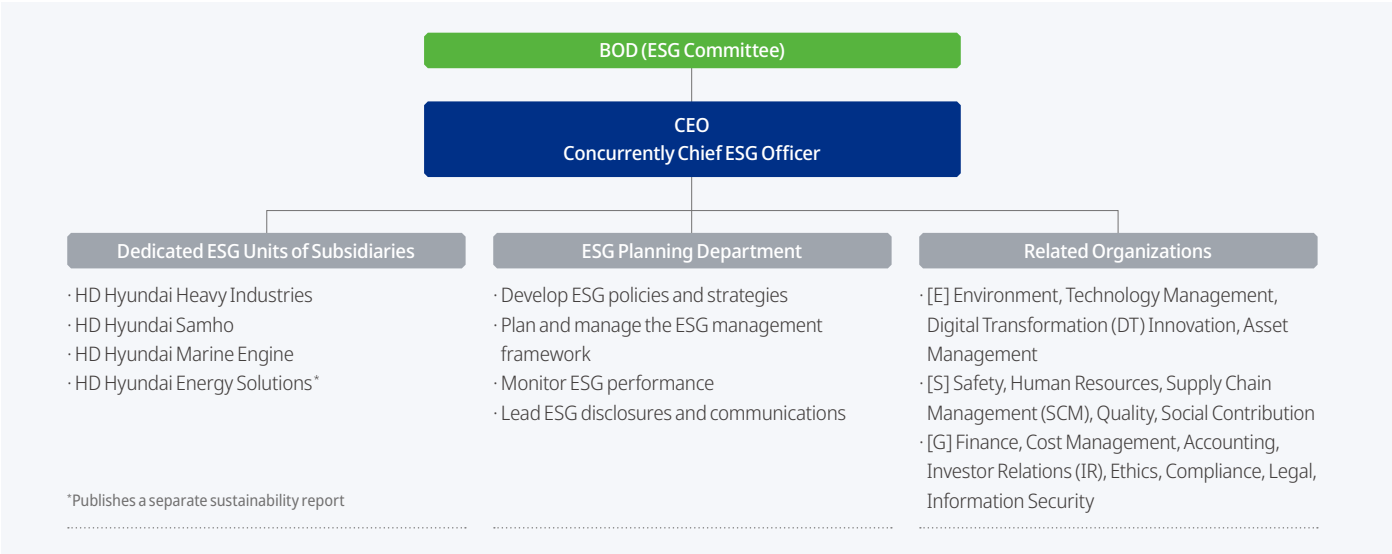
ESG Organizational Structure

The ESG Committee under the Board of Directors of **HDKSOE** serves as the key decision-making body responsible for reviewing core ESG policies and strategic directions across its subsidiaries as the intermediate holding company for the shipbuilding and offshore business while overseeing and supporting the implementation of key ESG initiatives. The ESG Committee is chaired by an Outside Director, and regular training programs are provided to enhance the committee's expertise and ESG oversight capabilities

The CEO of HDKSOE also serves as the Chief ESG Officer, overseeing the ESG policy direction of the shipbuilding and offshore business and leading the development of ESG management strategies. Their responsibilities include reviewing strategic priorities, monitoring progress and key performance outcomes, and providing company-wide leadership to ensure the effective operation of the ESG framework.

The ESG Planning Department of HDKSOE serves as the dedicated organization responsible for overseeing the Group's ESG management strategy and its implementation. The department sets ESG policies and strategies reflecting business characteristics and external stakeholder expectations and manages the associated implementation framework. Efforts are also directed toward improving ESG performance across the Group while maintaining alignment with strategic priorities. Close collaboration with Investor Relations, Corporate Communications, and Sales supports ESG engagement with key stakeholders such as investors and customers. Stakeholder requirements are incorporated into management activities to enhance confidence in ESG management practices. Governance bodies, including the Group ESG Council, Human Rights Management Committee, and Carbon Management Committee, have also been established and are operated to improve strategic consistency and execution, while sharing ESG performance and creating synergies among affiliates.

HDKSOE ESG Management Organizational Structure



HHI ESG Management System

Building ESG Capabilities for Sustainable Growth

ESG Management Plans for 2026

In 2025, **HHI** carried out a range of ESG initiatives to strengthen ESG management across all ESG areas, including the introduction of an internal carbon pricing system and participation in ESG assessments of our supply chain. We also enhanced Board independence and improved the transparency and accountability of decision-making by appointing an outside director as Chair of the Board. Building on these achievements, we have established three strategic priorities for 2026: enhancing climate change response capabilities, strengthening socially responsible management, and enhancing ESG communication.

To enhance our climate change response, we have established and operate a Carbon Management Subcommittee and increased the use of renewable energy to support our transition toward carbon neutrality. We will also establish a life cycle assessment (LCA) framework to systematically manage the environmental impacts of our products and services. In addition, we have established a supply chain ESG management framework and are enhancing our health and safety management system with a stronger focus on proactive accident prevention. To proactively respond to consolidated ESG disclosure requirements, we will gradually disclose quantitative ESG data for our subsidiaries and enhance engagement with stakeholders, further improving the transparency and reliability of ESG information.

2026 HHI ESG Management Plan

Goal	Enhance ESG capabilities and Meet global requirements		
Strategic Priorities	Enhance climate change response	Strengthen Socially Responsible Management	Strengthen ESG communications
Key Initiatives	Strengthen the foundation for achieving carbon neutrality · Establish and operate a Carbon Management Subcommittee and expand renewable energy adoption Establish a Life Cycle Assessment (LCA ¹⁾ framework · Enhance the Scope 3 calculation methodology and establish a ship life cycle assessment system	Establish a supply chain ESG management framework · Develop a mid- to long-term ESG roadmap and management framework for the supply chain Enhance a prevention-focused safety management system · Strengthen the occupational health and safety management system with a focus on proactive accident prevention	Respond to consolidated ESG disclosure requirements · Gradually disclose quantitative ESG data for subsidiaries Strengthen ESG Collaboration and Stakeholder Engagement · Collaborate on Group-wide ESG priorities and enhance stakeholder engagement

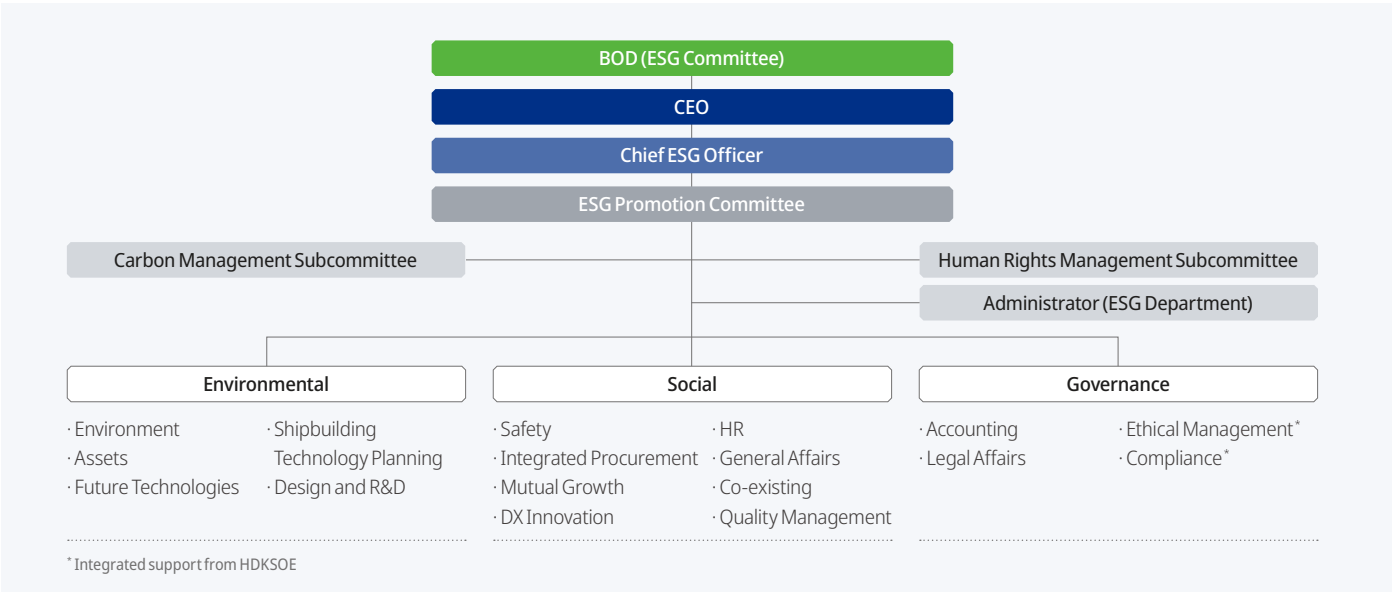
1) LCA: Life Cycle Assessment

ESG Organizational Structure

HHI operates a structured ESG governance framework centered on the ESG Committee under the Board of Directors, the Chief ESG Officer, the ESG Promotion Committee and its subcommittees, including the Carbon Management Subcommittee and Human Rights Management Subcommittee, as well as ESG executives and dedicated departments. The ESG Committee under the Board of Directors is responsible for determining the company's strategic direction, plans, and activities. The ESG Promotion Committee and its subcommittees consist of executives and department heads from key ESG-related functions and are responsible for establishing and advancing ESG KPI-based performance approaches and strategic initiatives. Subcommittees discuss priority objectives and detailed action plans related to key ESG issues, including the implementation of the carbon neutrality roadmap and human rights impact assessments, while developing execution strategies.

In addition, the dedicated ESG Department establishes ESG strategies to support environmental and social responsibilities in alignment with the organization's overall business strategy and is responsible for identifying and supporting detailed initiatives that reflect the expectations of internal and external stakeholders. ESG management activities are also planned and coordinated through collaboration and support across related departments, contributing to the effectiveness of ESG management. Related departments across the environmental, social, and governance areas are responsible for activities aimed at managing ESG risks and generating performance outcomes. Implementation progress is regularly shared across the organization to support ongoing improvement efforts.

HHI ESG Management Organizational Structure



HSHI ESG Management System

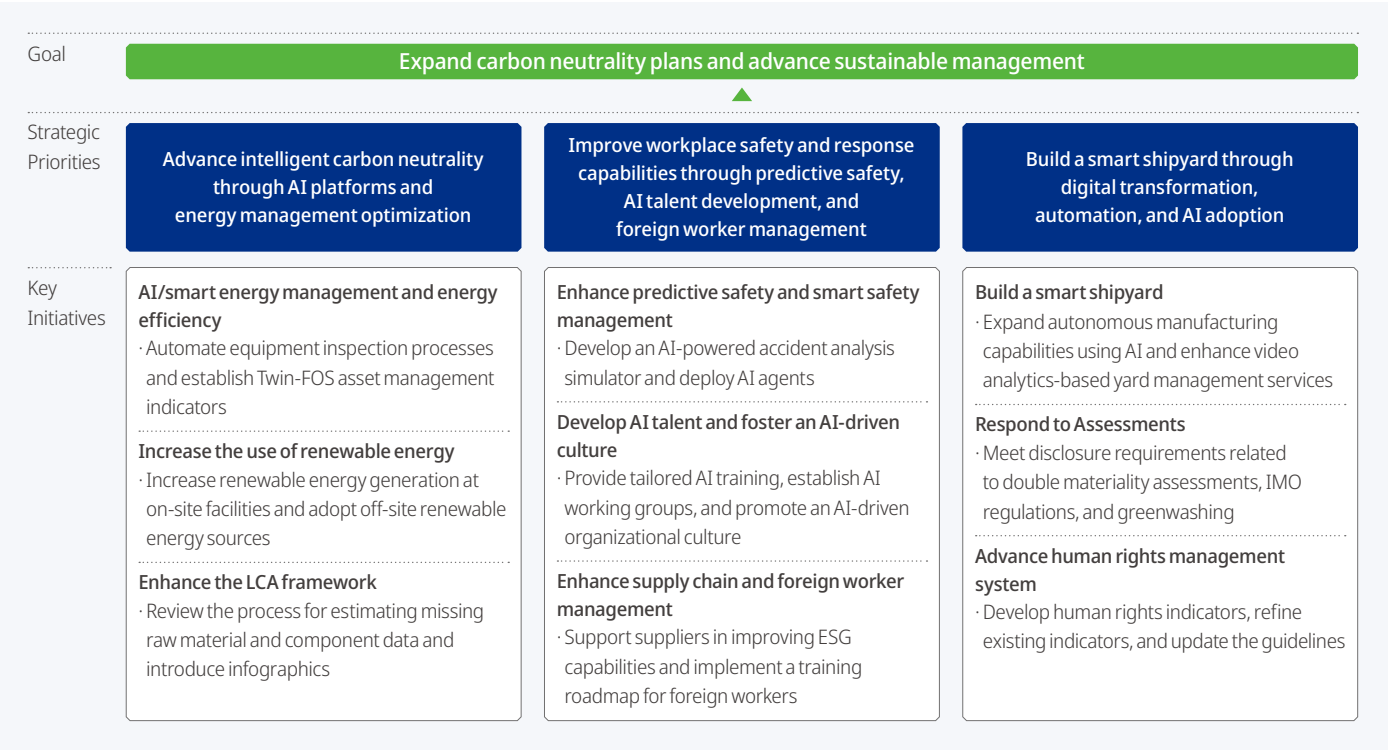
Creating shared value through sustainable management

ESG Management Plans for 2026

HSHI continues to create shared value in all areas, including the economy, the environment, and society, based on our sustainable management program. In 2025, we conducted human rights due diligence and convened the Human Rights Management Committee to establish a robust human rights management framework while operating a dedicated task force to implement the resulting improvement initiatives. In addition, we also laid the foundation for greater renewable energy use by introducing solar power through a direct power purchase agreement (PPA). To systematically manage environmental impacts, we completed life cycle assessments (LCAs) for two eco-friendly vessels. We also promoted shared growth with local communities through a range of social contribution initiatives, including an ESG charity marathon and participation in the Hometown Love Donation Program.

In 2026, we will further advance our ESG management with a focus on building a smart shipyard. In the environmental area, we will increase renewable energy capacity by installing additional systems on factory rooftops, improve energy control and monitoring systems, and enhance our life cycle assessment (LCA) framework for eco-friendly vessels to improve energy management efficiency and carbon management capabilities. In the social area, we will develop human rights indicators tailored to the shipbuilding industry and further enhance our human rights management framework, thereby elevating the level of human rights risk management. We will also lay a foundation for sustainable shipyard operations by improving operational efficiency through the application of digital technologies, including AI-based smart energy management.

2026 HSHI ESG Management Plan



ESG Organizational Structure

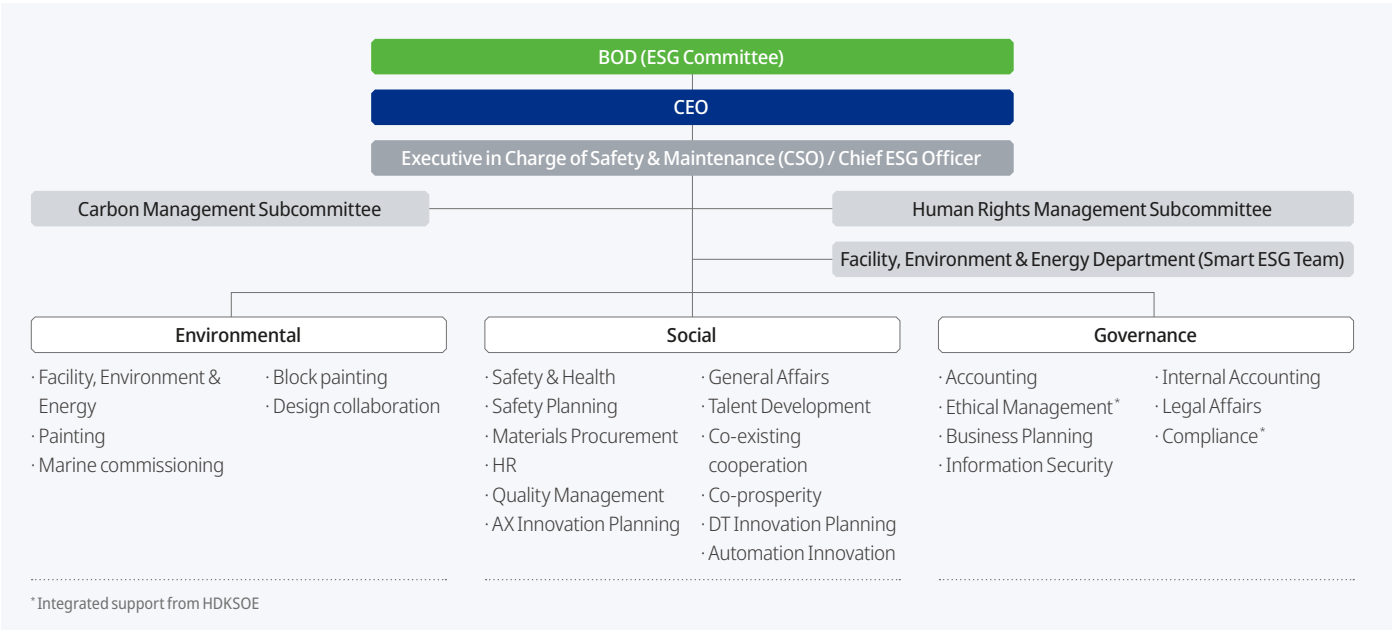
HSHI is committed to advancing our ESG management system, with the active participation of the BOD and executive management, and collaboration with relevant ESG departments.

The ESG Committee under the BOD determines the company's ESG strategic directions and monitors performance, and also approves implementation plans and reviews progress related to carbon neutrality in the shipbuilding and offshore business sectors, safety & health, human rights management, and supply chain ESG management. The agenda items reviewed by the ESG Committee related to the company's mid- to long-term business strategy, large-scale investments, changes to management practices and organization, are submitted to the BOD for review and approval.

HSHI's Executive in charge of Safety and Maintenance (CSO) serves as the Chief ESG Officer, and is responsible for managing and overseeing a range of ESG related activities: these include identifying company-wide ESG risk factors and devising mitigation strategies, establishing ESG management plans, monitoring performance, and promoting and internalizing the company's ESG management program. Furthermore, key ESG issues, including carbon and human rights, are discussed through sub-committees.

The Smart ESG Team within the Facilities, Environment, and Energy Department analyzes key ESG KPIs, performance for each ESG activity, external evaluations, and self-assessments to identify annual tasks, and discusses with relevant departments on environment, society, and governance in regard to task implementation plans.

HSHI ESG Management Organizational Structure



HME ESG Management System

Embedding sustainability through enhanced ESG management capabilities

ESG Management Plans for 2026

HME is progressively embedding ESG management across business and establishing the supporting governance framework. While our disclosures have previously focused on quantitative data, we have expanded the scope this year to include qualitative information on our key ESG activities. To establish a sustainable governance framework, we have introduced a BOD self-assessment process to evaluate the effectiveness of BOD operations. We are also advancing our human rights management by providing employee training and conducting surveys to assess awareness of human rights issues. In addition, we will continue to monitor key ESG ratings and assessment results to ensure that our ESG initiatives and performance are appropriately recognized by external stakeholders.

In 2026, we will establish the foundation needed to prepare for future mandatory ESG disclosure requirements. To support a systematic approach to carbon emissions management, we will establish a management-led carbon management framework and develop a mid-to long-term roadmap, while building the infrastructure required for related data management. We are also evaluating the feasibility of installing on-site solar power generation systems to increase the use of renewable energy. Through these initiatives, we aim to progressively improve our energy mix and establish a foundation for reducing greenhouse gas emissions.

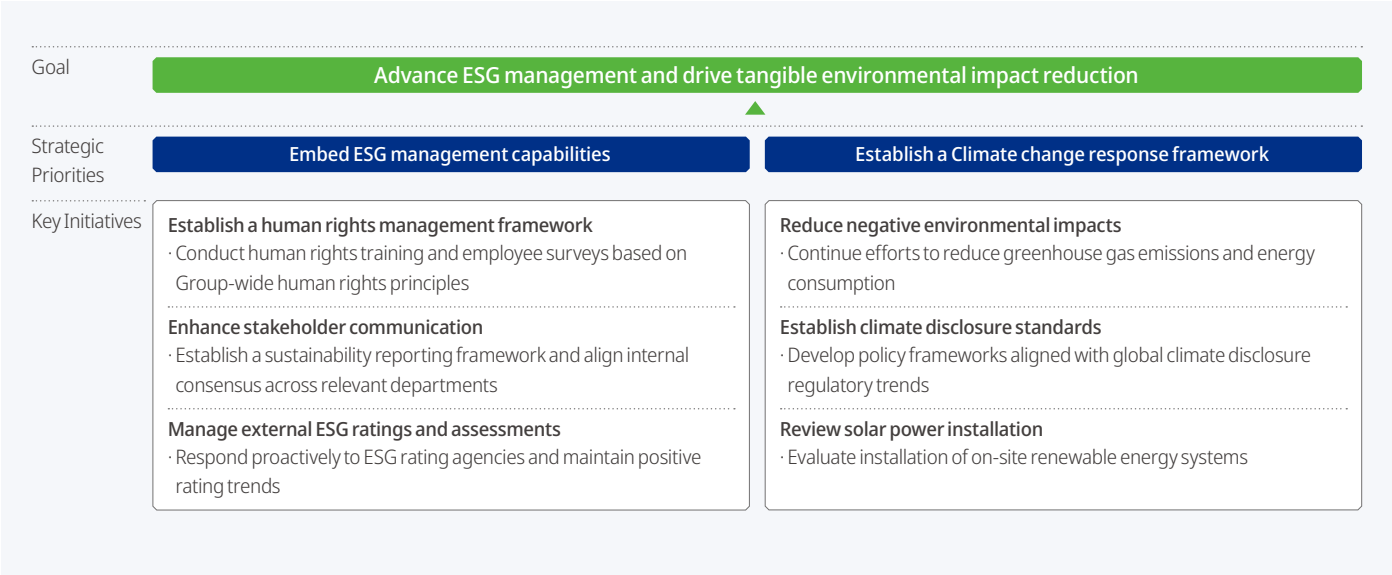
ESG Organizational Structure

HME established an ESG governance framework centered on the Board of Directors to systematically advance its sustainability management. The ESG Committee under the Board of Directors reviews key ESG strategies and policies, major initiatives, and risk management activities while also providing oversight of major ESG-related decision-making

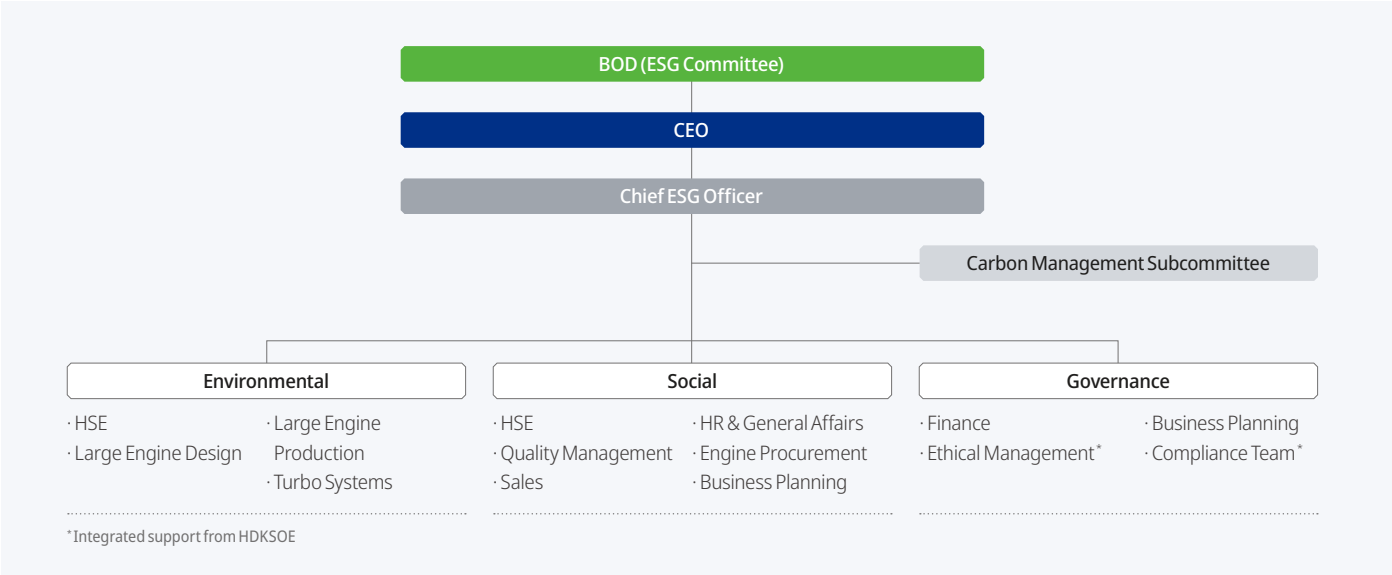
ESG management direction is set under the leadership of the CEO and the Chief ESG Officer, with a management system in place to enhance company-wide execution capabilities.

At the operational level, the Carbon Management Subcommittee is responsible for managing climate change response and carbon neutrality initiatives. Functional departments across environmental, social, and governance areas collaborate to execute ESG initiatives. Each department systematically manages its respective targets and performance while carrying out activities to address ESG-related regulations and stakeholder requirements. Through this structure, HME proactively manages ESG risks and continuously advances its company-wide ESG operating system to reinforce the foundation for sustainable growth.

2026 HME ESG Management Plan



HME ESG Organizational Chart



Double Materiality Assessment

Double Materiality Assessment Process

Double Materiality Assessment Overview

HDKSOE, HHI, HSHI, and HME conducted a double materiality assessment to respond to changes in the global sustainability disclosure landscape and to systematically manage key ESG issues. The assessment evaluates both the impact of business activities on the environment and society (impact materiality) and the financial impact of sustainability issues on business operations (financial materiality). Based on this integrated analysis, key sustainability issues were identified and used to support ESG strategy development and the improvement of the sustainability disclosure framework.

The double materiality assessment is conducted on an annual basis. The results are submitted to the Board of Directors (ESG Committee) and subsequently incorporated into ESG strategy development and key management decision-making.

Development of Issue Pool

To conduct the double materiality assessment, potential sustainability issues were identified based on global ESG disclosure standards, major ESG rating frameworks, and relevant legal and regulatory requirements. A broad longlist of issues was first developed, after which overlapping topics were consolidated, redundancies were removed, and alignment with business characteristics was reviewed. Through this process, an issue pool comprising 15 key sustainability issues was established for further assessment.

Stakeholder Survey

To assess the perceived importance and impact of identified ESG issues on the Company, environment and society, we conducted a stakeholder survey. The survey was carried out from February 9 to 13, 2026, and gathered input from a diverse group of stakeholders, including employees, customers, suppliers, investors, government and parliamentary bodies, and local communities.

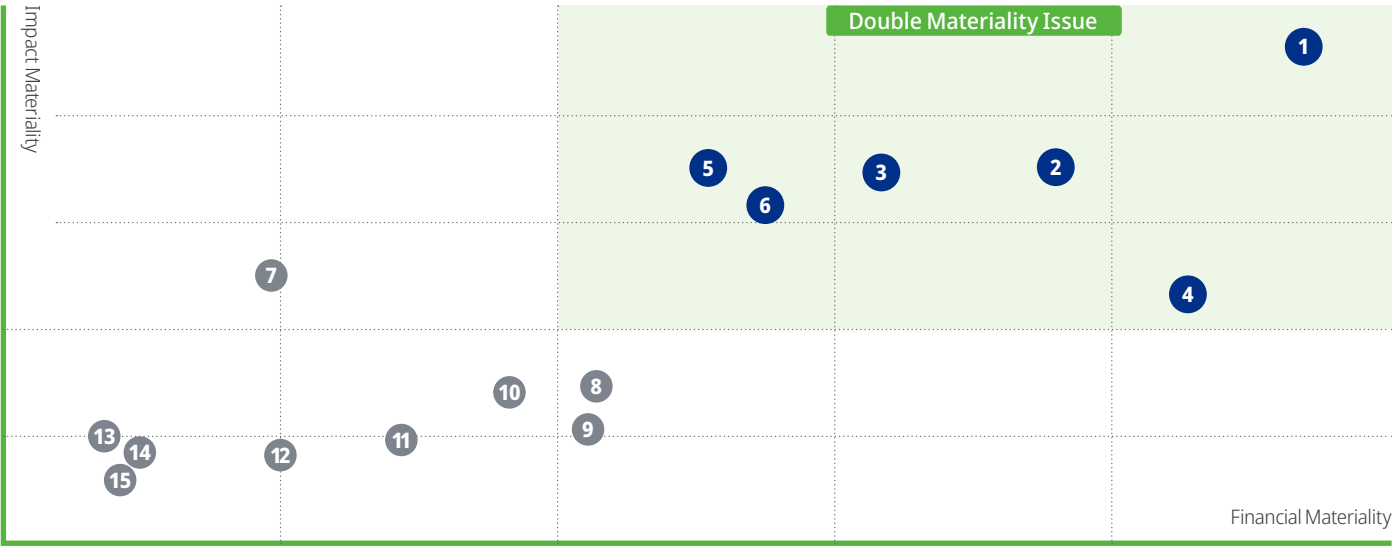
Risk and Opportunity Identification

To identify potential risks associated with each issue, we conducted a comprehensive review of internal and external environment. From an operational perspective, ESG-related requirements and issues raised by key stakeholders, including investors, suppliers, and customers, were analyzed to identify key risks and opportunities that may affect business activities. From an external perspective, ESG-related cases of legal and regulatory violations, as well as issues highlighted by the media and society, were reviewed to identify potential risks associated with business operations.

External Stakeholder Interviews

To capture qualitative insights that cannot be fully reflected through quantitative analysis alone, we conducted interviews with key external stakeholders. The interviews were held with stakeholders who have a high level of understanding of business operations and ESG issues, including shareholders and investors, customers, and proxy advisory firms. These interviews helped identify ESG issues that are considered material from an industry and market perspective, as well as stakeholder expectations toward the company. The insights obtained were used to refine the materiality assessment results and further enhance the identification of key issues.

Double Materiality Map



Double Materiality Assessment Results

Category	Rank	Issue
Material Issues	1	Safety & Health
	2	Climate Change Response
	3	Environmental Impact Reduction Technologies
	4	People & Labor Relations
	5	Supply Chain Management
	6	Quality Management

Category	Rank	Issue
General Issues	7	Shareholder Protection
	8	Ethics & Compliance
	9	Information Security
	10	Risk Management
	11	Environmental Management
	12	Respect for Human Rights
	13	Board of Directors
	14	Social Contribution
	15	Biodiversity

Double Materiality Assessment

Analyzing Impact of Material Issues

1 Safety & Health

Significance of Material Issues

Stricter regulations to protect the safety of workers have become a global trend. In Korea, the enactment of the Serious Accidents Punishment Act in 2022 clearly placed the obligation of industrial accidents prevention on the CEO of the company. In addition, international norms including the UN Guiding Principles on Business and Human Rights (UNGPs) and OECD Guidelines for Multinational Enterprises clearly state that it is a company’s responsibility to ensure workers’ safety and human rights at business sites and across the supply chain. Recently enacted CSDDD also requires companies to address Occupational Safety and Health (OSH) risk management capabilities as a key factor.

As leading companies in the shipbuilding and offshore engineering industry, **HDKSOE, HHI, HSHI, and HME** consider our responsibility toward safety very seriously. Considering the labor-intensive nature of the business and the strengthening trend of safety & health regulations, Safety & Health management is no longer just a legal requirement: it is a key priority in the management of our business, making continuous improvements and proactive measures critically important.

Strategies for Managing Material Issues

HDKSOE, HHI, HSHI, and HME operate a safety & health management system for a systematic approach to OSH issues. Based on each company’s safety & health policies and guidelines, we established key initiatives and risk management plans and allocated resources and budget for implementation. We also proactively identify and rectify all potential hazardous factors or risks at the business sites, as well as thoroughly review and implement corrective actions for work processes, methods, and results. Through a management cycle that includes regular reviews by the Chief Safety Officer, we continuously evaluate and improve the effectiveness and adequacy of our safety & health programs. More details are available on pages 68–74 and 136–138 of this Report.

Targets and Achievements

HDKSOE, HHI, HSHI, and HME set annual health and safety targets at each company level and disclose progress and performance transparently through their sustainability reports. Across all entities, shared targets include “Zero Serious Accidents” and the SIF (Serious Injury and Fatality) rate. Each company defines key safety & health indicators and targets such as the “pre-job inspection rate for high-risk work,” reflecting the specific characteristics and operating conditions of each site. These indicators are used to systematically monitor the implementation level of the health and safety management system. More details are available on pages 73–74 and 138 of this Report.

Incentive-linked KPIs for Executive Management in Relation to Material Issues ^{1), 2)}

Category	Executive Management KPIs
HDKSOE	Accident rates (Zero serious accidents), SIF rates ³⁾
HHI, HSHI, HME	Accident rates (Zero serious accidents), SIF rates ³⁾ , Pre-inspection rates for high-risk operations

1) Detailed KPI application methods may vary by subsidiary
2) Indicators other than the accident rate (Zero Serious Accidents) are newly introduced in 2026
3) SIF: Serious Injury and Fatality

Business Impacts of Material Issues

In the event of occupational safety & health incidents, **HDKSOE, HHI, HSHI, and HME** may experience significant adverse impacts on business operations and long-term value creation. Serious accidents may cause not only short-term interruptions in our operations, but can result in a number of financial and non-financial losses including reduced ability to secure new contracts, reputational damage, and the imposition of fines and penalties.

Business Impact Factors

- Increasingly stringent government safety regulations, including comprehensive occupational safety initiatives and tougher penalties for serious accidents, may increase legal and operational burdens on companies.
- Serious accidents may create financial risks that affect investment decisions and corporate valuation, including the potential for ESG rating downgrades.
- Insufficient safety management capabilities may lead to operational risks and increased cost volatility, including production disruptions, schedule delays, and higher accident response costs.
- Safety incidents may have a greater impact on corporate reputation and short-term performance, while also increasing the need to apply stricter safety and quality assessment criteria for suppliers and subcontractors.

External Impacts of Material Issues

OSH impacts occur across the core business activities of **HDKSOE, HHI, HSHI, and HME**, particularly throughout shipbuilding and related manufacturing processes. They extend across most physical working environments, including headquarters and shipyard sites, as well as key participants within the supply chain. Key stakeholders related to OSH are the employees at the worksites, including employees of suppliers, and the scope of impact includes workers’ physical safety, right to health, working conditions, and accident rates.

Due to the nature of the shipbuilding business, there are many high-risk processes, and accidents can cause serious external impacts that directly impact workers’ lives. As employees of suppliers also work at the shipyards, safety accidents can escalate into social responsibility issues across the entire supply chain. Therefore, OSH is a very important issue for external stakeholders from the perspective of worker safety and human rights, and it is considered a key issue that involves legal and social responsibility.

External Impact Factors

- Due to the presence of multiple high-risk processes, workplace accidents may have significant impacts on the lives and physical well-being of employees and workers at suppliers and subcontractors.
- As safety requirements imposed by clients continue to become more stringent and regulatory expectations evolve, the need for suppliers and subcontractors to establish robust safety management systems is increasing.
- Workplace safety management levels directly affect workers’ right to health, the safety of working conditions, and the overall incidence of industrial accidents.
- The level of safety management has a growing influence on employee trust and the stability of long-term relationships with suppliers.

Double Materiality Assessment

Analyzing Impact of Material Issues

2 Climate Change Response

Significance of Material Issues

Climate change-driven extreme weather events, typhoons, and rising sea levels are increasing the risk of flooding and physical damage to facilities in the coastal areas where shipyards are located. As major shipyards in Korea are concentrated along coastal areas, extreme weather events can result in schedule delays, operational disruptions, asset damage, and higher costs. Meanwhile, as the International Maritime Organization (IMO) strengthens its greenhouse gas reduction strategy and global decarbonization regulations such as the EU ETS and FuelEU Maritime continue to expand, environmental regulations affecting the shipbuilding and offshore industry are also evolving rapidly. Therefore, the shipbuilding and off-shore industry is increasingly required to effectively manage and reduce carbon emissions not only in ship construction processes but across its entire value chain, including raw material procurement, equipment supply, and logistics. To secure a competitive advantage in the future, it will be necessary to set integrated management of climate risks and greenhouse gas reduction strategies as key management priorities for the entire company and to implement them systematically.

Strategies for Managing Material Issues

HDKSOE and its shipbuilding subsidiaries have established and are implementing three key strategies—GREEN SHIPYARD, GREEN PRODUCT, and GREEN PARTNERSHIP—to address climate change risks. The GREEN SHIPYARD strategy is aimed at achieving carbon neutrality by 2050 and reducing GHG emissions from our operations through our FOS (Future Of Shipyard) project. With the GREEN PRODUCT strategy, we are developing vessels powered by low- and zero-carbon fuels that will reduce emissions during ship operations. Through the GREEN PARTNERSHIP strategy, we are collaborating with stakeholders throughout our shipbuilding value chain to address climate change in an integrated manner. In addition, we are implementing ways to identify physical risks such as abnormal weather events, typhoons, and rising sea levels beforehand to prevent or minimize interruptions to processes or property losses. More details are available on pages 38–41 of this Report.

Targets and Achievements

HDKSOE and its shipbuilding subsidiaries have established a carbon neutrality roadmap in line with the 1.5°C pathway. The roadmap was created in consideration of domestic and international laws and regulations, trends in the market and technological developments, customer demands, industry transition trends, and alignment with our business strategy. It also includes targets for 2030, 2040, and 2050, based on the latest climate science and data. More details are available on page 33 of this Report.

Incentive-linked KPIs for Executive Management in Relation to Material Issues

Category	Executive Management KPIs
HDKSOE	· Carbon management governance operation
HHI	· Reduction in energy consumption per unit of production

Category	Executive Management KPIs
HSHI	· Reduction in energy consumption per unit of production
HME	· Reduction in energy consumption per unit of production

Business Impacts of Material Issues

Climate change-related issues are expected to have a multifaceted impact on the costs and profits of **HDKSOE and its shipbuilding subsidiaries**. Regarding physical risks, extreme weather events and rising sea levels will increase risk of flooding in the coastal regions where the shipyards are located, and cause damage to production facilities. Extreme weather events such as extreme heat and heavy snow can cause delays in production due to decreased efficiency. This can lead to a decline in reliability and delivery delays, which can lead to financial losses. Regarding transition risks, with the IMO’s decarbonization regulations taking effect, securing low- and zero-carbon ship technology and reducing emissions have direct impact on the company’s competitiveness in securing new orders. Without proper response measures, there can be adverse impacts such as penalties from regulatory violations, loss of customers, and reduced investment. On the other hand, investing in technology and process innovations to address climate change can lead to new markets and opportunities for profit.

Business Impact Factors

· Climate change-related physical risks, including more frequent typhoons and rising sea levels, production disruptions, and operational delays at shipyards located in coastal areas.	· Strengthened international environmental regulations and the expansion of carbon neutrality policies may increase greenhouse gas reduction requirements, resulting in higher production process and supply chain management costs.
· The growing adoption of alternative fuels, energy-efficient vessels, and decarbonization technologies is increasing the need to enhance ship design and construction capabilities and transform product portfolios.	· The global shipping industry’s transition toward decarbonization is expected to increase demand for LNG, methanol, and ammonia-fueled vessels, thereby creating new market opportunities and supporting future business growth.

External Impacts of Material Issues

The impacts associated with climate change response issues arise throughout the entire shipbuilding process of **HDKSOE and its shipbuilding subsidiaries’** main business operations, from ship design and materials and equipment procurement to shipbuilding and sea trials, as well as across the supply chain and ship operations. In this regard, the key stakeholders are customers, regulatory bodies, supply chain, local community, and investors, and key impacts are climate change due to emissions, compliance with environmental regulations, responsible supply chain management, and the company’s reputation and credibility.

HDKSOE and its shipbuilding subsidiaries are working to achieve not only carbon neutrality at our Operations but also to reduce emissions from our supply chain and product use. These efforts contribute to reducing the global climate risk and also have a wide range of external impacts, including fulfilling our environmental and social responsibilities, strengthening our reputation and credibility in the global market, and meeting our stakeholders’ expectations.

External Impact Factors

· The availability of eco-friendly ships and low-carbon technologies affects customers’ ability to reduce greenhouse gas emissions and comply with international environmental regulations.	· The increasing demand for decarbonization is driving a greater need for suppliers to manage carbon emissions in the production of raw materials and equipment, as well as to transition toward low-carbon production processes.
· Greenhouse gas emissions and air pollutants generated during operations may affect environmental quality in surrounding communities.	· A company’s climate change response performance may influence ESG ratings, investor confidence, and broader market perceptions of its sustainability performance.

Double Materiality Assessment

Analyzing Impact of Material Issues

3 Environmental Impact Reduction Technologies

Significance of Material Issues

In the global trend toward decarbonization and stricter environmental regulations, energy-efficiency and emissions-reduction technologies for vessels have become critical factors in determining the sustainability and competitiveness of shipbuilding companies in the shipbuilding industry. The International Maritime Organization (IMO) has established a target of achieving net-zero greenhouse gas (GHG) emissions from international shipping by or around 2050. To achieve this goal, the IMO introduced a fuel standard as a technical measure and a carbon levy as an economic measure, with these regulations approved in April 2025. From 2025, the European Union has applied the EU Emissions Trading System (EU-ETS) to the shipping industry and implemented the FuelEU Maritime regulation, thereby promoting the transition to low-carbon fuels in maritime transport. As environmental regulations governing vessels continue to become more stringent and comprehensive, environmental impact reduction technologies, including low- and zero-carbon fuel-powered vessels, energy-efficiency solutions, and emissions-reduction systems, are becoming increasingly important to maintaining corporate competitiveness.

Strategies for Managing Material Issues

HDKSOE and its shipbuilding subsidiaries are focused on developing low- and zero-carbon fuel-powered vessels, starting from LNG propulsion to more prospective energy sources such as ammonia, hydrogen, and SMRs. As a “Total Solution Provider” that can meet the diverse needs of the market, we seek to expand our portfolio of low- and zero-carbon vessels, research and develop engines and propulsion systems that use low- and zero-carbon fuels, and develop technologies to enhance operational efficiency. More details are available on pages 44-53 of this Report.

Targets and Achievements

HDKSOE and its shipbuilding subsidiaries have established and are implementing a Leading-Edge Technology Development Roadmap to support the achievement of the international shipping industry's 2050 carbon neutrality goal. This road map will also aid us as we proactively take action on the global shipbuilding and shipping industry's transition toward environmentally sustainable shipping and the tightening environmental regulations. As a “Total Solution Provider,” we present our key achievements across major technology areas. More details are available on page 53 of this Report.

Incentive-linked KPIs for Executive Management in Relation to Material Issues

Category	Executive Management KPIs		
HDKSOE	· Develop low- and zero-carbon ship	· Develop low- and zero-carbon fuel system	· Develop fuel cell and electric propulsion system
HHI	· Develop low- and zero-carbon ship	· Develop low- and zero-carbon fuel engine	
HSHI	· Develop low- and zero-carbon ship		

Business Impacts of Material Issues

Following changes in the external environment, including stricter carbon emissions regulations by the IMO, increased demand for ships with less environmental impact by global shipping companies, and stringent ESG standards from key stakeholders and financial institutions, the capability to develop low- and zero-carbon fuel-powered vessels has a significant impact on competitiveness and corporate value. **HDKSOE and its shipbuilding subsidiaries** can secure a competitive advantage and ensure the sustainability of our company by leading the effort to increase R&D on technologies with less environmental impact and supplying highly energy-efficient and low-emission ships based on our differentiated technology.

Business Impact Factors

· Growing need to deploy technologies that comply with increasingly stringent international maritime environmental regulations and emissions standards, resulting in changes to capital investment and operating costs.	· Availability of eco-friendly, high-efficiency vessel technologies directly affects shipowners' ordering criteria, influencing order competitiveness and market share.
· Continued investment in R&D for environmental impact reduction technologies may lead to increased medium- and long-term cost burdens associated with technological uncertainties and commercialization challenges.	· Increasing need to transform product portfolios and business models from conventional vessels toward environmentally friendly, low-carbon vessels and related solutions.

External Impacts of Material Issues

Impacts of R&D and products with less environmental impact issues arise through the ships made by **HDKSOE and its shipbuilding subsidiaries** and the fuel-powered systems that are installed on the vessels. These impacts can be considered throughout the entire process from ship design and engineering, procurement, shipbuilding, and sea trials. In this regard, the key stakeholders are shipowners and our customers, regulatory authorities, and local communities. The application of environmental impact reduction technologies contributes to enhanced product value for customers and improved environmental outcomes through reduced pollutant emissions.

HDKSOE and its shipbuilding subsidiaries have established structured R&D organizations within each company to advance these initiatives, continuously driving the development and application of environmental impact reduction technologies. Key metrics, including the number of patent applications and registrations, are also systematically managed.

External Impact Factors

· Environmentally friendly, high-efficiency vessels and emissions-reduction technologies help shipowners reduce greenhouse gas and pollutant emissions while enhancing their ability to comply with international environmental regulations.	· The application of emission reduction technologies across vessel operation and production processes contributes to environmental improvements, including reduced marine and air pollution.
· Efforts to comply with global regulations such as those of the IMO, as well as national greenhouse gas reduction policies, contribute to advancing the overall technological capabilities of the industry.	· The adoption of environmentally friendly materials and low-carbon processes by suppliers contributes to improved environmental management across the supply chain and increases demand for technological transformation throughout the value chain.

Double Materiality Assessment

Analyzing Impact of Material Issues

4 People & Labor Relations

Significance of Material Issues

People & Labor Relations is a key factor shaping the sustainable competitiveness of the shipbuilding industry, which depends on a large workforce and highly skilled workforce. As order volumes recover and production increases, the importance of securing and retaining a stable workforce continues to grow amid low birth rates, an aging population, and reduced inflow of new talent. At the same time, gaps in productivity and quality based on skill levels, along with risks related to working conditions and labor relations, remain key management challenges. Rising expectations around human rights, work-life balance, and broader human capital management further highlight the need for a more systematic approach to talent management.

Strategies for Managing Material Issues

HDKSOE, HHI, HSHI, and HME manage talent as a core foundation for sustainable growth, operating talent management systems focused on enhancing employee capabilities and maintaining stable labor relations. Personalized training programs, fair performance evaluation systems, and employee benefits support employees’ professional development and improve working conditions. Regular labor-management consultations are conducted in accordance with relevant laws to communicate on overall working conditions, while cooperation with labor unions ¹⁾ contributes to organizational competitiveness.

1) Applicable to HHI, HSHI, and HME

Business Impact Factors

- Workforce competency levels and operational efficiency affect cost structures, including productivity and labor costs.
- Unstable labor relations may lead to strikes or work stoppages, resulting in production disruptions and business risks.

External Impact Factors

- Working conditions, benefits, and work-life balance influence the rights, well-being, and quality of life of employees and workers of suppliers and subcontractors.
- Stable job creation and local hiring contribute to regional economic activity and employment stability.

5 Supply Chain Management

Significance of Material Issues

Supply chain management is a critical factor in shipbuilding, where operations depend on numerous suppliers and complex global networks, directly affecting business continuity and quality competitiveness. Recent shifts in the external environment, such as raw material supply volatility, geopolitical risks, and the reconfiguration of global supply chains, have heightened the need for stable sourcing and effective risk management. In addition, increasing accountability across supply chains, including under frameworks such as the EU Corporate Sustainability Due Diligence Directive (CSDDD), and the growing impact of suppliers’ performance in quality, delivery, safety, and ESG practices on corporate competitiveness and reputation, are driving the need for more integrated supply chain management.

Strategies for Managing Material Issues

HDKSOE, HHI, HSHI, and HME address raw material supply volatility through the Raw Materials Risk Management Committee, which reviews and improves related policies and management practices. Based on a sustainable supply chain policy, systems are in place with suppliers to ensure compliance with safety, human rights, environmental, and ethical standards. In addition, a Supplier Code of Conduct has been established, and compliance pledges are obtained, while ESG risk assessment guidelines, self-assessments, and on-site audits are used to identify risks across the supply chain and support improvement.

Business Impact Factors

- Disruptions in the supply of raw materials and key components may lead to production delays, delivery setbacks, and operational risks.
- Environmental, human rights, or ethical issues within the supply chain may increase regulatory burden and reputational risk.

External Impact Factors

- The company's supply chain policies and standards influence suppliers’ management practices, working conditions, and safety levels.
- Shared growth and fair business practices with suppliers contribute to local economy and the stability of the industrial ecosystem.

6 Quality Management

Significance of Material Issues

Quality management is a critical factor in the shipbuilding and offshore industry, directly influencing competitiveness and reliability. Ships are high-value products delivered through large-scale, long-term projects and are closely linked to safety; quality issues can lead to increased repair costs, delivery delays, and contractual disputes, directly affecting profitability and corporate reputation. As the adoption of eco-friendly vessels and advanced technologies increases, both the importance and complexity of quality control continue to rise. Therefore, establishing a systematic quality management system across all processes and securing company-wide quality capabilities has become a key priority for maintaining long-term order competitiveness.

Strategies for Managing Material Issues

HDKSOE, HHI, HSHI, and HME have established a quality management framework guided by “Stable Quality,” “Customer-focused,” “Improved Profit,” “Self-directed Quality,” and “Smart Quality” and have set company-specific quality policies to strengthen customer-focused quality competitiveness. Based on this framework, strategic objectives are defined to improve product and service quality, while a systematic quality management system is operated in line with the international standard ISO 9001. In addition, regular assessments and technical support are provided to suppliers, alongside the sharing of production know-how and technologies, to improve quality management capabilities across the supply chain.

Business Impact Factors

- Quality issues may lead to additional costs such as rework, repair expenses, and delay penalties, potentially reducing profitability.
- The level of product quality and technological execution directly affects technical competitiveness and brand reliability in the market.

External Impact Factors

- Vessel quality influences operational safety and efficiency for shipowners.
- Quality defects may result in accidents that could extend to environmental pollution and social impacts.

Double Materiality Assessment

External Stakeholder Interviews

Investor

K Asset Management

Key Issues		
Environmental Impact Reduction Technologies	Quality Management	Supply Chain Management

Stakeholder Perspectives on Key Issues

In a market where the transition to eco-friendly vessels is accelerating, environmental impact reduction technologies can significantly influence order competitiveness and corporate value. For these technologies to translate into tangible business outcomes, they must be supported by high product quality. As the shipbuilding industry's characteristics, such as large-scale projects where delivery and quality issues can lead to financial risks, it is essential to secure eco-friendly technology capabilities alongside effective quality management systems.

Expectations and Recommendations

To advance sustainability in a structured manner, a consistent, group-wide ESG management and disclosure framework is required. Differences in disclosure practices across subsidiaries can limit visibility of overall ESG strategy and management performance. Therefore, establishing common disclosure standards and management framework and applying them across all affiliates is necessary. In addition, implementing consolidated group-level disclosures and publishing a sustainability report would enhance transparency for investors and stakeholders, while supporting more advanced ESG management practices.

Investor

K Asset Management

Key Issues		
Environmental Impact Reduction Technologies	Safety & Health	Supply Chain Management

Stakeholder Perspectives on Key Issues

Given the labor-intensive nature of the shipbuilding industry, occupational health and safety management is a critical factor that directly affects workforce productivity, cost efficiency, and corporate reputation. Since the implementation of the Serious Accidents Punishment Act, safety management has become a key consideration in investor evaluation and decision-making. Therefore, investors closely monitor companies' safety management systems and the occurrence of serious industrial accidents.

Expectations and Recommendations

In the global market, ESG-related regulations and disclosure standards, covering climate change, supply chain due diligence, and human rights and labor practices, are rapidly evolving, and the level of corporate response has become an important factor in investment decisions. Accordingly, HDKSOE, HHI, HSHI, and HME need to present a more structured mid- to long-term roadmap for responding to ESG regulations and standards. Clearly explaining the business and financial impacts of key ESG issues such as climate change response, carbon regulations, and supply chain management along with related strategies and management systems through sustainability reports would help enhance investor understanding and trust.

Investor

N Asset Management

Key Issues		
Environmental Impact Reduction Technologies	Safety & Health	-

Stakeholder Perspectives on Key Issues

Safety & health are recognized as a key factor with direct implications for both financial and non-financial risks. Given the nature of heavy industries, where the risk of accidents is relatively high, incidents can lead to operational disruptions, penalties, and reputational damage, resulting in multiple financial and non-financial losses. As such, safety & health are among the most critical risk factors in investment decision-making. Consideration should extend beyond HDKSOE and its shipbuilding subsidiaries to include unlisted subsidiaries and the broader supply chain, reflecting an enterprise-wide approach to safety management.

Expectations and Recommendations

As global environmental regulations become stricter throughout the transition to decarbonization, eco-friendly vessel technologies have emerged as a key driver of orders and revenue. Companies are therefore expected to present not only their current technological capabilities but also clear mid- to long-term strategies and market response plans to address evolving regulations and customer demand. It is important to outline a roadmap aligned with strengthened IMO regulations and shifting demand from shipowners for eco-friendly vessels. Establishing a management framework supported by quantitative indicators such as taxonomy-aligned green revenue, environmentally focused CAPEX, and OPEX would further enhance transparency. Such disclosures provide investors with a critical basis for assessing transition readiness and long-term competitiveness.

Investor

K Securities

Key Issues		
Environmental Impact Reduction Technologies	Climate Change Response	People & Labor Relations

Stakeholder Perspectives on Key Issues

As workforce skill levels, employment stability, and trust in safety management directly affect competitiveness in the shipbuilding industry, it is important to establish systems that enhance on-site capabilities and create an environment where skilled workers can remain engaged over the long term. In particular, as the role of foreign workers and partner personnel continues to grow, greater emphasis is needed on strengthening their technical capabilities and improving safety awareness through training programs, settlement support, and the promotion of a strong safety culture.

Expectations and Recommendations

When evaluating ESG activities and performance, investors place greater importance on comparable quantitative data than on qualitative descriptions, making it necessary to establish a data management framework focused on key ESG issues. Presenting green revenue, investment amounts, and carbon emissions in alignment with taxonomy standards can provide a more objective view of climate change response performance. In addition, explaining the drivers behind changes in key indicators such as variations in emissions, the addition of new sites, or shifts in business structure would improve data transparency and enhance the credibility and usefulness of disclosures for investors.

Double Materiality Assessment

External Stakeholder Interviews

Investor
D Lab

Key Issues		
Environmental Impact Reduction Technologies	Safety & Health	Supply Chain Management

Stakeholder Perspectives on Key Issues

As global ESG due diligence regulations across supply chains accelerate, it is important to establish a phased implementation roadmap, starting with strengthening assessments and due diligence at own operations and affiliates, and then extending the scope to suppliers. Rather than applying the assessment process to all suppliers, priority should be given to identifying “significant supplier” that have a material impact on operations. It is also important to use group-wide indicators and standards in order to ensure consistency in assessment and due diligence outcomes.

Expectations and Recommendations

As companies respond to evolving global ESG disclosure requirements, managing disclosure-related risks, including greenwashing risks, is equally important. Disclosing unrealistic targets or roadmaps without clear execution plans may lead to litigation risks and reduced stakeholder trust. Therefore, instead of listing a broad range of issues, it is necessary to focus on key material topics that are closely linked to business strategy and financial impact, and communicate them transparently. In regard to disclosed information, an appropriate balance should be maintained between business confidentiality and stakeholders’ right to know, while ensuring the reliability and feasibility of the information provided.

Investor
Shipping Company N

Key Issues		
Environmental Impact Reduction Technologies	Safety & Health	Quality Management

Stakeholder Perspectives on Key Issues

Environmental impact reduction technologies are closely linked to the competitiveness of shipbuilders. Given the industry’s high reliance on contractors, the safety and quality management levels of contractors significantly influence overall vessel quality. Safety & health affects schedule adherence and process stability, while quality management is directly related to the operational safety and performance of delivered vessels.

Expectations and Recommendations

Continuous monitoring of partner-related risks is essential, along with the application of integrated safety and quality management systems aligned with shipyard requirements to ensure consistent criteria and management levels across the supply chain. In addition, reinforcing feedback mechanisms that incorporate quality issues identified during operation and after-sales service (A/S) into the design and construction stages is recommended. These efforts can enhance customer trust while contributing to improved financial performance by reducing costs related to quality failures, customer response, and after-sales service.

Investor
Company T (Equipment and Materials)

Key Issues		
Environmental Impact Reduction Technologies	Safety & Health	-

Stakeholder Perspectives on Key Issues

As the shipbuilding and offshore industry accelerates toward carbon neutrality, environmental impact reduction technologies are recognized as a key driver for future orders. In response, efforts are focused on expanding participation in next-generation vessels by developing and applying components and technologies aligned with eco-friendly and low-carbon ship trends.

Expectations and Recommendations

With growing global ESG requirements across supply chains, requests from customers for ESG evaluations and data submissions are increasing, adding to the operational burden on contractors. Accordingly, it is necessary for HDKSOE and domestic shipyards to take the lead in establishing ESG evaluation indicators and standards tailored to the shipbuilding industry. In addition, involving contractors in the development of these standards will help ensure a practical and effective ESG management system that can handle real operational conditions.

Investor
Company D (Equipment and Materials)

Key Issues		
Environmental Impact Reduction Technologies	Climate Change Response	-

Stakeholder Perspectives on Key Issues

As climate change response and carbon neutrality demands intensify, strengthening response capabilities has become a key priority in the shipbuilding and offshore industry. There is a growing need for systematic management aligned with global standards, including expanded use of clean energy, carbon emissions management, and ESG metrics. Accordingly, establishing internal systems and securing specialized talent will become increasingly important.

Expectations and Recommendations

As ESG requirements rise across the industry, enhancing contractors’ capabilities requires providing ESG-related information and training rather than financial support. In particular, small and mid-sized partner companies often face limitations in securing ESG expertise and running internal programs. Therefore, continuous support through shared ESG guidelines, regulatory updates, and response strategies at the supply chain level is essential. This will progressively enhance contractors’ understanding of ESG and their response capabilities.

Stakeholder Communication

Communication with Stakeholders

Category	Topics of Interest (Survey Results)	Other Topics of Interest	Key Communication Channels	Response Activities	2025 Highlight
 Customers	· Safety & health · Quality management · Environmental impact reduction technologies · Climate change response	· Enhance product and technology competitiveness · Develop products with reduced environmental impact and high-added value · Improve product quality and safety · Increase quality satisfaction	· Expositions, exhibitions, and forums · Operate overseas branches · Sales meetings and customer visits · Customer satisfaction surveys	· Participation in expositions, exhibitions, and technology forums · Visits to customers and promotion of technologies · Enhance management of customer satisfaction · Strengthen initial equipment/ technology risk management	· Hosted the “Future Tech Forum: Shipbuilding” as a side event of the APEC CEO Summit Korea 2025 · Participated in KORMARINE (Korea International Maritime & Energy Exhibition) · Participated in Nor-Shipping 2025
 Shareholders/ Investors	· Shareholder protection · Safety & health · Environmental impact reduction technologies · Climate Change Response	· Increase shareholder value · Generate stable business performance · Manage business opportunities and risks · Ensure transparent corporate governance	· Annual General Meetings (AGMs) · Corporate briefings · Public disclosures and posting on website · Investor meetings and conference calls	· Quarterly earnings announcements and providing IR materials · IR activities for analysts and institutional investors · Disclose key information such as BOD decisions and orders received · Publish the corporate governance report	· Monthly/annual IR news (13 times) · IR Presentation (1 time)
 Contractors	· Climate change response · Environmental impact reduction technologies · Safety & health · People & Labor Relations	· Promoted co-prosperity activities · Strengthen fair trade · Skills training for contractors · Share market information and enhanced communication	· Meeting with contractors · Regular VOC feedback · Contractors site visit and interview · Co-prosperity Council · Unfair Trade Reporting Channels for contractors	· Operate the integrated procurement system (HiPRO) · Providing online and offline training and recruitment-linked training · Financial support for contractors · Support for technology protection · Quality assessment and technical support for contractors	· (External Contractors) Held New Year HD Hyundai Integrated Council Meetings (twice per year) · (External Contractors) Held HHI and HSHI Council Meetings (quarterly) · (In-house Subcontractor) Held Co-prosperity Council Meetings (quarterly or biannually)
 Local Community	· Safety & health · Climate Change Response · Respect for human rights · Board of directors	· Vitalize the local community · Attract businesses and create jobs in the region · Protect and improve the local environment · Community-centered social contribution activities · Communication with the local community	· Local government council · Visits to local public institutions · Meetings with local community organizations · Meetings with local volunteer groups · Local community events · Local community welfare coordination meetings	· Social contribution with employee participation including volunteer activities · Form and participate in local community councils · Talent development programs for the local community · Investment in local community development · Support and participate in local community events · Monitor local community welfare surveys and indicators	· 3rd HD Hyundai Honor Awards: Nomination and Award Presentation · (HHI) Hosted Local Community Welfare Council Meetings (2 times) · (HSHI) Organized Environmental Protection Activity at Wolchulsan National Park · (HME) Launched the “Happy Meal” Program (Free Meal Center in Changwon)
 Employee	· People & Labor Relations · Safety & health · Climate change response · Information Security	· Fair evaluation and compensation · Increase employee welfare and benefits · Strengthen employee capabilities · Labor relations and communication · Share business operational updates · Operate safe workplace	· Labor-Management Council · Grievance handling and reporting system · Intranet and internal newsletters · Internal CATV broadcast · Meetings with management · Management performance briefing	· Hold quarterly Labor-Management Council meetings · Hold meetings with the CEO · Publish Internal newsletter and webzine · Operate communication channels on the intranet · Operate talent development programs	· Hosted Labor-Management Council Meeting at each company (quarterly) · Organized “Hi-5 DAY” Sessions for Corporate Culture Initiatives · (HHI) Held Management Status Briefings (biannual) · (HSHI) Hosted CSO Meetings by Responsible Unit
 Government/ National Assembly	· Safety & health · Ethics and compliance · Climate Change Response · Information Security	· Legislative amendments · Safety and labor issues · Participation and support for government events · Support for industry and business information · Regional economic issues	· National Assembly and government ministries · National Assembly audits · Participation in economic organization activities · Policy meetings · Local government council	· Hold meetings with relevant standing committees and institutions, as needed · Attend regular National Assembly audits and ad-hoc hearings · Participate in key economic organization seminars and forums · Engage with local government councils and communicating with civic groups · Provide surveys and requested data to external organizations	· Participated in ESG Committee by the Korea Enterprises Federation · Attended Shipbuilding and Offshore Industry ESG Regulatory Response and Supply Chain Forum · Participated in Corporate Roundtable on ESG Disclosure hosted by the Korea Exchange · Participated in business forums and events organized by economic organizations
 Media	· Safety & health · Information Security · Environmental impact reduction technologies · Climate Change Response	· Business performance and industry issues · Major company-wide issues · Strategic direction of key businesses	· Press release · Media Center on company website · Media meetings	· Timely provision of press releases · Support for journalist coverage · Media briefings	· Press releases published on the website HD Hyundai Website – Media Hub HD Hyundai ESG Website – News



Environmental

A roadmap has been established to achieve carbon neutrality by 2050, and industry-specific implementation strategies are being put into action.

32	Climate Action
44	Environmental Impact Reduction Technologies
54	Environmental Management
62	Biodiversity

Climate Change Response

Governance

Climate change response Governance

Management and Oversight by the BOD and the Executive Management

Role of the BOD

The ESG Committee under the Board of Directors of **HDKSOE and its shipbuilding subsidiaries** receives reports on the carbon neutrality roadmap, GHG emissions reduction targets and implementation plans, risks and opportunity assessments based on climate change scenarios, and tasks to calculate and reduce GHG emissions. The Committee oversees whether these climate change responses are conducted through appropriate processes and governance mechanisms. The roles and authorities of the BOD are stipulated in the “Operational Regulations of the ESG Committee,” which include review and deliberation on the following: the establishment and implementation of companywide climate change responses and ESG strategies, matters related to social responsibility, and support required to develop and internalize ESG capabilities, including climate change responses.

Role of the CEO

The CEO plays a leading role in reviewing and managing carbon neutrality strategies, GHG emissions reduction plans, energy efficiency improvement measures, and climate change responses. In addition, the CEO identifies climate-related opportunity factors to develop new growth engines and analyzes risk factors for effective responses. Among the climate change response issues reported to the CEO, items that are expected to significantly influence business competitiveness are put on the agenda for the BOD (ESG Committee).

Role of Chief ESG Officer and ESG Executives

The Chief ESG Officer and ESG executives are responsible for establishing carbon neutrality strategies and managing the implementation of GHG emissions reduction activities. They also assess and manage climate change risks that are expected to have a significant impact on business operations, and devise policies and strategies based on the climate change scenario analysis.

Role of Working-Level Departments

The departments responsible for climate change at **HDKSOE and its shipbuilding subsidiaries** develop measures to address domestic and international climate regulations, policies, and industry trends while identifying initiatives to achieve carbon neutrality targets. They also work with Business Planning, R&D, and other relevant departments to manage company-wide transition and physical climate risks.

Relevant departments promote low- and zero-carbon ships by advancing alternative fuel technologies, improving engine efficiency, and optimizing vessel design. They also reduce energy use and greenhouse gas emissions through energy management systems and facility optimization, while preparing for transition risks by developing zero-carbon fuel sea trial facilities and for physical risks such as heat waves and floods.

Climate Change Response KPI Management

HDKSOE and its shipbuilding subsidiaries have established climate-related KPIs under their ESG KPI framework. CEOs, executives, and responsible departments are evaluated against these KPIs, with the results reflected in performance-based compensation.

The KPIs for CEOs and executives include improvements in energy intensity and renewable energy adoption. Department and team leaders cascade these KPIs into role-specific targets and are evaluated on their achievement.

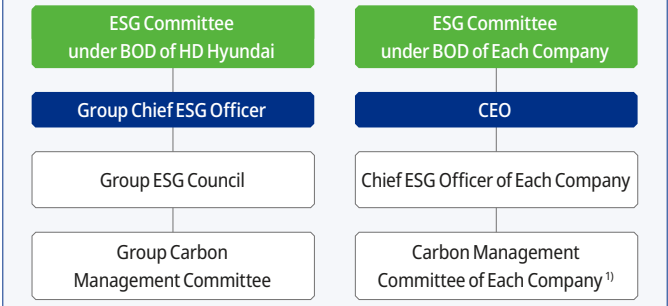
Operation of Climate change response KPIs

Category	Key KPIs
CEO	· Improvement in energy intensity
Executives in charge	· Adoption of renewable energy
Department and team leaders	Cascading goal setting based on executives' KPIs · Energy management · Energy conservation activities

Business Case Group Carbon Management Governance

The Group ESG Council, comprising the Chief ESG Officers of HD Hyundai and its affiliates, establishes the Group's climate change response strategy and sets the overall direction for its implementation. In 2026, the Group established the Group Carbon Management Committee under the Council to define the direction and targets of its carbon neutrality strategy and set implementation priorities for key carbon reduction measures. The Committee also develops response strategies for climate-related regulations, including emissions trading schemes, and manages carbon reduction performance using Group-wide carbon-related key indicators (KPIs).

Aligned with the Group's direction, **HDKSOE and its shipbuilding subsidiaries** implement their climate change response activities accordingly. In 2026, each company established a Carbon Management Committee (or subcommittee) to oversee the execution of its carbon neutrality strategy tailored to external requirements and business characteristics, while monitoring greenhouse gas emissions. Climate-related initiatives tailored to each company's operating environment are implemented, and progress on carbon reduction activities is regularly reviewed to continuously enhance climate change response management.



Climate Change Response

Strategy

Climate Change Response Strategy

Directions for Carbon Neutrality

GLOBAL LEADING NET ZERO SHIPBUILDER

HDKSOE and its shipbuilding subsidiaries continue their business transition while strengthening their position as a leading global net-zero shipbuilder through advanced shipbuilding and offshore engineering technologies, as well as extensive shipbuilding experience and expertise. To this end, we will implement the 2030 FOS (Future of Shipyard) project to enhance productivity, shorten lead time, and achieve zero waste. Through these efforts, we will reduce Scope 1 and 2 GHG emissions by improving energy efficiency, transitioning to low-carbon fuels, and increasing the use of renewable energy. Furthermore, we will strengthen our cooperation with various stakeholders, including customers and suppliers in order to measure and reduce GHG emissions throughout the entire shipbuilding value chain.

To actively respond to global standards on ship GHG emissions reduction and the growing demands of customers on new ships to meet environmental regulations, the focus is placed on developing and commercializing Low- and Zero-Carbon (LZC) ship technologies. The commercialization of these LZC ships is expected to reduce not only Scope 1 emissions but also Scope 3 (Category 11: Use of sold products) GHG emissions.

Charting Pathways to Carbon Neutrality

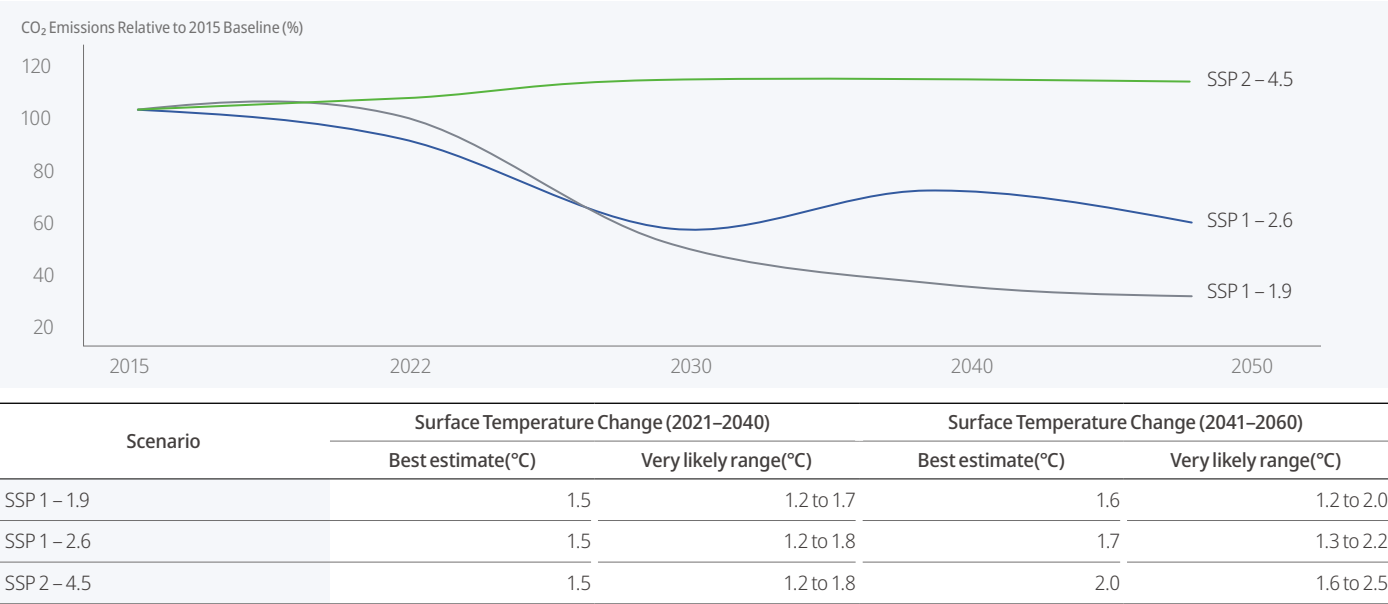
Future developments in the shipbuilding and shipping were assessed based on the scenarios presented by the IEA, the Intergovernmental Panel on Climate Change (IPCC), and global research institutions (Clarksons Research, DNV, etc.). Based on these scenarios, carbon neutrality pathways for HDKSOE and its shipbuilding subsidiaries were established in alignment with South Korea’s 2050 Carbon Neutrality Scenario, the 2030 Nationally Determined Contribution (NDC), and the Paris Agreement goal of limiting global warming to 1.5°C above pre-industrial levels.

Establishing Carbon Neutrality Roadmap (Scope 1, 2)

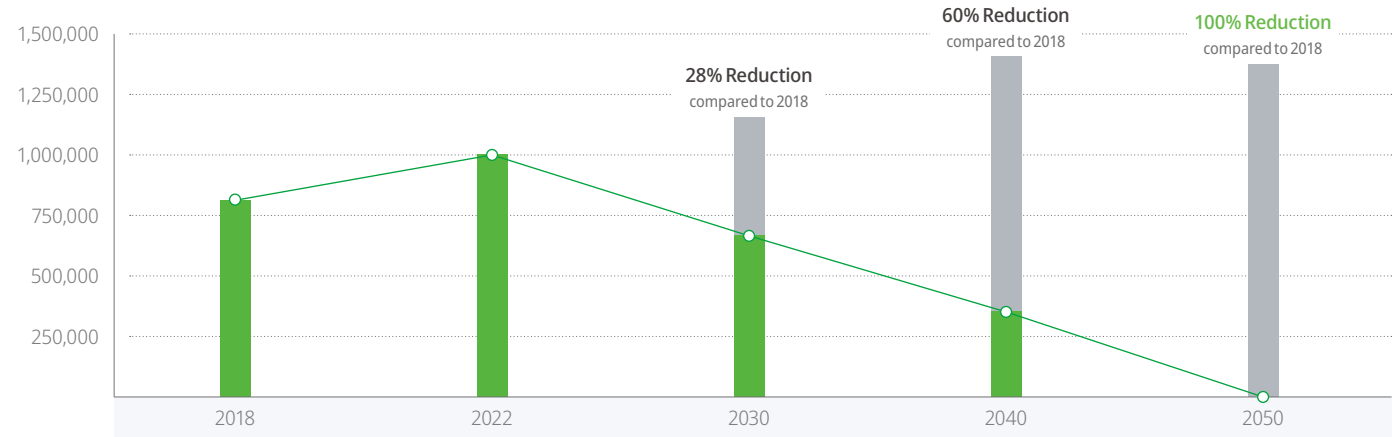
HDKSOE and its shipbuilding subsidiaries reported and approved the carbon neutrality implementation roadmap at the BOD (ESG Committee) meeting held in the 1st half of 2023 and made the roadmap public with the “2050 Carbon Neutrality” declaration in May 2023. Targets for 2030, 2040, and 2050 were also set in consideration of domestic and international climate change-related laws and regulations, market and technology development trends, customer demands, implementation status within the shipbuilding industry, alignment with business strategies, and the latest climate science data.

To achieve carbon neutrality, the plan aims to reduce Scope 1 and 2 emissions by 28% compared to 2018 levels by 2030, 60% by 2040, and 100% by 2050. The carbon neutrality roadmap follows an emissions trajectory similar to that of the IPCC SSP (Shared Socioeconomic Pathways) 1-1.9 scenario, which limits global warming to 1.5°C by 2100 compared to pre-industrial levels.

IPCC SSP Scenarios



Carbon Neutrality Targets of HDKSOE and Its Shipbuilding Subsidiaries¹⁾



1) The carbon neutrality roadmap may be revised in response to future regulatory changes, including the introduction of mandatory consolidated reporting requirements.

Climate Change Response

Strategy

Climate Change Response Strategy

Strategies for Carbon Neutrality

Establishing a Climate Change Response System

To preemptively respond to changing external conditions such as climate change-related regulations, **HDKSOE and its shipbuilding subsidiaries** will implement activities to mitigate climate change risks, and at the same time, continue to identify new business opportunities.

Collaboration with customers and supply chains is being strengthened to identify efficient carbon reduction measures and achieve carbon neutrality.

Participation in external greenhouse gas reduction projects is under review as a hedge against risks associated with emissions allowances. To effectively manage carbon reduction efforts and emissions allowance-related risks, we have also established a structured carbon management governance framework, including the Group Carbon Management Committee and company-level Carbon Management Committees. It also aims to implement sustainable emissions reduction strategies by enabling real-time monitoring and control of energy consumption data through an integrated energy monitoring system.

Detailed actions related to the carbon neutrality roadmap, along with risks and opportunities from climate change, will be transparently disclosed to stakeholders in accordance with domestic and international climate-related disclosure requirements, and guidelines such as TCFD.

Management of Scope 1 & 2 GHG Emissions

Although **HDKSOE** is not subject to the GHG Target Management System (TMS) or Emissions Trading Scheme (ETS), it voluntarily calculates and manages GHG emissions according to the domestic guidelines on GHG emissions calculation. GHG emissions are monitored monthly at all major business sites, including research facilities, hotels, and other assets. Since 2024, third-party verification of emissions data has been introduced to ensure accuracy and transparency.

HHI operates its proprietary greenhouse gas management system (Hi-GMS), developed based on international standards including the IPCC Guidelines and Korea's GHG accounting guidelines. The system measures greenhouse gas emissions, analyzes projected and business-as-usual (BAU) emissions, and manages emissions allowance allocation and trading to support effective compliance with the emissions trading scheme. It also enhances the completeness of emissions calculations by monitoring renewable energy use and heat (steam) transfers, while third-party verification ensures the accuracy and transparency of emissions data.

HSHI also calculates GHG emissions by using the IPCC Guidelines and has identified opportunities to reduce energy use and emissions through a real-time internal data monitoring system called Twin-Fos. Moreover, HSHI ensures the accuracy and reliability of GHG emissions data through third-party verification.

Business Case

HD Hyundai Vietnam Shipbuilding's GHG Inventory

In 2025, **HD Hyundai Vietnam Shipbuilding** established its Scope 1 and Scope 2 GHG inventory and completed third-party verification of its 2024 GHG emissions.

Based on the verified inventory, the company quantitatively monitors and manages GHG emissions at its shipyard and plans to progressively enhance its carbon management and emissions reduction framework.

Establishing Energy Management System

HDKSOE and its shipbuilding subsidiaries are developing an integrated energy management system that shifts energy management from the site level to the plant and process levels. Mid/long-term investment plans for metering infrastructure have been established and reviewed for major energy sources, including electricity, city gas, industrial water, utility gases, and fuel. Based on this infrastructure, it is implementing a quantitative performance management framework focused on eliminating energy waste, improving inefficient equipment, and managing energy intensity. It is also establishing a sustainable energy management system by building the capabilities needed to meet evolving regulatory and customer requirements.

HHI has enhanced its integrated energy management system (Hi-Energy) to enable real-time monitoring of energy consumption by factory and building. Based on this system, it operates an energy reduction target program that systematically manages energy consumption targets and performance by organizational unit. It also operates the Hi-Energy monitoring system to centrally manage electricity and city gas consumption across the shipyard and plans to extend coverage to industrial water and utility gases, enabling integrated analysis and standardized management of all major energy sources while improving cost efficiency. An industrial Energy Storage System (ESS) center helps improve energy efficiency by reducing peak electricity demand through load balancing. To encourage energy conservation, HHI operates an annual Energy Keeper program to identify and address energy waste, while increasing employee participation through idea contests. Outstanding ideas are recognized and rewarded to promote a culture of voluntary energy conservation.

HSHI operates an Energy Control Center and has established a data-driven energy management framework using a FEMS. The company is also developing monitoring systems for electricity, CO₂, and LNG consumption across its operational areas.

Third-Party Certification of the Energy Management System

HHI and **HSHI** maintain certification to the Energy Management System standard (ISO 50001) to support the effective operation of their energy management systems. This certification provides a structured framework for continuously improving energy efficiency and reducing GHG emissions across their operations.

Third-Party Certifications of the Energy Management System

Category	Certification Standard	Certifying Body	Validity Period
HHI	ISO 50001:2018	SGS	November 2022 – November 2025 ¹⁾
HSHI	ISO 50001:2018	DNV	September 2023 – September 2026

1) Certification renewed as of the reporting date (November 2025 - November 2028).

Energy Audits and Due Diligence at Business Sites

HHI and **HSHI** conduct regular energy audits in accordance with the government's energy audit program to improve energy efficiency and reduce GHG emissions at their operational sites. Facilities with annual energy consumption exceeding the regulatory threshold undergo comprehensive energy audits every five years, covering the operation of energy supply, transmission, and consumption systems across the site. Technical assessments conducted by specialized audit organizations identify potential sources of energy loss and recommend energy-saving improvement measures, supporting the continuous enhancement of energy efficiency and GHG reduction efforts.

Climate Change Response

Strategy

Climate Change Response Strategy

Strategies for Carbon Neutrality

Energy Efficiency and Energy-saving at Business Sites

HDKSOE analyzes energy consumption patterns to identify opportunities for improving energy efficiency and reducing energy use. Energy-saving measures include optimizing heating and cooling temperatures, automatic lighting controls, monitor power-saving mode, and a vehicle rotation program.

HHI implements various energy efficiency initiatives across its sites, including improving air compressor efficiency, introducing gas-fired hot air heaters for post-paint drying, optimizing painting shop equipment, and upgrading crane control systems. An automated control system also optimizes energy consumption by coordinating equipment schedules, indoor temperature and humidity, and large access doors (Big Doors) during the painting process. In 2025, 281 TJ of waste heat from incineration facilities was recovered for reuse or external supply, improving resource efficiency.

HSHI reduced daytime electricity consumption by installing an ESS and timer-controlled preheating pads for container ship welding. It also implements energy-saving measures at painting facilities, including stricter winter temperature controls, compressed-air piping improvements for more efficient summer operation, and blower installation.

Introduction of Renewable Energy

HDKSOE and its shipbuilding subsidiaries are transitioning from grid electricity to renewable energy in line with their 2050 renewable energy plan through a combination of on-site generation, external procurement, and investment. Renewable energy facilities are installed where conditions are favorable, such as for solar power, while increasing the direct use of self-generated electricity. The company also evaluates market-based sourcing options, including Power Purchase Agreements (PPA), Renewable Energy Certificates (REC), and equity investments in renewable energy projects, to establish the most cost-effective renewable energy strategy.

HHI signed its first renewable energy PPA in 2024 and secured renewable electricity in 2025 through approximately 3 MW of on-site solar generation at its Ulsan shipyard and 7 MW under an off-site PPA. The company continues to expand small-scale solar facilities across its operations, including dormitories, Production Technology Building 1, and the main gate, increasing the share of self-generated renewable energy. To achieve its 2050 carbon reduction roadmap, HHI will continue to expand renewable energy use by exploring additional sourcing options, including off-site PPAs.

HSHI completed the installation of a 1.8 MW solar power system in 2025 on an off-site parking lot site (8,600 m²) in Yeongam, Jeollanam-do, and plans to further increase renewable energy adoption in 2026.

Emissions Offsetting

HDKSOE and its shipbuilding subsidiaries prioritize internal emissions reductions while evaluating external mitigation measures to address residual emissions, including international carbon mitigation projects under Article 6 of the Paris Agreement. These efforts are intended to improve the effectiveness of carbon emissions management and support the achievement of the company's long-term carbon neutrality goals.

Scope 3 Emissions Calculation and Verification

HDKSOE and its shipbuilding subsidiaries are developing and applying the Scope 3 calculation methodology tailored to the domestic shipbuilding industry based on the standards and guidelines on the calculation of Scope 3 emissions in the GHG Protocol. We calculate and disclose Scope 3 emissions across all 10 Scope 3 categories, using internal data and external indicators in accordance with the calculation methodology for each category.

The Scope 3 emissions calculation process and results are also verified annually by a third party. Verification is conducted in accordance with ISO 14064-1 and ISO 14064-3, the international standards for greenhouse gas (GHG) monitoring, reporting, and verification, as well as the GHG Protocol Standard and related guidance for GHG emissions accounting and management. The verification process comprehensively reviews the characteristics and detailed values of the data used, accounting methodologies and procedures, including calculation methods and emission factors, and the application of estimates to confirm the absence of material errors or omissions.

The scope of data collection required to calculate Scope 3 emissions will continue to be expanded in cooperation with customers and the supply chain, and a commitment to disclose reliable information will be upheld by advancing the calculation methodology.

Support for Contractors' Reduction of GHG Emissions

To promote shared growth between large companies and SMEs while contributing to Korea's national GHG reduction goals, HDKSOE is implementing GHG emissions reduction support programs for contractors across the shipbuilding industry (including those of HDKSOE and its shipbuilding subsidiaries). Through collaboration among the private sector, government, and public institutions, the program provides support for replacing equipment with high-efficiency alternatives, replacing consumable parts, and installing monitoring systems to track GHG emissions reductions while planning to increase the number of participating contractors and broaden the range of initiatives for emissions reduction each year.

Business Case

Green Building Certification and Building Energy Efficiency Certification

HHI has obtained and continues to maintain Green Building Certification and Building Energy Efficiency Grade 1++ certification for the Pre-outfitting Building of its Naval & Special Ship Business Unit to improve energy efficiency and promote environmentally sustainable building operations. Through these certifications, the company applies energy-saving and environmental performance standards across building design, operation, and energy management, while improving the energy efficiency and environmental performance of its facilities.

Business Case

Renewable Energy Supply Cooperation Agreement

HHI signed a Renewable Energy Supply Cooperation Agreement with Korea East-West Power to secure a stable supply of renewable energy. Through this agreement, the Company plans to advance the adoption of renewable energy by promoting direct renewable energy Power Purchase Agreements (PPAs) and collaborating on related projects and regulatory initiatives. HHI will also progressively increase its use of renewable energy to reduce carbon emissions from electricity consumption across its operations while contributing to local communities through shared growth and social contribution initiatives.

Business Case

Air Compressor Replacement Support Program for Contractors

HDKSOE supports suppliers across the shipbuilding industry (including those of HDKSOE and its shipbuilding subsidiaries) by replacing aging air compressors at their facilities with high-efficiency inverter-type air compressors. This initiative helps reduce contractors' energy consumption while generating Korean Offset Credits (KOCs) through external emissions reduction projects. By reducing contractors' Scope 1 and Scope 2 emissions as well as the shipbuilding industry's Scope 3 emissions, the program contributes to the achievement of the 2050 carbon neutrality goal.

Expected Outcomes

- Phase 1 in 2024: Support provided to 13 contractors, with 5,600 tCO₂eq of emissions reductions expected over 10 years.
- Phase 2 in 2025: Support provided to 16 contractors, with 11,208 tCO₂eq of emissions reductions expected over 10 years.

High-efficiency Air Compressor Replacement Project Process (Annual)

Site inspection

Replacement of facilities

Support for Consumables

Issue offset credits

Government support

Register project plan (external project)

Register monitoring report (external project)

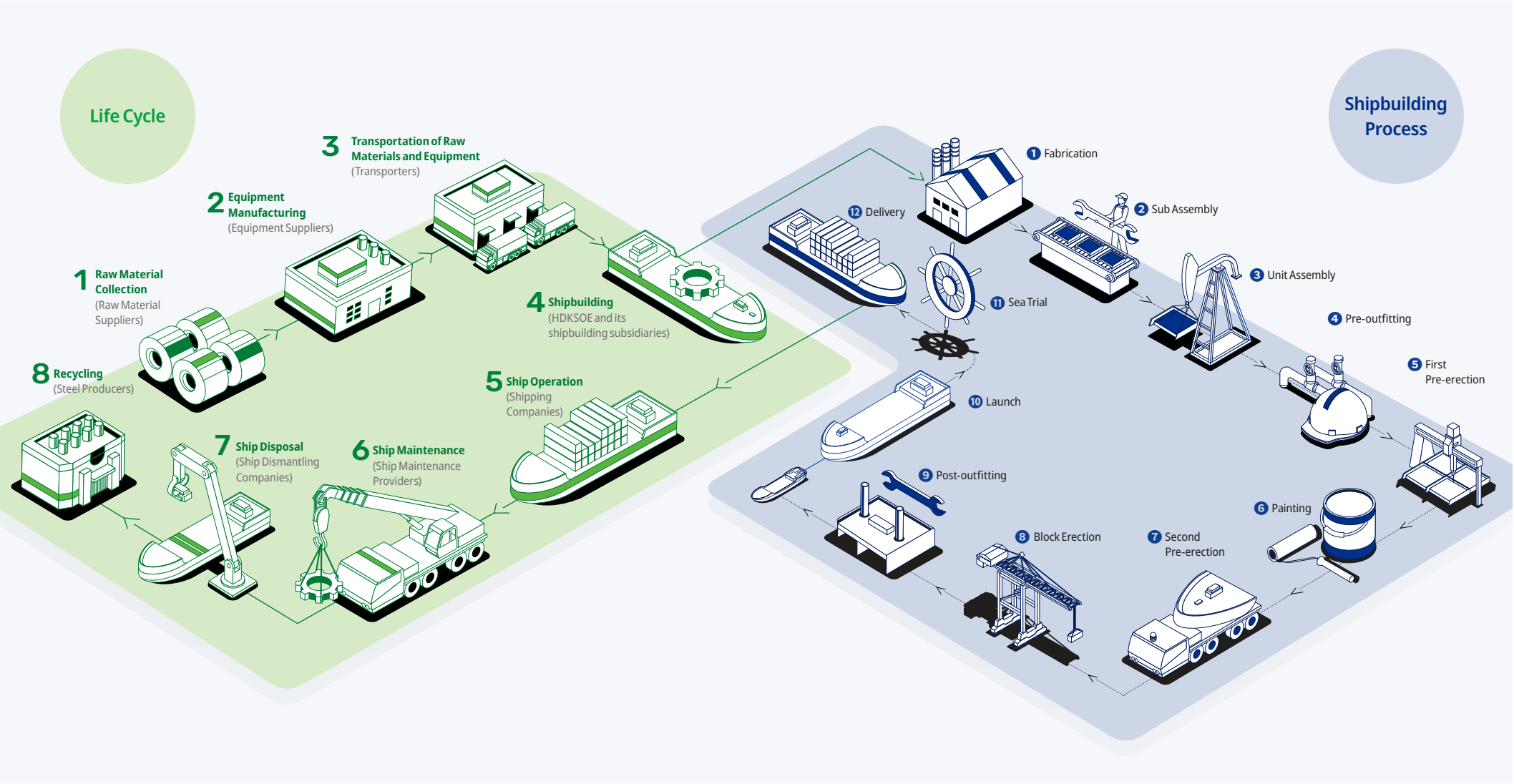
Climate Change Response

Strategy

Climate Change Response Strategy

Strategies for Carbon Neutrality

Shipbuilding Process and Life Cycle



Analysis of GHG Emissions in the Value Chain ¹⁾

	Raw Material Collection		Raw Material Transportation
	Investment in On-site Equipment and Facilities		Energy Production, Transport, Loss
	Outsourced Waste Disposal		Employee Commute & Business Trips

Upstream			
Scope 3 GHG emissions in 2025 (5.5%)			
			(Unit: tCO ₂ e/q)
HDKSOE			204,084
HHI	Before the merger		3,274,599
	After the merger		4,432,183
HSHI			2,632,335

	Shipbuilding and Product Manufacturing		Electricity and Energy Consumption
Business Activity			
Scope 1,2 GHG emissions in 2025 (0.9%)			
			(Unit: tCO ₂ e/q)
HDKSOE			8,441
HHI ¹⁾	Before the merger		660,160
	After the merger		826,449
HSHI			272,844

1) Scope 2 GHG emissions are reported using the market-based method (see page 158 for location-based emissions).

	Ship Operation		Ship Maintenance
	Ship Disposal		

Downstream			
Scope 3 GHG emissions in 2025 (93.6%)			
			(Unit: tCO ₂ e/q)
HDKSOE			2,108,250
HHI	Before the merger		59,695,776
	After the merger		76,049,703
HSHI			41,261,042

1) The value chain GHG emissions ratio was calculated using data before the merger.

Climate Change Response

Strategy

Climate Change Response Strategy

Business Case
Life Cycle Assessment (LCA)

Background and Importance of LCA

HDKSOE and its shipbuilding subsidiaries conducted a Life Cycle Assessment (LCA) to calculate GHGs emitted throughout the entire value chain, from raw material extraction and procurement to production, use, disposal, and recycling. This important information will be used to establish GHG emissions reduction strategies for the whole value chain.

In July 2023, the 80th meeting of the IMO’s Marine Environment Protection Committee (MEPC) raised the carbon emissions reduction target for the shipping sector from 50% to 100% compared to total emissions in 2008, and at the same time, adopted LCA for marine fuels. With the recent revisions in the “Guidelines for Reviewing Environmental Labels and Advertisements,” regulations relating to the life cycle of products have become even stricter, placing greater importance on LCA.

In response to these developments, HDKSOE and its shipbuilding subsidiaries conducted LCAs for one 174K LNG carrier (HDKSOE and HHI) during 2023–2024, one 2,100 TEU container ship (HHI) during 2024–2025, and two container ships with capacities of 7,900 TEU and 15,600 TEU (HSHI) during 2024–2025.

Through the LCA, we measured GHG emissions generated from the whole life cycle of ships from raw material extraction and transportation to shipbuilding, operation, dismantling, recycling, and disposal. In particular, we collected data on the actual materials and energy used during the shipbuilding process and applied actual operation and maintenance scenarios to enhance the reliability of the assessment.

Building on the successful completion of LCAs for three vessel types (LNG DF, LNG carrier, and LNG and methanol DF container ships), HDKSOE and its shipbuilding subsidiaries plan to progressively extend Life Cycle Assessments (LCAs) beyond key vessel types to their entire product portfolio.

LCA Methodology

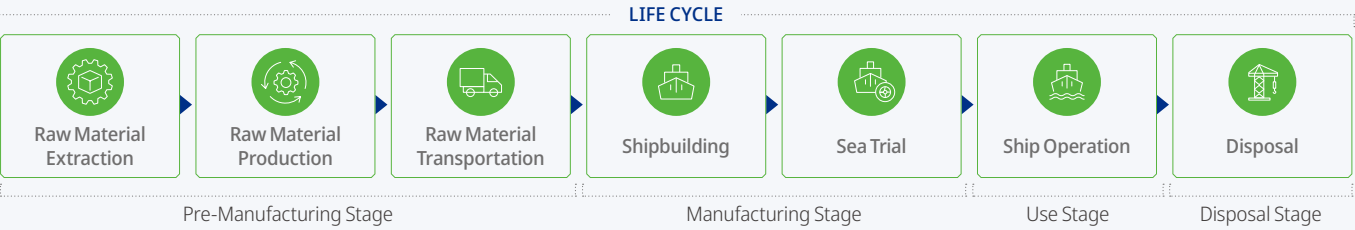
HDKSOE and its shipbuilding subsidiaries used the Full-LCA methodology to calculate GHGs emitted throughout the life cycle of the ships in accordance with the international standards related to LCA, such as the GHG Protocol and ISO 14040 (Principles and Framework for Life Cycle Assessment), and ISO 14044 (Specific Requirements and Guidelines for LCA).

The life cycle assessment includes four stages: the pre-manufacturing stage, which covers raw material extraction and the production and transportation of raw materials and components; the manufacturing stage, which includes shipbuilding and sea trials; the use stage, which involves the operation of the ship; and ship dismantling and disposal.

LCA Procedures

 Definition of Goals and Scopes	- Defining goals - Setting system boundaries - Determining functional units
 Life Cycle Inventory Analysis	- Identifying system-affecting items - Pre-processing and quantifying input data - Reviewing data quality
 Life Cycle Impact Assessment	- Selecting modeling types and principles - Selecting impact ranges and indicators
 Interpretation and Report of Results	- Evaluating contributions and analyzing uncertainties - Reporting final results

Definition of LCA Boundary



LCA Results



1) Average share of GHG emissions by system boundary based on four LCAs conducted by HDKSOE and its shipbuilding subsidiaries.

LCA Progress and Plan

2023–2025	2026	2027~
Phase 1 - Conduct LCAs for three vessel types (LNG DF LNG carrier, LNG DF container ship, and methanol DF container ship) - Establish the ship LCA framework	Phase 2 Develop the ship LCA calculation system	Phase 3 Extend ship LCA coverage to additional vessel types

Climate Change Response

Risk Management

Climate Change Risk Management

Climate Change Risk Management Procedures

Risk Identification

HDKSOE and its shipbuilding subsidiaries analyzed domestic and international regulations and policies, as well as climate change scenarios to correctly identify risk factors and opportunity factors that may arise due to climate change. We examined trends in the IMO, the U.S., and the EU, and referred to the national standard climate change scenario (Korea Meteorological Administration) and statistical data from research institutes in the regions where our business facilities are located. The scenario analysis included scenarios from IEA(STEPS, APS, NZE) and IPCC’s SSP scenarios.

Based on an analysis of the regulations, policies, and scenarios, risk factors (factors that negatively affect business and financial performance), and opportunity factors (factors that positively affect financial performance through new technologies, products, and services) were identified for each issue.

Risk Assessment

HDKSOE and its shipbuilding subsidiaries conduct business impact assessments on risk factors and opportunity factors for each issue identified based on the analysis of regulations, policies, and scenarios. Risks are assessed by comprehensively considering the likelihood of risk and opportunity factors, as well as the scale of impact and resilience when such factors occur.

The company’s response capabilities to risk factors and opportunity factors for each issue are also reflected in the risk assessment. The response capability assessment is conducted to check the company’s ability to immediately respond in the event of risks, the resilience to mitigate impacts, and the ability to pioneer new markets and secure new growth engines when capturing opportunity factors.

Moreover, expanding climate change risk identification and assessments from just business sites to the entire value chain including upstream and downstream industries is being considered.

This will enable us to identify direct and indirect impact factors related to climate change, and comprehensively analyze risks across the entire business operations including our supply chain.

Risk Management

HDKSOE and its shipbuilding subsidiaries determine priority issues related to climate change and develop strategies to manage risk and opportunity factors by comprehensively considering the risk assessment results, risk acceptability, and level of risk management capabilities.

Response strategies are established and implemented, and risk and opportunity factors that significantly affect business operations and financial performances are continuously monitored. For those risk and opportunity factors with less impact or with low benefits compared to response costs, changes are continuously monitored.

Climate Change Risk Management Procedures

Management Stages	Risk Identification			Risk Assessment		Risk Management	
	 Analysis of Regulations, Policies, and Scenarios	 Identification of Risk Factors	 Identification of Opportunity Factors	 Evaluation of Risk Factors	 Evaluation of Opportunity Factors	 Risk Management Types	 Integrated Risk Management
Key Activities	· Utilize national regulations and policies, standard scenarios, and statistical data from research & academic institutions > IEA scenarios - STEPS, APS, NZE > IPCC SSP Scenarios 2.6, 4.5, and 8.5	· Analyze intensifying regulations and systems in the regions where business is operated · Review large-scale investment and business restructuring due to energy transitions · Analyze potential physical damage types caused by climate change	· Analyze climate change opportunity factors to consider when implementing mid/long-term business strategies · Forecast new markets and changing customer demands due to climate change	· Identify the likelihood of risk factors resulting from climate change · Check the magnitude and resilience of risks · Assess the capability for quick response and mitigation of financial impacts when risks arise	· Identify the likelihood and magnitude of opportunity factors resulting from climate change · Seek opportunities for business creation regardless of the impact assessment of opportunity factors · Confirm the capability to develop new technologies and explore new business areas when opportunities are certain	· High & Moderate: Develop and monitor risk response strategies · Low: Ongoing monitoring without dedicated response strategy	· Operate an integrated risk management system to manage and monitor risk impacts · Conduct periodic risk impact assessments and revise response strategies based on results · Utilize ESG advisory groups for professional and objective risk judgments
Key Considerations	· Which scenarios best represent the climate and environmental characteristics of the regions where the businesses are operated or business facilities are located?	· What climate change-related regulations, market changes, and physical damages negatively impact business operations and financial performance?	· What risks does global society face due to climate change, and what products and services address these issues?	· What impacts do risk factors have on business operations and financial performance?	Does the company secure the human resources and investment budget to respond to opportunity factors?	· What is the risk level that the company can manage or accept regarding risk and opportunity factors?	Can the processes and operational methods of the enterprise-wide integrated risk management system include climate change risks?
Responsible Organization	· ESG Lead Departments > Discuss with Group ESG Working Group, refer to the Group ESG Council, report to Chief ESG Officer					· Chief ESG Officer > Discuss with Group ESG Council, refer to the BOD, report to CEO > Integrated management of non-financial risk	· BOD and its ESG Committees > Integrated management and oversight of financial and non-financial risks > Deliberation on significant financial and non-financial strategies

Climate Change Response

Risk Management

Climate Change Risk Management

Transition Risk Management

Scenario Analysis

HDKSOE and its shipbuilding subsidiaries apply the International Energy Agency (IEA) STEPS (Stated Policies Scenario), APS (Announced Pledges Scenario), and NZE (Net Zero Emissions by 2050 Scenario) to assess the potential impacts of the energy transition and increasingly stringent carbon regulations on the shipbuilding and offshore industry. These scenario analyses help identify long-term climate risks and opportunities and provide a basis for business strategy and technology development.

Identification of Transition Risks and Opportunities

HDKSOE and its shipbuilding subsidiaries identified transition risks based on climate change-related policies and regulations, markets, technology, and reputation, and established a strategic system to preemptively respond to risks by identifying risk and opportunity factors. This approach supports systematic management of potential climate-related impacts on business activities while preparing for changes in the industry and evolving regulatory requirements.

We are also developing new technologies for climate change mitigation and adaptation while accelerating the transition toward low- and zero-carbon products to respond proactively to changing market demand. Recognizing increasing stakeholder expectations for climate disclosures, we remain committed to transparent communication and responsible disclosure.

Transition Risks and Opportunities

Category	Issue	Financial Impact	Duration ¹⁾	Risk Factors	Opportunity Factors
Policy & Regulation	Tightening GHG emissions regulations and policies	Medium	Short-, Mid-, and Long-term	Higher emissions allowance purchase costs due to the expansion of paid allocation under Korea's Emissions Trading Scheme	Generate revenue from the sale of surplus emissions allowances through GHG emissions reduction activities
	Tightening environmental regulations for ships (e.g., IMO)	High	Mid- to Long-term	Reduced sales of high-carbon vessels and engines	Increased demand for low- and zero-carbon vessels and engines
Market	Renewable energy transition	High	Short-, Mid-, and Long-term	Higher electricity prices driven by decarbonization and renewable energy adoption	Reduced GHG emissions through greater use of renewable energy (reducing emissions allowance purchase costs)
	Changes in energy sources	Medium	Mid- to Long-term	Declining demand for fossil fuel-based offshore plants	Increased demand for renewable energy-based offshore plants
Technology	Intensifying Competition in Low- and Zero-carbon Products and Technologies	High	Short-, Mid-, and Long-term	Weakened competitiveness if development of low- and zero-carbon vessel and engine technologies falls behind	Greater competitiveness and market share through leadership in low- and zero-carbon vessel and engine technologies
Reputation	Growing stakeholder focus on ESG	Medium	Mid- to Long-term	Increased stakeholder concerns and reputational risks if carbon neutrality targets are not achieved	Enhanced stakeholder confidence through ESG leadership and improved ESG ratings

1) Short-term (within 1 year), Medium-term (more than 1 year and up to 5 years), Long-term (more than 5 years)

Climate Change Response

Risk Management

Climate Change Risk Management

Transition Risk Response Strategy

GREEN PRODUCT

HDKSOE and its shipbuilding subsidiaries are advancing the development of low- and zero-carbon fuel propulsion technologies to proactively respond to the decarbonization of the shipbuilding and shipping industries and changing market conditions.

For LNG DF (dual-fuel) propulsion ships, engine efficiency is being improved and the development of methane slip technology that prevents the release of not-fully-burned methane into the atmosphere is being promoted. In addition, GHG emissions reduction for large ships is being pursued through the development of zero-carbon fuels such as ammonia and hydrogen, along with high-tech development related to large-capacity fuel cells and electric propulsion.

Furthermore, leadership in the era of carbon neutrality is being pursued by combining related technologies such as ship electrification and automation, and energy efficiency-specialized hull form, propeller, and wind-assisted propulsion system.

We also make tireless efforts to develop technologies related to On Board Carbon Capture & Storage (OCCS) and LCO₂ (liquefied carbon dioxide) carrier to dominate the CCUS (Carbon Capture, Utilization & Storage) market, which has emerged as a way to achieve carbon neutrality.

GREEN PARTNERSHIP

HDKSOE and its shipbuilding subsidiaries collaborate with a wide range of stakeholders, including domestic and international supply chain partners, research institutes, and industry participants, to accelerate the decarbonization of the shipbuilding and offshore industry. We are advancing joint research and technology partnerships in areas such as alternative fuel technologies, energy efficiency improvements, and digital solutions for voyage optimization. Through these collaborative efforts, we aim to reduce GHG emissions across the industry and contribute to the development of a more sustainable shipbuilding and offshore ecosystem.

GREEN SHIPYARD

HDKSOE and its shipbuilding subsidiaries are implementing the FOS (Future Of Shipyard) project to promote digital-based management of raw materials and optimize production processes. In particular, industrial IoT technology is used to measure the flow rate, status, and pressure of energy sources such as LNG, while big data is analyzed to cut energy costs and prevent safety accidents. We will continue to explore and implement effective GHG emissions reduction initiatives based on real-time measurement and data analysis of diverse energy resources and GHG emissions.

Business Case Demonstration of Wind-Assisted Propulsion System

HDKSOE is conducting offshore demonstrations of its proprietary Wind-Assisted Propulsion System (WAPS), Wing Sail, installed on board a vessel. Wing Sail harnesses wind power to provide auxiliary propulsion and features secondary wings on both sides of the main wing to improve aerodynamic efficiency. The system also incorporates a tilting function that allows the wing to be folded during severe weather or when passing under bridges, enhancing operational convenience and safety.



Wind-assisted propulsion system "Wing Sail"

Business Case World's Largest Liquefied Carbon Dioxide Carrier

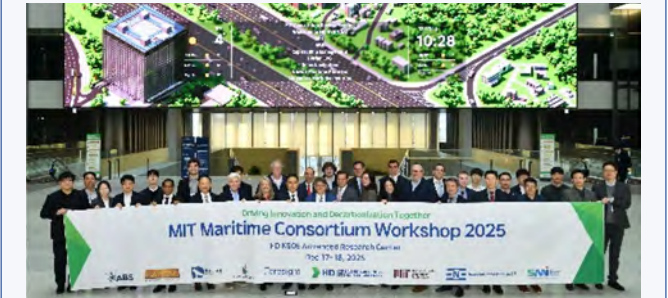
HHI built and delivered the world's largest 22,000m³ liquefied carbon dioxide (LCO₂) carrier. The vessel is designed to safely transport a range of liquefied gas cargoes, including LCO₂, liquefied petroleum gas (LPG), and ammonia. It also incorporates ice-class design technology to ensure safe operation in low-temperature waters and is equipped with shore power connectivity and a nitrogen oxides (NOx) reduction system to minimize environmental impacts, supporting the growth of the low-carbon economy.



Launching ceremony for the world's largest liquefied carbon dioxide carrier

Business Case Participation in a Shipbuilding and Marine Decarbonization Consortium

HDKSOE participates in a global consortium dedicated to advancing the decarbonization of the shipbuilding and offshore industry, sharing research and development outcomes with leading organizations. Consortium members include Massachusetts Institute of Technology (MIT), Capital, a Greek shipping company, and the American Bureau of Shipping (ABS), among other key institutions and companies. Research focuses on next-generation offshore technologies, including AI-based autonomous navigation solutions, small modular reactor (SMR)-powered vessels, and 3D printing-based manufacturing technologies.



Participation in a consortium for technological innovation and decarbonization in the shipbuilding and offshore industry

Business Case Development of Energy Efficiency and GHG Emissions Reduction Technologies

HHI is developing technologies to improve vessel energy efficiency and reduce greenhouse gas (GHG) emissions in response to increasingly stringent international environmental regulations and growing demand for low-carbon vessels. During the hull design stage, high-precision Computational Fluid Dynamics (CFD) simulations and the Company's proprietary flow analysis platform, Hi-FOAM, are used to optimize hull forms, while industry-leading high-performance computing (HPC) infrastructure enhances the accuracy of performance validation. In addition, energy-saving technologies such as Hi-ALS (Air Lubrication System) and Hi-Rotor (Rotor Sail) are applied according to vessel characteristics to improve propulsion efficiency while reducing fuel consumption and GHG emissions. These efforts enable proactive compliance with IMO environmental regulations, including the Energy Efficiency Design Index (EEDI), Energy Efficiency Existing Ship Index (EEXI), and Carbon Intensity Indicator (CII), while enhancing competitiveness in the low-carbon ship market.

Climate Change Response

Risk Management

Climate Change Risk Management

Physical Risk Management

Scenario Analysis

HDKSOE and its shipbuilding subsidiaries conduct scenario-based analyses to systematically identify and manage climate-related physical risks. The analysis uses tools including the Korea Meteorological Administration’s Climate Information Portal and Comprehensive Climate Change Monitoring Information, as well as NASA’s Sea Level Projection Tool. Multiple climate scenarios based on the Intergovernmental Panel on Climate Change (IPCC) SSP Scenarios (SSP1-2.6, SSP2-4.5, and SSP5-8.5) are applied to evaluate a range of potential climate change outcomes.

Risk Identification and Assessment

HDKSOE and its shipbuilding subsidiaries identify climate-related physical risks by applying the IPCC AR6 methodology and analyze projected changes in temperature, precipitation, and sea level at major operating sites, along with the likelihood and time horizon of related climate hazards. Based on the results, response strategies and management measures are developed for identified risks to minimize the potential impacts of climate change on business operations.

Risk Mitigation Planning

HDKSOE and its shipbuilding subsidiaries develop and implement site-specific risk mitigation plans that reflect the characteristics of each operating site. These plans address key physical climate risks, including typhoons, heatwaves, and sea level rise, and include measures such as enhancing workplace safety, improving the resilience of facilities and infrastructure, and establishing response procedures and contingency plans.

Risk mitigation plans are implemented in phases based on the relevant time horizon. The same process is applied to existing operations as well as new projects and facility investments to ensure that appropriate mitigation measures are consistently reviewed and incorporated. Through these efforts, we enhance climate resilience and improve operational stability across our business.

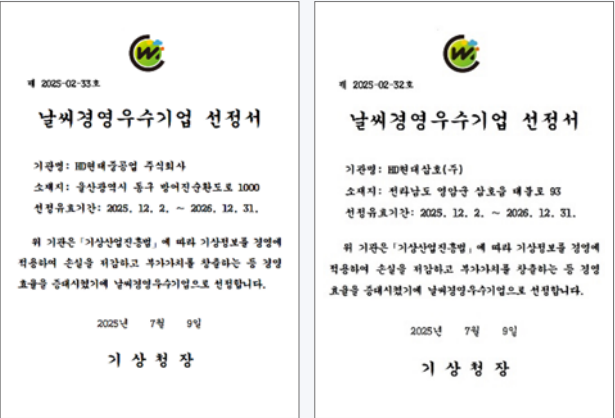
Physical Climate Risks and Action Plans

Category	Type	Risk Factors	Likelihood	Duration ¹⁾		Action Plans
				Short-term	Mid- to Long-term	
HDKSOE (Seongnam, Gyeonggi-do)	Acute	Typhoons (heavy rainfall)	Low		●	· Establish and regularly review typhoon emergency response procedures · Conduct heatwave response training and provide thermometers/hygrometers and emergency kits during the summer
	Chronic	High temperatures and heatwaves	High	●	●	
HHI (Ulsan)	Acute	Typhoons (heavy rainfall)	Low		●	· Operate an integrated emergency response center and emergency response system during typhoons and heavy rainfall · Maintain typhoon response manuals, and conduct emergency drills · Inspect facilities, including coastal protection structures, and flood-prone areas · Extend rest periods during extreme heat, enhance heat illness prevention training, and provide cooling equipment and heat protection supplies
	Chronic	High temperatures and heatwaves	High	●	●	
		Sea level rise	Low		●	
HSHI (Yeongam-gun, Jeollanam-do)	Acute	Typhoons (heavy rainfall)	Low		●	· Establish typhoon and heavy rainfall response manuals, conduct emergency drills, and regularly inspect facilities and flood-prone areas · Extend rest periods during extreme heat, enhance heat illness prevention training, and provide cooling equipment and heat protection supplies · Regularly inspect coastal protection facilities, and identify and manage flood-prone areas
	Chronic	High temperatures and heatwaves	High	●	●	
		Sea level rise	Low		●	

1) Short-term (by 2030), Medium- to Long-term (by 2050)

Business Case Weather Management Certification

HHI and HSHI have obtained certifications as Excellent Weather Management Companies from the KMA and continue to implement preemptive measures to actively respond to physical risks due to climate change.



Climate Change Response

Risk Management

Climate Change Risk Management

Business Case Internal Carbon Pricing (ICP)

Carbon Price Setting and Application

HDKSOE and its shipbuilding subsidiaries have established an internal carbon price to analyze responses to climate-related regulations and climate-related risks and opportunities, and to incorporate the results into investment decision-making.

The internal carbon price has been calculated by considering both short- and long-term prices for climate disclosure purposes, reflecting IEA scenarios and the NDC implementation rates of major countries, and practical applicability within the company.

Going forward, an operational and governance framework for the internal carbon price will be established and utilized for various investment decisions. This is expected to promote low-carbon investments and improve energy efficiency, driving behavioral change within the organization and accelerating the achievement of carbon neutrality goals.

HHI has introduced an Internal Carbon Pricing (ICP) system to support stakeholder expectations, reduce carbon emissions, and encourage low-carbon investments and technology development. Under this system, a hypothetical carbon price is assigned to capital investment projects to assess their financial impact. For each investment project, the company prepares a Carbon Pricing Report (CPR) that includes projected carbon emissions and associated costs, carbon leakage points, and expected benefits.

This system is used to establish a GHG regulatory response framework, support rational decision-making and risk assessments for GHG reduction investments, identify low-carbon opportunities to improve energy efficiency, and encourage employees to reduce emissions. Currently, the ICP is applied to facility investments in consideration of our business conditions, and we plan to expand its scope to R&D and business investments, and also develop a digital system.

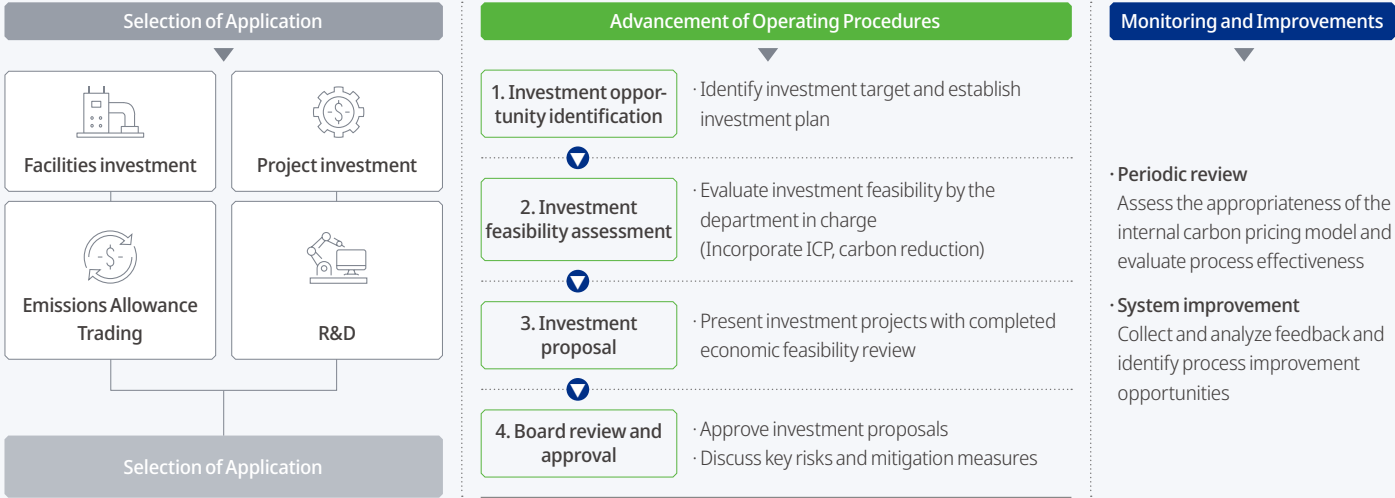
To respond to climate risks and reduce carbon emissions, HSHI is actively pursuing facility investments, including energy efficiency improvements and equipment upgrades. To review and deliberate on the energy use and GHG emissions impacts of investments prior to making the investment, the company plans to gradually introduce and operate an “Energy Review” process that incorporates the internal carbon pricing system through internal in-depth reviews and inter-departmental consultations.

Through this process, the impact of facility investments on energy efficiency, associated changes in energy costs, and GHG emissions will be analyzed, and the actual benefits of investments will be calculated and rationally reflected in investment decisions.

ICP Application Criteria

Category	Description
Objective	Expand low-carbon investments, promote energy efficiency, and drive behavioral change
Type of ICP	Shadow Price
Scope of GHG emissions	Scope 1, 2
Scope of Application	Company-wide
Price per ton	Short- to Mid-term KRW 34,892/tCO ₂ e Long-term: KRW 118,553/tCO ₂ e
Price Calculation Methodology	Developed an internal scenario based on IEA scenarios, NDC implementation scenarios of major countries, and domestic emissions allowance prices, and verified the feasibility through expert advice from research institutions, academia, and industry bodies.

Procedures for setting and operating the internal carbon price



Climate Change Response

Metrics & Targets

Climate Change Metrics & Targets

GHG emissions and Energy Consumption Targets and Performance

Progress in Reducing GHG Emissions and Energy Consumption

HDKSOE actively works to advance energy management to reduce energy consumption. We save energy through optimal heating and cooling, automatic turn-off of unnecessary lights, and automatic transition to power-saving mode for monitors, and we continue to identify and implement energy-saving ideas.

HHI has reduced GHG emissions by transitioning from fossil fuels, introducing high-efficiency facilities, and utilizing solar energy and waste heat (steam). In line with its carbon neutrality roadmap, the Company has set a 2026 GHG emissions reduction target of 808,018 tCO₂eq¹⁾ and continues to implement initiatives aligned with its decarbonization strategy, including increasing renewable energy procurement and use, improving energy efficiency and electrification, and transitioning to low- and zero-carbon fuels. HHI has also established a 2026 target of reducing energy intensity by 1%.¹⁾

1) The GHG emissions reduction target and roadmap may be revised in the future to reflect regulatory changes, including the introduction of mandatory consolidated reporting requirements.

Following its merger with HD Hyundai Mipo, HHI plans to redefine and manage its GHG emissions management framework and reduction targets on the basis of the merged entity. To support this transition, the company will integrate its existing site-level management systems into a unified data management and monitoring framework. Based on an integrated carbon neutrality roadmap, it will manage its emissions reduction targets to improve the effectiveness and execution of company-wide GHG management.

HSHI continues to identify and implement GHG reduction initiatives, including optimizing vessel sea trial procedures and conducting combined sea and gas trials for LNGCs and LNG DF vessels. The company also plans to convert 100% of its business vehicles to zero-emission vehicles by 2030 in support of the K-EV100 initiative.

To improve energy efficiency and increase the use of renewable energy, HSHI completed the installation of a 1.8 MW solar power system on its 8,600 m² off-site parking lot in Yeongam, Jeollanam-do, in 2025. The project is expected to reduce electricity costs and the need to purchase emissions allowance. In addition, the company continues to improve energy efficiency by operating an Energy Control Center and adopting digital inverter welding systems.

Scope 1 and 2 GHG emissions and Energy Consumption Targets and Performance

(Unit:tCO₂eq)

Category		2023	2024	2025	2025 Targets
HDKSOE		7,286	8,408	8,441	8,408
HHI ¹⁾	Before the merger	639,878	671,156	660,160	635,198
	After the merger	802,978	838,069	826,449	- ²⁾
HSHI		266,223	276,469	272,844	281,086

1) Scope 2 GHG emissions are reported using the market-based method (see page 158 for location-based emissions).

2) A hyphen (-) is shown because no 2025 target was established under the post-merger basis, as the merger took place in December 2025.

Energy Consumption Targets and Performance

(Unit: TJ)

Category		2023	2024	2025	2025 Targets
HDKSOE		149	172	173	172
HHI ¹⁾	Before the merger	11,511	11,891	11,678	1% reduction in energy intensity
	After the merger	14,416	14,900	14,704	- ¹⁾
HSHI		4,552	4,802	4,724	4,801

1) A hyphen (-) is shown because no 2025 target was established under the post-merger basis, as the merger took place in December 2025.

Environmental Impact Reduction Technologies

Governance

Governance of Environmental Impact Reduction Technologies

Roles and Responsibilities

Role of the CEO

The CEOs of **HDKSOE and its shipbuilding subsidiaries** oversee each company's research and development and digital innovation organizations, providing strategic leadership to enhance business competitiveness. In the area of research and development, they drive initiatives in advanced ship technologies, low- and zero-carbon energy solutions, and intelligent and autonomous solutions to support the future of the shipbuilding and maritime industry. The CEOs also oversee and actively support the planning, implementation, and performance of the FOS project, which aims to establish smart shipyards and secure next-generation digital manufacturing capabilities.

R&D Organization

HDKSOE and its shipbuilding subsidiaries have established R&D governance for each company, and formed area-specific professional groups to enhance the efficiency and effectiveness of R&D activities

The Advanced Research Center of **HDKSOE** focuses on developing innovative ship technologies and securing next-generation core technologies, including low- and zero-carbon vessels, alternative fuel systems, and the development of fuel cell and electric propulsion systems. The center also conducts research on electrification and intelligent solutions, as well as welding, coatings, and robotic systems.

HHI's Corporate Research Institute operates two research centers (Ship & Offshore Research Institute, Engine Research Laboratory) and one Naval Ship Technology Center. Its research activities cover the optimal design and analysis technologies of ships, offshore structures, and floating offshore wind systems, the development of ship outfitting equipment, environmentally friendly product design technologies, and technologies to improve the performance and optimize the design of naval vessels.

HSHI's Automation Innovation Center advances the automation and mechanization of production processes through the development of robotic systems, welding equipment, and automation technologies for outfitting, painting, and surface preparation. These research activities are aimed at demonstrating and applying innovative manufacturing technologies and customized production and building technologies that can be immediately deployed on site.

Digital Innovation Organization

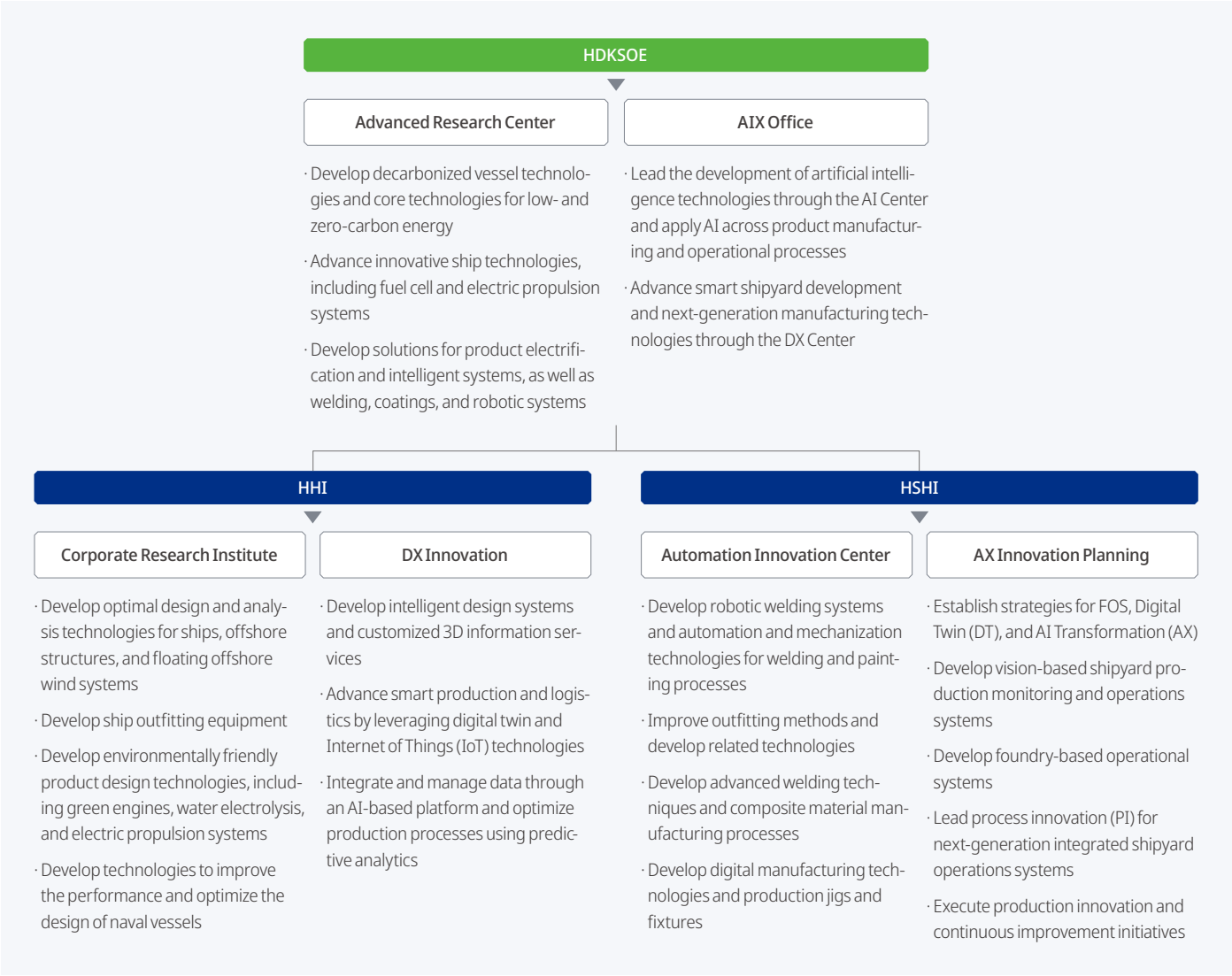
In line with the phased FOS roadmap, **HDKSOE and its shipbuilding subsidiaries** are advancing digital-based smart shipyard initiatives and energy efficiency improvements through their respective digital transformation organizations.

The AIX Office of **HDKSOE** leads the Group's AI and digital transformation efforts and drives initiatives including smart yard development and vessel monitoring by leveraging advanced digital technologies such as automation, mobile technologies, IoT, cloud computing, and drones. Continuous efforts are being carried out to apply digital technologies across production sites and products, while integrated monitoring systems for facilities and equipment and next-generation smart ship solutions contribute to enhance energy efficiency and systematic operations throughout the ship lifecycle, from production to operation.

HHI is advancing its Smart Shipyard program under the leadership of its DX Innovation Division, with the objective of establishing an optimized digital twin operating system based on 3D engineering data and real-time production performance.

HSHI, led by its AX Innovation Planning Department, is developing FOS and AX strategies while working to realize an intelligent smart yard where video data supports decision-making and production innovation through video-based yard production monitoring and operating systems.

Technology Innovation Governance by Group Company



Environmental Impact Reduction Technologies

Strategy

Technology Development Strategies to Reduce Environmental Impact

R&D and New Business Strategy

Total Solution Provider

As a Total Solution Provider, **HDKSOE and its shipbuilding subsidiaries** are advancing next-generation vessel technologies to meet evolving market demands. This includes developing zero-carbon fuel-powered vessels using ammonia and hydrogen while further advancing low-carbon technologies such as LNG and methanol dual-fuel (DF) propulsion. The company is also accelerating the development of low- and zero-carbon engines, expanding into new energy businesses such as small modular reactors (SMRs) and offshore wind power, and developing technologies to improve vessel operational efficiency.

To strengthen future competitiveness, HDKSOE and its shipbuilding subsidiaries are implementing strategic R&D and new business initiatives focused on low- and zero-carbon fuel-powered vessels, electric propulsion systems for large vessels, and smart shipyards. The company also plans to expand its portfolio of low- and zero-carbon equipment, including gas fuel supply, electric propulsion, and wind-assisted propulsion systems, while diversifying into hydrogen power generation, decarbonization technology partnerships, and fuel cell-powered vessels.

R&D/New Business Strategy

Technology Development & Smart Shipyard

Eco-friendly fuel-powered vessels
Enabling sustainable and advanced mobility

- Develop shipboard SMRs¹⁾ (Small Modular Reactors) and SMR-powered vessels
- Conduct joint R&D on Generation IV reactors with TerraPower (U.S.)

Electric propulsion for large vessels

- Complete Korea's first onshore demonstration of a modular VFD²⁾ system
- Target commercial deployment by 2027

Production automation
Smart shipyard development

- Introduce Korea's first AI-based welding system
- Target an 80% automation rate through the deployment of collaborative robots for outdoor operations

Expansion of Eco-friendly Equipment Portfolio

Expansion of HDKSOE's standalone business

GAS

- Secure the first order for an ammonia fuel supply system
- Secure the first order for an in-house LNG high-pressure pump
- Complete the first delivery of an LPG cargo handling system
- Launch the independent tank business

DIGITAL

- Secure the first full-package order for an in-house electric propulsion system
- Develop an in-house energy storage system (ESS) for ships

GREEN

- Secure the first overseas order for an air lubrication system
- Complete sea trials of the in-house wind-assisted propulsion system

Hydrogen & Fuel Cell Business Expansion

- Conduct onshore demonstrations of the in-house fuel cell model and progressively scale up its output to the MW level

- Develop MW-class marine fuel cell systems and pursue classification approval and demonstration projects

- Establish Asia's largest SOFC fuel cell production capacity (100 MW per year)

- Expand the marine electric propulsion business through collaboration on ship electrification systems across the HD Hyundai Group

1) SMR: Small Modular Reactor (SMR)
2) VFD: Variable Frequency Drive (VFD)

Business Case

Leading Small Modular Reactor (SMR) Technology

HDKSOE and its shipbuilding subsidiaries are developing nuclear-powered vessels using Small Modular Reactors (SMRs) to secure next-generation low-impact ship technologies. As a promising solution for significantly reducing greenhouse gas emissions from maritime transportation, the Company continues to conduct R&D on the design and application of SMR-powered vessels. As part of these efforts, HDKSOE obtained an Approval in Principle (AiP) from DNV for the design of a 15,000 TEU SMR-powered container vessel, validating the technical feasibility and safety of the concept.

HDKSOE has also entered into a joint development agreement with ABS to develop a conceptual design for an SMR-integrated electric propulsion system for large container vessels. Through this collaboration, the Company is evaluating the use of SMRs capable of supplying up to 100 MW of electrical power as the vessel's primary power source, while assessing key technologies such as onboard electrical equipment arrangement and integrated system design. These initiatives will support the development of next-generation zero-carbon vessel technologies and accelerate the decarbonization of the shipbuilding and maritime industry.

In addition, **HHI** is creating new growth opportunities in the global SMR market. In 2025, the company signed a Strategic Agreement for Supply Chain Expansion and a cylindrical reactor vessel supply contract with TerraPower. In 2026, it further strengthened this collaboration by entering into a Manufacturing Supply Chain Expansion Agreement for Sodium Reactor Commercialization.

Business Case

Hydrogen-based Energy Technology Development

HDKSOE is advancing the development of marine liquefied hydrogen storage tank technology by leveraging shipbuilding expertise. We have obtained approvals from leading classification societies, including DNV, for our vacuum insulation technology and standard welding procedures. Our proprietary vacuum insulation technology maintains a stable vacuum environment even at -253°C, minimizing boil-off losses of liquefied hydrogen. In addition, the vacuum processing time has been reduced from several months to just a few days, significantly improving both commercial viability and transportation efficiency.

HD Hydrogen, a subsidiary of HDKSOE, is strengthening its competitiveness in hydrogen-based energy technologies by expanding its development and manufacturing capabilities for solid oxide fuel cell (SOFC) systems. The company is constructing a dedicated manufacturing facility in Pyeongtaek, which will operate as an integrated production base covering the entire process from manufacturing to quality verification. The facility is designed for an annual production capacity of up to 50 MW, with phased expansion planned. Through the development and commissioning of its distributed power generation system, HD250, the company has achieved its target output and an efficiency level of approximately 60%.

HHI is accelerating the development of a water electrolysis system that uses electricity generated from offshore wind power to electrolyze seawater. In particular, an anion exchange membrane (AEM) method is being developed, which has the advantage of directly utilizing seawater and can respond to the volatility of wind power generation. HHI is also developing integrated AEM-based electrolysis packages for offshore plants and plans to expand the technology to marine and land-based water electrolysis packages integrated with hydrogen and ammonia engine systems.

Environmental Impact Reduction Technologies

Strategy

Technology Development Strategies to Reduce Environmental Impact

Low- and Zero-carbon Ships

LNG DF Ships

LNG DF ships are capable of operating on both conventional marine fuels and liquefied natural gas (LNG). LNG has a lower carbon emission factor than conventional marine fuels and contains almost no sulfur, enabling significant reductions in GHG and air pollutants during combustion. With increasingly stringent maritime emissions regulations, LNG DF ships are widely regarded as a practical transitional solution for low-carbon shipping, given current port infrastructure and technology readiness.

Methanol DF Ship

Methanol DF ships are vessels capable of operating on both conventional marine fuel and methanol. Methanol can reduce carbon emissions compared to conventional marine fuels. Its very low sulfur content enables significant reductions in sulfur oxides (SOx). In addition, its combustion characteristics contribute to lower nitrogen oxide (NOx) emissions. Compared to LNG DF ships, methanol DF ships generally require lower initial capital expenditure. Methanol can be stored and transported in liquid form under ambient temperature and pressure conditions, making it easier to handle. The future adoption of green methanol offers the potential to transition toward carbon-neutral fuels.

Ammonia DF Ship

Ammonia DF ships, which can operate on both ammonia and bunker C oil, are emerging as a promising solution for complying with IMO emissions regulations. Ammonia does not produce any carbon emissions in the fuel combustion process, and compared to hydrogen, storage and transportation is relatively simple, making it economically advantageous. We are well positioned in the ammonia-powered vessel market, having achieved early success in developing ammonia dual-fuel engines and ammonia fuel supply systems.

Electric Propulsion Ship

Electric propulsion ships are powered by motors driven by onboard electricity generated from sources such as generators and batteries, making them a key next-generation technology for reducing environmental impacts. Direct current (DC) power distribution is regarded as a core solution for improving the efficiency of electric propulsion systems. **HDKSOE and HHI** successfully built Ulsan Taehwaho, Korea's first DC-based hybrid electric propulsion vessel, using a low-voltage direct current (LVDC) system. In addition, we are working with the American Bureau of Shipping (ABS) to establish international standards for medium-voltage direct current (MVDC) systems, while advancing the development of nuclear-powered electric propulsion technologies.

Hydrogen Carrier and Hydrogen-fueled Ship

Hydrogen carriers use boil-off gas generated during navigation as fuel for hydrogen engines and fuel cells that form part of the vessel's electric propulsion system. **HDKSOE** has obtained Approval in Principle (AiP) from the Norwegian classification society (DNV) for an 80,000 m³-class electric propulsion liquefied hydrogen carrier while collaborating with global energy companies such as Shell and Woodside to lead the development of hydrogen transportation technologies using marine vessels.

Key Achievements

- Established R&D demonstration facilities for carbon-neutral vessel technologies
- Developed systems to reduce boil-off gas (BOG) emissions and enable city gas reuse during LNG DF vessel construction, along with domestic regulatory improvements
- Obtained ABS Preliminary Design Approval (PDA) for AI-based cargo operation solutions



LNG DF Ship

Key Achievements

- Completed classification society approval for coating
- Received evaluation of methanol fuel tank environments
- Obtained Type Approval Test (TAT) certification for the HiMSEN methanol dual-fuel engine



Methanol DF Ship

Key Achievements

- Completed demonstration of absorption-type ARMS linked to the HiMSEN ammonia DF engine
- Passed Type Approval Test (TAT) for HiMSEN ammonia DF engine
- Started construction of the world's first mid-sized ammonia-fueled ship



Ammonia DF Ship

Key Achievements

- Successfully developed Korea's first LVVFD for ships
- Obtained the world's first ABS New Technology Qualification (NTQ) for a marine MVDC system
- Advanced joint development project (JDP) for a 16,000 TEU nuclear-powered container ship



Electric Propulsion Ship

Key Achievements

- Obtained AiP for 80K liquid hydrogen carriers
- Secured approvals from world's top four classification societies for large-scale vacuum insulation systems for hydrogen transport



Hydrogen Carrier and Hydrogen-fueled Ship

Environmental Impact Reduction Technologies

Strategy

Technology Development Strategies to Reduce Environmental Impact

Engine and Ship Propulsion Technology

Global Engine Manufacturer

HHI is the world’s largest manufacturer of engines, with state-of-the-art precision processing, assembly, and commissioning facilities, supplying ship engines and land-based power generation engines to the global market. Its product portfolio includes large engines from Everllence and WinGD, as well as the in-house developed HiMSEN medium-speed engine. HHI also provides environmental impact reduction products, including Selective Catalytic Reduction (SCR) systems.

As Korea’s only independently developed medium-speed engine, the HiMSEN engine has secured strong global competitiveness through its high durability and cost efficiency.

HHI is also focused on advancing decarbonization technologies by broadening its lineup of engines powered by alternative fuels, including LNG, methanol, and ammonia, while continuing to develop hydrogen engines. At the same time, the company is developing and enhancing a range of clean energy solutions, including LNG dual-fuel engines, hybrid power generation systems integrated with renewable energy, and hydrogen-based power supply technologies, while continuously broadening its business portfolio.

Eco-friendly Engine Production Expansion

HDKSOE and HHI have set a target to increase production of eco-friendly engines that will lead the decarbonization of the shipbuilding industry and respond to increasingly stringent maritime environmental regulations. By increasing production of LNG and LPG dual-fuel engines and commercializing ammonia engine technology, we plan to achieve the production share of 85% for eco-friendly 2-stroke engines¹⁾ and 65% for 4-stroke engines²⁾ by 2027.

1) 2-stroke: Propulsion engines for medium- and large-sized ships
2) 4-stroke: Power generation engines for medium-sized and large ships and propulsion engines for small-sized ships

Low-carbon Electric Propulsion System for Large Ships

HDKSOE and HHI independently developed a zero-carbon electric propulsion system for large ships such as a 170,000-ton gas carrier and a 300,000-ton super-sized tanker, and obtained classification certification. This system combines an ammonia dual-fuel power generation engine with high-capacity fuel cells, providing high propulsion efficiency comparable to that of large engines without carbon emissions. Compared to the existing system, this system improved power quality by 40% and integrated energy efficiency by 20%. In recognition of this outstanding performance, HDKSOE and HHI received Approval in Principle (AiP) from the Lloyd’s Register(LR). Building on this achievement, HDKSOE and HHI plan to advance the commercialization of low-carbon electric propulsion systems for large ships.

Business Case
Fuel Cell Technology for Cruise Ships

HDKSOE has been carrying out a Joint Development Project (JDP) with TUI Cruises, DNV, HD Hyundai Europe Research Center, and HD Hydrogen to develop a fuel cell-based power system for cruise ships. The project focuses on Solid Oxide Fuel Cell (SOFC) technology, a high-efficiency power generation solution that produces electricity directly from a range of fuels, including natural gas and ammonia. Compared with conventional internal combustion engines, SOFC technology can significantly reduce carbon emissions and air pollutants. Through this project, **HDKSOE** has developed a fuel cell-based power system optimized for cruise ships. We plan to further enhance our competitiveness in next-generation ship technologies, with a particular focus on the European market, where demand for eco-friendly vessels continues to grow.

Methanol Dual-Fuel HiMSEN Engine

The methanol dual-fuel HiMSEN engine developed by HHI in September 2022, is capable of operating on both methanol and diesel fuel. It adopts a high-pressure direct injection system, in which air is compressed in the combustion chamber, pilot fuel is ignited, and high-pressure methanol is injected to enhance output and efficiency. Although the high-pressure fuel pump and double-wall fuel piping design are technically more complex than those used in other systems, the engine delivers higher efficiency while generating relatively lower harmful exhaust emissions and greenhouse gas emissions. Methanol dual-fuel HiMSEN engines and Selective Catalytic Reduction (SCR) systems are being supplied in a package to container ships built at Korean, Chinese, and Japanese shipyards, proving its outstanding competitiveness.

The engine has been recognized for its advanced technological capabilities. In 2024, it was selected as one of the “Top 10 Mechanical Technologies of Korea 2024,” an award sponsored by the Ministry of Trade, Industry and Energy (MOTIE).



Ammonia Dual-Fuel HiMSEN Engine

In 2024, HHI became the first company in the world to develop a HiMSEN ammonia dual-fuel engine using high-pressure direct injection technology and received type approval from seven classification societies. In 2025, we expanded the lineup to outputs of up to 5.4 MW to meet a wider range of power requirements.

Using the same high-pressure direct injection technology as methanol engines, the engine delivers high power output and fuel efficiency while reducing greenhouse gas emissions, including nitrous oxide (N₂O).

A key differentiator is HHI’s in-house developed ammonia pressurization system, which enhances the engine’s competitiveness. An electronically controlled diesel fuel injection system optimizes pilot fuel injection to maximize ammonia combustion efficiency. By using a Selective Catalytic Reduction (SCR) system, the amount of nitrogen oxides and unburned ammonia in the exhaust gas is minimized.

LNG/Hydrogen Hybrid HiMSEN Engine

HDKSOE, HHI have validated the performance of their independently developed 1.5 MW LNG–hydrogen dual-fuel HiMSEN engine, demonstrating stable hydrogen co-combustion. In 2025, we also completed testing and validation of diesel–hydrogen dual-fuel technology.

The hydrogen dual-fuel engine selectively uses diesel and hydrogen to reduce emissions of sulfur oxides (SOx), nitrogen oxides (NOx), carbon dioxide (CO₂), and particulate matter. Performance tests confirmed compliance with the IMO Tier III NOx standard while verifying significant reductions in carbon dioxide emissions and methane slip.

When installed on liquefied hydrogen carriers, the engine can reuse boil-off hydrogen gas generated during transportation as fuel, minimizing hydrogen losses and improving vessel operating efficiency.

Environmental Impact Reduction Technologies

Strategy

Technology Development Strategies to Reduce Environmental Impact

Technologies to Enhance Operational Efficiency of Ships

BADA-100

BADA-100 is a marine battery system that delivers stable high-power output using highly reliable NMC cells. It features a compact modular design optimized for the marine environment and incorporates a multi-layered safety architecture. Equipped with a smart battery monitoring system, BADA-100 enables flexible and reliable power management under a wide range of operating conditions.

Furthermore, **HDKSOE and HHI** have developed a hybrid battery system operating technology that extends the role of batteries beyond that of a supplementary power source to maximize the efficiency of a vessel's power system. The technology has received Approval in Principle (AiP) from the Korean Register. Its core capability is to coordinate power distribution between generators and batteries in real time according to changing onboard power demand, allowing generators to operate continuously within their optimal efficiency range. This helps reduce fuel consumption and GHG emissions during vessel operations while improving overall system efficiency and reliability.

Hi-eGAS

HDKSOE and **HHI** have developed Hi-eGAS (High-efficient Gas Supply System), a next-generation LNG supply system aimed to reduce fuel consumption and carbon emissions for LNG propulsion ships. LNG propulsion ships heat LNG at −163°C for use as fuel, but the drawback is that the heating process creates additional fuel consumption and carbon emissions. Ships with Hi-eGAS save on fuel by heating LNG with the waste heat from ship engines, reducing carbon emissions by approximately 1.5% and lowering unnecessary fuel consumption.

Hi-ERSN

HDKSOE's Hi-ERSN (Economical Re-liquefaction System N2) is a system that utilizes nitrogen refrigerant to liquefy boil off gas (gaseous LNG) generated in the LNG cargo tanks and reinjects it back into the LNG cargo tank. Hi-ERSN is not merely a simple improvement to the re-liquefaction system: it is developed to be linked with the fuel supply system, thus improving energy efficiency by over 20%.

Hi-PSD

HHI's Hi-PSD (Pre-Swirl Duct) is a proprietary energy-saving device developed to improve vessel fuel efficiency. Installed in front of the propeller, it effectively controls the incoming flow to reduce energy loss caused by propeller rotation, thereby improving fuel efficiency.

Hi-Rotor

HHI's Hi-Rotor is a type of rotor sail, a wind-assisted propulsion system. Installed vertically on the ship's deck, its cylindrical rotor is driven by an electric motor to generate the Magnus effect, providing additional propulsion. By reducing fuel consumption, Hi-Rotor also helps reduce carbon emissions.

Hi-ALS

Hi-ALS (Air Lubrication System), developed by **HHI** using entirely Korean technology, is a next-generation air lubrication system that improves vessel energy efficiency by supplying air along the hull surface to reduce frictional resistance, lowering fuel consumption and carbon emissions. By injecting air horizontally into seawater, Hi-ALS naturally forms an air layer along the boundary layer, delivering excellent lubrication performance while requiring a relatively small volume of air.

Carbon Capture and Storage Technologies

Carbon Capture and Storage (CCS) Value Chain Vessel Technologies

HDKSOE and **HHI** are advancing their CCS value chain business by building a medium-sized liquefied carbon dioxide (LCO₂) carrier equipped with a proprietary Cargo Handling System (CHS) for the Northern Lights Joint Venture CCS project. The vessel features a cargo handling system capable of transporting both liquefied carbon dioxide (LCO₂) and liquefied petroleum gas (LPG), and is powered by an LNG dual-fuel propulsion engine designed to reduce emissions during operation. It also incorporates Ice Class design technology to enable reliable operation in polar environments, including the North Sea, while cargo handling technologies continue to be enhanced to support the safe storage and transportation of liquefied carbon dioxide.

To secure one of the core technologies for CCS transport vessels, **HDKSOE** obtained Approval in Principle (AiP) from the Korean Register in 2023 for its liquefied carbon dioxide cargo tank technology. The company has also worked with POSCO and Hyundai Steel to develop dedicated steel plates for CCS transport vessels, supporting the advancement of core enabling technologies. In 2024, HDKSOE used its in-house Carbon Neutral R&D Test Facility to validate the reliquefaction system for liquefied carbon dioxide carriers and verify the formation of dry ice inside cargo tanks, further demonstrating key transportation technologies.

Building on these technological achievements, **HDKSOE** and **HHI** continue to enhance specialized technologies for liquefied carbon dioxide carriers. The companies will also continue developing core vessel technologies for CCS transportation to support the decarbonization value chain.

Environmental Impact Reduction Technologies

Strategy

Driving Digital Transformation

Building Smart Shipyards (Future of Shipyard)

2030 Smart Shipyard Strategy

HDKSOE and its shipbuilding subsidiaries are jointly advancing the Future of Shipyard (FOS) project to drive a paradigm shift in the shipbuilding industry through productivity innovation. The goal is to establish smart shipyards powered by advanced digital technologies, including big data, virtual and augmented reality, robotics, intelligent automation, and artificial intelligence, by 2030. The first phase of the FOS project, Visible & Understandable Shipyard, was completed in 2023. By 2026, the companies aim to implement the second phase, Connected and Optimized Shipyard, followed by the third phase, Autonomous Shipyard, by 2030. Through these initiatives, we plan to increase productivity by 30% and reduce construction time by 30%.

FOS 2030 Goals

- Establish a Cyber-Physical System (CPS) across the entire shipbuilding process.
- Improve productivity and create a safer working environment through intelligent operations with minimal human intervention.
- Increase productivity, reduce lead time, and eliminate operational waste.

[-2023] Visible & Understandable Shipyard

HDKSOE and its shipbuilding subsidiaries successfully completed the first phase of FOS in late 2023 by establishing the “Visible and Understandable” shipyard using “Twin FOS,” a digital twin integrated information platform. Twin FOS provides a comprehensive view of the actual conditions of the work site (factory), ships and blocks under construction, facilities, and logistics, and shows metrics and indicators of the process, materials, quality, safety, and management. This enables executives to make swift and rational decisions, managers to develop efficient plans and issue work instructions, and frontline personnel to easily access the information they need, facilitating seamless collaboration and creating a virtuous cycle of optimization across the entire production process. Twin FOS, as a digital platform that integrates and manages all the assets and information of the shipyard, serves as key infrastructure for the transformation into a smart shipyard.

As part of the FOS project, we established a digital work order system across the entire shipbuilding process, which allows us to consolidate information such as production plans, work orders, and safety instructions, and thereby enhance productivity. With the introduction of the mobile digital work order system, viewing information and working collaboratively have become easier since this enables workers to access model data and work instructions regardless of location. We have also established an integrated monitoring system for key facilities and equipment, such as cranes, transporters, and forklifts, to monitor operations in real time and ensure optimal efficiency.

[-2026] Connected and Optimized Shipyard

HDKSOE and its shipbuilding subsidiaries plan by 2026 to complete FOS Phase 2, a “Connected and Optimized” shipyard which will bring a transformative leap in productivity and cost competitiveness. The key to Phase 2 is optimizing processes using AI, machine learning, and big data analysis. In this phase, we develop decision-making technologies that minimize human intervention by integrating and linking data accumulated in Phase 1 and deriving optimal solutions through AI and big data simulations. This will reduce idle time and waste, improve process efficiency, and enable proactive risk management, allowing the system to provide operational strategies for each area and help secure an optimal cost structure.

To this end, HDKSOE and its shipbuilding subsidiaries have continued to strengthen the foundation of the “Visible and Understandable” shipyard by advancing the Twin FOS, improving the 3D design information service, and expanding visualization of materials and logistics.

Furthermore, we are working on projects such as interconnected systems, automated validation of error-free design data, automated production planning linking preceding and subsequent processes, and the generation of optimal block transport routes. We plan on expanding the application of Palantir Foundry for AI-driven big data analysis, and focus on strengthening our infrastructure using advanced digital technologies such as mobile, IoT, drones, and ultra-high-speed communications to support optimization across various fields.

[-2030] Autonomous Shipyard

Through FOS Phases 1 and 2 (by 2026), HDKSOE and its shipbuilding subsidiaries aim to provide timely monitoring of yards and unit worksites, optimally operate production factors such as workforce, materials, capital, schedules, and facilities based on AI and Big Data analysis, and achieve a Logical Automation (LA) system enabling rational and swift decision-making.

We aim to build an “Autonomous” shipyard by 2030, a completed model of FOS where the LA System and Physical Automation (PA) factors such as advanced robots and automated facilities are perfectly connected and integrated. The intelligent autonomous shipyard will ensure optimal operation through sophisticated communication between highly trained logical and physical systems, minimizing the need for human intervention and creating a safe and efficient work environment.

When FOS Phase 3 is complete, HDKSOE and its shipbuilding subsidiaries will increase productivity, shorten lead time, and achieve Zero Waste.

Environmental Impact Reduction Technologies

Strategy

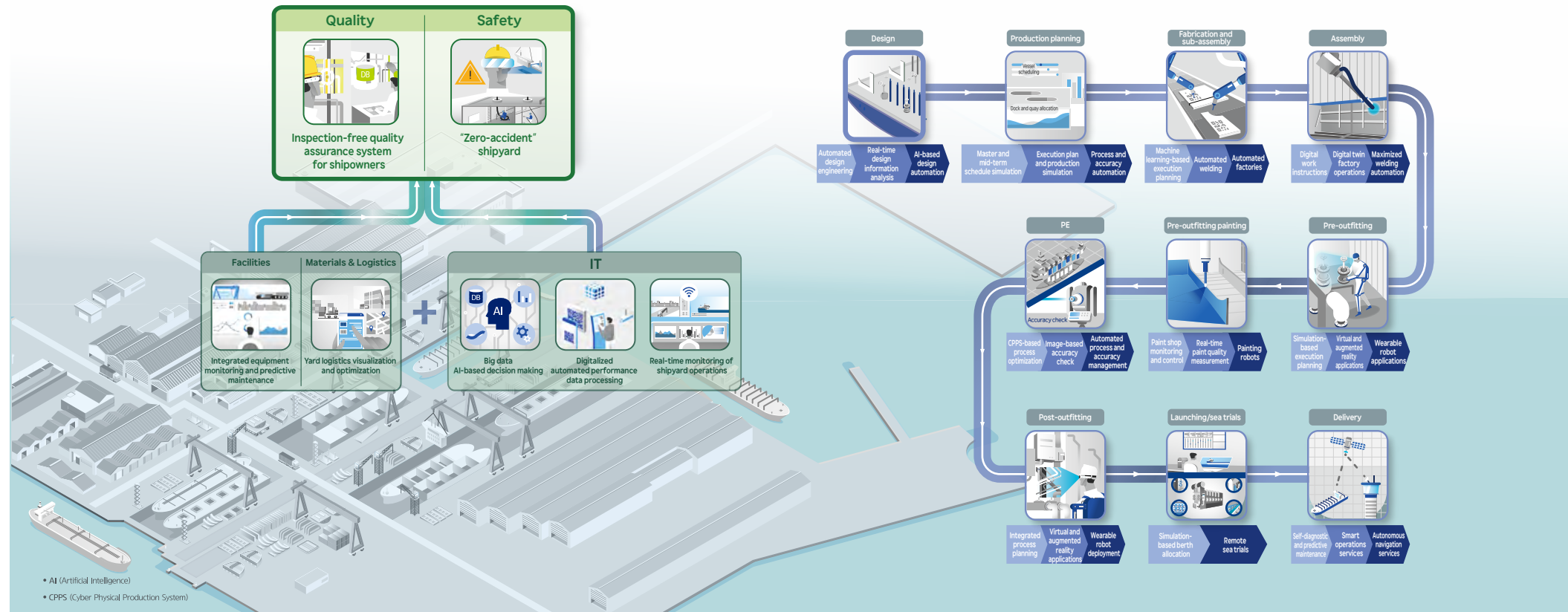
Driving Digital Transformation

Building Smart Shipyards (Future of Shipyard)

2030 Smart Shipyard Blueprint

2030 SMART SHIPYARD

Future of Shipyard



Business Case Building Smart Shipyards with Integrated Digital Platform

HDKSOE and its shipbuilding subsidiaries are accelerating the digital transformation of their shipyards by developing an integrated platform that connects the entire shipbuilding process, from vessel design to production, through a single data flow. To this end, we selected Siemens as our preferred bidder to develop an integrated platform that seamlessly links ship design and production.

The platform integrates the core systems used in shipbuilding, including 3D computer-aided design (CAD), product lifecycle management (PLM), and digital manufacturing (DM), enabling design changes to be reflected in production operations in real time. This will help minimize inefficiencies and errors caused by disconnected design and production data while enabling integrated 3D management of block assembly, welding, piping, and electrical system information to improve design accuracy and optimize production planning.

Building on this platform, HDKSOE is also creating a 3D digital environment that replicates both vessels and shipyard operations. By incorporating industrial metaverse and physical AI technologies, the company aims to realize the next generation of smart shipyards. The platform will serve as the core infrastructure for the Future Of Shipyard (FOS) initiative.

HDKSOE plans to begin platform development in 2026 and roll it out in phases across its domestic shipyards, including HHI and HSHI, by 2028. The platform will subsequently be deployed at overseas operations.

Environmental Impact Reduction Technologies

Strategy

Driving Digital Transformation

Smart Ship Development

AI-based Carbon Emissions Monitoring (OceanWise)

HDKSOE, in collaboration with HD Hyundai Marine Solution, has developed OceanWise, an AI-powered solution that supports Scope 3 greenhouse gas emissions management and enhances ESG capabilities for cargo owners. Leveraging global voyage data and artificial intelligence, OceanWise predicts vessel operating performance, recommends optimal sailing routes, and provides monitoring and guidance services to reduce carbon emissions during operation. The solution has been commercialized through supply agreements with companies including POSCO and is being deployed more broadly through pilot projects with domestic and international cargo owners and shipowners.

Through smart vessel technologies such as OceanWise, HDKSOE is enhancing vessels' environmental performance, operational efficiency, and safety in an integrated manner. Going beyond shipbuilding, the company is also promoting real-time information sharing and collaboration among shipowners and operators to support ESG management across the broader maritime value chain. This is expected to play a key role in realizing HDKSOE's Ocean Transformation vision.

AI Cargo Handling Solution (AI-CHS)

HDKSOE and its shipbuilding subsidiaries are developing the next-generation AI Cargo Handling Solution (AI-CHS) to reduce fuel consumption and maximize vessel operating efficiency. For example, LNG carriers require boil-off gas (BOG) naturally generated during voyages and while berthed to be appropriately distributed among key onboard systems, including the reliquefaction unit, generators, and the main engine. AI-CHS supports this process by comprehensively analyzing operating conditions and cargo handling conditions, providing reliable decision support for tasks that have traditionally relied on the experience of skilled crew members.

To validate the technology, AI-CHS was installed on an LNG carrier delivered to SK Shipping in June 2025. By collecting and analyzing cargo handling and operational data, the solution is expected to improve operational efficiency and minimize environmental impacts through ▲ cargo handling fuel efficiency assessment, ▲ fuel optimization guidance, and ▲ simplified onboard operations.

Autonomous Navigation Solution (HiNAS)

HDKSOE and its shipbuilding subsidiaries are working with HD Hyundai subsidiary Avikus to equip vessels with the HiNAS autonomous navigation solution for large ships. Through this collaboration, we are enhancing order competitiveness while improving vessel safety, operational convenience, and environmental performance, while also providing platform support and technical integration.

HiNAS is an intelligent navigation system that enables progressive levels of autonomous operation. It combines camera-based visual information, onboard sensor data, and AI-powered data analytics to support crew decision-making and enable autonomous navigation under a wide range of operating conditions. The solution has also received type approval from DNV, demonstrating its reliability and safety in accordance with international standards.

HiNAS consists of four integrated solutions: HiNAS Navigation, which enhances forward situational awareness; HiNAS Control, which automatically controls steering and speed according to navigation conditions; HiNAS SVM (Surround View Monitoring), which provides a 360-degree top view of the vessel's surroundings; and HiNAS Cloud, which enables real-time, video-based remote monitoring from shore.

These autonomous navigation technologies support safer and more efficient vessel operations by automatically controlling the vessel based on optimal operating conditions determined according to weather conditions and changing maritime environments. Demonstration projects conducted with multiple shipping companies have verified HiNAS's fuel-saving performance compared with conventional vessel operations, contributing to lower carbon emissions.

Business Case Demonstration of Integrated AI Solution

HDKSOE is working on demonstration projects for an integrated AI solution for smart vessels in collaboration with key HD Hyundai affiliates and shipping companies. The goal is to advance AI-based autonomous and environmentally friendly vessel technologies by integrating AI across vessel operations, including autonomous navigation, engine automation, route optimization, and cargo handling, to improve the operational efficiency of both individual vessels and fleets.

The demonstration combines autonomous navigation, route optimization, and AI-based cargo handling systems to establish a high-efficiency operating framework that reduces fuel consumption, improves operational efficiency, enhances safety, and minimizes environmental impacts. Demonstration trials using an LNG carrier are underway to verify the technology's performance, reliability, and applicability under actual operating conditions. Through these initiatives, HDKSOE plans to further integrate AI-powered digital technologies across the entire vessel lifecycle, from design and construction to operation and maintenance, while proactively responding to the needs of the future maritime industry.



Agreement on AI-based Autonomous and Eco-friendly Vessel Technology Development

Environmental Impact Reduction Technologies

Risk Management

Review and Expansion of Environmental Impact Reduction Technology

Environmental Impact Reduction Technology Development Process

Establishing Technology Development Procedures and Implementing Projects

HDKSOE and its shipbuilding subsidiaries are advancing toward their vision of becoming the Global Leading Net Zero Shipbuilder in line with the decarbonization of ocean mobility. Based on analyses of market and technology trends, the companies manage the entire innovation process, from identifying promising technologies and establishing technology roadmaps to development and commercial application. We continuously monitor both domestic and international regulations related to environmental impact reduction, demands from shipowners and other market participants, and technological developments in the same industry, and create a list of technologies required to respond to the changes in the market environment.

Based on implementation strategies and roadmaps for each technological development, we derive detailed implementation tasks, and then establish quantitative targets for what we aim to achieve through technological development, such as carbon reduction in ships. We formulate plans for managing the investment portfolio required for technology development. The outcomes of technological development are applied and optimized in ships, and any improvements identified during the application process are incorporated in real time. Through technology development council meetings, we share the progress and status of projects and technological developments, as well as communicate about key deliverables and outcomes.

Development Process of Environmental Impact Reduction Technology (Activities by Stage)

Analyzing market and technology trends	Discussing on technology development approach and development Items	Establishing strategies and roadmap for technology development	Developing and reviewing technology development projects	Implementing and applying technology development tasks	Conducting mid-term and final reviews
- Identify environmental impact-related regulations and market needs - Monitoring of technology trends across the shipbuilding and other industries - Identify environmental issues related to business activities and production processes	- Conduct workshops for environmental reduction technology development - Discuss responses to regulations on future fuels - Conduct internal discussions among R&D organizations and identify a list of technologies	- Design the direction of technology development and operating a council for task implementation - Establish strategies and R&R for each technology development item - Draw a roadmap based on the implementation plan for each technology development item	- Develop detailed implementation tasks based on technology development strategies - Establish quantitative targets as a result of technology development such as carbon reduction - Manage investment portfolios for each technology development item	- Conduct specific tasks and managing outputs - Apply technological achievements to ships - Optimize application and reflect improvements on a real-time basis	- Conduct tasks and sharing development progress - Interact about progress and outcomes

Application of Environmental Impact Reduction Technology

Steel pre-treatment and cutting	Assembly	Pre-outfitting painting	Dock and quayside operations	Inspection	Sea Trial
- Automate the pretreatment painting process - Use environmentally friendly thinner for wash primers	- Apply high-efficiency welding techniques - Improve ventilation and working conditions in indoor assembly shops	- Develop and apply low VOC paints - Introduce clean room in paint factory, establishing integrated control system - Reduce VOC materials and amount of paint through development of smart spray gun	- Develop and applying shatter-proof equipment and technologies and outdoor surface treatment - Introduce a remote control system for lighting and ventilation fans on vessels under construction	- Minimize wastewater by changing pressure testing methods - Minimize structural deformation through an integrated dimensional accuracy management system	- Minimize fuel consumption during trials through the implementation of remote control and monitoring systems for testing equipment - Develop loss gas reduction technology for LNG DF ships
Common Activities					
Develop waterborne anti-corrosion coatings and application technologies for non-immersed areas of vessels		Reduce paint consumption through the use of a VR spray painting simulator for training		Take energy-saving initiatives using the Hi Energy System (City gas/electricity monitoring)	

Construction of Test Facility for Environmental Impact Reduction Technologies

HDKSOE and its shipbuilding subsidiaries have established and are operating a Carbon-Neutral Ship R&D Test Facility to support the development of next-generation environmentally friendly vessels. It replicates onboard cargo handling systems on land, enabling the prediction and validation of operational performance under actual marine conditions. While existing facilities were limited to validating individual systems, such as LNG fuel supply and LNG reliquefaction, the new facility demonstrates the entire cargo transportation process, from loading and voyage to unloading, allowing comprehensive verification of cargo handling systems incorporating carbon reduction technologies.

Using this facility, HDKSOE and its shipbuilding subsidiaries have successfully demonstrated technologies for liquefied carbon dioxide carriers and multi-gas carriers (ammonia and LPG), with the results leading to actual vessel deliveries. Building on this, we plan to progressively extend demonstration activities to environmental impact reduction technologies for a wider range of next-generation vessels, including ammonia carriers.

Environmental Impact Reduction Technologies

Metrics & Targets

Environmental Impact Reduction Technologies Metrics & Targets

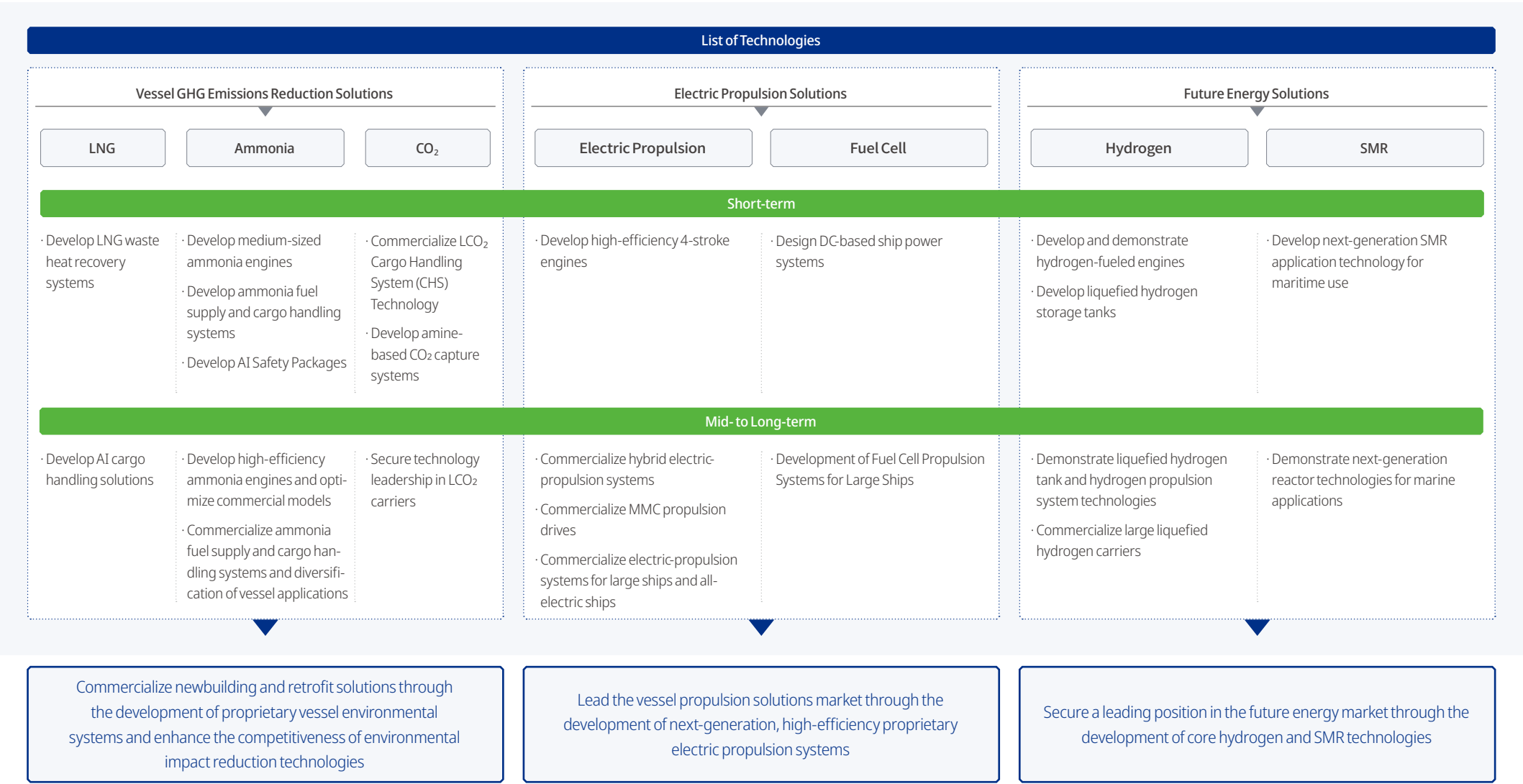
Enhancing Competitiveness of Environmental Impact Reduction Technologies

Increasing Orders for Low and Zero-carbon Ships

HDKSOE and its shipbuilding subsidiaries are committed to enhancing their order competitiveness through the development of low- and zero-carbon vessels in line with the maritime industry’s transition toward sustainability. To respond to the IMO's more stringent greenhouse gas regulations and support the industry's carbon neutrality goals, we have established a next-generation ship technology roadmap and will implement it through a systematic approach.

The roadmap focuses on applying low- and zero-carbon energy sources, including ammonia, fuel cells, hydrogen, and small modular reactors (SMRs), to future vessels through continuous innovation and technological advancement. Building on this structured approach, we will continue developing next-generation ship technologies to contribute to achieving carbon neutrality across the maritime industry by 2050.

Cutting-edge Technology Development Roadmap



Environmental Management

Governance

Environmental Management Governance

Roles and Responsibilities

Role of the BOD

HDKSOE and its shipbuilding subsidiaries have established a systematic environmental governance structure, stretching from the BOD to senior management and responsible departments. BODs at each company (or ESG Committees under BODs) review strategic directions and action plans for environmental management and supervise the goals and performance related to GHG emissions reduction, waste management, and pollutant reduction. In addition, the BODs oversee the implementation of environmental management activities conducted by the management and responsible departments, and review and approve matters that have significant impacts on corporate business activities.

Role of the Executive Management

The CEOs and executives in charge of environmental management at HDKSOE and its shipbuilding subsidiaries establish strategic goals to implement environmental management initiatives, and they hold the responsibility and authority to monitor the implementation of each activity and allocate funds. They also receive reports on environmental management policies, action plans, and the progress of those plans, as well as make decisions on key issues.

Roles of Responsible Departments

HDKSOE's HSE Strategy Team, led by the HSE executive, is responsible for environmental management tasks. This team acquires and maintains environmental management system certifications as well as establishes and revises environmental management-related guidelines. In addition, the team analyzes environmental opportunity and risk factors and any other environmental issues that may arise in the course of business, as well as the causes and strategies to address these issues and establish efficient management strategies.

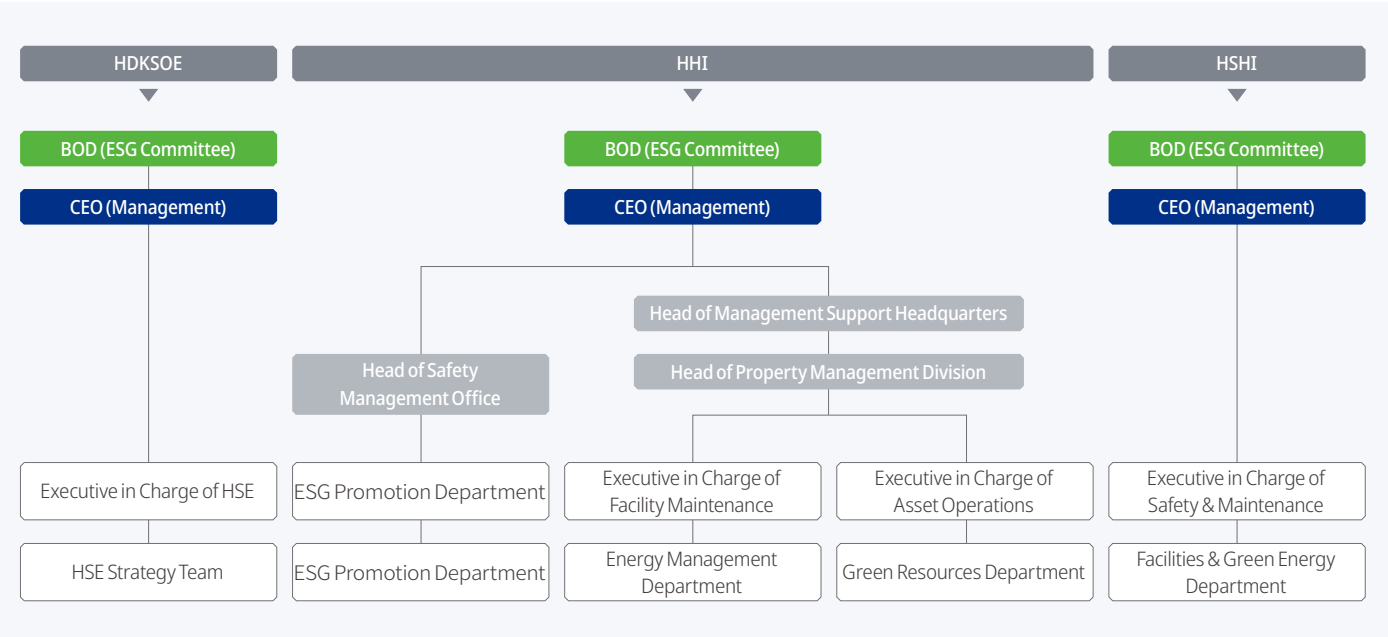
At HHI, the departments responsible for environmental management are the ESG Department, Energy Management Department, and Green Resources Department. The ESG Department is responsible for the following tasks related to the overall environmental management system: planning environmental policies and systems; establishing business plans and carbon neutrality strategies; developing and managing environmental KPIs; devising response measures against environmental regulations; managing environment-related permits and licenses; managing environmental equipment and facilities; and maintaining the environmental management systems (ISO14001) certification. The Energy Management Department is in charge of tasks related to energy management systems such as planning energy policies and systems and formulating business plans. The Green Resources Department takes responsibility for managing waste treatment and operating and managing incineration facilities.

At HSHI, the Facilities & Green Energy Department is responsible for environmental management. The department is responsible for obtaining and managing ISO 14001, establishing and revising environmental policies, complying with the GHG Emissions Trading Scheme (ETS). In addition, the department is also in charge of environment management-related permits, managing air and water pollutants and other waste, obtaining and managing ISO 50001, and managing energy and water use facilities.

Environmental Management Performance Evaluation KPIs

Category	Description
HDKSOE	· Company-wide environmental performance evaluation and management (monthly) · Company-wide environmental impact assessment (annually)
HHI	· CEO and executive KPIs - Reduction in energy consumption per unit of production · Company-wide organizational KPIs - Implementation of Energy Keeper activities, number of environmental regulatory violations, etc.
HSHI	· CEO and executive KPIs - Reduction in energy consumption per unit of production · Annual ESG evaluation for department heads - Energy management - ISO 14001 management

Environmental Management Governance of HDKSOE and Subsidiaries



Environmental Management

Strategy

Environmental Management Strategy

Laying the Foundation for Environmental Management

Environmental Management Declaration

HDKSOE and its shipbuilding subsidiaries have published an Environmental Management Declaration in response to growing internal and external expectations for environmental management. This declaration clearly expresses our vision and specific commitment to environmental management. Each company's declaration contains commitments to sustainable growth and environmental preservation for future generations, as well as our pledge to fulfill our corporate social responsibility as a global enterprise.

- [HDKSOE Manifesto for Environmental Management](#)
- [HHI Manifesto for Environmental Management](#)
- [HSHI Manifesto for Environmental Management](#)

Full text of “Manifesto for Environmental Management”

On the pathway to achieving green and sustainable growth through low-carbon and eco-friendly management that brings clean and hopeful futures for the next generation, all of us shall pledge to take our Seven Commitments of Environmental Management into real practices as follows:

Seven Commitments for a Sustainable Future

- We will achieve carbon neutrality to address climate change.
- We will drive eco-friendly technologies for ships forward to low carbon green growth.
- We will comply with domestic and international environmental laws and regulations.
- We will strengthen our key pillars of environmental management based on ISO 14001.
- We will take the lead in efficient use of resources through saving and recycling.
- We will minimize pollutants in the production process.
- We will make transparent disclosure of environmental information and establish good corporate culture for environmental management.

Funding for Environmental Investment

HHI utilizes various channels, such as green bonds, to secure funds for environmental investment. The funds raised through these green bonds are utilized for the construction of low- and zero-carbon ships and related technology development. HHI also discloses its Green Bond Allocation and Impact Report on its website.

[HHI Green Bond Allocation and Impact Report](#)

International Green Bond Projects

Category	Description
Low- and zero-carbon ship construction	· Reduce air pollutants such as CO ₂ , SO _x , and NO _x by using LNG dual-fuel and methanol dual-fuel ships
Facility investment and technology development for low- and zero-carbon ships	· Research and development of clean transportation solutions through technology development and facility investments related to ammonia/ methanol dual-fuel engines, ammonia/hydrogen propulsion vessels

Environmental Management Training

HDKSOE conducts training on proper handling of chemical substances for employees and contractors. In addition, environmental facilities managers receive emergency response training on environmental incidents such as pollutant leaks and breakdown of environmental facilities. The company also provides regular environmental training to support compliance with environmental regulations and the proper operation of environmental facilities.

HHI provides employees and contractors with training on basic knowledge of chemical substances and response measures for chemical accidents, enabling them to effectively respond to unexpected incidents.

Environmental Management Training Courses

Category	Target Group	Course Description
HDKSOE	Employees and suppliers	· Proper treatment of chemical substances
	Environmental facility managers	· Regular environmental training
HHI	Employees and suppliers	· Basic concepts of chemicals, hazard awareness, accident prevention, and response · Training for hazardous chemical substance handlers
	Environmental facility managers	· Updates on new regulations and environmental system training
HSHI	All employees	· Latest environmental laws and regulations
	Employees and suppliers	· Chemical safety concepts and response measures in case of incidents
	Safety managers from in-house subcontractors,	· Chemical accident prevention and response

Workers who handle hazardous chemical substances are required to complete training for chemical substance handlers before undertaking work. Furthermore, HHI provides continuous training on new regulations and environmental management systems for personnel in charge of environmental facilities.

HSHI regularly updates its environmental regulations register to reflect changes in applicable laws and regulatory developments and provides related training to employees. The company conducts environmental training for safety managers from in-house subcontractors, to foster a culture of extended environmental management. Employees and contractors undertake chemical substance training to ensure they are able to act appropriately in case of chemical accidents.

Environmental Management

Risk Management

Environmental Risk Management

Risk Identification and Mitigation

Environmental Management System Operation and Certification

HDKSOE and its shipbuilding subsidiaries have obtained certification to the internationally recognized ISO 14001 Environmental Management System and operate a company-wide environmental management framework based on this standard. Environmental impacts associated with each production process and worksite are identified and assessed for significance to determine key environmental aspects. Based on these assessments, reduction targets and improvement plans are established, while implementation is monitored by each department to help realize the continuous reduction of environmental impacts.

To ensure the effective operation of the environmental management system, training is provided to personnel responsible for environmental management across departments. Internal audits are conducted by qualified auditors who have completed ISO 14001 and other internal auditor training programs. Corrective actions are implemented based on internal audit findings to continuously improve the system. Under this management framework, each site renews its certification every three years through an accredited certification body, ensuring the ongoing effectiveness of its environmental management system.

Third-Party Certification Status for Environmental Management System

Category	Certification Standard	Certifying Body	Validity Period	Scope of Certification ¹⁾
HDKSOE	ISO 14001:2015	DNV	December 2022 – December 2025 ²⁾	100 %
HHI ³⁾	ISO 14001:2015	DNV	May 2025 – May 2028	94 %
HSHI	ISO 14001:2015	DNV	April 2025 – April 2028	100 %

1) HDKSOE: Applicable sites - GRC Headquarters, Ulsan Research Building
HHI: Percentage of employees at sites within the scope of certification (product design, manufacturing, etc.)
HSHI: Applicable sites - Yeongam Headquarters, Daebul Plant 1
2) Certification validity period after renewal: December 2025 – December 2028
3) ISO certification integration is currently underway following the merger and based on HHI's ISO certification issued before the merger.

Reviewing Environmental Risks for Investment Projects

HDKSOE and its shipbuilding subsidiaries perform extensive prior reviews on each potential investment project. This includes not only financial risks such as strategy, legal issues, and profitability, but also environmental risks. Through each company's internal reporting and review processes, environmental risks associated with new investment projects are identified, and decisions are made on whether to proceed with the investments.

HHI has established an environmental impact improvement plan, considering the environmental impacts of all business activities (R&D, design, production, etc.) across the company, and implemented improvement activities according to the plan. The dedicated environmental management department reviews all proposed investments across the business to evaluate environmental requirements and technical feasibility. Each review covers compliance with applicable environmental regulations, the adequacy of pollution control facilities, potential environmental risks, and appropriate mitigation measures.

HSHI also assesses the suitability of all new facility investments by identifying options for replacing aging equipment or avoiding redundant investment. Investment decisions are made following evaluations of technical performance, regulatory compliance, as well as technical assessments that consider both safety and environmental impacts.

Environmental Management Communication

HDKSOE and its shipbuilding subsidiaries recognize their environmental responsibilities and fulfill them by actively engaging with employees, contractors, local communities, and other stakeholders regarding the positive and negative environmental impacts of their business activities. Stakeholder feedback and concerns are carefully addressed as part of the Company's ongoing environmental management efforts.

In particular, **HHI** participates as a member of the Chemical Safety Management Committee, organized by Dong-gu Office of Ulsan Metropolitan City, and discussed chemical safety management for the local community together with government and private organizations. Since 2024, HHI has participated in the public-private joint response council for chemical accidents, organized by the Nakdong River Basin Environmental Office, to establish a cooperation mechanism for prompt initial response in case of chemical accidents within Ulsan. In addition, as a member of the Ulsan Environmental Engineers Association, HHI shares information on the latest environmental control technologies and facilities while promoting technical exchange with public- and private-sector environmental professionals in the region.



Ulsan Environmental Engineers Association Seminar

Environmental Management

Risk Management

Environmental Risk Management

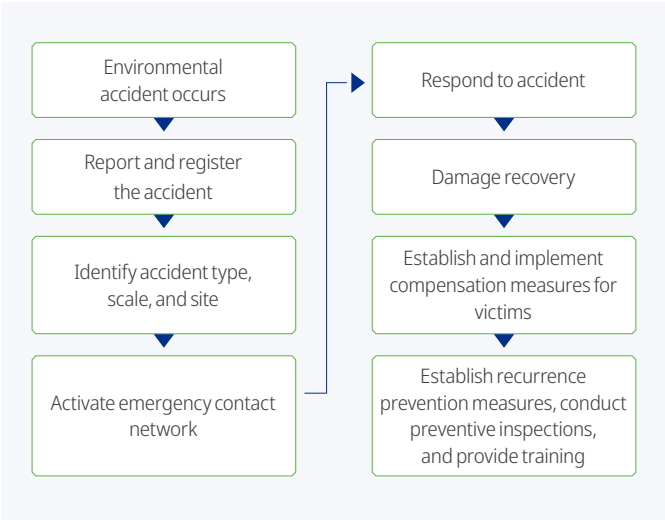
Risk Identification and Mitigation

Environmental Accident Response Procedures

HDKSOE and its shipbuilding subsidiaries have conducted regular self-inspections on environmental facilities to prevent potential environmental pollution accidents during business operations. In preparation for potential chemical spills, we conduct hazard assessments on chemical products to be handled and provide guidelines and training for safe handling.

Meanwhile, HHI and HSHI perform pre-operational inspections for processes with a high risk of marine pollution, while on-site inspections during operations help identify and manage potential pollution risks proactively. Marine pollution response teams have also been established, with regular spill response drills conducted to enhance preparedness and minimize environmental impacts.

Environmental Accident Response System



Environmental Regulatory Compliance

HDKSOE and its shipbuilding subsidiaries comply with environmental laws and regulations throughout all stages of operations. To prevent environmental pollution and minimize legal risks, we review regulatory requirements on a regular basis, maintain a preventive compliance management system, and continuously monitor regulatory developments and amendments to ensure timely implementation.

HHI conducts regular environmental compliance assessments to systematically manage the environmental impacts of its business activities and ensure compliance with environmental regulations. A comprehensive register of environmental laws relevant to its operations, including the Clean Air Conservation Act, Water Environment Conservation Act, and Chemical Substances Control Act, is maintained, with compliance reviewed annually. Assessments evaluate adherence to the requirements of each applicable regulation, and improvement measures are developed and implemented where gaps are identified. Regulatory amendments are also reviewed on an ongoing basis, and relevant updates are shared across responsible departments and necessary response measures are promptly communicated to support effective environmental compliance.



Marine Pollution Response Ship

Contractor Environmental Risk Assessment

HHI conducts environmental risk assessments of contractors to manage their environmental risks across its supply chain. The process begins with the development of evaluation indicators and assessment criteria, followed by document reviews and on-site inspections to comprehensively evaluate contractors' environmental management practices and identify potential environmental risk factors. The assessment framework consists of two categories and 12 evaluation items, covering areas such as environmental policy, strategy and target setting, and GHG management.

Where environmental risks are identified, the company supports contractors in developing improvement plans and continues to provide assistance while monitoring implementation to ensure corrective actions are effectively carried out. Through this process, HHI helps enhance contractors' environmental management capabilities while proactively identifying and managing environmental risks throughout the supply chain.

Environmental Risk Assessment Results

Category	2025 Results	Remarks
Key Tier 1 suppliers subject to questionnaire assessments	25 -	
Key Tier 1 suppliers subject to on-site assessments	25 -	
Key Tier 1 suppliers with identified risks	24	Key risks identified: ▲ Insufficient waste management, ▲ Insufficient GHG management system
Key Tier 1 suppliers with improvement plans	24	Support measures: ▲ Waste management guidelines ▲ Assistance in establishing a GHG management system

Environmental Management

Risk Management

Environmental Risk Management

Water Use and Water Quality Management

Water Consumption Management

HDKSOE conducts monthly water usage checks at GRC Headquarters, Ulsan Research Building, and Gyedong Office in Seoul, and strives to improve the effective use of water resources.

HHI systematically manages water use across its operations and continues to reduce water consumption through process improvements and equipment upgrades. Water used in selected processes is reused to minimize resource consumption, while implementing a range of water-saving initiatives including the installation of water-efficient fixtures and water-saving measures associated with freeze-prevention drainage during winter. Weekly Energy Keeper activities include inspections of lighting, heating and cooling systems, water leakages, and water use in both office buildings and production facilities. Inspection results are shared company-wide to raise employee awareness of energy and resource conservation. Water consumption is also analyzed through an energy monitoring system, enabling continuous improvement in water management practices.

HSHI keeps records and manages daily use of domestic and industrial water at Yeongam headquarters and Daebul plant. In addition, HSHI reuses water through a wastewater reclamation system, and in 2023, HSHI established a remote monitoring system for water facilities. In 2024, HSHI invested in pipes, pumps, and other utilities and improved the quality of wastewater in order to increase our reclaimed water reuse rate.

Water Pollutant Management

HDKSOE manages laboratory wastewater generated at its Ulsan site. The generated wastewater is stored in a wastewater collection tank. Once a certain amount is accumulated, a licensed wastewater treatment company collects the water from the tank upon request.

HHI manages wastewater generated across its operations in compliance with applicable legal requirements based on each discharge source. Wastewater is treated through on-site treatment facilities, and only effluent that meets regulatory standards is transferred to external treatment facilities. To manage specified water pollutants, regular water quality analyses are conducted, while the entire wastewater treatment process is tracked through the government-operated electronic waste tracking and manifest system for outsourced treatment. Wastewater quality is continuously monitored based on treatment performance by discharge source and water quality analysis results. In heavy equipment maintenance processes, oil skimmers are installed to separate and recover waste oil generated during maintenance, helping minimize environmental impacts through effective operational controls.

HSHI is committed to minimizing pollutant emissions by identifying environmental impacts throughout the entire business operations, such as procurement, production, and disposal. To this end, the company manages pollutants on a real-time basis by installing water pollution prevention facilities and an automated water quality measurement network. It has also computerized all environment-related tasks and shared the monitoring status between the environment and production departments, maintaining the optimal state of its facilities.

Water Resources Risk Management

HDKSOE and its shipbuilding subsidiaries analyze water-related risks in the areas surrounding their operations based on the guidelines of the World Resources Institute (WRI) and use the results to seek effective management strategies. According to the analysis, all business sites were found to have a high level of physical water quantity risk. This means that our business sites may be greatly affected by natural disasters such as flooding and tsunamis because the shipyards are located near the sea. HDKSOE and its shipbuilding subsidiaries plan to proactively address water-related risks based on the results of this analysis.

Business Case
Establishing Water Reuse and Recycling Systems

HSHI introduced the water reclamation system in 2010 and established a water reuse system. Through this system, wastewater generated in the shipyard is treated and reused instead of being discharged, serving as cleaning water for the yard and ballast water.

Status of Reclaimed Water Reuse

Category	2023	2024	2025
Reclaimed Water Reused	202,801 ton	164,661 ton	466,209 ton
Cost Savings	KRW 129 million	KRW 105 million	KRW 297 million

Water Resources Risks Exposure Level

WRI Water Risk Atlas

Category	Physical Risk – Quantity	Physical Risk – Quality	Transition Risk
HDKSOE	Medium-high(2-3)	Low-medium(1-2)	Low(0-1)
HHI	High(3-4)	Low-medium(1-2)	Medium-high(2-3)
HSHI	High(3-4)	Low-medium(1-2)	Low(0-1)



Physical Risks - Quantity



Physical Risks - Quality



Regulatory and Reputational Risk

Environmental Management

Risk Management

Environmental Risk Management

Reduction of Pollutants and Wastes

Air Pollutant Management

To comply with the permissible discharge limits for air pollutants, **HDKSOE** conducts a comprehensive survey of every air pollutant from its facilities and identifies new air pollutants. It also commissions certified professional organizations to measure pollutant emissions periodically. Moreover, **HDKSOE** strives to improve air quality by regularly replacing aging dust collection systems and auxiliary equipment.

HHI installs pollution prevention facilities that are most appropriate for each type of emission facility and conducts periodic measurements to manage pollutant emissions. Emission facilities are managed through routine site inspections and internal management standards, with maintenance or facility upgrades implemented for equipment requiring improvement. Air pollutant emissions are also measured periodically by qualified external institutions. In addition, adsorption systems and regenerative thermal oxidizers (RTOs) have been installed and are operated at painting facilities, while aging equipment is replaced on an ongoing basis to reduce emissions.

The company also participates in emission reduction programs under the Special Act on the Improvement of Air Quality in Air Control Zones. A block logistics monitoring system is used to optimize logistics movements within its operations, while employee shuttle bus services and community-based odor patrol activities help reduce air emissions and other environmental impacts associated with business operations.

HSHI maintains its air pollutant emissions within 30% of the legal standard for air pollutants. To this end, **HSHI** conducts self-measurement of air pollutants in accordance with the legal requirements. The operation logs and self-monitoring results are reported to the Air Emission Management System (SEMS) on a monthly basis. In addition, **HSHI** calculates finalized air pollutant emissions every six months and systematically manages its air pollutant emissions data.

Volatile Organic Compound (VOC) Management

HHI operates air pollution control facilities, including adsorption systems and regenerative thermal oxidizers (RTOs), based on the size and characteristics of its painting facilities to reduce volatile organic compound (VOC) emissions. VOC control facilities have also been expanded to selected large-scale painting facilities to further reduce emissions of hazardous air pollutants (HAPs). Total hydrocarbon (THC) emission concentrations are measured semi-annually to monitor emission levels, while adsorbents (zeolites) are regularly inspected and regenerated to maintain the efficiency of the control facilities. Furthermore, the company collaborates with paint manufacturers to jointly develop low-VOC coatings and expand their application. **HHI** also promotes the broader adoption and use of low-VOC coatings and systematically manages VOC emissions by periodically submitting VOC management plans and performance reports to the National Institute of Chemical Safety.

Through these efforts, the company continues to reduce air pollutant emissions and strengthen its air quality management practices.

HSHI captures and treats volatile organic compounds generated at its large-scale painting shops using catalytic oxidation systems. Internal management standards that are more stringent than applicable regulatory emission limits have been established, and self-measurement is conducted semi-annually to verify compliance. **HSHI** also continues to increase the use of low-VOC coatings.

Business Case Development of Waterborne Marine Coatings

HDKSOE and its shipbuilding subsidiaries have jointly developed a waterborne anti-corrosion coating with KCC for application in dry spaces on ships. Compared with existing solvent-based coatings, the new coating offers shorter drying times, improving production efficiency while reducing volatile organic compound (VOC) emissions. Eco-friendly coating certification is currently being pursued, and commercialization is expected to enhance both environmental performance and product quality competitiveness.

We have also co-developed a thermal insulation coating for liquefied natural gas (LNG) carriers that reduces external radiant heat and thermal conductivity, helping suppress the generation of boil-off gas (BOG). As boil-off gas generated during LNG transportation can result in cargo loss and additional carbon emissions, the coating contributes to both cargo preservation and GHG emissions reduction. Designed with highly reflective thermal insulating pigments, it delivers stable performance even under high-temperature conditions and during long voyages. Through the development of these advanced materials and process technologies, **HDKSOE** and its shipbuilding subsidiaries continue to reduce environmental impacts while improving vessel operating efficiency and product competitiveness.



LNG Carrier with Thermal insulation Coating

Business Case Supporting Contractors in Reducing VOCs

Recognizing the increasing environmental compliance burdens on suppliers, resulting from tighter regulatory requirements under the Clean Air Conservation Act for hazardous air pollutant (HAP) emission facilities, and stricter limits on volatile organic compound (VOC) content in coatings, **HHI** provides ongoing support to help suppliers reduce VOC emissions. Since 2022, **HHI** has partnered with Seoul Guarantee Insurance to help ease the financial burden of environmental investments by supporting investments for VOC reduction facilities and providing advance payments. **HHI** also operates an incentive program that reflects the operating costs of VOC reduction facilities, additional painting costs associated with the use of low-VOC coatings, and environmental charges incurred by suppliers. The program is incorporated into contractor pricing agreements and continues to support suppliers’ environmental improvement efforts. Through these initiatives, we help strengthen suppliers’ environmental compliance capabilities while reducing air pollutant emissions across the supply chain.

2025 Support Status

Item	Recipients	Support Provided
Curved Block/T-Block	3 companies	Support for Operating Costs of VOCs Reduction Equipment
Curved Block	1 company	Support for Additional Painting Costs for Low-VOC Paints
Hatch Cover	3 companies	Support for Operating Costs of VOCs Reduction Equipment
Cabin Block	3 companies	Support for environmental improvement charges
LPG Tank	1 company	

Environmental Management

Risk Management

Environmental Risk Management

Reduction of Pollutants and Wastes

Chemical Management

In line with relevant chemical-substance-related laws and regulations, **HDKSOE** identifies harmful or hazardous properties of incoming chemicals through pre-inspections. HDKSOE regularly provides employees with training on the safe handling of chemicals, including Material Safety Data Sheet (MSDS) training.

HHI has established and operates a chemical management system in accordance with applicable regulations, including the Chemicals Control Act. Prior to the introduction of chemical products into operations, their hazardous properties and the presence of legally regulated substances are reviewed to determine whether they can be introduced. The hazards and risks of incoming chemicals are assessed in advance to ensure appropriate management throughout classification, storage, handling, and transportation. Management standards have also been established for chemical handling facilities, supported by mandatory training for chemical handlers, internal inspections, and periodic inspections conducted by external organizations in accordance with regulatory requirements. At the same time, training is provided to employees and suppliers on the fundamentals of chemical management, emergency response procedures, and Material Safety Data Sheets (MSDS) to promote the safe handling of chemicals and prevent incidents.

HSHI conducts hazard assessments before chemicals are delivered to oversee the chemical substances that are brought into the worksites and any unsuitable chemicals are replaced. Weekly inspections are also conducted for hazardous chemical handling activities, and facilities undergo periodic inspections by external organizations every three years.

Waste Management

HDKSOE outsources waste treatment to external specialists. Throughout the outsourcing process, illegal disposal is prevented through regular inspections and on-site guidance. When new types of waste are generated, they are reported to the relevant authorities to ensure proper and compliant handling.

HHI ensures that all waste generated at its operations is transported and treated in accordance with applicable regulations, while maintaining full transparency throughout the process through regular monitoring of waste treatment facilities. In addition, waste separation inspections contribute to higher recycling rates and improved resource efficiency, supported by various circular resource initiatives such as waste heat recovery, reuse of engine packaging materials, and optimized product design. Participation in the scrap metal circular resource system also supports efforts to improve scrap recycling rates.

HSHI manages the entire waste lifecycle in a systematic manner, including collection, sorting, storage, and outsourced treatment. Given the proximity of its operations to marine environments, particular attention is paid to ensuring that waste oil and hazardous chemicals are handled in compliance with regulations. As the first in its sector to participate in the scrap metal circular resource certification program, the company also promotes resource recycling through efforts such as steel-saving initiatives.



HHI Resource Recycling Certification



HSHI Resource Recycling Certification

Waste Resource Circulation System

HHI promotes resource circulation initiatives by recovering and recycling or reusing waste resources generated across its operations. Packaging boxes and wooden skids used for engine shipments are collected and processed for wood recycling. In addition, waste paint liquids and cleaning thinners, which were previously incinerated, are now separately collected and converted into waste-derived fuel (WDF). Through these efforts, the company continues to improve recycling rates and advance resource circulation.

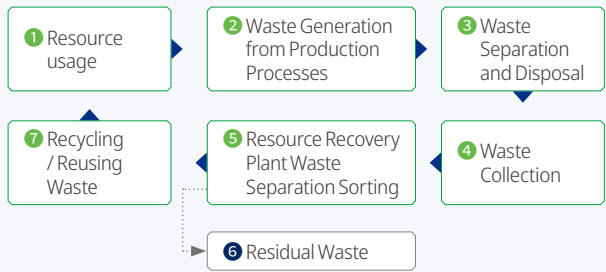
HSHI has been implementing a project since April 2023 to recycle waste Styrofoam used as cushioning material for ship equipment, producing recycled raw material ingots for the first time in its sector. This helps reduce microplastic emissions generated during incineration of waste expanded polystyrene (EPS) and increase EPS recycling rates, contributing to the development of a circular resource ecosystem.

Waste Resource Circulation Performance¹⁾

	Category	Unit	2023	2024	2025
HHI	Reusing scrap metal	ton	1,631	1,571	1,479
	Reusing LUG / Support	ton	1,920	1,894	1,561
	Scrap Metal → Engine Castings	ton	11,436	10,712	10,612
HSHI	Scrap Metal Reuse	ton	48,729	48,786	50,398
	Ingots	ton	23	34	39
	Circular Resources Sales	ton	38,651	38,701	46,791

1) Following the merger, the criteria for waste resource circulation performance across both companies have been unified, and the aggregated figures have been revised accordingly.

HHI Waste Management Framework



- 1 2 · Streamline resource usage
 - Optimal design (structural simplification, total design of the ship's outfit, shape optimization of the engine, etc.)
 - Developing highly efficient engine technology: Aim to reduce fuel consumption through advanced engine technologies.
 - Process optimization (enhanced efficiency through production/ design collaboration)
 - Simplifying packaging (Shipping large engines, stern plates, and other components to the HHI shipbuilding division)
- 3 · Operation of waste segregation bins
 - Color-coded bins by waste type (Red: scrap metal, Green: general waste excluding scrap metal, Yellow: non-combustible waste)
 - Separate storage facilities for designated waste such as waste paint
 - Regular on-site inspections of waste segregation practices
- 4 · Compliant collection and transport by licensed waste contractors (from sites to in-house resource recovery facilities)
- 5 · Waste is classified into recyclable, incinerable, and landfill categories for appropriate treatment
 - Items suitable for in-house recycling are separately sorted and stored at designated yards
 - Operation of an in-house waste management system (weighing program)
- 6 · Incineration (in-house) and landfilling (outsourced) limited to waste that is difficult to recycle or reuse
- 7 · Reuse/recycling of waste resources through internal transfer to relevant departments where applicable
 - External recycling through specialized service providers for waste that cannot be recycled in-house

Environmental Management

Metrics & Targets

Environmental Management Metrics & Targets

Environmental Management Targets¹⁾

HDKSOE and its shipbuilding subsidiaries have established key performance metrics across environmental areas, including pollutants and waste, and have implemented clear standards and processes for measuring, monitoring, and managing environmental performance.

Water Pollutant Management Targets

Category	2025 Targets & Performance	2026 Targets
HDKSOE	(Target) ZERO administrative violations (Performance) ZERO administrative violations	(Target) ZERO administrative violations
HHI	(Target) Manage annual average water pollutant emissions within 30% of permissible discharge limits (Performance) Annual emissions were managed within 30% permissible discharge limits	(Target) Manage annual average water pollutant emissions within 30% of permissible discharge limits
HSHI	(Target) Average effluent quality within 20% of regulatory limits (Performance) Average effluent quality within 20% of regulatory limits (concentration: 2.0)	(Target) Maintain annual average discharged water quality within 20% of regulatory limits

Air Pollutant Management Targets

Category	2025 Targets & Performance	2026 Targets
HDKSOE	(Target) Process air emissions within 30% of regulatory limits (Performance) Process air emissions within 30% of regulatory limits (max. 12.5%)	(Target) Process air emissions within 30% of regulatory limits
HHI	(Target) Reduce particulate matter emissions by 5% or more compared to the base year (2023) (Performance) Reduced particulate matter emissions by 5% or more compared to the base year (2023)	(Target) Reduce particulate matter emissions by 10% or more compared to the base year (2023)
HSHI	(Target) Reduce fine dust emissions by 10% and above compared to base year (2023) (Performance) Reduced fine dust emissions by 10% and above compared to base year	(Target) Maintain annual average dust emissions within 30% of permissible limits

Chemical Substances Management Targets

Category	2025 Targets & Performance	2026 Targets
HHI	(Target) Conduct monthly self-inspections of hazardous chemical handling facilities; ensure compliance with chemical accident prevention plans and applicable regulations (Performance) Conducted monthly inspections and implementation reviews of chemical accident prevention plans	(Target) Conduct quarterly inspections of hazardous chemical handling facilities and ensure compliance with chemical accident prevention plans and applicable regulations
HSHI	(Target) Quarterly self-inspections; compliance with prevention plans and regulations (Performance) Conducted self-inspections of accident prevention plans; zero accidents in 2025	(Target) Self-inspections; zero accidents; 5% reduction from 2025 (Xylene 813t, Ethylbenzene 242t)

1) Applicable to the pollutant reduction targets of HHI's main business site (main plant), company-wide targets for the integrated entity will be established following the merger.

Waste Management Targets

Category	2025 Targets & Performance	2026 Targets
HDKSOE	(Target) Waste intensity (per revenue) within 0.38 tons per KRW billion (Performance) 0.03 tons/KRW billion	(Target) Waste intensity (per revenue) within 0.26 tons per KRW billion
HHI	(Target) Resource circulation rate: 37.61% and above; final disposal ratio: below 30.11% (Performance) Resource circulation rate: 41.71% and above; final disposal ratio: 17.35%	(Target) Resource circulation rate: 38.21% and above; final disposal ratio: below 29.82%
HSHI	(Target) Resource circulation rate: 73.74% and above; final disposal ratio: below 15.29% (Target) Resource circulation rate: 79.22% and above; final disposal ratio: below 6.17%	(Target) Resource circulation rate: 76.37% and above; final disposal ratio: below 14.49%

Business Case

HHI Long-Term Environmental Targets

HHI has established long-term environmental targets and is implementing a range of strategies to achieve them. In particular, reducing energy consumption per unit of production is managed as a KPI for the CEO and executives. For environmental management system certification and chemical substance emissions management, detailed annual strategies are developed to support the achievement of targets.

Key Environmental Targets

Category	Target Year	Goal
ISO 14001 certification	2027	Achieve a 100% certification rate
Chemical Emissions	2030	Reduce emissions by 10% compared to 2021 levels
Carbon neutrality (GHG reduction targets)	2050	Reduce emissions by 100% compared to 2018 total emissions (Scope1+2)

Business Case

HSHI Vision 2028

HSHI has established a mid- to long-term plan, “Vision 2028,” aimed at creating a safe work environment throughout all business sites, and has set four key targets to create an eco-friendly worksite. To achieve these targets, nine detailed action plans have been developed, including programs to support contractors in achieving higher incinerated waste recycling rates, the installation of equipment to achieve wastewater treatment facility recycling rates, and the deployment of on-site solar power systems to facilitate the transition to renewable energy. Through the effective implementation of these initiatives, HSHI remains committed to achieving “Vision 2028.”

Key Environmental Targets

Key Environmental Targets (by 2028)
· Achieve 100% recycling rate for waste sent off-site for incineration - Launch initiative to support incinerated waste recycling business - Pursue zero waste to landfill certification
· Achieve a 20% reduction in carbon emissions - Transition to renewable energy (10% via PPA, 10% via on-site generation)
· Achieve 100% reuse of treated water from wastewater treatment facilities

Biodiversity

Governance

Biodiversity Conservation Governance

Roles and Responsibilities

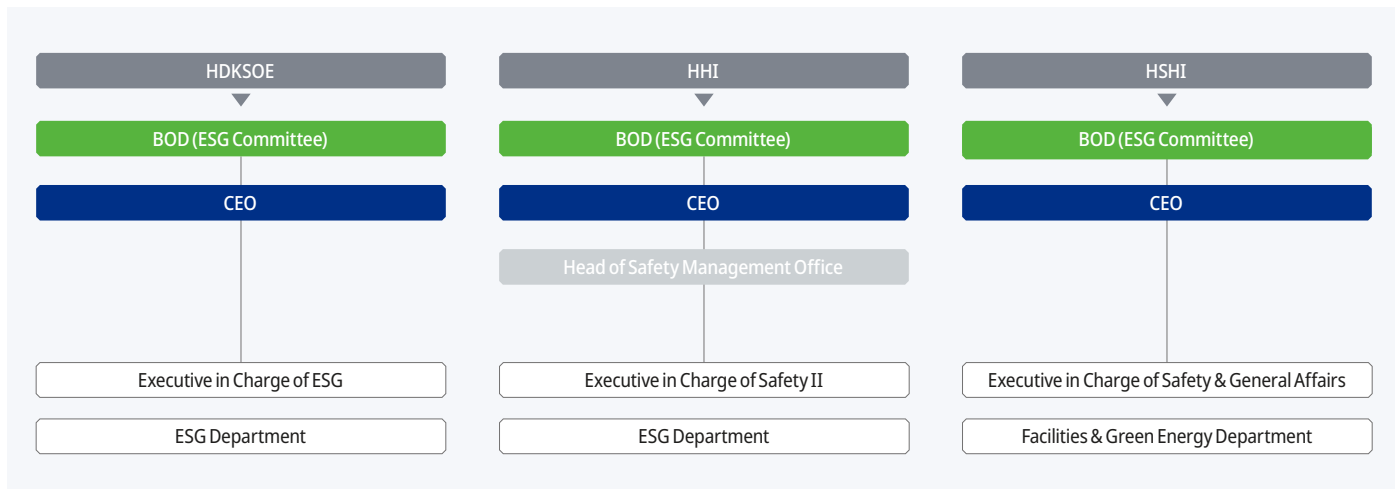
Role of the BOD

The executives responsible for safety, health, environment, or ESG at **HDKSOE and its shipbuilding subsidiaries** receive reports and review and deliberate on important matters such as establishing and revising biodiversity protection policies, devising and implementing action plans, analyzing risks, and conducting internal and external communications.

Role of the Executive Management

The Executive Officer of Safety, Health, Environment, or ESG at **HDKSOE and its shipbuilding subsidiaries** receives reports on the monitoring results of the policy development and implementation on biodiversity conservation and forest protection to make important decisions on significant issues. The executive officers of R&D at each company oversee the development of technologies to reduce adverse impacts on marine ecosystems, which may occur in the process of ship operations.

Biodiversity Conservation Organizational Structure



Strategy

Biodiversity Conservation Strategy

Directions for Biodiversity Conservation

Biodiversity Conservation and No Deforestation

HDKSOE and its shipbuilding subsidiaries have formally declared their commitment to biodiversity conservation and a no-deforestation (deforestation prevention) policy, with the aim of minimizing negative impacts on natural capital arising from business activities. This commitment applies across the entire value chain, including operations, suppliers, and other business partners. Stakeholders are encouraged to avoid conducting business activities in or near areas of high biodiversity value at the global or national level. Biodiversity conservation and deforestation prevention are recognized as shared responsibilities across the supply chain. Accordingly, the Supplier Code of Conduct provides guidance on establishing management systems and developing implementation plans to support ecosystem protection.

Each company continuously monitors the impacts of its operations on biodiversity and forests. In alignment with the 2050 Net Zero target, efforts will be directed toward achieving No Net Loss (NNL), Net Positive Impact (NPI), and preventing deforestation. To achieve this, we aim to develop concrete implementation strategies, including avoiding new developments in key ecological habitats, conducting restoration activities for unavoidable impacts, and implementing mitigation measures to minimize ecosystem damage. Additionally, HDKSOE and its shipbuilding subsidiaries will comply with guidelines from international agreements such as the International Maritime Organization (IMO) and the International Union for Conservation of Nature (IUCN). We will also establish collaboration systems with local governments, non-profit organizations, and other external stakeholders to continuously strengthen implementation efforts for biodiversity conservation and responsible supply chain management.



Biodiversity

Strategy

Biodiversity Conservation Strategy

Biodiversity Conservation Activities

Strategic Impact Management

HDKSOE and its shipbuilding subsidiaries work to minimize negative impacts to biodiversity and apply the concept of biodiversity mitigation hierarchy to effectively manage natural capital and the impacts from business activities. The steps of the mitigation hierarchy, applied in operating our business are: avoid, reduce, restore, and regenerate. Avoidance is prioritized in ecologically sensitive areas, with projects refrained from where potential impacts are significant. Where impacts cannot be avoided, measures are implemented to minimize ecosystem disturbance.

For areas already affected, restoration activities are undertaken to recover ecological functions and structures. In addition, regeneration initiatives are being considered to further enhance local biodiversity. Through this step-by-step approach, HDKSOE and its shipbuilding subsidiaries aim to minimize biodiversity loss and pursue continuous improvement toward achieving a Net Positive Impact over the long term.

Construction of Low-noise Ships

HDKSOE and its shipbuilding subsidiaries recognize the impact of underwater radiated noise from vessel operations on marine life. As propeller noise overlaps with the frequency ranges used by marine mammals such as dolphins, we are committed to developing technologies to mitigate its impact.

Since 2020, **HDKSOE, HHI** have worked with the Korea Research Institute of Ships and Ocean Engineering (KRISO) and the Ministry of Trade, Industry and Energy (MOTIE) to develop underwater radiated noise monitoring and mitigation technologies. Building on these capabilities, we continue to advance the technologies in collaboration with major classification societies, including DNV and KR, through 2026.

In 2021, **HSHI** delivered the world's first conventional merchant vessel to receive DNV's Silent-E notation for underwater radiated noise—a 115,000 DWT crude oil tanker. We remain committed to developing and applying noise reduction technologies that support marine biodiversity conservation.

Protection of Ecosystem and Habitats

In partnership with Seongnam City, **HDKSOE** carries out habitat protection activities for the endangered flying squirrel and conducts the removal of invasive alien species in the Bundang Lake area of Central Park near its business sites to support ecosystem health.

In cooperation with the Ulsan Coast Guard, **HHI** has established the HHI Dolphin Voluntary Response Team and the HHI Turtle Voluntary Response Team, enabling rapid initial response to potential marine pollution incidents in and around its operations to minimize environmental impact. Emergency response drills are also conducted to maintain readiness and ensure timely and systematic action in the event of marine pollution incidents.

HSHI has entered into a cooperation agreement with Wolchulsan National Park to support the transition to a carbon-neutral society and carries out volunteer activities, including sowing native plant seeds, to help secure carbon sinks.

Application of Ballast Water Technology

HHI has independently developed and applied the HiBallast ballast water treatment system, which removes microorganisms and pathogens contained in ballast water. The system has obtained type approval in accordance with the International Maritime Organization (IMO) G8 guidelines. In addition, HHI successfully delivered the world's first LNG bunkering vessel equipped with a ballast-free system that eliminates ballast water discharge. The ship has a movable permanent ballast system that only uses clean water carried onboard. This enables operation without discharging ballast water into the sea.

Mitigation Hierarchy

Category	Activities
Avoid	- Conducted environmental impact assessment to estimate and analyzed the environmental impacts of factors caused by construction, modification, expansion, and closure of facilities on the lives of residents and the natural environment - Selected assessment sectors, including air, water, land environments, animals, and plants - Used assessment results to identify key impacts and establish reduction measures
Reduce	- Monitored underwater radiated noise and developed noise reduction technology - Achieved the world's first underwater radiated noise certification for a large container vessel - Entered partnership agreement for ship painting technology and acquired eco-label certification for EH4600 (HS) ship interior paint - Launched HHI Dolphin Voluntary Response Team and the HHI Turtle Voluntary Response Team to minimize pollution damage to ensure prompt responses in case of marine pollution near business sites - Developed and employed ballast water treatment system "HiBallast," and removed microorganisms and pathogens contained in the ballast water - Co-developed "Ballast Free" containership that does not discharge ballast water, and received Approval in Principle certification
Restore	- Divers from HHI's Navigation Control Department, members of the HHI Joint Diving Club, and the Korea Marine Rescue Association participated in underwater waste collection and nearby coastal cleanup activities
Regenerate	- "One Company, One River" initiative, including seasonal planting of flowering plants and removal of invasive species from streams - Engaged in removal activities targeting invasive alien species that disrupt local ecosystems

Business Case

World's First Underwater Radiated Noise Certification for Large Container Vessels

HDKSOE and its shipbuilding subsidiaries obtained the world's first underwater radiated noise (URN) certification for a large container vessel. The certification was awarded for a 9,000 TEU-class container ship built by HSHI, demonstrating low-noise performance even in large vessels equipped with high-power propulsion systems. Performance was validated through full-scale measurements under actual operating conditions, rather than design simulations, demonstrating technological competitiveness in vessel quietness.

Business Case

Reinforcing Collaboration on Low-noise Propulsion Technologies

HHI reinforced collaboration with the Korea Research Institute of Ships and Ocean Engineering (KRISO) to accelerate the practical application and commercialization of high-efficiency, low-noise propulsion technologies. Through this partnership, both organizations plan to pursue joint research and development across multiple areas, including performance evaluation and optimization of specialized propulsion systems for electric-powered ships, prediction and assessment of onboard propeller-induced noise, and the development of noise reduction technologies for propulsion systems.

Biodiversity

Risk Management

Biodiversity Risk Management

Biodiversity Assessment Procedures

Overview of Biodiversity Assessment

HDKSOE and its shipbuilding subsidiaries conduct environmental impact assessments in accordance with the relevant laws and regulations for each country to estimate and analyze the impact of environmental factors caused by construction, modification, expansion, and closure of facilities on the lives of residents and the natural environment. The assessment includes atmospheric, aquatic, and terrestrial environments, as well as fauna and flora. The results are used to understand major impacts and establish mitigation measures.

When programs (or activities) subject to the assessments are expected to have impacts on biodiversity and the ecosystem, an assessment of their impacts on flora and fauna is incorporated into the environmental impact assessment process. This integrated assessment estimates the impact on specific species and their populations, and mitigation measures are developed based on the assessment. In addition, each business site carries out various biodiversity conservation activities, such as increasing species and populations, protecting habitats, and creating ecological forests. To enhance the effectiveness of conservation activities, efforts are also made to collaborate with government organizations, non-profit agencies, and specialized institutions.

The procedures for biodiversity assessment presented on this page, including site selection, literature review, field surveys, impact prediction, development of mitigation measures, and post-monitoring and inspection, are based on the methodology outlined in the Ministry of Climate, Energy and Environment’s Environmental Impact Assessment Guidelines of Korea. When environmental impact assessments, including biodiversity evaluations, are required during the construction, expansion, or operation of business sites, HDKSOE and its shipbuilding subsidiaries appoint qualified third-party institutions to conduct the assessments in accordance with these guidelines.

Selection of Survey Areas

In line with the Environmental Impact Assessment Guidelines, survey areas are defined to identify the distribution, habitats, and growth conditions of flora and fauna. These areas include locations where potential impacts on ecosystems are anticipated. Seasonal characteristics are also taken into account by conducting surveys at different times to reflect migration routes, activity ranges, and vegetation distribution. The size of the survey area is generally determined based on a radius equivalent to the longest axis of the project site. Nearby communities and surrounding ecosystems that may be affected by project activities are included within the survey scope.

Literature Surveys

Literature surveys are conducted using open data and materials from the most recent 5 years, such as national natural environment surveys, the Environmental Impact Assessment (EIA) Support System (EIASS), and the Winter Water Birds Census of Korea. If there are no recent materials on area subject to the Biodiversity Impact Assessment (BIA) or other required literature materials, then the scope of the literature survey can be expanded to include academic research and study reports from reputable sources. The literature surveys also allow for an understanding of ecological and natural landscapes as well as an overview of fauna and flora, distribution of major organisms, ecological axes, legal protection areas for the natural environment, and distribution and characteristics of major vegetation.

Field Surveys

Routes for field surveys are selected to include various locations by understanding the topographical conditions of the area to be assessed. The surveys are conducted on foot, and species are observed visually, photographed, detected by sound, or captured using traps to identify their distribution. The field surveys identify vascular flora, endangered wildlife species, municipal and provincial government-protected wildlife, floristic regional indicator plants, rare plants, natural monuments, protected trees, and other species of high academic value.

Recording Survey Results

Fauna and flora that are observed are listed by survey locations and routes, using pictures or tables so that the species and populations can be clearly displayed.

Prediction of Adverse Impacts

The degree of change in fauna and flora is analyzed, predicted, and evaluated based on environmental changes, air pollution, water pollution, noise, and vibration during construction, expansion, and operation of large-scale facilities. Priority is given to the prediction of impact on major species that are expected to be significantly affected by the project and species sensitive to human interference, analyzing the probability and magnitude of impacts on these species.

Establishment of Mitigation Measures

Based on the prediction of adverse impacts on biodiversity, the species and ecological areas in need of protection are selected, and impact mitigation measures optimized for each species and area are established. Project plans are adjusted to avoid significant negative impacts, safety measures are implemented to minimize impacts on the species and their populations, and alternative habitats for specific species are created when necessary.

Post-observation and Inspection

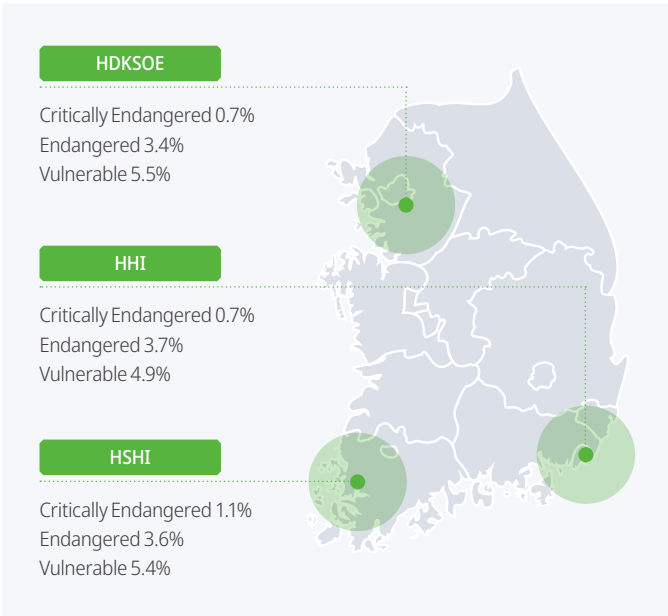
After developing mitigation measures, we monitor whether these measures have been properly implemented, and whether adverse impacts on the identified species have been avoided or mitigated. Changes in species and populations are also monitored by comparing the data before and after projects have been implemented. To enhance the effectiveness of mitigation measures, alternative strategies are also prepared, depending on the situation of the project operation areas.

Mitigating Actions

HDKSOE and its shipbuilding subsidiaries analyzed the presence of endangered species on the IUCN Red List near major facilities in order to understand what type of biodiversity exists near the business sites. We calculated the number of endangered species within a 50 km radius as a percentage of the total number of species.

Based on these findings, we carry out ongoing monitoring efforts to ensure that its operations and business activities do not negatively impact ecologically sensitive areas. Going forward, we plan to establish more specific strategies to prevent damage to conservation areas, as well as to protect and restore habitats while expanding the scope of surveys and management activities for endangered flora and fauna.

Proportion of IUCN Red List Threatened Species within a 50 km Radius (Relative to Total Species Count)



Biodiversity

Risk Management

Biodiversity Risk Management

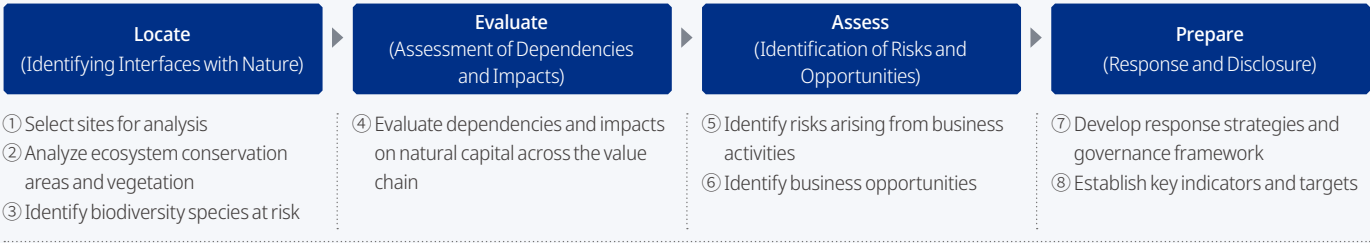
Business Case
HHI Natural Capital & Biodiversity Risk Assessment

Risk Assessment Process

As part of its efforts to manage biodiversity and natural capital risks, HHI assessed biodiversity-related risk factors based on the LEAP (Locate, Evaluate, Assess, Prepare)²⁾ framework recommended by the Taskforce on Nature-related Financial Disclosures (TNFD)¹⁾.

1) A global initiative providing guidance on reporting of issues related to the natural environment, led by UNEP FI (United Nations Environment Programme Finance Initiative), UNDP (United Nations Development Programme), WWF (World Wildlife Fund), and other global organizations
2) A framework recommended by the TNFD for identifying nature-related risks and opportunities

Risk Assessment of Natural Capital and Biodiversity (LEAP Approach)



Locate Interfaces with Nature
Locate

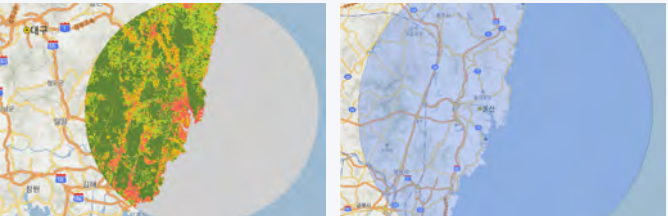
HHI focused on “Locate (define location)” to identify interactions between business activities and nature and biodiversity. We identified key ecological protection areas within 50 km of its major and directly operated business sites¹⁾, and then analyzed natural interfaces and distribution of vegetation using data such as the National Land Environmental Evaluation Map and IUCN (International Union for Conservation of Nature).

1) The Ulsan Headquarters was selected as a directly operated business site. The scope of the business site under the LEAP approach is the same as above.

Ecological Protection Areas within 50 km of Business Sites

Category	Distance to Protected Area	Characteristics of Protected Areas
Downstream Taehwa River	Approx. 5 km	- Ecological landscape conservation area designated by Ulsan - Habitat for migratory birds and other wildlife
Mt. Unmun	Approx. 40 km	- Ecological landscape conservation area designated by the Ministry of Climate, Energy and Environment - Habitat for endangered species such as otters, flying squirrels, and martens
Mujechi Wetland	Approx. 27 km	- Wetland protected area designated by the Ministry of Climate, Energy and Environment - Mountain wetland

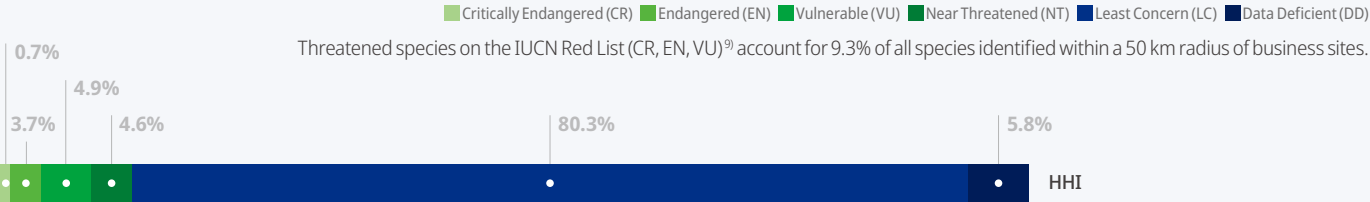
Ecological Analysis within 50 km of Business Sites¹⁾



Classification	National Environmental Conservation Value Assessment Map ²⁾
Grade 1	22.2%
Grade 2	9.8%
Grade 3	7.0%
Grade 4	0.3%
Grade 5	4.8%
Out of Scope ³⁾	55.9%

1) Proportions are presented based on the total area within a 50-km radius of the site.
2) Map based on Article 23 of the Framework Act on Environmental Policy (the closer to Grade 1, the higher the ecological value).
3) Due to the shipyard's coastal location, a significant portion of the surrounding area is designated as ‘Out of Scope’ (i.e., marine areas).
4) Areas recognized as having “Outstanding Universal Value” under the UNESCO World Heritage Convention.
5) Wetlands of international ecological importance that are protected and managed under the Ramsar Convention, established in 1971. (One site within the assessment area: Mujechi Wetland)
6) Terrestrial, coastal, or marine ecosystems designated by UNESCO as Biosphere Reserves to explore approaches to biodiversity conservation and sustainable use.
7) Key Biodiversity Areas are identified based on the IUCN Red List of Threatened Species and the Red List of Ecosystems that significantly contribute to the global persistence of biodiversity.

IUCN⁸⁾ Red List Species within 50 km of Business Sites



8) IUCN: International Union for Conservation of Nature
9) IUCN Red List threatened species: Among the nine IUCN Red List categories (Extinct (EX), Extinct in the Wild (EW), Critically Endangered (CR), Endangered (EN), Vulnerable (VU), Near Threatened (NT), Least Concern (LC), Data Deficient (DD), and Not Evaluated (NE)) species classified as CR, EN, and VU are considered threatened species.

Directly Operated Business Sites

HHI
· Head office (main plant): 1000, Bangeojinsunhwan-doro, Dong-gu, Ulsan, 44032, Republic of Korea

Category	Number within 50 km Radius
World Heritage Sites ⁴⁾	N/A
Ramsar Wetlands ⁵⁾	1
UNESCO Biosphere Reserves ⁶⁾	N/A
Key Biodiversity Areas (KBA) ⁷⁾	N/A

Biodiversity

Risk Management

Biodiversity Risk Management

Business Case
HHI Natural Capital & Biodiversity Risk Assessment

Dependency and Impact Evaluation
Evaluate

HHI assessed its dependencies and impacts on natural capital across business activities within its organizational boundary, as well as throughout its key value chain, including four upstream industries and three downstream industries, using the ENCORE Tool¹⁾.

Risk and Opportunity Identification
Assess

HHI identified key risks and opportunities related to natural capital that may arise across its business activities using the WWF (World Wide Fund for Nature) Biodiversity Risk Filter Tool²⁾.

Key Natural Capital Risks and Opportunities³⁾

Category	Description	Risk Level	Impact Duration
Physical Risk		High	-
R1. Provisioning Services	Reduced water availability may disrupt the supply of water required for production operations.	Medium	Mid- to Long-Term
R2. Regulating & Supporting Services	Deterioration of air quality may lead to stricter government emission regulations, resulting in increased operating costs.	High	Mid- to Long-Term
Reputational Risk		Medium	-
R3. Environmental Factors	Concerns over potential environmental degradation associated with protected areas or sensitive ecosystems may lead to reputational risks.	Medium	Mid- to Long-Term

Category	Description		Impact Duration
O1. Resource Efficiency	Opportunities arising from the efficient use of resources	Improving the efficiency of raw material, water, and energy use to reduce costs and environmental impacts	Short- to Mid-Term
O2. Products and Services	Opportunities arising from biodiversity-conscious design and technology development	Enhancing customer response capabilities through the development of technologies and designs that reduce impacts on the marine environment	Short- to Long-Term
O3. Market Opportunities	Opportunities from leading the low- and zero- carbon markets	Securing competitiveness by responding to customer demand for products and solutions	Short- to Long-Term

1) Tool developed by Global Canopy, UNEP FI, and UNEP-WCMC (UN Environment Programme World Conservation Monitoring Centre) to help companies make nature-related assessments on dependencies and impacts by industry, using 5 categories
2) Nature-related risk evaluation tool provided by WWF
3) Refer to the HHI website to see detailed assessments of nature-related risks and opportunities [HHI](#)

Response Strategy Development
Prepare

HHI operates a dedicated ESG organization and has established an ESG KPI-based performance management system through the ESG Promotion Committee. The ESG organization appoints managers responsible for natural capital and biodiversity targets and metrics to systematically manage related implementation activities. Through these efforts, HHI plans to incorporate natural capital-related risks and opportunities into its decision-making processes and sustainable growth strategies. In addition, regular ESG campaigns are conducted to raise stakeholder awareness, while preparations are underway to establish a response framework aligned with TNFD and ISSB¹⁾.

Key Metrics and Targets

Risks and Opportunities	Key Activities	Implementation Examples	Indicators	Response Strategy	GBF ²⁾ Goals
R1/O1	Water Conservation	· Reduced use of freeze prevention drains/Hi-Energy System implementation in progress	Water consumption (m³)	· Establish and expand monitoring systems for water and energy use	Target 11
R2, R3	Reduction of Air Pollutants	· Achieved a 5% or greater reduction in particulate Matter emissions compared to the base year (2023) [Main Plant]	NOx(ton), SOx(ton), dust(ton)	· Achieve a 10% or greater reduction in particulate Matter emissions compared to the base year (2023) [Main Plant]	Target 7
O2, O3	Next-Generation Ship Technologies	· Developed ammonia and methanol dual-fuel engines · Developed underwater radiated noise monitoring and noise reduction technologies for vessels	Number of patents related to environmental impact reduction	· Increase the proportion of eco-friendly in total engine production · Reinforce collaboration on underwater radiated noise reduction technologies	Target 7, 8
R3	Biodiversity Conservation	· Conducted surveys based on the IUCN Red List · Carried out 10 river cleanup activities under the “One Company, One River” initiative in 2025 · Newly planted and maintained 4,396 trees of designated and managed species, including evergreen spindle, Japanese pittosporum, and zelkova; 665 groundcover plants, including maple leaf mukdenia and mondo grass; and 1,231 m² of lawn.	Number of conservation activities conducted; number of designated and managed species planted	· Continue planting activities for designated and managed species and river cleanup activities	Target 4

1) ISSB (International Sustainability Standards Board): The International Sustainability Standards Board established by the IFRS Foundation to develop global sustainability standards.
2) GBF (Kunming-Montreal Global Biodiversity Framework): A framework that emphasizes transformative actions across all sectors of society and the economy to achieve the vision of “Living in Harmony with Nature” by 2050, it consists of four goals for 2050, 23 targets for 2030, and provisions related to implementation and evaluation.



Social

68	Safety & Health
75	People & Labor Relations
85	Respect for Human Rights
90	Supply Chain Management
100	Quality Management
104	Social Contribution

We pursue a sustainable industrial ecosystem with mutual growth, driven by technology for humanity and responsibility for society.

Safety & Health

Governance

Safety & Health Governance

Roles and Responsibilities

Role of the BOD

HDKSOE and its shipbuilding subsidiaries report safety & health objectives, strategies, and key initiatives to the Board of Directors on a regular basis. Key agenda items include the Safety & Health Management Policy, organizational structure and responsibilities, budget and facility status, performance, and future plans. Board members provide diverse perspectives to support the effective implementation of these initiatives. Matters requiring significant investment or process improvements to enhance safety & health are also reviewed at the Board level. Regular reporting on safety & health plans and management performance enables systematic oversight and company-wide governance.

Role of Chief Safety Officer (CSO)

The Chief Safety Officers (CSOs) of HDKSOE and its shipbuilding subsidiaries oversee the planning of safety & health policies and systems, the operation of the safety & health management system, the planning and implementation of workplace safety programs, and the collection of employee feedback. Performance objectives related to safety & health capabilities and risk management are established by the CSOs, relevant executives, and managers, and performance is evaluated based on KPIs that measure progress against these objectives.

In addition, the CSO of each company conducts on site safety inspections by identifying major accident risk factors at workplaces and directing actions for unsafe work practices.

Roles of Operational Departments

The departments in charge of safety & health at HDKSOE and its shipbuilding subsidiaries manage company-wide safety & health standards and policies, plan and operate safety & health programs, and operate a control tower in the case of emergency.

These departments are responsible for safety inspections at workplaces, risk assessments and creating improvement tasks, and responding to and investigating accidents.

Operation of the Shipbuilding Subsidiaries Safety Council

HHI and HSHI jointly operate a Safety Council to share safety management activities and discuss response strategies for key safety & health issues and common challenges.

The Shipbuilding Subsidiaries Safety Council conducts the Strategic Planning Meeting, attended semiannually by each company's CSO and safety executives to establish the medium- and long-term direction for safety management and responses to external policy developments, and the Implementation Review Meeting, attended quarterly by safety leaders and working-level personnel from each company to monitor the execution of safety management strategies and coordinate key safety issues.

Key Agenda of the Shipbuilding Subsidiaries Safety Council

Category	Frequency	Agenda Items
Strategic Planning Meeting	Once every six months	· Safety priorities for the three companies in 2025 · Policy changes and improvement measures following the occurrence of serious accidents · Status of employee mental health programs
Implementation Review Meeting	Once a month	· Review of diving operation standards · Comparison of standards for crane-assisted personnel lifting operations · Operational issues related to work permits and the three-tier safety inspection system · Progress update on the implementation of the Safety Pay program across the three companies · Review of recurring argon related incidents

Operation of the Occupational Safety & Health Committee (OSHC)

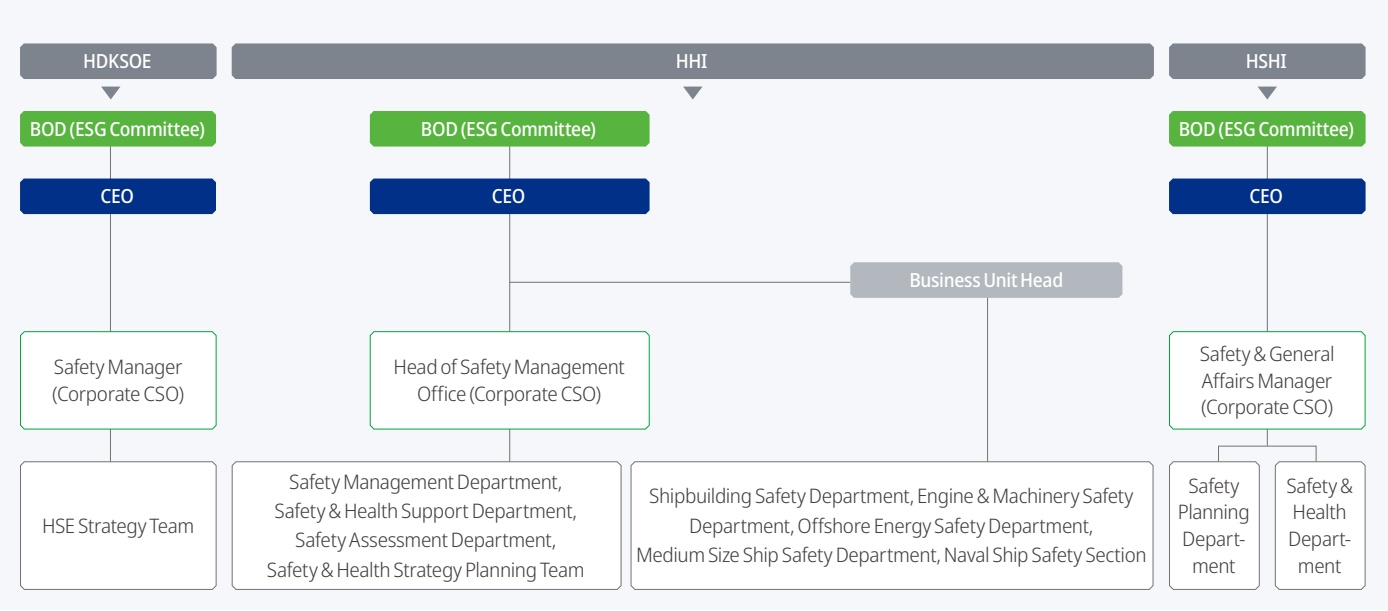
HDKSOE and its shipbuilding subsidiaries have Occupational Safety & Health Committees (OSHC) in place to deliberate and resolve key occupational safety & health matters, including the establishment of plans and measures to prevent workplace safety risks and occupational health hazards. As a general rule, the committees meet once each quarter and convene whenever necessary to address significant safety & health issues. These meetings promote employee understanding of and participation in occupational accident prevention.

Matters deliberated, resolved, mediated, or decided by the committee are promptly communicated to employees through internal communication channels. The companies and their employees faithfully implement the decisions made by the committee.

Composition and Key Agenda Items of the OSHC

Composition	Agenda Items
HDKSOE: 5 members each from labor and management	· Preparation of Process Safety Reports for the operation of process safety facilities · Improvement of lighting at bicycle and motorcycle parking areas · Distribution of heat stress first aid kits to employees boarding vessels under construction
HHI: Up to 10 members each from labor and management	· Improvement of physical therapy and rehabilitation facilities · Installation of speed-limiting devices on on-site transport equipment · Introduction of custom-fitted earplugs · Improvements to safety helmets for work in confined spaces
HSHI: 6 members each from labor and management	· Revision of wind speed criteria · Provision of cooling fan jackets and additional workwear · Development of emergency rescue procedures for crane operations · Repair of ground settlement areas across the shipyard

Safety & Health Governance



Safety & Health

Strategy

Safety & Health Direction

Safety & Health Priorities

Establishment of the Safety & Health Policy

HDKSOE and its shipbuilding subsidiaries continue to promote safety & health improvement activities based on the safety & health policies, which include matters such as establishing a safety-first culture, creating a pleasant working environment, strengthening safety training, and building a smart and safe workplace based on DT. The policy applies to all employees and suppliers directly engaged in our business activities, while other business partners are expected to respect and support the principles.

Establishment of the Safety & Health Management Policy

HDKSOE and HHI have established Safety & Health Management Policies aligned with the Group’s core value of Safety for Everyone. The policies are designed in accordance with international standards, and the Board of Directors (or ESG Committee) of each company reviews and approves the establishment and revision of the policies. They apply to all workplaces, employees, suppliers, and workers under the Company's supervision.

To drive continuous improvement in safety & health management performance, each company establishes priorities and implementation plans while setting quantitative targets for key safety & health performance indicators. Progress against these targets is reviewed and updated regularly to support the continuous improvement of safety & health performance.

[HDKSOE Safety & Health Management Policy](#)
[HHI Safety & Health Management Policy](#)

Safety Reward System

HDKSOE and its shipbuilding subsidiaries recognize departments and employees who demonstrate outstanding safety performance or make meaningful contributions to preventing serious accidents, promoting a positive safety culture, and identifying safety improvement initiatives as part of their safety management system. Suppliers are also evaluated on safety leadership, accident performance indicators, safety management systems, workplace safety management practices, and the capabilities of safety managers. Outstanding suppliers are selected and recognized based on the evaluation results.

2025 Safety Reward System

Category	Program	Reward
HDKSOE	Safety Excellence Employee Reward	Recognized 21 organizations Provided with goods worth approximately KRW 1.8 million
	HD Safety Pay	Approximately 820 million points awarded to employees across the company (including suppliers)
HHI	Core Values Excellence Award	KRW 49 million awarded to 19 departments
	Accident Prevention Merit Award	2 employees recognized for contributions to accident prevention with KRW 200,000 awarded to each
	Safety Excellence Employee Reward	9 employees recognized in each half of the year, with total prize money of KRW 4.5 million
	Safety Excellence Supplier Reward	KRW 145 million awarded to 29 suppliers
HSHI	Samho Pay	Approximately 200 million points awarded in 2025
	Safety Merit Award	KRW 6.25 million awarded to 60 employees as of 2025
	Accident Free Organization Award	KRW 130 million awarded as of 2025
	Safety Keeper Activity Support Fund	KRW 82.3 million provided as of 2025

Safety & Health Training

HDKSOE and its shipbuilding subsidiaries provide mandatory legal safety & health training for its own employees and suppliers, including basic training for new hires, on-site and practical training (production workers), training tailored to positions (office workers), and customized training for supervisors and managers. At the same time, each company provides internally developed education programs on on-site safety management, competency improvement for safety personnel and suppliers’ safety managers, and practical/experiential training for workers involved in high-risk jobs. In particular, enhanced safety & health training is provided to foreign workers.

Based on the characteristics of each organization’s operations, HDK-SOE develops tailored training materials and provides training based on the characteristics of each job. Theme-based training focused on high-risk workplace activities is also provided to on-site suppliers.

HHI has established the Safety Career Path (SCP) program to develop the safety capabilities required for each employee's role. Through this program, employees complete structured safety training aligned with their job responsibilities and level of accountability. It covers all personnel with safety responsibilities, from new employees and department heads to supplier site managers.

To prevent serious accidents and enhance safety capabilities, HSHI provides a range of specialized programs, including training for night shift safety managers, longitudinal high-altitude repair work, and safety training for heavy equipment signalers.

Safety Big Data Platform

HHI and HSHI jointly operate a Safety Big Data Platform that uses big data and AI to visualize safety information and predict workplace accidents. The platform provides visibility into accident statistics, including accident frequency by period and accident type, while generating insights through analysis of safety performance and accident trends.

Business Case
HD Hyundai Safety Forum

HD Hyundai held its first HD Hyundai Safety Forum to share the Group's safety vision and key safety initiatives while promoting closer collaboration with government authorities. The forum brought together the CEOs, CSOs, and senior executives of the Group's companies to share the Group's safety system based on high-risk management, along with best practices in safety culture and the application of safety technologies. At the forum, HDKSOE and its shipbuilding subsidiaries shared the HD Safety Vision and committed to adopting a new risk governance model that combines a focused approach to managing high-risk activities that could lead to serious accidents with an Active Caring-based safety culture. Looking ahead, we plan to expand the Enterprise Safety Management (ESM) framework to cover the entire business lifecycle, including pre-production stages such as planning, design, and sea trials, and support the safety management system with a focus on prevention.

Business Case
Introduction of The Safe Care

HHI and HSHI have introduced The Safe Care, a new safety & health management framework, and designated Zero-Tolerance Accidents to focus company-wide efforts on accident prevention through more rigorous management standards. With zero-tolerance for violations of key safety rules, work is stopped immediately when violations are identified, and measures are established and implemented to prevent recurrence.

Business Case
Publication of the Safety & Health Management Report

HHI publishes a Safety & Health Management Report on a regular basis to communicate its safety & health management activities and performance to stakeholders. The report includes key initiatives, performance, and future plans, providing a structured overview of safety & health management while supporting continuous improvement.

[HHI Safety & Health Management Report](#)

Safety & Health

Risk Management

Safety & Health Risk Management

Establishment of the Risk Management Framework

Establishment of the Safety & Health Management System

In accordance with the safety & health policies and guidelines, **HDKSOE and its shipbuilding subsidiaries** have established a safety & health management system based on a continuous improvement cycle. The system covers the establishment of safety & health priorities and risk management plans, the allocation of the resources and budgets required for implementation, activities to improve safety & health performance and identify and mitigate hazards and risks, the review of implementation procedures, methods, and outcomes, and management review by the Chief Safety Officer. Looking ahead, we plan to further enhance the safety & health management system by reflecting changes in domestic and international laws and regulations, changing stakeholder expectations, including those of customers, and growing expectations for improved working environments.

Integrated HSE Management System (Hi-SEs)

HHI utilizes the integrated HSE management system called Hi-SEs to build a database that encompasses all areas, including accident cases, safety education, disaster prevention, environment, and health, for effective work performance. Hi-SEs is operated under the principles of planning, practice, confirmation, and action, based on international standards for safety, health, and environment (ISO 45001, 14001). All employees can access this information on Hi-SEs via various channels such as PC and mobile.

In addition, **HHI** has enhanced the system to cover both safety support and occupational health, creating an integrated platform that manages all aspects of safety & health. This enables closer integration of key functions, including risk assessments, work permits, accident investigations, occupational health management, and Process Safety Management (PSM), providing a consistent management framework. With Hi-SEs serving as the company-wide foundation for integrated safety & health management, HHI plans to extend the platform to include environmental management, establishing a fully integrated HSE platform and further strengthening its data-driven decision-making capabilities.

Third-Party Certification of the Safety & Health Management System

HDKSOE and its shipbuilding subsidiaries maintain ISO 45001 certification, awarded by an independent third-party certification body, based on the proven effectiveness of their Occupational Health and Safety Management Systems in anticipating workplace hazards and accident risks, preventing potential human and material losses, and implementing systematic occupational health and safety risk management activities.

Internal Review of the Safety & Health Management System

In addition to the third-party certification, **HDKSOE and its shipbuilding subsidiaries** conduct internal audits by professionals who have completed the training program for international safety & health management standards such as ISO 45001. The internal auditors develop a checklist based on the requirements of ISO 45001 to assess and guide the safety & health management at each department, thereby strengthening the health and safety management system and its effectiveness in the field.

Third-Party Certification of the Safety & Health Management System

Category	Certification Standard	Certifying Body	Validity Period ¹⁾	Scope of Certification ²⁾
HDKSOE	ISO 45001:2018	DNV	December 2022 – December 2025	100%
HHI ³⁾	ISO 45001:2018	DNV	May 2025 – May 2028	94%
HSHI	ISO 45001:2018	DNV	June 2025 – June 2028	100%

1) HDKSOE: Validity period after renewal: December 2025 – December 2028
2) HDKSOE: Applicable sites - GRC Headquarters, Ulsan Research Building
HHI: Percentage of employees working at sites within the ISO certification scope (e.g., design, production)
HSHI: Applicable sites - Headquarters, Daebul Plant 1
3) ISO certification integration is currently underway following the merger and based on HHI's ISO certification issued prior to the merger.

Management of Safety & Health Guidelines

HDKSOE and its shipbuilding subsidiaries establish and maintain not only safety & health guidelines, but also operational guidelines tailored to individual production sites. The Safety & Health Guidelines are reviewed and updated to reflect changes in workplace conditions, work methods, and operating equipment. Before starting work, workers at production sites implement accident prevention measures in accordance with the requirements set out in the applicable Safety & Health Guidelines.

Granting the Right to Work Safely

HDKSOE and its shipbuilding subsidiaries grant employees the Right to Work Safely, which allows them to stop work immediately whenever a hazard is identified at the workplace. Employees who identify a hazardous condition can request corrective action through emergency hotlines, online messaging platforms, or other reporting channels. Upon receiving the report, the Safety Department and safety personnel take immediate action or, if the situation poses an imminent risk, suspend the work until it is safe to resume.

Safety Leading Indicator (SLI) Management

To systematically assess and strengthen safety management, **HHI** operates a Safety Leading Indicator (SLI) system based on standardized evaluation criteria. In 2025, the system was enhanced to improve the effectiveness of risk assessments conducted by operational departments.

The enhanced SLI system analyzes data on rule violations, safety incidents, and inspections to identify potential accident types and safety management vulnerabilities. These vulnerabilities are designated as priority inspection items during the following month's regular safety inspections, enabling proactive risk management and continuous improvement.

Compliance with Safety & Health-related Laws and Regulations

Under the CSO's leadership, **HDKSOE and its shipbuilding subsidiaries** established a safety & health management system, developed and implemented measures to prevent serious accidents, complied with safety & health-related laws and regulations, and took necessary actions to fulfill the obligations stipulated in these laws and regulations.

In order to confirm compliance with the obligations in the relevant laws and regulations related to ensuring and promoting the safety & health of workers, we review compliance with the Serious Accidents Punishment Act, Occupational Safety & Health Act, and laws related to the management of hazardous substances, firefighting equipment, chemical substances, and waste. Through these compliance checks, appropriate action plans are established for each finding and actions are taken accordingly.

Operation of the Integrated Control Center

HHI and **HSHI** operate Integrated Control Centers to support workplace safety management. The centers utilize video surveillance systems, intelligent video analytics, and emergency reporting applications to help prevent accidents while enabling rapid response and effective emergency response.

Safety & Health

Risk Management

Safety & Health Risk Management

Risk Assessment and Mitigation

Risk Assessment

HDKSOE and its shipbuilding subsidiaries conduct risk assessments for employees and contractors, through which we identify harmful and hazardous factors, analyze the probability and severity of injuries and diseases caused by identified factors, and plan and implement risk reduction measures. Regular assessments are conducted annually, taking into account the performance of machinery, equipment, and facilities, as well as employees' safety & health knowledge and competencies. Additional assessments are carried out whenever new machinery, equipment, work methods, or procedures are introduced, or existing ones are changed. Appropriate risk mitigation measures are implemented based on the assessment results.

HHI has enhanced the effectiveness of its risk assessment process through a framework centered on regular, ad hoc, and field-based assessments integrated with the Integrated HSE Management System (Hi-SEs). The operating framework has been refined to ensure that the entire process, from assessment and implementation to feedback, functions effectively in the workplace, while assessment results are systematically linked to corrective actions and subsequent regular risk assessments. The company also conducts ongoing risk assessments in response to non-routine situations, such as workplace accidents and process changes, and has completed the establishment and revision to 10,948 work standards. In particular, special risk reduction measures have been developed for 3,087 significant risk factors with a risk score of 8 or higher, and improvement activities are continuously implemented and monitored in accordance with the Plan-Do-Check-Act (PDCA) cycle. Going forward, HHI will continue to enhance its risk assessment framework by improving the quantitative analysis of assessment results and systematically incorporating the outcomes into future assessments.

Emergency and Crisis Management Manual

HDKSOE and its shipbuilding subsidiaries have a company-wide emergency and crisis management manual, which is continuously updated to protect employee safety and company assets from emergencies, including natural disasters such as typhoons, earthquakes, heavy snow, torrential rain, and accidents such as fires and explosions.

The emergency and crisis management manual contains information on how to respond to emergencies at each stage, including emergency response and management systems, and the establishment and operation of contingency plans. This manual includes procedures on matters such as suspension of work, evacuation of workers, and removal of risk factors in the event of an emergency, as well as relief for victims and prevention of additional damage.

Emergency Preparedness Drill

HDKSOE and its shipbuilding subsidiaries carry out emergency preparedness drills according to an annual plan to make employees fully informed of emergency response measures. The findings and key lessons learned are reflected in revisions to the emergency and crisis management manual. In addition, drills are carried out in coordination with local fire departments to enhance preparedness for incidents such as fires, including rapid evacuation, initial response, first aid, and emergency transportation.

2025 Emergency Preparedness Drill Performance

Category	Details
HDKSOE	- Completed emergency response drills at all business sites
HHI	- Completed emergency preparedness drills across all departments company-wide
HSHI	- Conducted fire drills and confined space emergency rescue drills

Process Safety Management System

HDKSOE established and implemented standard operating procedures based on the 12 elements of process safety management in line with the introduction of new process safety management requirements. Safety reviews are conducted throughout the design and installation stages, while reapproval suitability assessments help eliminate potential hazards in advance.

HHI enhanced its process safety management (PSM) system to prevent major hazards such as leaks, fires, and explosions. An integrated management framework has been established, linking every stage from process safety information management to implementation and monitoring. As a result of these efforts, HHI reached the highest grade (S) in the regular process safety management assessment in 2025.

HSHI operates a process safety management system in line with its site operations. In collaboration with specialized organizations, improvement activities have been carried out, including training for responsible personnel and revalidation of process hazard analyses. A company-wide TFT is also in operation to achieve the highest S grade in 2026 while further advancing hazard management practices.

Health Checkup and Follow-up Care

HDKSOE and its shipbuilding subsidiaries provide general health checkups for employees and special medical examinations for those engaged in high-risk work. Professional consultations, medication, and health education are available for high-risk groups and employees requiring follow-up care. On-site medical clinics, physical therapy centers, and oriental medicine clinics also provide health management and medical support for employees and contractors.

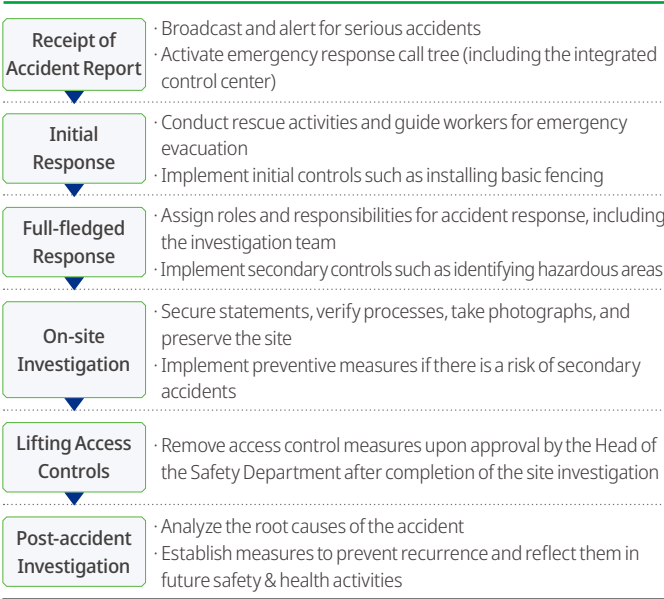
To help prevent occupational illnesses and provide effective follow-up care, **HDKSOE** offers health consultations with medical professionals. “One-Stop Activity” is available to promote employees' physical well-being. To support mental health, job stress prevention is included as part of the regular training program.

HHI monitors its occupational health management process using key indicators, including the prevalence of hypertension, the rate of work environment measurements exceeding regulatory limits, and the incidence of occupational diseases. These indicators help identify occupational health risks and guide management priorities. HHI also established and operates the Job Stress Prevention and Management Manual. More information is available on page 81 of this Sustainability Report.

Accident Response and Investigation Procedures

HDKSOE and its shipbuilding subsidiaries operate emergency response procedures to ensure prompt and safe action in the event of natural disasters, hazardous material spills, fires, explosions, and other emergencies. When an incident occurs, thorough investigations are conducted to ensure a complete review of the causes and findings. Based on the results, recurrence prevention measures and accident trend analyses are incorporated into occupational safety and health initiatives and risk management improvement plans.

Serious Accident Response Procedures



Safety & Health

Risk Management

Safety & Health Risk Management

Safety & Health Support for Contractors

Application of Safety & Health Policies to Contractors

HDKSOE and its shipbuilding subsidiaries apply the same safety & health guidelines, policies, and standards to contractors we work with, and assess contractors’ safety & health program as part of the selection process. Regular assessments are also conducted to evaluate contractors’ health and safety standards, identify risk factors, and develop initiatives that support continuous improvement.

Support for Contractors’ Risk Assessment Certification

HSHI supports contractors in establishing effective risk assessment systems and improving the reliability of their risk assessment results by requiring eligible contractors to participate in the “Recognition of Excellent Risk Assessment Certification” provided by Korea Occupational Safety & Health Agency (KOSHA). Under this initiative, when a contractor conducts a risk assessment and submits an application for accreditation, KOSHA conducts an objective evaluation and issues a certificate. As of 2025, a total of 32 contractors had obtained certification. Certified contractors are eligible for various benefits, including reduced industrial accident insurance premiums and additional government subsidies. To support certification, HSHI provides work standards and sample documentation, on-site guidance, and specialized training.

Support for Contractors’ Health Management

HDKSOE and its shipbuilding subsidiaries monitor the health management practices of contractors, identify areas for improvement, and provide support to contractors in establishing and implementing their own management plans for employees who have been identified as posing health risks.

To strengthen contractors’ health management capabilities, HHI holds regular and special meetings and cooperates closely with the Occupational and Environmental Health Center at Ulsan University Hospital and the Ulsan Industrial Health Center of the Korea Industrial Health Association. In addition, for contractors with weaker health management programs, HHI conducts on-site inspections twice a year to proactively identify potential health-related vulnerabilities and guides key management focus areas for each period to support improvements in their health management standards. Inspection criteria are further refined each year, while direct technical guidance at worksites helps contractors systematically improve working environments and protect workers’ health.

HSHI has established a Contractor Health Management System covering 80 in-house contractors, enabling data-driven health management. The company also provides broader safety & health support for subcontractors in response to the Serious Accidents Punishment Act. In addition, health management and health promotion initiatives are carried out through healthcare partnership agreements with the Department of Occupational and Environmental Medicine at Hwasun Chonnam National University Hospital, Yeongam County Public Health Center, Jeonnam Western Workers’ Health Center, and the Mokpo Medical Association. Regular council meetings with occupational health service providers for contractors and subcontractors help improve the health standards of contractors and subcontractors.

Safety & Health Communication and Training for Contractors

HDKSOE and its shipbuilding subsidiaries operate various communication channels such as safety & health meetings and councils for contractors to share safety & health policies, review key issues in contractors’ safety management programs, and discuss solutions to reported grievances. A range of training programs is also provided, including safety awareness sessions for contractors and competency development programs for their safety managers.

Contractor Safety Assessments and Technical Support

To help maintain a stable supply chain by preventing serious accidents, HDKSOE and its shipbuilding subsidiaries conduct on-site safety assessments and provide technical support for contractors. Qualified safety personnel identify workplace hazards at contractor sites and provide recommendations for improvement and practical risk management guidance for high-risk activities, helping contractors establish effective self-managed safety systems. Support is also provided for the implementation of safety management systems, compliance with occupational safety & health regulations, and the sharing of safety policies, safety standards, and technical guidance.

Number of Contractors Receiving Safety Assessment Support in 2025

HDKSOE ¹⁾	HHI ²⁾	HSHI ²⁾
15	70	50

1) Based on in-house contractors.
2) Based on external contractors. HHI and HSHI provide safety assessments for all in-house contractors.

Business Case Safety Management Support for In-house Contractors

HHI and HSHI have a safety manager support system to help in-house contractors establish autonomous safety management systems. A one-on-one mentoring program pairs each contractor safety manager with in-house safety personnel to enable the prompt identification of and response to workplace hazards. Regular training sessions and consultative meetings are also conducted to enhance safety management capabilities.

HHI, in particular, has established a Special Safety Inspection Team dedicated to contractor workplaces to improve contractor safety performance and prevent serious accidents. Comprising experienced safety professionals, the team focuses on compliance with key safety requirements, including the prevention of the five types of serious accidents, such as falls and caught-in accidents, as well as the proper use of personal protective equipment and protection of floor openings. Based on the inspection results, the team provides on-site technical guidance and recommends corrective actions to promote contractors’ voluntary improvements. For repeated violations, additional measures are implemented, including work suspension and mandatory safety training.

Business Case Promotion of Safety Management for External Contractors

HHI and HSHI support the operational stability of external contractors by providing technical assistance across areas of safety and facility and equipment maintenance. In addition to safety-related technical support, the companies coordinate various assistance programs offered by their asset management and shared growth organizations. Through this cross-functional technical support framework, practical assistance is provided to contractors.

HSHI also conducted joint safety campaigns with external contractors to raise safety awareness. Employees and contractor personnel participated together in a safety pledge ceremony and a workplace safety campaign in the Daebul Industrial Complex, reaffirming their commitment to key safety practices such as wearing safety harnesses when working at height and maintaining safe distances from moving heavy equipment.

Safety & Health

Metrics & Targets

Safety & Health Metrics & Targets

Short-, Mid-, and Long-term Safety & Health Targets

Safety & Health Performance and Short-term Targets

HDKSOE and its shipbuilding subsidiaries establish and publicly disclose key occupational safety & health KPIs to enhance accountability and transparency in safety & health management. Each company systematically manages its occupational safety & health performance using quantitative indicators that cover both its own operations and contractors. By sharing these results with stakeholders, the companies demonstrate their commitment to responsible safety management. The KPIs are regularly reviewed under the oversight of the Board of Directors and management, with performance against targets assessed and reflected in initiatives to improve occupational safety & health performance and reduce risks.

HDKSOE and its shipbuilding subsidiaries also establish measurable quantitative targets, including accident prevention goals, and continuously monitor implementation progress. Safety & health targets are developed based on the Safety & Health Policy, taking into account internal data such as risk assessment results, safety inspection and safety assessment findings, and accident cases, as well as external factors including trends across the industry. Through this approach, we maintain an effective target management framework and will continue to enhance the reliability and transparency of our occupational safety & health management systems while raising awareness in line with global standards.

Safety & Health Performance and Short-term Targets

Category		Targets & Performance	
HDKSOE	2025 Performance	- (Target) Zero serious industrial and public accidents - (Performance) Zero serious industrial and public accidents	- (Target) Maintain a healthy working environment - (Performance) Zero occupational illnesses and 100% completion of follow-up care
	2026 Targets	- Zero serious industrial and public accidents · Establish a risk assessment-based safety & health management system · Foster self-managed safety management systems among contractors	- Create a healthy workplace environment · Advance the chemical management system · Mind & Body Health Care
HHI	2025 Performance ¹⁾	- (Target) Zero serious industrial accidents, with an accident rate of 0.155 or below - (Performance) Zero serious industrial accidents, with an accident rate of 0.140 or below	- (Target) Create a prevention-centered health management system - (Performance) Create a prevention-centered health management system
	2026 Targets	- Zero serious industrial accidents - Accident rate of 0.148 and Serious Injury and Fatality (SIF) rate ²⁾ of 0.20 or below	- Create a prevention-centered health management system
HSHI	2025 Performance	- (Target): Visible on-site safety management - (Performance): Established an integrated mobile safety management platform - (Target): Intensive management of high-risk work and personnel - (Performance): Operated the 1-day, 2-day, and 3-day focused prevention program for confined spaces, cranes, and fall hazards Established a heat illness prevention system (e.g., cooling fan jackets) Established 70 Safety OPS standards	- (Target): Establish an occupational safety & health training system for foreign workers - (Performance): Established the DIGITAL SAFETY ACADEMY - (Target) Build a foundation for enhancing safety capabilities - (Performance): Advanced the operation of the medical clinic (expanded medical services, enhanced capabilities, etc.)
	2026 Targets	- Rebuild the PSM system and achieve the highest grade (M+ → S) - Verify the implementation of preventive measures for major accidents through safety assessments - Establish safety guidelines for indoor production work - Intensively manage high-risk work (three-tier inspection process) - Enhance the face-to-face work permit and three-tier inspection system - Improve safety management for outsourced work - Improve the working environment in production workshops	- Introduce an AI Agent for risk assessments - Advance safe work standards and establish operational guidelines - Enhance heat illness prevention during the summer season - Establish a health risk assessment management framework

1) Based on HHI prior to the merger.
2) SIF: Serious Injury and Fatality

Safety & Health

Metrics & Targets

Safety & Health Metrics & Targets

Short-, Mid-, and Long-term Safety & Health Targets

HHI Safety Vision 2027¹⁾

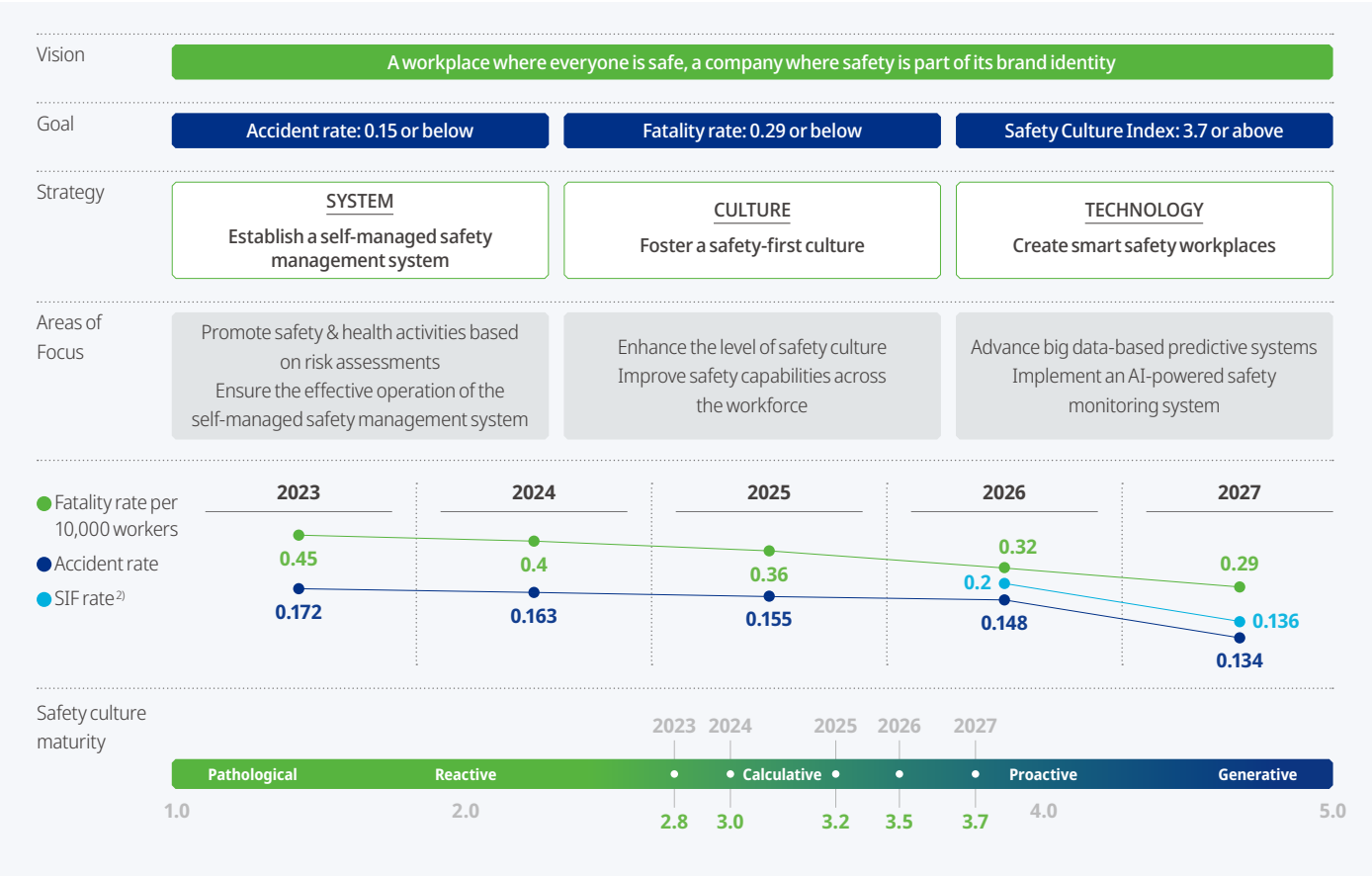
Under the leadership of top management, **HHI** aims to achieve Safety Vision 2027: “A workplace where everyone is safe, a company where safety is part of its brand identity.” To achieve this vision, HHI is establishing an autonomous safety management system, fostering a safety-first culture, and implementing an AI- and big data-driven smart workplace.

To meet its 2027 targets of an accident rate below 0.134, a fatality rate per 10,000 employees below 0.29, and a Safety Culture Index above 3.7, HHI is strengthening risk assessments, safety management, and accident prediction capabilities. In line with Safety Vision 2027, HHI has also established its 2026 targets of zero serious accidents, an accident rate of 0.148 or below, and a prevention-focused health management system.

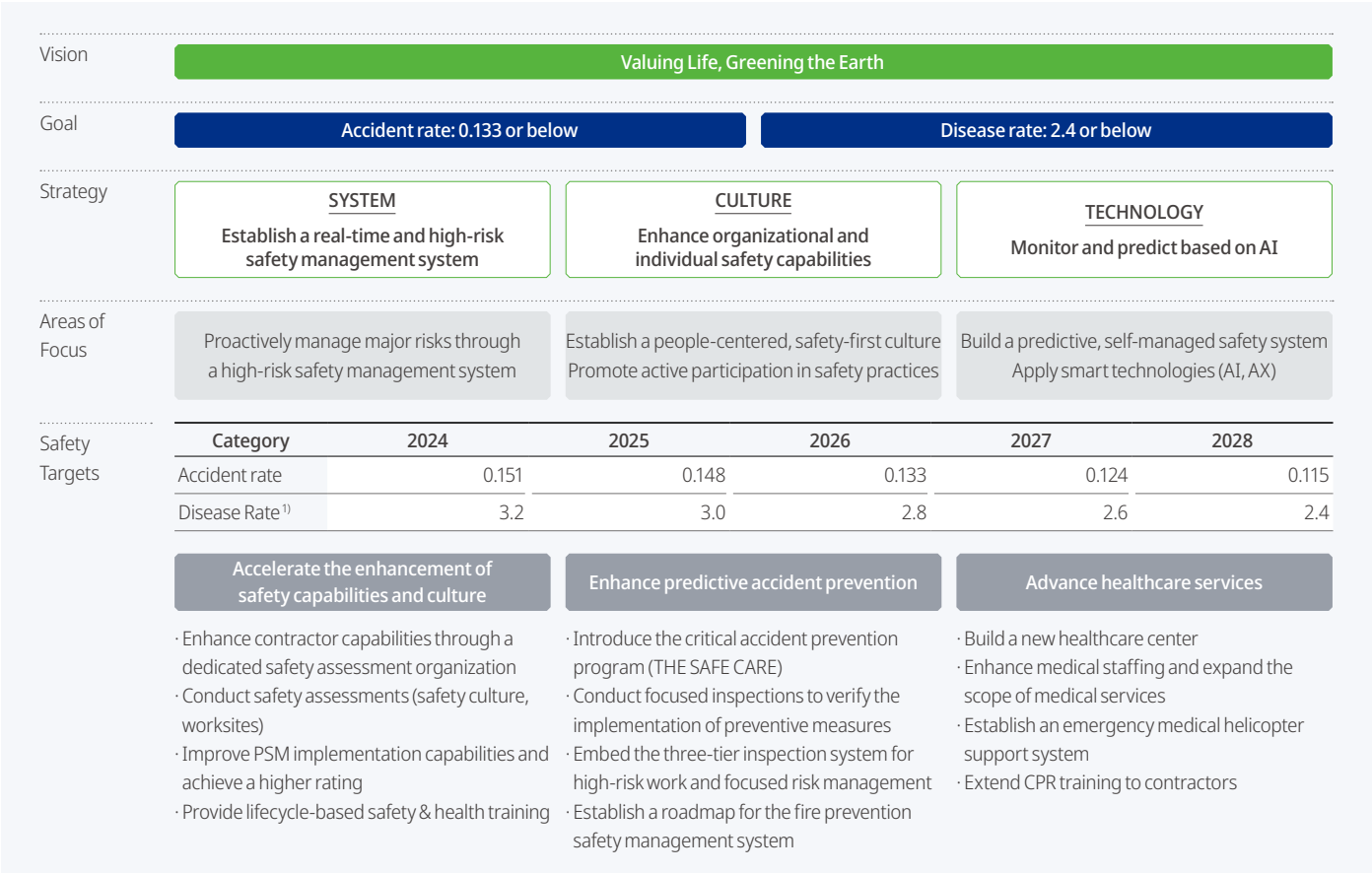
HSHI Safety & Health Vision 2028

Under the slogan “Valuing Life, Greening the Earth,” **HSHI** aims to achieve an accident rate of 0.133 or lower and a disease incidence rate of 2.4 or lower. To meet these targets, the company is strengthening safety discipline and workplace safety culture. It also plans to establish an integrated Health Promotion Center to enhance emergency response capabilities and employee healthcare services.

To achieve its Vision 2028 goals, HSHI has developed three strategic pillars: System, Culture, and Technology. First, the company is establishing a high-risk safety management framework to enable proactive risk management. Second, it is enhancing employees’ safety capabilities and fostering a proactive safety culture. Finally, HSHI is building a predictive, autonomous safety system powered by smart technologies.



1) It includes contractors and is based on HHI prior to the merger.
 2) SIF (Serious Injury and Fatality): A new indicator introduced in 2026



1) Disease rate: Number of occupational disease cases / Total number of employees * 100

People & Labor Relations

Governance

People & Labor Relations Governance

Roles and Responsibilities

Role of Responsible Departments

The department responsible for talent management at **HDKSOE and its shipbuilding subsidiaries** oversees the entire employee lifecycle, from recruitment to retirement, covering competency development, performance evaluation and compensation, employee benefits, and organizational culture improvement. These diverse activities aim to attract and retain high-performing talent, thereby enhancing their competitiveness and achieving continuous growth. In addition, continuous efforts are made to improve the capabilities of all employees in line with the changing market environment and technology demands. An innovative and flexible organizational culture is also being established to help the company maintain its strengths as an industry leader.

Labor Union Composition

HHI and HSHI have established labor unions and recognize their legitimate activities under the constitution and labor laws. The scope of employees covered by collective agreements is defined under each company’s agreement provisions, while the scope of employees not covered is also determined through mutual agreements between labor and management. In addition, training programs are provided to employees to enhance awareness of freedom of association and collective bargaining rights.

HDKSOE ensures employees’ rights to freedom of association and collective bargaining. However, as the last union member withdrew in October 2022, there is currently no labor union in place.

Labor-Management Council Meetings

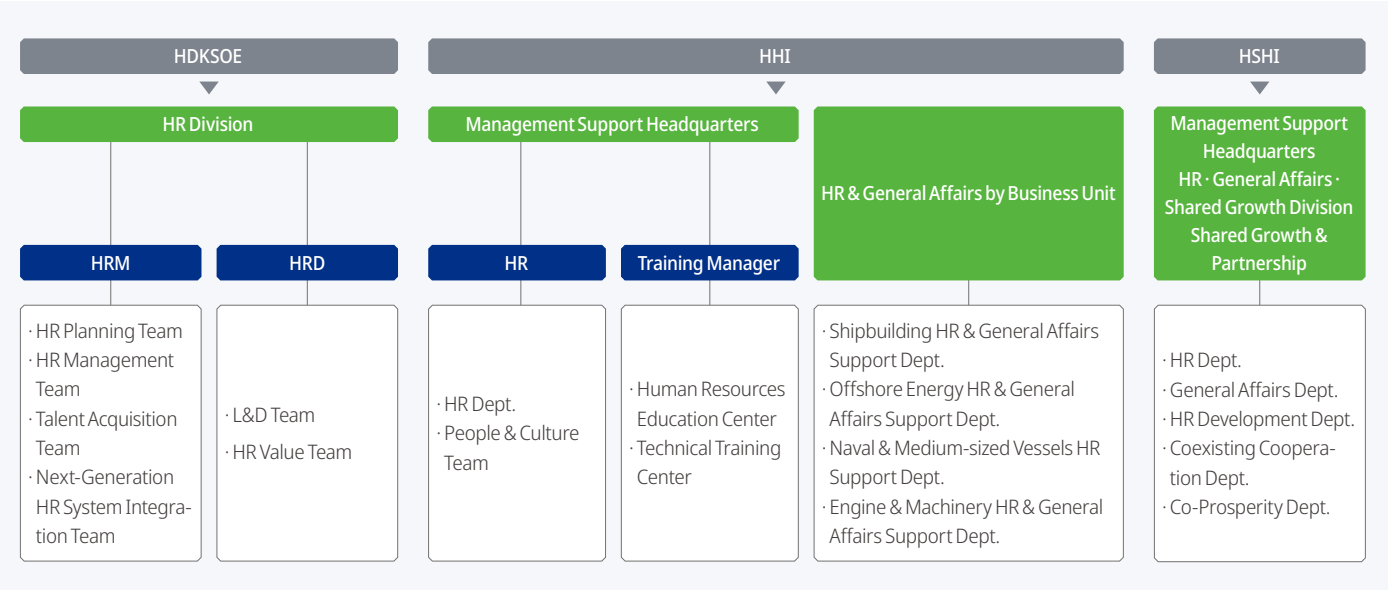
HDKSOE and its shipbuilding subsidiaries regularly hold Labor-Management Council meetings in accordance with relevant laws. Various issues on the employees’ working conditions, such as welfare benefits, office amenities, and work arrangements, are put on the agenda for the Labor-Management Council, and the council members engage in open communication and consultation on the agenda items. If the labor and management fail to agree on certain issues despite active negotiations, an arbitration system is used or the discussion is continued to seek solutions.

Labor-Management Agreements and Collective Agreements

HHI and HSHI recognize the right of labor unions to engage in collective bargaining and conclude agreements and the matters agreed upon through such agreements are actively implemented. Mutual trust and understanding are built between the companies and labor unions while continuous efforts are made to improve labor conditions.

Meanwhile, **HDKSOE and its shipbuilding subsidiaries** diligently execute resolutions agreed upon through the Labor-Management Council. In 2025, four meetings were held for each company, and diverse agenda items were discussed.

Talent Management Organizational Structure



Operation of Labor-Management Council

(As of 2025)

Category	No. of Meetings	No. of Agenda Items Negotiated	Agenda Items
HDKSOE	4	Proposed: 30 Agreed: 12	- Enhance the flexible working hours system - Update business travel guidelines - Improve working conditions and employee benefits
HHI	4	Proposed: 57 Agreed: 17	- Increase university scholarship support for employees’ children - Update dress code guidelines - Upgrade the office working environment - Improve employee welfare facilities
HSHI	4	Proposed: 17 Agreed: 12	- Replace aging container-type rest facilities and install new facilities - Replace aging restroom bidets and expand new installations

People & Labor Relations

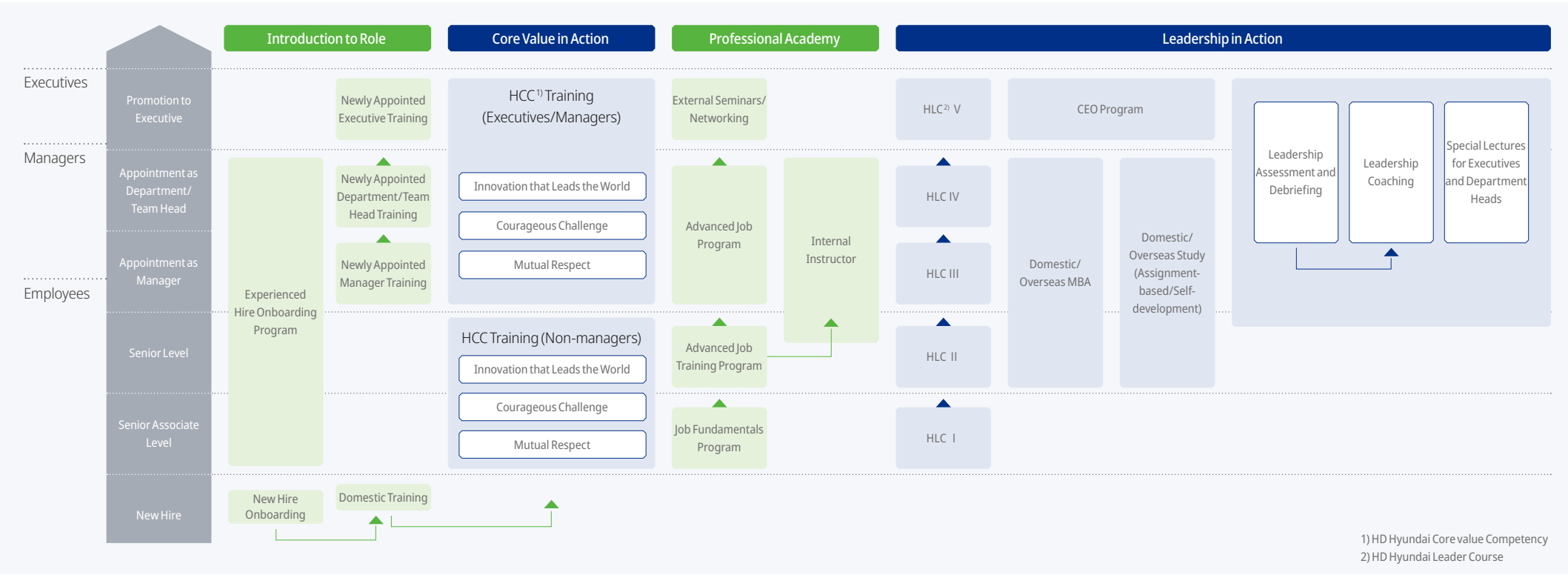
Strategy

People & Labor Relations Strategy

Capacity Building and Self-development
 Systematic Management of Training Programs

HDKSOE and its shipbuilding subsidiaries operate systematic training programs to support employees in developing expertise in their respective fields. The Core Value in Action program enables employees to gain a deep understanding of core values and build the capabilities required to apply them effectively in their daily work. Professional Academy programs are provided to continuously enhance job-specific and technical expertise, helping employees maintain competitiveness in their respective fields. Leadership in Action programs develop the capabilities required of current and future leaders, supporting mid-to long-term talent development and the establishment of a leadership pipeline. These programs and systems are managed either at the Group level as common initiatives or independently by each company, taking into account industry and product characteristics. This ensures structured and consistent enhancement of talent capabilities across the Group.

Training System of HDKSOE and Its Shipbuilding Subsidiaries



Key Training Programs

Category	Participants	Description
HLC Program	High performers from manager level to executive	· Training programs provided in 5 stages based on positions and roles starting from manager-level, high performing talent · Training in basic business administration, technology management, and leadership to cultivate future executives
Leadership multidimensional assessment Debriefing	Executives, department and team heads	· Strengthening self-awareness through interpretation of leadership 360-standard assessment · Seeking ways to enhance individual leadership skills
Training for Newly Appointed Managers	Newly Appointed Department Heads, Team Heads, etc.	· Cultivating leadership skills such as goal setting and management, coaching, feedback, etc.

Category	Participants	Description
Domestic Training for New Hires	New hires in their 2nd year	· Recharge and stress management · Vision design for future growth through Value Trip
Global Academy	Employees scheduled for overseas assignments and prospective expatriates	· Enhancing the competencies of prospective expatriates by cultivating a business mindset and providing global management training
	Prospective Expatriates	· Learning from the experience of expatriates, listening to the concerns of prospective expatriates, and building networks.

People & Labor Relations

Strategy

People & Labor Relations Strategy

Capacity Building and Self-development

Online Learning Platform “HiClass”

HDKSOE and its shipbuilding subsidiaries operate the online learning platform “HiClass” to support employee training and development. “HiClass” is accessible to employees at any time, and provides a variety of differentiated training courses that have been designed, based on employee surveys on job training demands and external trends.

Level-based Training Programs

HDKSOE and its shipbuilding subsidiaries operate the “HD EDGE Program” to enhance leadership capabilities across diverse talent groups. This program focuses on advancing diversity within the organization by strengthening leadership capabilities at different levels, particularly for women. It includes a curriculum designed to foster future women leaders, covering diversity awareness and special lectures by women executives.

In addition, level-based training programs are provided for Executives, Team Leaders, Team Members, and New Employees to enhance professional expertise and overall capabilities. Tailored programs for each level support employees, from entry-level to senior management, in developing competencies in professional knowledge, leadership, and innovation.

Support for Academic Degree Programs

HDKSOE and its shipbuilding subsidiaries support employees in obtaining master’s and doctoral degrees through self-development study programs at prestigious domestic universities. This program covers 70% of the tuition and admission fees up to KRW 30 million when an employee completes the degree program, thereby alleviating the financial burden on employees. Moreover, the company takes into consideration individuals’ academic schedules to ensure that they can balance their academic and work commitments.

Job Competency Development Training Programs

To address industry changes driven by the adoption of environmentally friendly vessel technologies and digital transformation, **HDKSOE and its shipbuilding subsidiaries** introduce immersive and hands-on training environments to strengthen mid/long-term job competencies. A structured training system for ship design specialists is also established and operated to cultivate professional talent in this field. In 2025, in collaboration with a technical advisory group, key ship design technologies are systematically defined, resulting in a total of 85 training courses across nine technical areas. These include 64 courses in four areas of eco-friendly vessel technologies and 21 courses in five areas of smart vessel technologies.

Coaching and Mentoring Programs

HDKSOE and its shipbuilding subsidiaries operate onboarding programs¹⁾ to support new hires in adapting to the organization. Regular interactions between new employees and assigned mentors facilitate not only the transfer of job knowledge but also the development of interpersonal connections. Personalized professional coaching is also provided to leaders, enabling them to build leadership capabilities that drive performance in a rapidly changing business environment.

1) Number of participants: HDKSOE 73, HHI 412, HSHI 143

Cultural Diversity Training Programs

HHI operates the “HD Vision Academy Empathy Bus” program to promote mutual understanding between domestic and international employees and to foster an inclusive organizational culture. Based on a participatory learning approach, the program focuses on raising awareness of diversity and enhancing communication capabilities rooted in mutual respect while contributing to building collaborative relationships and encouraging positive interactions.

Support for Language Testing and Overseas Assignment Training

HDKSOE and its shipbuilding subsidiaries subsidize the examination fees of language proficiency tests to help employees in administrative, design, and research positions strengthen their language skills. In 2025, 759 employees¹⁾ benefited from this support system. To foster more global talent, fees are covered for prospective expatriates to take language courses and exams for the regions relevant to their overseas assignment.

1) HDKSOE 141, HHI 463, HSHI 155

Team & Network-based Learning Programs

HDKSOE and its shipbuilding subsidiaries operate team- and network-based learning programs to promote self-directed learning and capability development. Internal communities and the in-house instructor system enable employees to share knowledge and experience across departments and functions. Programs such as “Knowledge Sharing Sessions” encourage employees to participate as instructors, facilitating the exchange of practical know-how and diverse experiences. These programs are available to all employees, including full-time and contract employees, and contribute to fostering a collaborative organizational culture built on learning and communication.

HHI enhances a collaboration-oriented culture by operating customized programs that reflect job group and organizational characteristics. In 2025, HHI conducted 12 sessions of the “Connect-up Workshop” for shipbuilding production managers, reinforcing connections among employees and promoting a collaborative work environment through structured group learning.

Support for Self-Directed Learning

HDKSOE and its shipbuilding subsidiaries support self-directed learning by providing access to external education platforms (Codeit and Class101) and by offering an e-book service¹⁾ that enables learning without time and location constraints. These programs are available to all employees, including full-time and contract employees, supporting the establishment of a company-wide learning culture.

1) Expanded to all employees starting in 2026

Measuring Training Outcomes and Effectiveness

HHI offers an “Expert Technician Training Program” to nurture technical talent that will adapt to future changes in the shipbuilding industry. Participants in the program learn the skills required in the field. In 2025, a total of 449 individuals completed the program through 27 training sessions. High-performing participants are given priority employment opportunities at HHI and its contractors, resulting in an employment rate of approximately 85% among graduates in 2025. In response to the global call for decarbonization and electrification, HHI also provides integrated electrical and electronics training programs that connect foundational theory with practical application. A total of 714 employees participated in 20 courses.

HSHI operates the “Namak Autonomous Academy” in collaboration with Mokpo National University Makerspace to enhance employee capabilities and promote a self-directed learning culture. In 2025, 125 employees participated in eight courses, including Arduino programming and hull design process understanding. Participant satisfaction reached 91% in the first half and 92% in the second half. Based on these results, the company continues to improve existing courses and develop new programs that reflect diverse learning needs.

People & Labor Relations

Strategy

People & Labor Relations Strategy

Performance Evaluation and Compensation

MBO-based¹⁾ Performance Appraisal

HDKSOE and its shipbuilding subsidiaries operate a performance evaluation system based on MBO. Executives, Department Heads, and Team Heads set performance goals in consideration of their respective roles and job characteristics across divisions and departments, and regularly monitor progress against these plans. Ongoing communication and feedback are provided throughout the MBO-based goal achievement process, fostering an environment that encourages active participation from all employees.

¹⁾ MBO: Management by Objectives

Priority-based Performance Evaluation

HDKSOE and its shipbuilding subsidiaries conduct performance evaluations based on priority tasks, which are determined by the goals for the organization as a whole. Through discussions between managers and employees, key tasks are further specified, and responsibilities are assigned at appropriate levels, taking into account individual capabilities and job requirements. At HSHI, performance evaluations are conducted semi-annually, based on the submission of monthly, objective performance metrics. To ensure fairness, the company operates evaluation calibration sessions and an appeal review process. Following the evaluation, comprehensive feedback is provided by evaluators to support the joint growth of both individuals and the organization.

Leadership Multidimensional Appraisal

HDKSOE and its shipbuilding subsidiaries conduct a multidimensional leadership appraisal assessment for executives, department heads, team heads, and section heads. This assessment evaluates “leadership competencies” based on various factors such as behaviors, attitudes, collaboration, and communication, with information gathered from multiple assessors. Assessment criteria are designed to reflect the purpose of the evaluation as well as the position level and job characteristics of the participants.

Agile Organization Performance Evaluation

HDKSOE and HHI conduct performance evaluations not only based on individual roles and KPIs, but also for work performed through temporary organizational units or task forces established for specific projects. These evaluations assess individual performance, collaboration, and contributions and provide continuous feedback on the entire working process and produced results.

Performance Evaluation Platform

HDKSOE and its shipbuilding subsidiaries operate a “Work Management Platform” to evaluate performance and support employee development. The platform manages tasks categorized into priority tasks, regular tasks (regular missions and duties), and ad-hoc tasks (one-time tasks assigned due to emergencies or the direction of senior management).

Performance evaluations are also conducted for tasks performed by employees participating in temporary organizations or task forces that are operated on an ad-hoc basis for specific projects or R&D activities through tasks that can be directly registered by the employees. Throughout task execution by employees, coaching, check-ins, and progress reviews are conducted on an ongoing basis, with performance goals adjusted as necessary. Outcomes and feedback generated through this process are reflected in performance evaluations. This approach enhances employee engagement while providing flexibility and agility throughout the entire organization.

Performance Review and Feedback

HDKSOE and its shipbuilding subsidiaries operate an ongoing and periodic feedback process that allows evaluators and employees that are being evaluated to freely share and review the appropriateness of performance goals, the objectivity of performance evaluation indicators, collaboration and support during task execution, and other relevant matters. When evaluation subjects register their plans, current status, and other support requests related to performance goals on the task management system, evaluators not only assess the performance status but also provide feedback on the methods and procedures used in performing such tasks. Ongoing feedback and formal reviews are conducted at key stages, including goal setting, mid-term evaluation, and final evaluation.

Improving Fairness and Acceptability of Performance Evaluations

HDKSOE and its shipbuilding subsidiaries have established and operate a data-based performance evaluation system in order to ensure the fairness of the performance evaluation process, including goal setting and task allocation, and improve the design of performance evaluation indicators and methods. To ensure that the employees are comfortable with the performance evaluation process, we establish specific performance goals and indicators according to the ranks and responsibilities of employees. In addition, results are presented transparently, and opportunities for feedback exchange are provided throughout the process.

Performance Evaluation Based on the Position Levels¹⁾

(As of 2025)

Category	Evaluation Method	Evaluation Cycle
Executives	MBO evaluation and multidimensional leadership appraisal	Once per year
Department and team heads	MBO evaluation and multidimensional leadership appraisal	Once per year
Section heads and non-managers ²⁾	Performance-based evaluation	Once or twice per year
Research and Administrative Staff	Performance and competency evaluation	Once or twice per year
Certified professionals (lawyers, patent attorneys, CPAs)	Self-evaluation, Job-related multidimensional appraisal, department head assessment	Twice per year
Production workers	Comprehensive evaluation of performance, competency, and attitude	Twice per year

¹⁾ The scope of application and evaluation frequency may vary by affiliate.
²⁾ At HSHI, managers are evaluated using MBO for goal management, while non-managers are evaluated based on performance.

People & Labor Relations

Strategy

People & Labor Relations Strategy

Performance Evaluation and Compensation

Performance Compensation System

Through the task management system, **HDKSOE and its shipbuilding subsidiaries** provide differentiated competency-based pay and performance-based bonuses to annual-salary employees based on individual performance. Separate incentive programs are also operated based on the characteristics of each occupational group, reflecting the diverse and complex nature of the company's business processes. The incentive system includes various programs such as design incentives, research bonuses, sales incentives, production incentives, incentives for outstanding production teams, and safety incentives. By considering the unique characteristics of each affiliate, these programs provide rewards aligned with employees’ diverse competencies and achievements.

Reward Programs

HDKSOE and its shipbuilding subsidiaries operate a range of reward programs, including recognition for practicing core values and outstanding performance. These programs are implemented based on the principle that performance is recognized and rewarded, acknowledging employee contributions and expressing appreciation. Key programs include awards for outstanding research achievements, the HD Core Value Pay, and Respect Points. Additional programs cover safety excellence with zero-accident awards, long-service recognition, job-related invention awards, special contribution awards for external partners, and recognition for safety excellence among contractors.

Retirement Pension Plan

HDKSOE and its shipbuilding subsidiaries have retirement plans so that the employees approaching retirement age can prepare for a stable post-retirement life. This retirement pension is available to all employees across HDKSOE and its shipbuilding subsidiaries and is protected through the external accumulation of retirement pension reserves. Moreover, the companies provide training for employees subscribed to the retirement pension to raise their understanding and to encourage employees to actively utilize the pension system.

Employee Stock Ownership Plan

HDKSOE and its shipbuilding subsidiaries operate an employee stock ownership plan (ESOP) to share corporate growth with employees, enhance productivity and ownership mindset, and promote Labor-Management cooperation. Eligibility extends to all employees (including regular and non-regular employees) of HDKSOE and its shipbuilding subsidiaries, as well as employees of affiliated companies in which they hold a stake of 50% or more. ¹⁾ As of December 2025, the ESOP union consists of 928 members.

1) Excludes registered executives, minority shareholders, daily workers under the Income Tax Act, and major shareholders and related parties under the Capital Markets Act.

Performance Compensation and Key Reward Programs ¹⁾			(As of 2025)
Category	Category	Description	
Performance Bonus	All	· A certain percentage of base salary is paid as a performance bonus based on business performance	
Reward Programs	HD Core Value Pay	All employees	· (Practice Points) Awarded to employees demonstrating exemplary core value practices, points exceeding a set amount are converted into Naver Pay · (Respect Points) Awarded to employees demonstrating collaboration and respect across or within departments, points exceeding a set amount are converted into Naver Pay
	Excellence in Research	Research staff	· Individual performance bonuses are provided based on semi-annual performance evaluations to motivate R&D activities
	Core Values Practice	All employees	· Employees who demonstrate the core values of Innovation, Challenge, Respect, and Safety and achieve outstanding results are selected and recognized

1) Detailed program operation may vary by affiliate.

2025 Defined Benefit (DB) Pension Plan Obligations				(Unit: KRW million)
HDKSOE		HHI	HSHI	
1,854,475		1,395,733		350,085

Employee Stock Ownership Plan				(As of December 31, 2025)
Category	Number of Shares Held	Ownership Percentage	Number of Members	
HDKSOE	25,595	0.04%	1,049	
HHI	53,683	0.05%	151	
HSHI	183,870	0.60%	311	

People & Labor Relations

Strategy

People & Labor Relations Strategy

Employee Benefits

Flexible Work System

HDKSOE and its shipbuilding subsidiaries implemented a flexible work system to respect the work-life balance for employees and enhance work efficiency.

If an employee needs to adjust working hours due to circumstances related to work, childcare, or other personal reasons, they are given the ability to choose their working hours. We also strive to create an adjustable working environment through flexible working hours, holiday work substitution, and part-time employment, and have adopted the PC-OFF system to help employees strike a balance between work and life.

Remote Work System

HDKSOE and its shipbuilding subsidiaries operate a remote work system that allows employees to work from any location. To minimize potential work gaps that may arise due to remote work, we provide various forms of support, including VPN and online collaboration tools. This system enables employees to maintain work efficiency while working safely and conveniently.

Encouraging Employees to Take Leave

HDKSOE and its shipbuilding subsidiaries have an annual leave planning system in place, under which employees register their annual paid leave plans in advance to encourage the planned use of their entitled leave. The system promotes greater awareness of leave while helping employees balance work schedules with vacation plans, preventing leave from being postponed or left unused. It also enables systematic management of leave usage across the organization.

Programs for Childbirth, Childcare, and Family Care¹⁾

(As of 2025)

Category	Participants	Description
Maternity leave and congratulatory allowance	All employees (including contract employees)	· Pregnant employee: 90 days of leave from the date of childbirth, with an additional 30 days of special maternity leave. Congratulatory pregnancy allowance of KRW 5 million, congratulatory childbirth allowance of KRW 5 million · Spouse employees: Up to 10 days of leave within 90 days of the child's birthdate
Fertility support		· Fertility treatment leave: Additional 3 days of leave for every 3-day statutory entitlement · Remote work for fertility treatments: remote work for 5 days, including the day of the treatment
Miscarriage, stillbirth leave, and condolence allowance		· Leave is granted based on the gestational period in the event of miscarriage or stillbirth, along with a condolence allowance of KRW 5 million.
Parental leave		· 1 year of leave per child under 8 years old or in second grade elementary school, for each parent (An additional six months of leave is available if each parent takes at least three months of parental leave, or if the employee is a single parent or the parent of a child with a severe disability.) · Reduced working hours for childcare can be utilized for up to a maximum of 3 years
Family care leave		· If an employee's grandparent, parent, spouse, child, grandchild, or parent-in-law require care due to accidents, illnesses, or old age, the employee is granted family care leave of up to 90 days a year.
Reduced working hours		· Reduced working hours of up to 2 hours per day during early pregnancy (less than 12 weeks) and late pregnancy (after 36 weeks) · Reduced working hours for childcare (15 to 35 hours a week)
Lactation facilities		· Female employees with infants under one year of age are provided with two paid nursing breaks of at least 30 minutes each per day, along with access to lactation rooms.
In-house daycare center		· In-house daycare center operating from morning until evening.

1) Detailed program operation may vary by affiliate.

Business Case

Family-Friendly Company Certified by the Ministry of Gender Equality and Family (MOGEF)

HDKSOE and its shipbuilding subsidiaries have been recognized for maintaining exemplary family-friendly policies such as childbirth and childcare support and flexible working hours, and have earned and maintained the MOGEF's certification as a “Family-Friendly Company.”

Category	Validity Period
HDKSOE	Dec. 1, 2022 – Nov. 30, 2025 ¹⁾
HHI	Dec. 1, 2022 – Nov. 30, 2025 ¹⁾
HSHI	Dec. 1, 2022 – Nov. 30, 2025 ¹⁾

1) All three companies have renewed their certification (Dec. 1, 2025 – Nov. 30, 2027)



Family-Friendly Company Certification

People & Labor Relations

Strategy

People & Labor Relations Strategy

Employee Benefits

Personal Development Leave System

HDKSOE and its shipbuilding subsidiaries promote a personal development leave system to encourage employees to recharge themselves for sustained business performance and increased employee engagement. All employees are eligible to use up to 5 days of personal development leave twice per year. When using this leave, employees are provided with hotel or resort vouchers or corresponding welfare points so that they can refresh and enjoy a comfortable break.

Retirement Planning Education Support

HDKSOE and its shipbuilding subsidiaries offer retirement planning education programs for employees so that they can enjoy a healthy and stable lifestyle after retirement. The program assists employees in preparing for their next phase of life by providing information on change management after retirement and career planning based on five key areas of life (health, career, etc.). Customized education programs are provided based on the needs of employees approaching retirement age, offering practical information on self-assessment, financial management, health management, reemployment, and job search preparation to support a successful transition into the next chapter of life.

In-house Fitness Center

HDKSOE and its shipbuilding subsidiaries operate in-house fitness centers to promote employee health and well-being. The fitness centers are available to all employees of HDKSOE and its shipbuilding subsidiaries and are equipped with a variety of modern exercise equipment.

Prevention and Management of Work-Related Stress

HDKSOE and its shipbuilding subsidiaries provide regular industrial safety and health training that includes programs on work-related stress prevention to support the psychological well-being of all employees. In addition, in-house counseling centers, including “Breathe” (Bundang office) and “Maeum Garden” (Ulsan and Yeongam sites), are operated to promote employees’ mental well-being.

HHI has established a work-related stress prevention and management manual to help employees effectively manage stress. In addition to the in-house counseling center “Maeum Garden,” professional stress assessments and counseling based on specialized equipment are continuously provided through medical facilities. Based on annual work-related stress assessment results, employees requiring support are identified and encouraged to participate in management programs. Various stress management programs, including lectures by external experts and meditation app support, are also provided.

Other Employee Benefits¹⁾

(As of 2025)

Category	Participants	Description
Personal Development Leave System	All employees (excluding executives and contract employees)	· Provides leave opportunities for personal development and recharging
In-house Counseling Centers	All employees (including contract employees) and in-house contractors	· Supports the prevention of work-related stress and the management of employees’ mental well-being
Retirement Planning Education Support	All employees (including contract employees)	· Provides retirement planning education to help employees prepare for life after retirement and manage financial and career transitions
In-house Fitness Centers	All employees (including contract employees)	· Operates in-house fitness facilities to promote employees’ physical health and support physical fitness
Dormitory Operations Outside the Seoul Metropolitan Area	All employees (including contract employees) and in-house contractors	· Operates dormitories to support employees’ residential stability and workplace convenience
In-house Cafeteria	All employees (including contract employees) and in-house contractors	· Provides a variety of menu options considering employees’ health and individual preferences (Korean food, snacks, salads, convenient meals, etc.)
Housing Loan	All employees (excluding executives and contract employees)	· Provides housing loan interest support to promote residential stability (3% annual interest support on loans up to KRW 100 million)
Family Cards	All employees (including contract employees)	· Provides cards offering benefits such as fuel discounts, department store discounts, airport lounge services, and affiliated store rewards
Commuter Bus	All employees (including contract employees)	· Operates commuter shuttle buses by area and circulator buses connecting nearby stations
Children’s Education Support	All employees (including contract employees)	· Provides full tuition support for employees’ children attending high schools and universities
Health Checkups	All employees (including contract employees)	· Provides medical expense support and comprehensive health screenings to support employees’ healthy lives

1) Detailed program operation may vary by affiliate.

People & Labor Relations

Risk Management

Workforce Planning and Organization Assessment

Working Conditions and Labor Practices

Rules of Employment and Collective Bargaining Agreement

HDKSOE and its shipbuilding subsidiaries aim to achieve sustainable growth based on mutual trust between labor and management. In accordance with the fundamental principles of the Constitution and labor-related laws, the companies establish regulations covering matters related to employee recruitment, leave of absence, welfare, employment security, working hours, gender equality, wages, retirement benefits, bonuses, allowances, and employee benefits. The regulations regarding employee recruitment, leave of absence, welfare, employment security, working hours, gender equality, wages, retirement benefits, bonuses, allowances, and employee benefits are specified in each company's employment rules and collective bargaining agreements.

Working Hours and Paid Leave

HDKSOE and its shipbuilding subsidiaries set employees' standard working hours at eight hours per day (excluding lunch breaks) and 40 hours per week. In accordance with the Labor Standards Act and each company's employment rules and collective bargaining agreements, employees are provided with at least 15 days of annual paid leave per year. These working hours and rest policies are operated in accordance with the International Labour Organization (ILO) standards on working hours and rest periods.

Under statutory overtime regulations, employees may work up to 52 hours per week. In cases involving urgent situations or significant increases in workload, overtime and holiday work exceeding 52 hours per week may be permitted with employee consent and approval from the Minister of Employment and Labor. Overtime and holiday work allowances are paid based on actual working hours.

HDKSOE and its shipbuilding subsidiaries manage employees' standard working hours and additional hours resulting from overtime and holiday work. Working hours are systematically monitored through Human Resources Management Systems (HRMS) and other related systems.

Wage Gap Monitoring and Reasonable Wages

HDKSOE and its shipbuilding subsidiaries do not provide different employment conditions or disadvantageous treatment without reasonable grounds based on gender, marital status, pregnancy, or childbirth. Employees receive equal compensation for the same roles and qualifications, while differences in wages are applied only when they are based on objective and reasonable criteria, such as differences in experience and years of service, or when disparities in employees' capabilities or performance can be objectively and specifically verified. However, due to the nature of certain roles requiring high levels of manual work, such as shipbuilding, the proportion of male employees and the average length of service in these positions tend to be higher. HDKSOE and its shipbuilding subsidiaries monitor whether wage differences arise due to discriminatory factors related to gender and take proactive measures to address any disparities that lack reasonable justification.

HDKSOE and its shipbuilding subsidiaries provide wages above the minimum wage set annually by the government in accordance with the Constitution to ensure employees' basic livelihoods. To support employees' quality of life and dignified living, the companies review the differences between the living wage levels announced by local governments' Living Wage Committees in major business locations and the actual wages provided by the companies. Efforts are made to maintain wages at a level that is more competitive than the living wage. This living wage is calculated based on a comprehensive analysis of regional household income and expenditure, inflation rates, private education expenses, leisure expenses, and current income levels.

Employee wages are paid in cash on designated dates each month, with payslips provided that include total payment details, such as base salary and overtime pay, as well as deductions including taxes, union dues, savings contributions, and social security insurance premiums. Payslips can be accessed at any time through the company intranet and mobile applications. In addition, other key compensation information, including salary increases and performance-based incentives, is disclosed annually through company-wide internal announcements.

Wage Payment Status by Business Site				
(Unit: KRW 1,000)				
Category	Business Location	Statutory Minimum Wage	Regional Living Wage ¹⁾²⁾	Actual Wages Paid ³⁾
HDKSOE	Seongnam-si, Gyeonggi-do, Republic of Korea	25,155	30,522	130,568
HHI	Ulsan Metropolitan City, Republic of Korea	25,155	29,556	114,274 ⁴⁾
HSHI	Yeongam-gun, Jeollanam-do, Republic of Korea	25,155	26,913	131,383

1) Regional living wages are calculated based on hourly rates multiplied by the standard monthly working hours (209 hours) × 12 months.
2) The regional living wage is determined and announced by the "Living Wage Committee" of the local government where each company's major business site is located.
3) Actual paid wage is based on the "average salary per employee" disclosed in the Annual Report.
4) Salaries paid from January to November by HD Hyundai Mipo, the merged entity that was dissolved following the merger, are excluded.

People & Labor Relations

Risk Management

Workforce Planning and Organization Assessment

Systematic Human Resources Management

Workforce Supply and Operation Planning

HDKSOE and its shipbuilding subsidiaries establish mid- to long-term workforce supply and operation strategies to address challenges such as selecting next-generation core talent in future strategic areas. Based on changing economic and market conditions, supply and demand for various positions are analyzed, including administrative, research, and production roles. Strategies are then devised to secure or utilize the necessary talent from internal and external sources.

HDKSOE and its shipbuilding subsidiaries have not conducted large-scale layoffs involving more than 1,000 employees or more than 5% of total employees over the past three years, maintaining a stable employment foundation. This applies not only to each company individually but also on a consolidated basis, with employment stability continuously maintained at the group level.

Fair Interview Guidelines

HDKSOE and its shipbuilding subsidiaries provide interview guidelines and training for interviewers to create a fair interview environment based on the principles of diversity and respect for human rights. The guidelines include precautions for conducting fair and respectful interviews, such as prohibiting questions about personal information unrelated to job qualifications and preventing discriminatory remarks or behavior. Through these measures, all applicants are evaluated in an equal and fair environment.

Identification and Analysis of Internal and External Workforce

HDKSOE and its shipbuilding subsidiaries conduct employee competency evaluations and organizational culture assessments to identify the capabilities of both internal and external workforces. Employee competency evaluations are conducted to assess how much of the MBO- or KPI-based targets employees have achieved. We give recognition to those employees who have consistently met or exceeded the performance targets as outstanding talent.

In addition, flexible recruitment programs are operated to secure talent capable of addressing key challenges arising from external changes, including market competition in the shipbuilding industry, supply chain instability, and technological advancements. We collaborate with major universities to foster and secure future talent, while also conducting separate recruitment programs targeting master’s and doctoral-level talent from leading universities and research institutions. Furthermore, industry-academia research collaborations across various fields are being pursued to create a foundation for the growth of future talent.

HDKSOE and HSHI have a “Job-Linked International Student Internship Program” in place for international students enrolled in or graduating from domestic universities and graduate schools. Through this program, the companies attract talent with diverse backgrounds and expertise while establishing an inclusive talent acquisition system. **HHI** strives to establish a fair and transparent recruitment process by covering evaluation and health examination costs incurred during the recruitment process for foreign employees ¹⁾ and operating a document return process through its recruitment website.

1) Original personal identification documents are not requested. Depending on the country, some visa issuance or renewal costs may be borne by applicants.

Facilitating Labor-Management Communication

Dialogue with the Executive Management

HDKSOE and its shipbuilding subsidiaries hold regular meetings between employees and the executive management to promote smooth communication within the organization and to promote a collaborative Labor-Management culture. Each company conducts meetings between CEOs and new employees to encourage the sharing of perspectives across generations and promote meaningful exchange. Meetings with team leaders are also held to share company policies and business updates while listening to employees’ concerns and feedback.

Business Performance Briefing

HHI and HSHI have established, through collective bargaining agreements, obligations to provide prior notice to labor unions regarding significant operational changes. In addition, business status and management updates are transparently shared during Labor-Management Council meetings. Since 2020, **HHI** has conducted separate business performance briefings hosted by the CEO through internal broadcasting channels at the time of quarterly earnings disclosures to share the company’s business status and key issues. In addition to CEO-hosted briefings, follow-up sessions are held at the business unit level to promote a shared understanding of business developments across the organization.

Labor-Management Relations Training

HHI and HSHI operate Labor-Management relations training programs, including labor law education, to promote a sound Labor-Management culture and establish constructive Labor-Management relations. This program covers topics such as defining Labor-Management relations, the structure of collective bargaining, causes of Labor-Management conflicts, effective communication for conflict resolution, and labor standards including working hours, wages, and leave.

Business Case Corporate Culture Sharing Sessions

HDKSOE and its shipbuilding subsidiaries operate the “HI-5 DAY” corporate culture improvement sharing sessions to collect various improvement ideas from the field and promote cultural change across the organization through a direct communication channel between management and employees. The sessions involve employees from various levels, including Change Agents of HD Hyundai Group affiliates, managers, and general employees. By sharing best practices for workplace improvements and encouraging open discussions, the program promotes employee-driven participation and fosters a culture of respect, contributing to the establishment of a sustainable organizational culture and enhanced corporate competitiveness.



HI-5 DAY at Ulsan Site

Business Case CEO Dialogue Sessions

HHI operates CEO dialogue sessions to enable top management to directly share the company’s vision and strategic direction with employees. Through these sessions, employees can ask questions directly to the CEO and receive responses regarding the company’s business environment and other key matters. In addition, HHI holds dialogue sessions with employees from diverse backgrounds and experiences, including new employees, female managers, newly appointed managers, and employees returning from overseas assignments, to provide opportunities for open communication. By sharing job-related challenges and suggestions based on employees’ roles and career experiences, and exchanging ideas on ways to improve organizational culture and the working environment, HHI promotes a communication culture built on mutual respect and trust.



HHI CEO Dialogue Session

People & Labor Relations

Risk Management

Workforce Planning and Organization Assessment

Business Case
 Labor-Management Communication Events

Workplace Improvement Committee

HHI holds the “Workplace Improvement Committee” every 6 months as a communication forum to improve on-site working conditions. As of the 7th session in 2025, the committee had communicated with approximately 900 committee members and contributed to enhancing the work environment. In 2025, the Shipbuilding Business Division and Offshore Energy Business Division handled approximately 1,350 agenda items in 2025, and action items for improvement were efficiently handled. A senior executive from each department acts as the Chair, and members freely discuss topics such as worksite difficulties, safety issues, and other related issues. The committee also contributes to enhancing organizational culture by listening to employees’ concerns beyond work-related matters through quarterly external meetings.



Workplace Improvement Committee

Building Safety Culture Together: Safety Culture Assessments

HSHI conducts safety culture assessments for all employees of HSHI and its subcontractors and partner companies to review the company-wide safety culture and identify practical areas for improvement. The assessments are conducted through surveys and interviews tailored to different organizational levels. The assessment aims to systematically convey safety awareness and field-level feedback to management through divisional briefings and direct reporting to the CEO. Interviews are conducted with employees, including managers such as executives, department heads, and responsible executives. The results are used as foundational data to analyze differences in safety perceptions between management and the field and to establish a safety culture across the organization.



Company-wide Safety Culture Assessment

One Heart Communication Committee

HHI established the “One Heart Communication Committee,” where each department sends one representative so they can gather together to suggest improvements on the worksites and improve communications between the company and employees. Each representative serves as a bridge of communication as they voluntarily identify and propose areas for improvement and exchange prompt feedback with the relevant department. Since its launch in 2023, the “One Heart Communication Committee,” through Groups 1 to 7, has identified 60 tasks to improve the work environment.



One Heart Communication Committee

Enhancing Safety Through Organization-Specific Communication: CSO Dialogue Sessions

HSHI operates CSO dialogue sessions by responsible organizations to share practical insights based on safety indicators and assessment results and identify actionable safety improvement initiatives. The sessions bring together key managers from the production and safety functions to share safety status and key metrics by organization and discuss areas requiring improvement. They focus on listening directly to employees in the field about their workplace challenges and improvement suggestions to establish more effective safety measures.



CSO Dialogue Session

Metrics & Targets

People & Labor Relations Metrics and Targets

Current Status and Quantitative Performance

Employee Satisfaction Survey

HDKSOE and its shipbuilding subsidiaries conduct the “Value Survey” every two years to foster a healthy organizational culture where employees can fully demonstrate their creativity and capabilities. The survey analyzes various aspects, including satisfaction with the work environment, sense of purpose, job experience, well-being, and stress factors, based on employee engagement, internalization of corporate values, and change management activities. Key improvement areas identified through the survey are developed into specific action plans through the annual “Top Team Workshop,” which is attended by top management at the beginning of each year. Based on these outcomes, customized organizational culture improvement initiatives are implemented across the group and its affiliates to drive meaningful changes.

Employee Engagement Survey ¹⁾ (Unit: %)		
Category	2024 Results	2026 Goals ²⁾
Positive Response Rate	61.6	63
Survey Participation Rate	66.2	70

1) Scope: HDKSOE, HHI (including the former HD Hyundai Mipo), and HSHI
 2) The employee engagement survey is conducted biennially, with the next assessment scheduled for 2026.

Respect for Human Rights

Governance

Human Rights Management Governance

Roles and Responsibilities

Role of the BOD

To protect the human rights of stakeholders related to our business activities, **HDKSOE and its shipbuilding subsidiaries** operate a human rights management governance system where the ESG Committee under the BOD serves as the highest decision-making body. The ESG Committee receives reports on potential or highly likely human rights risks involving employees and stakeholders, and deliberates and approves issues related to human rights that may have a significant impact on the business operations and financial performance of the companies.

Role of the CEO

The CEO is responsible for reviewing and managing matters related to human rights management strategies and initiatives. The CEO also monitors internal and external regulations and key issues, assesses their potential impact on business operations, and oversees related response measures. Among human rights management matters reported to the CEO, those expected to have a significant impact on business competitiveness are presented as agenda items to the Board of Directors (ESG Committee).

Role of Chief ESG Officer and ESG Executives

The Chief ESG Officer and ESG Executives establish human rights management strategies and oversee the implementation status of improvement initiatives for identified human rights risks. They also assess risk factors that may have a significant impact on corporate management and develop related policies and strategies based on these assessments.

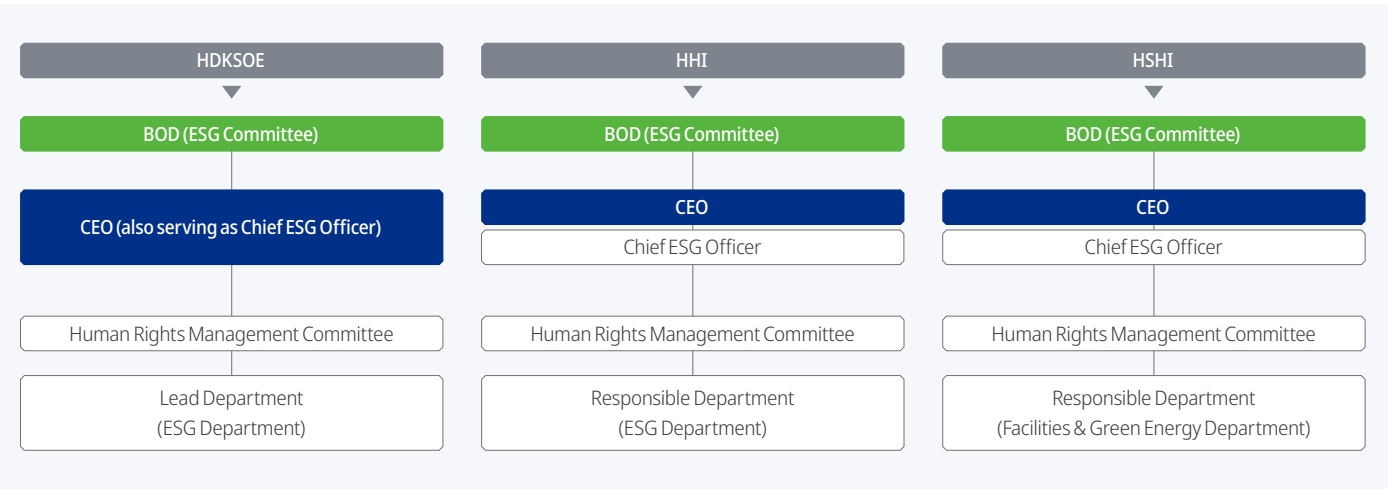
Role of the Human Rights Management Committee

HDKSOE and its shipbuilding subsidiaries operate a Human Rights Management Committee (or subcommittees), chaired by the Head of the Compliance Management Office, the Chief ESG Officer (C-level), or the executive in charge, and comprising executives and managers from relevant departments. The Human Rights Management Committee reviews issues and performance related to promoting human rights management and approves the Human Rights Management Declaration, establishment and revision of Guiding Principles for Human Rights Management, human rights impact assessments (HRIA), and publication of human rights management reports.

Role of Responsible Departments

The departments responsible for human rights management at **HDKSOE and its shipbuilding subsidiaries** lead activities to advance human rights management and manage related risks. In addition to promoting the systematic implementation of human rights management, they cooperate with other relevant departments such as HR, compliance, asset management, procurement, security, and environmental safety to identify and address human rights risks. The departments in charge conduct HRIAs to identify human rights risks and present suggestions for improvement, and they regularly monitor human rights issues and report key matters. These departments also conduct training on topics related to human rights management to employees.

Human Rights Management Governance Structure



Business Case Group Human Rights Management Governance

The Group ESG Council, comprising the Chief ESG Officers of HD Hyundai and its affiliates, establishes the Group's human rights management strategy and sets the overall direction for its implementation. The “Group Human Rights Management Committee” was established under the council in 2026 to further define the group-level direction and establish policies and key initiatives. The council also develops response strategies for domestic and international regulations, establishes human rights management indicators and standards, and manages related performance.

HDKSOE and its shipbuilding subsidiaries implement human rights management initiatives in accordance with the group's direction. In 2026, each company established its own Human Rights Management Committee (or subcommittee) to implement strategies that reflect external requirements and business characteristics, while pursuing action plans tailored to each company's operating environment. We also review the progress on a regular basis to continuously improve our management systems.



1) The detailed organizational structure and committee names may vary by company.

Respect for Human Rights

Strategy

Human Rights Management Direction

Human Rights Management Framework

Group Human Rights Declaration

HDKSOE and its shipbuilding subsidiaries continue to make efforts to prevent human rights violations that may arise across business operations and to effectively mitigate related risks. In May 2025, the Group Human Rights Declaration was revised to reflect internationally recognized human rights standards and norms, including the Universal Declaration of Human Rights and the UN Guiding Principles on Business and Human Rights. The revision clarified our commitment to human rights management and clarified the fundamental principles for respecting human rights across the global business environment.

[HD Hyundai Group Human Rights Commitment](#)

Prohibition of Discrimination and Harassment

HDKSOE and its shipbuilding subsidiaries strictly prohibit discrimination and workplace harassment to ensure that all employees can work in an environment where their dignity and individuality are respected. Any form of discrimination based on gender, age, race, disability, religion, political orientation, place of origin, or other personal characteristics is prohibited, while preventive measures and initiatives to eliminate workplace harassment and sexual harassment are actively implemented. Where cases of discrimination or workplace harassment are identified through the human rights impact assessment process, or confirmed through grievance reporting and investigation procedures, disciplinary measures are taken against the perpetrator in accordance with the Rules of Employment.

Human Rights Management and Due Diligence Policy

Based on the principles set out in the Group Human Rights Declaration, **HDKSOE and its shipbuilding subsidiaries** have established and systematically operate human rights management and due diligence policies that reflect the business characteristics and operating environments of each company. These policies are designed to clearly define the fundamental principles of respect for human rights in accordance with internationally recognized standards and applicable domestic and international laws and regulations, as well as prevent potential human rights violations throughout business activities.

The Human Rights Management and Due Diligence Policy incorporates company-wide principles addressing key human rights issues, including the prohibition of forced labor and child labor, the protection of freedom of association and collective bargaining rights, and non-discrimination. The scope extends beyond employees of HDKSOE and its shipbuilding subsidiaries to include contractors and other business partners, supporting the implementation of responsible human rights management practices.

In accordance with this policy, HDKSOE and its shipbuilding subsidiaries systematically assess human rights risks and impacts across their operations. The policy was developed to reflect key elements required by international standards, including the scope and procedures of human rights due diligence and remediation mechanisms.

Guiding Principles for Human Rights Management

Principles of Respect for Human Rights

HDKSOE and its shipbuilding subsidiaries established six key areas for respect for human rights reflecting major human rights conventions and agreements ratified by the Korean government, including the ILO Core Conventions. These six areas are defined as core areas that must be protected and promoted together with all employees, suppliers, and local communities in practicing human rights management, and HDKSOE and its shipbuilding subsidiaries are committed to ensuring they are respected across all business activities. In addition, HDKSOE and its shipbuilding subsidiaries developed their own assessment indicators comprising 17 human rights assessment items expected by international standards and conducted human rights due diligence in line with these criteria. Based on the analysis of human rights impact assessment results, the companies identify and implement improvement measures for each indicator.

Six Areas of Respect for Human Rights

Human Rights Management Governance · Declaration of human rights policy · Human rights management governance · Human rights due diligence system	HR/Labor-Management · Forced labor/illegal labor · Child labor/underage workers · No discrimination
Occupational Safety and Health · Occupational accidents and disease · Industrial hygiene · Safe maintenance of machinery and equipment	Ethics · Fair trade · Privacy protection · Governance policy
Supply Chain Management · Procurement practices · Supply chain assessment/due diligence · Responsible/Conflict minerals	Environment · Hazardous materials · Waste management · Biodiversity

Human Rights Training

HDKSOE and its shipbuilding subsidiaries provide human rights training to all employees to improve understanding of the Human Rights Commitment and Practice Guidelines, while promoting a culture that respects human rights. The training covers raising awareness of vulnerable groups (persons with disabilities), and preventing discrimination, bullying, and sexual harassment in the workplace.¹⁾ These programs enhance understanding of human rights management by emphasizing corporate responsibility to respect human rights, including banning child and forced labor, and respecting diversity such as race and religion.

The training is provided to employees across various categories of workers, including office workers, production workers, and dispatched staff. Completion records are systematically managed through the employee e-learning platform (HiClass) and training records maintained within the internal learning management system.

1) Detailed training programs vary by company.

Human Rights Training Programs in 2025

Category		Completion Rate (%)
Sexual Harassment Prevention Training	HDKSOE	100
	HHI	97.5
	HSHI	100
Disability Awareness Training	HDKSOE	100
	HHI	97.7
	HSHI	100
Workplace Harassment Prevention Training	HDKSOE	100
	HHI ¹⁾	98.6
	HSHI	100
Human Rights Management Training	HDKSOE	91.7
	HHI	94.9
	HSHI	98.6

1) Training programs beyond legally mandated training requirements are provided to office employees only.

Respect for Human Rights

Risk Management

Human Rights Risk Management

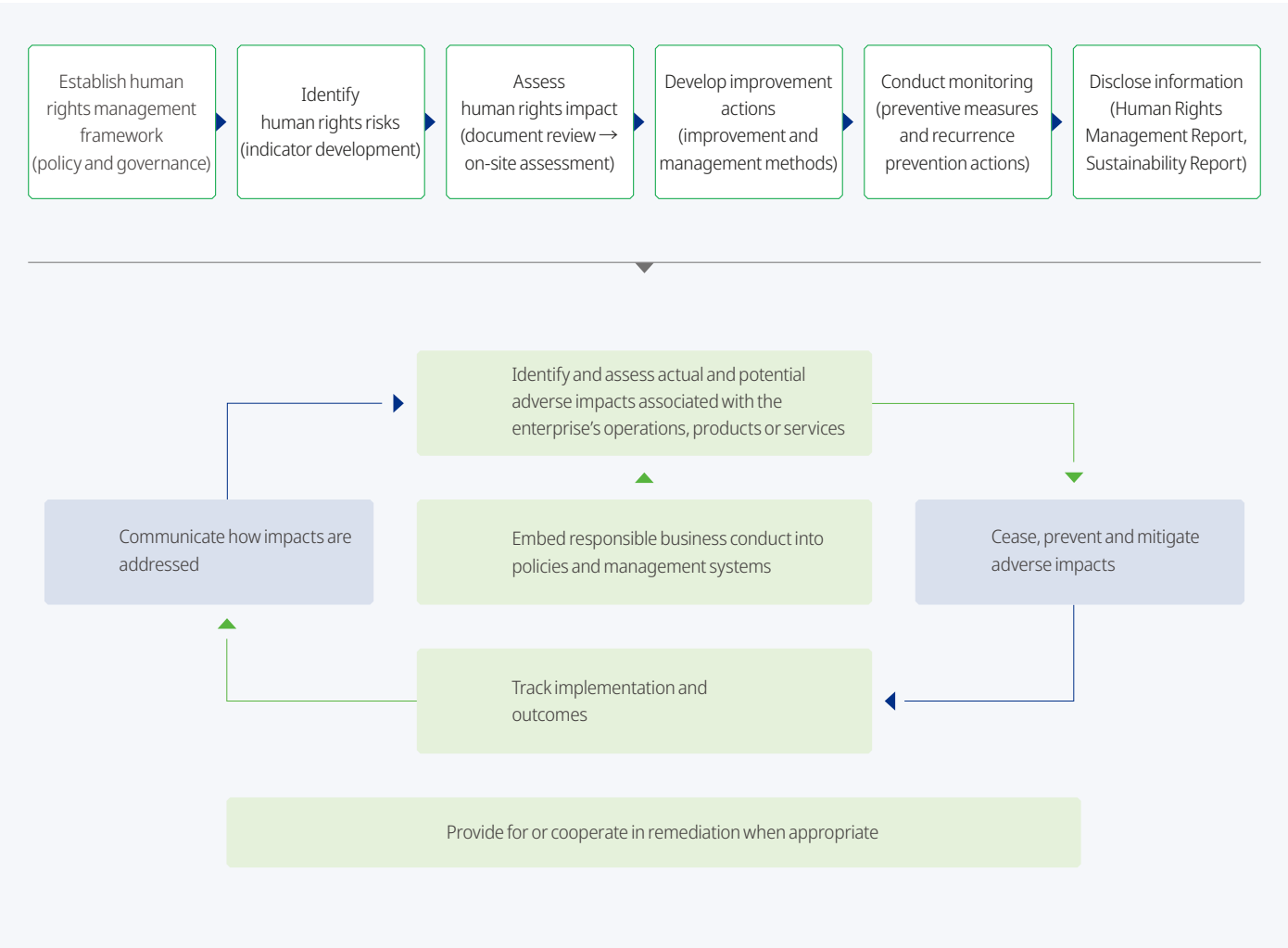
Human Rights Impact Assessment

Human Rights Due Diligence Framework

HDKSOE and its shipbuilding subsidiaries established a human rights management governance structure that is aligned with international standards and guidelines, and established a framework to conduct regular human rights due diligence. The six-step due diligence process was established in line with the OECD Due Diligence Guidance for Responsible Business Conduct and also incorporated a broad range of standards from authoritative international and private-sector organizations, including guidelines from the National Human Rights Commission of Korea and the Ministry of Justice, as well as standards set by the ILO, CHRB, KTC, and RBA. HDKSOE and its shipbuilding subsidiaries will continue to review and strengthen the reliability and effectiveness of their human rights due diligence system.

HDKSOE and its shipbuilding subsidiaries regularly assess human rights impacts across their operations in accordance with the human rights due diligence framework. Human rights impacts associated with suppliers are reviewed through separate methodologies and procedures that are distinct from those applied to operational sites, enabling the management of human rights risks through due diligence processes tailored to the characteristics and operating environments of contractors.

Human Rights Due Diligence Framework



Consideration of Potentially Vulnerable Stakeholders

HDKSOE and its shipbuilding subsidiaries take into consideration stakeholders who may be potentially vulnerable to human rights impacts when conducting human rights impact assessments. During the assessment design stage, potential human rights risk factors are identified and categorized into assessment indicators for each stakeholder group, including employees, employees of contractors, and local communities. This approach enables the early identification and management of potential adverse impacts on vulnerable groups.

Vulnerable Stakeholders by Human Rights Risks Factor

Forced labor, child labor, and human trafficking	· Employees of contractors · Foreign workers
Freedom of association and collective bargaining	· Employees · Employees of contractors
Discrimination and harassment	· Employees · Women · Employees of contractors · Foreign workers
Occupational Safety and Health	· Employees · Employees of contractors
Right to a Healthy Environment	· Employees · Local communities · Customers

Respect for Human Rights

Risk Management

Human Rights Risk Management

Human Rights Impact Assessment

Development of Impact Assessment Indicators

HDKSOE and its shipbuilding subsidiaries have developed a set of 348 human rights impact assessment indicators comprising six categories and 40 sub-categories, based on applicable laws and regulations, domestic and international guidelines, and external assessment frameworks.

Impact Assessment Results and Prioritization

Through prior consultation, HDKSOE and its shipbuilding subsidiaries assigned assessment indicators to the relevant departments and conducted on-site assessments in parallel to identify material human rights risks. Based on the findings, specific improvement measures were established for each identified risk factor, providing a foundation for the implementation of human rights management practices.

HDKSOE and its shipbuilding subsidiaries conducted human rights impact assessments at one major business site of each company. For indicators where human rights risks were identified, improvement action plans were established and are being diligently implemented. The priorities are determined by considering factors such as the significance of the issue and the resources and operating conditions of the responsible sites and departments, enabling improvement actions to be implemented in phases.

Risk Prevention and Corrective Measures

To systematically manage adverse risks identified through human rights and ESG due diligence processes and to either prevent potential issues or address identified cases in a timely manner, HDKSOE and its shipbuilding subsidiaries have established a risk management framework incorporating Prevention Action Plans (PAP) and Corrective Action Plans (CAP).

Human Rights Impact Responsibility for Assessment Indicators

Human Rights Management Governance	Labor	Occupational Safety and Health	Ethics	Supply Chain Management	Environment
- Human rights policy - Regular human rights impact assessments - Human rights management framework - Human rights management performance - Grievance mechanisms - Reporting and investigation mechanisms - Human rights training	- Prohibition of forced labor - Young workers - Working hours - Wages and benefits - Non-discrimination, Anti-harassment, and Humane Treatment - Freedom of association and collective bargaining - Labor and others	- Occupational safety and health management system - Emergency response measures - Occupational accidents and disease - Industrial hygiene - Physical labor - Safe maintenance of machinery and equipment - Food, sanitation, and accommodation	- Business integrity and prohibition of improper gains - Information disclosure - Intellectual property - Fair trade, advertising, and competition - Privacy protection - Consumer protection - Protection of the human rights of local communities	- Supply chain management system - Contracts with contractors - Contractor assessments - Contractor risk management (including human trafficking) - Responsible mineral sourcing and conflict minerals - Contractor grievance mechanism	- Soil contamination - Water management - Sanitation facilities - Chemical substances - Ecosystem protection - Environmental information and training

Identified Risks and Mitigation Measures

Category		Indicator Achievement Rate			Identified Risk Factors	Corrective Actions Taken for Identified Risk Factors
HDKSOE	Governance	67%	Ethics	77%	- Need for the prevention and management of human rights risks involving on-site security personnel and guards - Need for formalized regulations to protect young workers	- Human rights training provided to security personnel at the GRC headquarters site to prevent human rights violations during interactions with visitors and personnel entering the premises - Management regulations established to enhance protection measures for the employment of young workers
	Labor	80%	Supply Chain Management	55%		
	Safety and Health	93%	Environment	74%		
HHI	Governance	71%	Ethics	74%	- Limited scope of human rights management training and limitations in training improvement procedures - Limited disclosure regarding employees' right to refuse improper requests	- Expanded the scope of human rights management training to include subsidiaries and conducted training satisfaction surveys - Revised and enhanced the Anti-Corruption Laws Compliance Guidelines
	Labor	87%	Supply Chain Management	54%		
	Safety and Health	96%	Environment	96%		
HSHI	Governance	71%	Ethics	65%	- Incorporating departmental and employee training completion rates into the performance evaluations of department heads and executives - Need to supplement the Rules of Employment and related regulations concerning young workers	- Training completion rates incorporated into the MBO evaluations of Department Heads - Revisions to the Rules of Employment and the establishment of management standards initiated to enhance protection measures for young workers
	Labor	89%	Supply Chain Management	55%		
	Safety and Health	91%	Environment	100%		

Respect for Human Rights

Risk Management

Human Rights Risk Management

Grievance Reporting and Resolution

Grievance Handling Procedures

HDKSOE and its shipbuilding subsidiaries have established and systematically implemented grievance handling procedures to address adverse human rights impacts in a timely and responsible manner. A grievance reporting system is in place to enable individuals and groups who have experienced or may be affected by potential adverse impacts to submit grievances with the responsible organizations, including the HR department. Reporting channels are also provided to allow grievances to be submitted confidentially in accordance with relevant standards.

To improve accessibility, grievance channels are available through both online and offline platforms. Dedicated grievance committees receive employee grievances, including workplace harassment and discrimination, while information regarding the Grievance Handling Committee is communicated to all employees.

Upon receipt of a grievance, the responsible organization verifies the facts related to the case and may recommend that the responsible party cease the infringing conduct. Resolution measures are developed with respect for the victims' wishes and disciplinary action may be requested in accordance with company regulations where necessary. If an investigation confirms that a human rights violation has occurred, then appropriate disciplinary measures are implemented in proportion to the severity and significance of the case.

Employees responsible for grievance counseling and handling, including the chairperson and members of the grievance committee, are required to protect the confidentiality of reporters in accordance with applicable standards. Strict measures are also in place to ensure that no individual is subject to unfair treatment for reporting or alleging violations.

Grievance Handling Process



Follow-up Management, Monitoring, and Review

HDKSOE and its shipbuilding subsidiaries require all reported grievances to be handled in a timely manner, and investigation results are communicated transparently to both the reporter (victim) and the reported party (perpetrator). After the completion of the investigation process, follow-up monitoring is conducted to identify any retaliation against the reporter or subsequent adverse impacts, while periodic reviews are carried out to monitor whether the same incident recurs. The findings are shared through internal reporting channels and used to continuously improve human rights risk prevention and management processes.

Metrics & Targets

Human Rights Management Metrics & Targets

Quantitative Performance and Targets

Grievance Handling (Employees)

Category	Unit	HDKSOE	HHI	HSHI
Rate of actions taken for reported cases of discrimination and harassment	%	100	100	100
Number of reports related to discrimination and harassment	Cases	7	7	5
Number of actions taken in relation to discrimination and harassment cases	Cases	7	7	5

Supply Chain Management

Governance

Supply Chain Management Governance

Roles and Responsibilities

Role of the BOD

HDKSOE and its shipbuilding subsidiaries review reports on fair trade compliance with contractors and suggest improvements for key issues. The ESG Committee under the BOD reviews performance and plans to build a sustainable supply chain by assessing, evaluating, and improving their risks.

Role of the Senior Management

The CEOs of HDKSOE and each of its shipbuilding subsidiaries, along with the heads of the Finance and Procurement Headquarters and the Management Support Headquarters, oversee the development of a sustainable supply chain by providing strategic direction to promote mutual growth with contractors. Their responsibilities include identifying and managing financial and non-financial risks within the contractor network, and monitoring their grievances and operational issues. Management also leads shared growth programs, supporting contractors in improving business stability, collaboration, and competitiveness in quality, technology, and productivity, while promoting a culture of mutual growth and respect.

Role of Responsible Department

The Procurement Department at HDKSOE and its shipbuilding subsidiaries handles all processes related to contractors, including registration, selection, and evaluation. Contractors are selected through a fair process, and prices are set accordingly. The companies also provide written contracts. The departments assess supply chain ESG risks and offer consulting to help contractors improve their ESG practices.

The Mutual Growth Department supports in-house contractors with funding, technology, and training, and helps them build their capabilities.

Raw Material Risk Management Committee

To mitigate instability in raw material supply caused by price inflation, HDKSOE and its shipbuilding subsidiaries established the Raw Material Risk Management Committee, which reviews and improves raw material risk management regulations and the status of risk management activities. In addition, a subcontract payment linkage system that reflects fluctuations in raw material prices is in place to mitigate the financial risks that contractors may face as a result of changes in raw material prices.

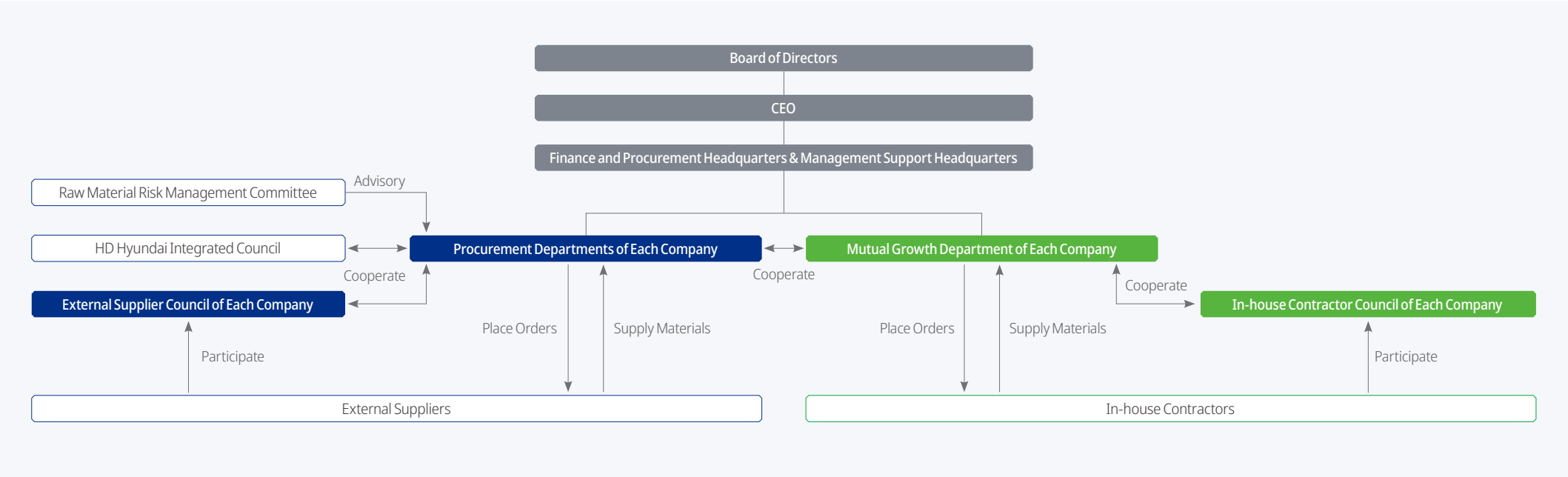
External Supplier Councils

HHI and HSHI operate External Supplier Councils to gather feedback from suppliers, share management policies, and jointly discuss and implement practical support measures for suppliers. Beginning with annual New Year meetings held each January, regular subcommittee meetings, workshops, and policy briefing sessions are conducted in accordance with each company's council schedule.

In-house Contractor Councils

HHI and HSHI also operate In-house Contractor Councils to explore measures that contribute to the revitalization of the shipbuilding industry and shared growth, while providing a channel to gather contractor feedback. Through regular meetings and discussion sessions, the councils collect feedback on business challenges and recommendations from contractors and use these insights to develop institutional improvements and support measures. Discussions also cover key operational issues, including safety, quality, and productivity improvement, supporting the continued development of a shared growth cooperation framework.

Supply Chain Management Organizational Structure



Supply Chain Management

Strategy

Supply Chain Management Direction

Sustainable Co-prosperity Policy

Supply Chain Operating Philosophy

Based on its supply chain operating philosophy of fostering suppliers’ growth and development and enhancing their competitiveness, **HDK-SOE and its shipbuilding subsidiaries** focus on continuously improving management systems, supporting ESG practices among suppliers, enhancing communication with suppliers, and improving their competitiveness.

The scope of supplier management programs has been broadened to include ESG assessments, training, and consulting services to improve suppliers’ capabilities in managing ESG risks. Various feedback-gathering activities, including satisfaction surveys, meetings, and work-

shops, are also conducted to introduce procurement policies and support programs that provide practical value to suppliers’ business operations.

HDKSOE and its shipbuilding subsidiaries also continuously implement initiatives to strengthen suppliers’ competitiveness through initiatives such as technical advisory programs to support quality management, on-time delivery, and cost reduction, as well as safety, health, and welfare programs for suppliers. At the same time, supply chain ESG requirements and codes of conduct are regularly reviewed and incorporated into the company’s supplier procurement practices.

Co-prosperity Program

Operating Co-prosperity Fund

HDKSOE and its shipbuilding subsidiaries provide low-interest financing business operating funds to suppliers and contractors with strong technological capabilities and high growth potential. Suppliers and contractors that have received a recommendation from HDKSOE and its shipbuilding subsidiaries can obtain loans within a designated limit at interest rates lower than those offered by commercial banks to finance their business operations and equipment investments.

In order to strengthen contractors’ ESG risk management capabilities, **HHI** offers preferential interest rates and other benefits to suppliers with strong ESG management when they use the Co-prosperity Fund.

Category	Contribution	Support
HHI	KRW 154 billion	KRW 332.6 billion

Joint Employee Welfare Fund

HHI and HSHI operate Joint Employee Welfare Fund, established in collaboration with their business partners, to support employee welfare programs for contractor employees, including medical assistance and tuition support for employees’ children.¹⁾ As of the end of 2025, HHI had contributed KRW 6.15 billion to the fund with participation from 288 contractors, while HSHI had contributed KRW 2 billion and was operating the program with participation from 79 contractors.

1) Detailed program operation may vary by company.

Welfare Support Programs

HHI and HSHI provide various forms of financial support to enhance the welfare of employees at partner companies. These include support for Lunar New Year and Chuseok travel expenses, summer vacation allowances, incentives for obtaining professional certifications, job proficiency incentives for fitters, and retention incentives for young employees, among various other benefits.

Recognition of Outstanding Suppliers

Every year, **HHI and HSHI** recognize and reward outstanding suppliers that have made significant contributions in areas such as quality management, production innovation, and business contributions.

At the 2026 Integrated Council, jointly attended by HHI and HSHI, 58 outstanding suppliers were recognized for their achievements in quality, innovation, and ESG performance.

Outstanding Contractors Award Program

Outstanding Domestic Contractors	- Select and reward suppliers with outstanding performance in quality, innovation, and ESG - Identify outstanding suppliers through multi-dimensional assessment of their contributions to the company, including localization of advanced technologies, productivity improvement, and value engineering
Outstanding International Contractors	- Recognize and reward suppliers for outstanding quality and performance - Build foundation for global supply chain by forming long-term cooperative relationships and strategic partnerships
Outstanding Contractor Employee Award	- Strengthen relationships with suppliers and boost employee morale - Receive nominations at the beginning of each year to recognize and reward outstanding employees of supplier companies

Supply Chain Operating Philosophy			
VISION	Establish a Sustainable SCM (Supply Chain Management) through Innovation and Shared Growth		
Goal	Promoting Suppliers' Growth and Development and Strengthening Their Competitiveness		
Focus Areas	Continuous System Improvement	Strengthen Communication with Suppliers	Strengthen Competitiveness of Suppliers
Key Policies	- Create ESG indicators for suppliers - Offer ESG training - Provide ESG consulting support	- Improve policies based on satisfaction survey results - Collect opinions through meetings - Organize workshops and seminars	- Operating the Total Solution Support Program - Support safety and health management systems - Create a Co-prosperity Fund and support benefits
Key Examples	- Signed MOU on Joint ESG supply chain initiatives for HD Hyundai's shipbuilding affiliates (Korea SMEs and Startups Agency) - Signed ESG support agreements for HHI suppliers (KCCP)	- Communicate with suppliers, collect feedback, and hold information-sharing meetings and workshops - Conduct satisfaction surveys and use the results to improve purchasing and shared growth policies - Share business updates with suppliers and recognize excellent suppliers	- Provide Total Solution Support Program for HHI suppliers - HSHI organizes Quality Evangelist Program

Supply Chain Management

Strategy

Supply Chain Management Direction

Co-prosperity Program

Technical Talent Development

HHI and HSHI operate technical training centers to address the growing demand for skilled workers and technical professionals capable of leading the industry with global competitiveness. Training programs are provided not only to employees of each company and their contractors to enhance job competencies and competitiveness, but also to individuals seeking employment in shipbuilding. The curriculum covers both practical and theoretical training in areas such as ship outfitting, electrical systems, painting, welding, electrical outfitting, and safety management.

HHI operates structured technical training programs through its Technical Training Center designed to develop skilled technicians across various fields. Through entry-level workforce training programs for contractors, a total of 495 new workers were trained and placed in 2025. In addition, competency-based programs in welding, fitting, and painting were offered to enhance technical skills, with 3,684 contractor employees participating in 2025.

The **HSHI** Technical Training Center offers specialized training programs covering a wide range of disciplines, including outfitting, fitting, electrical systems, smart shipbuilding, and safety management. Participation in the national Human Resources Development Consortium program enables the institute to provide tailored training and systematic workforce management support to small and medium-sized enterprises. These efforts contribute to improving workforce capabilities across the industry and fostering a foundation for mutual growth.

Technical Advisory and Guidance for Contractors

HHI dispatches former team leaders with over 30 years of experience to contractor worksites to enhance on-site capabilities. These experts provide tailored mentoring on technical challenges arising in manufacturing processes, including painting. In addition, the company operates a “Technical Data Escrow System” to protect contractors’ proprietary technologies and support a stable investment environment. Through the “External Contractor Safety Technical Support Program,” guidance on the application of safety-related laws and regulations was provided to 20 small external contractors as of 2025.

HSHI operates the “Quality Evangelist Program,” under which highly experienced and skilled technicians are selected and dispatched to suppliers. Quality Evangelists reside on-site for a designated period, participating in the production process and supporting the establishment of work standards for new equipment, providing guidance on operations, and coordinating workflows with suppliers. The program facilitates the transfer of quality management know-how and technologies aimed at driving production process innovation.

HHI’s Technical Advisory Program for Suppliers

Technical Advisory Activities	Cases
Quality audits and quality improvement guidance	855

HHI Technical Data Escrow System

Technology	Cases
Sheet material used for cryogenic liquid/gas storage tanks	1
HP-SCR System Gasket for Ship Equipment	1
Ring gasket for ship equipment exhaust gas pipes	1

Technology Training and Seminars for Contractors

The **HHI** Technical Training Center provides structured technical training programs to enhance the skills and job competencies of contractor personnel. In the welding field, practical training courses aligned with on-site demand are provided, covering automated welding methods such as SAW and EGW, along with robot-based smart training. In the painting field, hands-on training using VR simulators at the Root Academy is offered, enabling trainees to safely and repeatedly practice processes that may be difficult to experience in actual work environments. As of 2025, 2,395 contractor employees participated in these programs. To minimize the burden of participation in training, HHI also works with government-supported programs to provide support such as labor cost subsidies, thereby improving overall training effectiveness.

Business Case Training Support Partnership Agreement

HHI entered into a partnership agreement with the University of Ulsan to establish a technical training foundation for contractor employees and to support training for employees of small and medium-sized enterprises (SMEs). Through this agreement, job and technical training programs are jointly developed and delivered for contractor employees, while a shared growth talent development model driven by active participation from SMEs is being established in phases.



Training Support Partnership Agreement Signing Ceremony

Business Case Launch of the AI Robot Field Demonstration & Training Center

HSHI established the AI Robot Field Demonstration & Training Center to accelerate the implementation of an AI-based smart shipyard. The center serves as an integrated platform providing end-to-end robot solutions, encompassing development, field testing, operator training, and maintenance, and is designed to support a wide range of training programs. The center delivers customized technical training not only for its employees but also for workers from partner companies, contributing to improvements in both productivity and safety.



Completion Ceremony of the AI Robot Field Demonstration & Training Center

Supply Chain Management

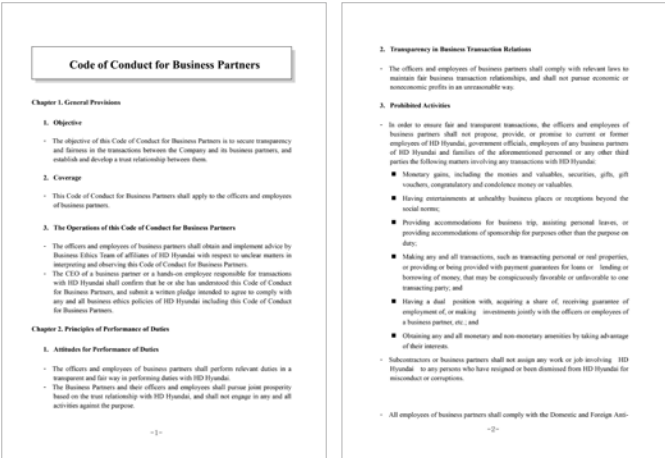
Strategy

Supply Chain Management Direction

Transparent and Fair Transactions

Promotion of Ethical Standards Among Business Partners

HDKSOE and its shipbuilding subsidiaries ensure transparency and fairness in transactions with business partners and build relationships of mutual trust based on the “Code of Conduct” and “Code of Conduct for Business Partners.” Business partners’ representatives or transaction managers are required to submit a pledge confirming their understanding of and commitment to comply with Code of Conduct for Business Partners and other ethical management policies based on HD Hyundai Group policies. We revise Code of Conduct for Business Partners when there are changes in internal or external circumstances, such as the introduction of the Anti-corruption Act or other ethical management-related laws or the growing social awareness of ethical management.



Code of Conduct for Business Partners

Fair Contracting Practices

HDKSOE and its shipbuilding subsidiaries work under the principle of “entering into contracts that fully respect the right of self-determination of all parties.” Overhead costs and profits are calculated logically, considering factors such as the quantity, quality, specifications, delivery schedule, material costs, and labor costs of the item supplied. The final supply unit price is determined through consultation with the suppliers. Based on prior consultation with the suppliers, delivery schedules are set according to normal business practices in consideration of the characteristics of the items, installation schedules, and the production lead times required by the suppliers. Even in cases of urgent orders with shortened delivery times, prior consultation is conducted with the suppliers.

When outsourcing manufacturing or related work to suppliers, payment is made by the payment due date, which is within 60 days from the date of receipt of the supplied goods. In addition, 100% of the material payments are paid in cash to SMEs and protected mid-sized enterprises to support their cash flow.

Internal Review Committee

HDKSOE and its shipbuilding subsidiaries maintain an autonomous monitoring system with an Internal Review Committee that reviews the fairness and legitimacy of subcontracting agreements, identifies potential violations of the Subcontracting Act in advance, and implements effective and appropriate preventive measures. The Internal Review Committee reviews whether criteria and procedures for supplier registration and deregistration are appropriate, and deliberates on appeals from suppliers on not being selected or deregistered. If any agenda item reviewed by the Committee is found to potentially violate the Subcontracting Act or other related laws and regulations, effective corrective actions are implemented. Also, if employees engage in intentional or grossly negligent misconduct during the process of contracting or transactions with suppliers, then disciplinary measures are imposed according to the seriousness of the violation.

Fair Selection and Registration

HDKSOE and its shipbuilding subsidiaries apply fair and objective criteria when selecting, registering, and terminating suppliers. We disclose related criteria, verification processes, and results to ensure transparency. The integrated procurement system (HiPRO) manages all supplier-related processes, from selection and contracts to delivery and payment. Contracts follow the standard shipbuilding subcontract agreement, and suppliers must submit an Ethical Management Practice Pledge and a Conflict of Interest Disclosure.

HiPRO provides information on supplier registration, subcontracting practices, and the Supplier Code of Conduct. It also offers reporting channels for ethical violations and unfair practices, along with consultation channels for questions about ethics and fair transactions.

Prohibition of Unfair Interference and Forced Provision of Technical Data

HDKSOE and its shipbuilding subsidiaries do not interfere with contractors’ personnel decisions, such as hiring, appointment, or dismissal, and do not force contractors to hire specific individuals against their will. We also do not intervene in contractors’ subcontracting transactions, regardless of its purpose.

Confidential materials, intellectual property rights, and valuable technical or business information are not requested without a valid reason. When there is a legitimate reason, such as joint patent development or a technology development agreement, HDKSOE and its shipbuilding subsidiaries discuss and agree with contractors on details including the data name, purpose, request date, delivery date, delivery method, and confidentiality requirements. Data requests are made in writing with signatures and seals.

Handling Supply Chain Grievances

HDKSOE and its shipbuilding subsidiaries operate various channels, including regular supplier councils and online reporting channels, to address grievances across the supply chain. All stakeholders within the supply chain, including employees, suppliers, and customers, may submit inquiries or report grievances. The online reporting channels support multiple languages to ensure accessibility without language barriers. The anonymity and confidentiality of reporters are strictly protected, and any form of retaliation against individuals who raise concerns is not tolerated. Reported grievances are reviewed to verify the facts with the cooperation of the Ethics and Procurement departments, and appropriate actions are taken based on the results of the investigation. The results of the grievance handling process and any actions taken are communicated to the stakeholder who submitted the grievance.

Supplier Grievances Handled in 2025

Category	Received	Handled	Handling Rate
HHI	97	81	84%
HSHI	91	81	89%

Supply Chain Management

Risk Management

Supply Chain ESG Risk Management

Integration and Promotion of ESG in the Supply Chain

Sustainable Sourcing Policy

To fulfill our corporate social responsibility, **HDKSOE and its shipbuilding subsidiaries** have established and operate a sustainable sourcing policy and aim to build a healthy business ecosystem through mutual cooperation with the contractors. In line with the Sustainable Sourcing Policy, we manage our supply chain by considering areas such as human rights management, safety and health, environment, and ethics. Policies and related processes are continuously evaluated and monitored to strengthen ESG management capabilities within the supply chain.

- [HDKSOE Sustainable Sourcing Policy](#)
- [HHI Sustainable Sourcing Policy](#)
- [HSHI Sustainable Sourcing Policy](#)

Integrated Supply Chain Risk Management

In order to identify potential risks to the sustainability of the supply chain, **HDKSOE and its shipbuilding subsidiaries** have established an integrated supply chain risk management framework that includes financial evaluations, supply stability evaluations, grade assessments of innovation, quality, and delivery, as well as ESG evaluations.

Suppliers that are designated as Tier 1 provide key items requiring specialized capabilities for the production of vessels, marine engines, and offshore plants. They undergo comprehensive evaluations covering financial performance, supply stability, ESG, innovation, quality, and delivery. Through this approach, we manage potential risks and minimize production disruptions caused by probable or potential issues. Based on the results of the integrated supply chain risk assessments, high-performing contractors receive incentives, while underperforming suppliers are subject to corrective measures, thereby ensuring the quality and timely delivery of supplied products.

Establishment and Management of Supplier Code of Conduct

HDKSOE and its shipbuilding subsidiaries established the Supplier Code of Conduct to build a sustainable supply chain. The Code is based on the UN Universal Declaration of Human Rights, the UN Convention on the Rights of the Child, and ILO Core Conventions. When the Code conflicts with domestic or international laws, suppliers must follow the stricter requirements. The Code is continuously revised to reflect changes in supply chain-related laws, regulations, government policies, and industry trends.

HDKSOE and its shipbuilding subsidiaries assess supply chain risks and conduct due diligence based on the Supplier Code of Conduct, covering areas such as labor, human rights, safety, environment, ethics, and management systems. We provide guidance and improvement recommendations to contractors and share related supply chain requirements through HiPRO.

- [HDKSOE Supplier Code of Conduct](#)
- [HHI Supplier Code of Conduct](#)
- [HSHI Supplier Code of Conduct](#)

Supplier Code of Conduct Commitment and Integration with Purchasing Practices

HDKSOE and its shipbuilding subsidiaries distribute the “Supplier Code of Conduct,” and receive pledges from suppliers to comply with the code. Suppliers are required to incorporate the provisions and requirements specified in the code into their business operations and decision-making processes, and establish and implement risk mitigation plans through mutual consultation. Suppliers must also document and manage information regarding compliance with the code, risk mitigation plans, and implementation measures. At **HHI**, responsible purchasing practices are systematically applied across the supply chain to 100% of suppliers that have signed the Code of Conduct and contracts containing provisions related to environmental, labor, and human rights.

In addition, **HDKSOE and its shipbuilding subsidiaries** monitor their compliance with the Supplier Code of Conduct by obtaining relevant information from suppliers when necessary, excluding information prohibited under subcontracting laws, such as cost structures, business strategies, and sales activities. When provisions and requirements in the Supplier Code of Conduct are revised, these changes are incorporated into the evaluation indicators and criteria used for the supplier pool, linking them to our purchasing practices. Indicators and criteria for ESG risk assessments and due diligence of suppliers are also revised in line with updates to the Supplier Code of Conduct, to ensure that suppliers implement ESG risk management and improvement measures that comply with the code.

Measures Against Suppliers with Serious ESG Violations

HDKSOE and its shipbuilding subsidiaries evaluate potential suppliers for registration on ESG factors, including safety & health, environment, ethics, labor management, and training. If serious issues regarding ESG factors are found, or the supplier shows no willingness to make improvements, these suppliers are excluded from the supplier pool.

Integrated Supply Chain Risk Management

Category	Financial Evaluation	Supply and Demand Evaluation	ESG Evaluation	Grade based on Innovation, Quality and Delivery Performance Rating
Target	· Tier 1, 2, and 3 suppliers among all domestic and international registered and currently trading	· Tier 1 suppliers among all domestic and international registered and currently trading	· Tier 1, 2, and 3 suppliers among all domestic and international registered and currently trading	· Tier 1, 2, and 3 suppliers among all domestic and international registered and currently trading
Type	· Regular and ad hoc, financial condition assessment, and in-depth due diligence	· Assessment of impact and urgency of potential risks such as reputation, disaster, and supply delays	· Registration evaluation, periodic evaluation, supplier self-assessment, internal evaluation, expert evaluation	· Regular annual assessment
Response and Support	· Suspend transaction with suppliers experiencing financial difficulties · Provide financial support through use of Co-prosperity Fund	· Develop response measures at the individual, department, company-wide level · Renew Tier 1 suppliers each year and prepare response measures	· Online and offline training for employees and suppliers · Select outstanding ESG supplier, provide awards and financial support.	· Select outstanding supplier, award prize and financial support · If ranked C grade or below for two consecutive years, refer to Disciplinary Review Committee for deliberation

Supply Chain Management

Risk Management

Supply Chain ESG Risk Management

Integration and Promotion of ESG in the Supply Chain

Direction for Supply Chain ESG Management Practices

HDKSOE and its shipbuilding subsidiaries classify suppliers based on the importance of the business, such as major supplies, business scale, and size. For each classification, there are specific requirements and support measures to encourage suppliers to adopt ESG management. Small and medium-sized suppliers (Tiers 1 and 2) are expected to establish ESG governance structures and ESG data management systems. In particular, mid-sized suppliers (Tiers 1 and 2) are expected to disclose ESG information through sustainability reports and obtain third-party assurance.

In addition, the companies provide support to help all suppliers develop business-specific ESG strategies and manage their performance from a mid- to long-term perspective. Such support includes providing analysis of external ESG trends and regulatory developments, including the anticipated introduction of relevant laws and regulations.

ESG Requirements and Support Measures by Supplier Type

Tier 1 and Tier 2 SME and mid-sized suppliers	[Requirements] Establishment of ESG implementation organization · Chaired by CEO or Board of Directors [Requirements] ESG data management · Governance: Operational status of BOD, legal violations, etc. · GHG: Energy consumption, carbon emissions, etc. · Safety and human rights: Industrial accident occurrences, training status
Tier 1 and Tier 2 mid-sized suppliers	[Requirements] ESG data disclosure · Publication of sustainability reports · Third-party assurance of disclosed information
All suppliers	[Support] ESG strategy development · Analysis and sharing of external trends and changes in laws and regulations

Networks to Promote Sustainable Supply Chain

HDKSOE and its shipbuilding subsidiaries signed an “MOU for Joint ESG Supply Chain Responses for SMEs in Shipbuilding” with the Korea SMEs and Startups Agency, conducted ESG evaluations for shipbuilding suppliers, and then provided expert consulting based on the evaluation outcome to help areas that need improvement. Suppliers that had outstanding results from evaluations and consulting were provided with various support programs, including low-interest rate loans, using the Co-prosperity Fund, and replacement of high-efficiency equipment.

HHI has been implementing support programs to enhance suppliers’ ESG management capabilities for five consecutive years in cooperation with the Korea Commission for Corporate Partnership. In 2025, HHI contributed KRW 100 million to a mutual cooperation fund and provided customized ESG support worth up to KRW 5 million per company to 26 suppliers. Selected suppliers established their own ESG indicators based on the SME ESG Standard Guidelines developed by the Korea Commission for Corporate Partnership and received systematic support through training, consulting, and improvement activities. SMEs with outstanding ESG performance are issued an “ESG Excellent SME Certificate,” while suppliers with expired certificates are provided with renewal support, offering meaningful incentives for continued ESG management.

ESG Training for Departments in charge of Supply Chain Management

HDKSOE and its shipbuilding subsidiaries provide professional training on the importance of supply chain ESG risk management and supply chain ESG risk management methodology to the employees in procurement, co-prosperity, and other supply chain related departments. Since 2023, we have been providing regular training by distributing a monthly ESG report that includes practical content such as domestic and international supplier monitoring, ESG consulting, and assessment tools.

Integrated Raw Material Risk Management

Supply Chain Diversification

HDKSOE and its shipbuilding subsidiaries are diversifying their supply chains for key raw materials to mitigate potential risks arising from the concentration of sourcing in specific regions. To this end, we review the regional distribution of existing supply chains and implement various sourcing strategies, including utilizing multiple suppliers, to reduce dependency on specific countries or regions. When identifying new suppliers, supply chain stability and responsible sourcing criteria are comprehensively considered. Going forward, we will continue to monitor supply chain structures and establish a stable and responsible raw material sourcing system.

Declaration on the Non-Use of Conflict Minerals

Under the Sustainable Sourcing Policy, HDKSOE and its shipbuilding subsidiaries declare our commitment to the non-use of conflict minerals and prohibit related transactions. Surveys on conflict minerals are conducted among suppliers to assess awareness and management practices, while online ESG training, on-site assessments, and consulting are provided to raise awareness and support conflict mineral management capabilities. In addition, requirements related to the non-use of conflict minerals are incorporated into the Supplier Code of Conduct applied during contracting processes, ensuring that responsible mineral sourcing principles are promoted throughout the supply chain.

HDKSOE and HHI operate initiatives such as the HDKSOE Conflict Minerals Report and the HHI Policy on Conflict Minerals to promote responsible mineral sourcing practices. Reporting channels are also available for stakeholders, including employees and suppliers, to raise concerns regarding human rights violations and related issues involving conflict minerals.

[HDKSOE Conflict Minerals Report](#)
[HHI Policy on Conflict Minerals](#)

Supply Chain Management

Risk Management

Supply Chain ESG Risk Management

Supply Chain ESG Risk Identification and Assessment

Supply Chain ESG Risk Assessment Process

Based on the Code of Conduct compliance pledges obtained from all suppliers, **HDKSOE and its shipbuilding subsidiaries** operate the following for ESG risk-assessment process: distribute and explain assessment guidelines to suppliers; identify “significant suppliers,” comprehensively analyzing suppliers’ business practices, social and environmental impact; desktop assessment based on checklist, on-site due diligence by a third-party specialist organization or external consulting firm; identify potential and actual risks based on outcomes of desktop assessment and on-site inspection; establish improvement plans and recommend implementation of plan; and support implementation by providing ESG consulting.

Supply Chain ESG Risk Assessment Process

01. Commitment to the Code of Conduct	· All suppliers in business relationships pledge to comply with the Code of Conduct through electronic signature
02. Guidance on Assessment Process	· Provide suppliers with ESG assessment and audit guidelines, and implement ESG awareness-raising and specialized training
03. Pre-Screening of Significant Suppliers	· Identify “Significant Suppliers,” considering potential ESG characteristics such as business region, type of industry, and items supplied
04. Desktop Risk Assessment	· Suppliers conduct self-assessment of ESG risk levels based on ESG assessment and audit guidelines
05. On-site Risk Due Diligence	· Independent auditor (third-party consulting firm) to visit suppliers to review internal documents and check on-site conditions
06. Identification of Potential/ Actual Risks	· Identify risk factors that are latent or likely to occur, based on the results of the desktop assessment and on-site inspections
07. Recommendation of Improvement Plans	· Recommend setting improvement plans to mitigate risk factors and implement plan within timeframe of plan based on discussion with suppliers
08. Support for Implementing Improvement Measures, Including Consulting	· Provide consulting to help suppliers to comply with ESG legal requirements and establish management systems (including benchmarking data)

Supply Chain ESG Risk Assessment Indicators

HDKSOE and its shipbuilding subsidiaries’ supply chain ESG risk assessment and due diligence indicators have been developed in consideration of major ESG-related laws and regulations, including the Environmental Technology and Industry Support Act, Serious Accidents Punishment Act, Industrial Safety and Health Act, supply chain ESG assessment initiatives such as the Responsible Business Alliance (RBA) Validated Assessment Program (VAP) Standard and Sedex’s SMETA (Sedex Members Ethical Trade Audit), and ESG disclosure standards including the GRI Standards and SASB Standards. To manage labor and human rights risks within the supply chain in accordance with international standards, the indicators also reflect principles outlined in the Universal Declaration of Human Rights, the UN Convention on the Rights of the Child, and the UNGC Ten Principles. The risk assessment procedures and methodologies are also operated based on government guidelines, such as the Supply Chain K-ESG Guidelines and the OECD Guidelines for Multinational Enterprises. We have developed internal guidelines containing supply chain ESG risk assessment indicators, procedures, and methodologies, which are provided to suppliers in advance.

Development of Supply Chain ESG Risk Assessment Indicators

Laws & Regulations	International Standards
· Environmental Technology and Industry Support Act · Occupational Safety and Health Act	· UN Universal Declaration of Human Rights · Ten Principles of the UN Global Compact
Disclosure Standards	Industry Initiatives
· GRI Standards · SASB Standards	· RBA - VAP Standards · Sedex – SMETA

Environmental Indicators · Goal setting · Governance · Acquisition of permits/ licenses · Legal violations · Waste treatment · Air pollutant management		· GHG management · Water and wastewater management · Noise and vibration management · Resource recycling · Energy saving · Energy management	
Social Indicators · Human rights issues · Enrollment in the Four Major Social Insurance Programs · Mandatory training · Maternity protection · Employment of minors · Grievance handling · Employment contracts · Dismissal and retirement policies		· Medical check-up · Employment rules · Human rights management · Freedom of association · Safety policies · Safety risk prevention activities · Safety inspection · Fire drills and training · Information security	
Governance Indicators · ESG policy · ESG risk management · Socially responsible activities · Years of service and turnover rate		· Operation of anticorruption programs · Stakeholder communication · Ethics reporting channel · Violation of anti-corruption laws · Violation of fair trade laws	

Supply Chain Management

Risk Management

Supply Chain ESG Risk Management

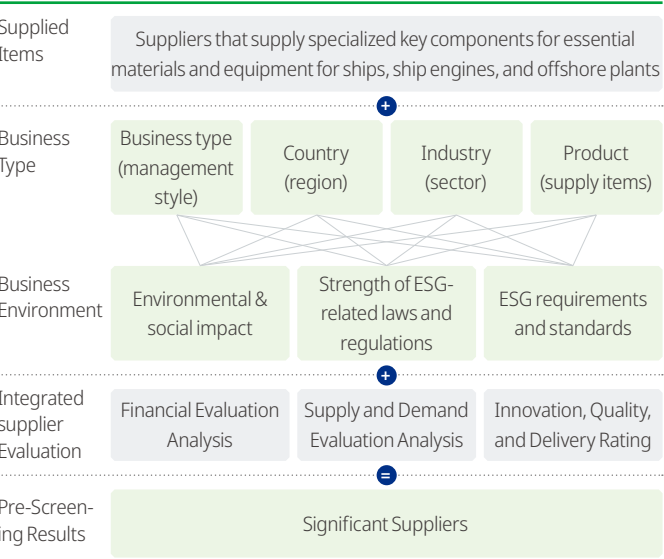
Supply Chain ESG Risk Identification and Assessment

Pre-Screening of Significant Suppliers

Before conducting supply chain ESG risk assessments and due diligence, **HDKSOE and its shipbuilding subsidiaries** conduct a pre-screening process to identify “significant suppliers” (Risk Filtering). The process considers various factors, including environmental and social impacts based on suppliers’ business types, ESG-related laws and regulations in the countries or regions where they operate, industry-specific ESG requirements, and the environmental and social impacts of applying suppliers’ products or services to our ships and other products.

For existing suppliers, HDKSOE and its shipbuilding subsidiaries review financial performance, supply and demand status, and innovation, quality, and delivery evaluations. Suppliers with poor performance, low improvement potential, or expected risks are managed as significant suppliers.

Pre-Screening Process of Significant Suppliers



Desktop ESG Risk Assessment

Suppliers of **HDKSOE and its shipbuilding subsidiaries** conduct an annual self-assessment of their ESG risk levels using the ESG Guidelines and an online checklist system. ESG risk levels are identified through a comprehensive review of suppliers’ self-assessment responses, supporting documentation, and any supplementary explanations provided. The assessment results are used not only to identify potential risks but also to select suppliers for on-site due diligence and determine the key areas to be reviewed during on-site assessments.

To encourage active participation in the ESG risk self-assessment process, we also provide ongoing training to help suppliers complete the checklist accurately and submit supporting evidence, improving the reliability of the assessment results.

On-site ESG Risk Assessments

HDKSOE and its shipbuilding subsidiaries select suppliers for onsite assessments by comprehensively considering the results of ESG risk assessment based on written responses and supporting documents, as well as the environmental and social impact, the duration of transactions, and the characteristics of the supplied item, which are identified in the screening process of significant suppliers.

On-site assessments are led by independent auditors (third-party experts). To accurately assess the level of ESG risk, the auditor performs document reviews of the suppliers’ internal regulations and policies, interviews with managers and workers, and tours of the business sites and working environment. Any risk factors discovered during the onsite assessment are reviewed and accepted by representatives of suppliers before final confirmation is given.

Identification of ESG Risk Factors

ESG risk factors are identified using the combined results of desktop and on-site ESG risk assessments. For suppliers where significant risk factors are identified or where substantial risks are anticipated, improvement measures are provided immediately during the on-site assessment. If necessary, the third-party auditor can provide advice or guidance for the supplier to implement the improvement measure.

The 2025 ESG risk assessments identified key risks in areas including the continuity of ESG-related management practices, non-financial performance management, and external disclosure of ESG performance.

Recommendation to Establish ESG Risk Improvement Plans

For risk factors identified in desktop and on-site ESG risk assessments that require significant time and effort, suppliers are recommended to establish and implement an improvement plan. Improvement plans are developed in close consultation with suppliers, covering implementation schedules, methodologies, and target outcomes. If challenges or difficulties are identified during the monitoring process, they are reflected in the plans as appropriate. The scope and level of improvement activities are then determined within the suppliers’ available resources and capabilities.

After an improvement plan is established, the implementation of the plan is monitored to ensure that improvement activities are carried out effectively and in accordance with the plan. Additional support, including revisions and enhancements to improvement plans and the provision of relevant guidance and resources, is also provided as needed.

Status of Improvement Planning and Monitoring

Risk Identification Indicator	Key Improvement Plans	Support for Improvement Plan Implementation
Environmental Management System	- Establish and implement environmental objectives and action plans across the entire business process - Establish and implement objectives for obtaining permits and approvals and complying with regulations	- Promote capability enhancement through support and evaluations - Provide tailored materials and guidelines for suppliers’ areas of weakness and specific indicators - Apply industry-specific indicators to supplier registration and assessment processes
Human Rights & HR Management	- Establish and revise a human rights policy and implementation system - Establish procedures to communicate ESG requirements to suppliers and support their implementation	
Ethical Management System	- Revise the Ethical Management Declaration (Charter) to reflect changes in the external business environment - Implement policies and procedures to prevent bribery, improper solicitation, and the acceptance of gifts	

Supply Chain Management

Risk Management

Supply Chain ESG Risk Management

Support for Supply Chain ESG Improvements and Capacity Building

ESG Training

HDKSOE and its shipbuilding subsidiaries use various channels, including ESG assessment and due diligence briefing sessions, to support contractors in adopting ESG practices. The training covers topics such as the purpose of establishing sustainable supply chain policies, understanding and complying with the Supplier Code of Conduct, the composition of supply chain ESG risk assessment and due diligence indicators, procedures for ESG assessments and due diligence, and how suppliers can participate in and respond to these assessments and audits.

Implementation of ESG Improvement Measures

HDKSOE and its shipbuilding subsidiaries provide support to suppliers who, as a result of the ESG risk desktop and on-site assessment, ① have a low compliance rate; ② have not met key requirements; or ③ have a significant actual or potential risk factor and require support to implement improvement measures.

To improve suppliers' ESG risk management and overall ESG management capabilities, improvement tasks are identified for each significant risk factor faced by suppliers. Consulting support is then provided to jointly develop implementation methodologies, action plans and schedules, and key deliverables for each improvement task.

In addition, benchmarking materials are provided to help suppliers implement these improvement tasks and establish ESG management systems. These materials include information on ESG risk management practices of companies in similar industries or of comparable size, as well as best practices for ESG risk mitigation and the integration of performance management into business operations.

Measuring the Effectiveness of ESG Consulting for Suppliers

HHI measured the effectiveness of ESG consulting by surveying the small-and medium-sized suppliers and middle market suppliers that participated in the “ESG Support Project for Suppliers.” The evaluation was conducted by developing indicators to assess ESG risk management capabilities, measuring each supplier’s performance before consulting, and conducting a follow-up assessment after the consulting engagement. The results showed that participating small and medium-sized suppliers improved their average indicator compliance rate by approximately 24.1%, with an estimated financial impact of KRW 9,147 million.

Effectiveness of ESG Consulting for HHI Contractors

Category	Indicator Compliance Rate Before Consulting	Indicator Compliance Rate After Consulting	Financial Benefit ¹⁾
Small / Medium-sized Suppliers (24)	63.9%	90.2%	KRW 8,178 million
Mid-sized Suppliers (5)	69.4%	82.8%	KRW 969 million
Total Suppliers (29)	64.8%	88.9%	KRW 9,147 million

1) Total amount of administrative fines and penalties that could have been imposed on suppliers if ESG consulting had not been provided.

Supplier Total Solution Support Program

HHI is working to stabilize its supply chain and enhance the overall competitiveness of the shipbuilding industry by providing comprehensive support in areas including safety, facilities, and labor to suppliers through the “supplier Total Solution Support Program.” In 2025, the program supported a total of 70 external suppliers, and in 2026, support will be strengthened for suppliers requiring intensive management and assistance.

In the area of safety management, the program provides technical guidance and support such as compliance assessments for occupational safety and health regulations, establishment of occupational safety and health management systems, transfer of on-site safety management techniques, joint inspections with relevant authorities (such as the Ministry of Employment and Labor and the Korea Occupational Safety and Health Agency), and provision of various safety technical materials. In the area of facility operations, we provide technical guidance on the inspection, maintenance, and operation of various work facilities, support the utilization of idle equipment, offer simplified diagnostics and improvement guidance for buildings and structures, and support the legal operation of environmental matters such as air, water quality, and chemical substances. In workforce management, the program supports various job training programs and focuses on assisting Suppliers with issues that are difficult for them to handle alone, such as securing foreign workers and providing them with safety and technical training.



Technical Support and Safety Guidance for Contractors

Action for Business Partners

Based on the results of ESG risk assessments and due diligence, **HDKSOE and its shipbuilding subsidiaries** identify risk factors across the supplier network through additional surveys and feedback from suppliers and implement improvement initiatives that provide practical support to suppliers and help enhance their overall ESG management capabilities.

As the number of foreign workers continues to increase amid strong demand in the shipbuilding industry, we are promoting initiatives to improve their technical capabilities. In addition, we support improvements in living conditions, community integration through local community engagement events and Korean language education programs, and the enhancement of safety management capabilities among in-house contractors.

Examples of Improvement Activities

HDKSOE	· Development of “AI Agent,” a translation service customized for the shipbuilding industry (Support for improving work efficiency of foreign workers)
HHI	· Establishment of the HD TOPIC assessment system for evaluating Korean language proficiency of foreign workers · Community engagement events for local residents and foreign workers (e.g., hiking, bowling, flea markets) · Establishment of a partnership agreement with local government authorities (Ulsan) to support foreign workers (e.g., foreign worker support center, administrative assistance, financial support programs)
HSHI	· Training and education for dedicated safety personnel of in-house contractors · Interpretation services, grievance counseling, and safety management support for foreign workers · Introduction of “AI Agent,” a translation service tailored to the shipbuilding industry

Supply Chain Management

Metrics & Targets

Supply Chain Management Metrics

Status of Supply Chain ESG Management

2025 Supply Chain ESG Highlights

HDKSOE and its shipbuilding subsidiaries conduct ESG assessments and due diligence for suppliers to identify and manage ESG risks across the supply chain. For suppliers with identified risks, we provide support in developing improvement and mitigation plans as part of our efforts to build a responsible supply chain.

Contractor Classification

Category	Unit	HDKSOE	HHI	HSHI
Tier 1 Suppliers	Companies	475	5,378	1,503
Significant Tier 1 Suppliers	Companies	109	427	167
Purchase from Significant Tier 1 Suppliers	%	69	73	39

Supply Chain Assessments and Due Diligence

Category	Unit	HDKSOE	HHI	HSHI
Tier 1 suppliers subject to questionnaire assessments	Companies	176	464	267
Key Tier 1 suppliers subject to questionnaire assessments	Companies	50	126	48
Tier 1 suppliers subject to on-site assessments	Companies	17	36	25
Key Tier 1 suppliers subject to on-site assessments	Companies	9	29	9
Suppliers with identified risks	Companies	9	36	25
Tier 1 Suppliers Supported with Risk Mitigation Plans	Companies	17	36	25
Key Tier 1 Suppliers Supported with Risk Mitigation Plans	Companies	9	29	9

Quality Management

Governance

Quality Management Governance

Roles and Responsibilities

Role of the Senior Management

Recognizing that the products and services provided by the Group are directly linked to customer safety, convenience, and operational efficiency, the management at **HDKSOE and its shipbuilding subsidiaries** is committed to promoting quality management to ensure the safety and reliability of products and services. To this end, management establishes the Group's quality management direction and quality policy while overseeing and supporting the effective operation of the quality management system. Quality management performance is also reviewed regularly to drive key decision-making aimed at continuous quality improvement.

The management also supports all employees, internal and external contractors, and suppliers in embedding a quality-focused mindset throughout the entire product lifecycle, from design and development to manufacturing and after-sales service. This enables stakeholders across the value chain to deliver customer-oriented quality management based on rigorous quality control standards.

Role of Responsible Departments

HDKSOE and its shipbuilding subsidiaries operate dedicated quality management organizations for each business unit to enhance quality competitiveness. Each organization establishes quality assurance systems and implements rigorous quality control across the entire value chain for products and services. They also develop quality management standards that reflect international standards, applicable legal requirements, and customer expectations, while establishing the processes and procedures needed to meet those standards. To drive continuous quality improvement, the entire value chain is monitored, and quality-related data is collected and analyzed to identify the root causes of quality issues and develop improvement measures.

In addition, a dedicated quality planning organization supports management decision-making and promotes collaboration among quality management functions across affiliates to maintain industry-leading quality standards and create quality synergies throughout the Group.

Quality Management Consultative Bodies

HDKSOE and its shipbuilding subsidiaries operate a number of quality management consultative bodies to secure and maintain industry-leading quality competitiveness based on a unified direction. These consultative bodies monitor business activities aligned with the common quality management direction, share current issues across affiliates, and actively identify and promote quality improvement activities such as “quality standardization and homogenization” and “expansion of warranty systems” with the aim of creating synergy across affiliates.

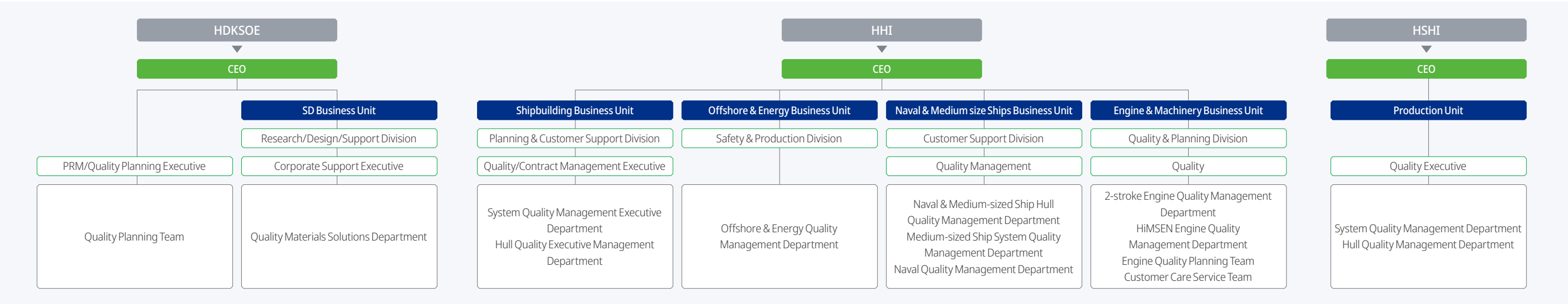
Since 2024, the Group has also operated virtual Quality Workshop Sessions for Shipbuilding Affiliates Quality Workshops, enabling working-level staff to share best practices and improvement initiatives from each company and engage in in-depth discussions on enhancing quality management at production sites and improving cross-company collaboration.

Based on these quality management cooperation mechanisms, we actively engage in continuous communication to respond to quality-related issues arising from changes in the business environment and strives to enhance customer satisfaction and strengthen its quality premium.

Activities of Quality Management Consultative Bodies

Category	Frequency
Meetings for quality management executives and department heads	Once a year
Sub-divisional working committee	Once a year for each division
Consultative body for joint responses to quality issues	Year round

Quality Management Organization



Quality Management

Strategy

Quality Management Direction

Implementation and Expansion of Quality Management

Establishment of the Quality Policy

HDKSOE and its shipbuilding subsidiaries have established company-specific quality policies based on a common quality management direction centered on four core pillars: “Customer Focus,” “Built-in Quality,” “Profitability Improvement,” and “Smart Quality.” Based on these policies, the companies set strategic targets and conduct activities to ensure high-quality products and services for our customers, and continuously make product quality-based improvements.

Quality Policies of HDKSOE and Its Shipbuilding Subsidiaries

HDKSOE	- Minimize quality failures through preventive management - Enhance quality transparency based on AI/DT - Stabilize quality for new businesses and products
HHI	- Secure competitiveness through quality management systems for new businesses - Establish and advance a data-driven quality management system - Minimize failure costs by strengthening preventive quality capabilities at production sites - Build customer trust through the establishment of a built-in quality culture
HSHI	- Minimize quality failures through proactive quality response - Secure quality competitiveness by embedding fundamental quality practices - Advance autonomous quality assurance through AX-based inspection innovation - Strengthen quality personnel competencies through systematic training

Enhancing Autonomous Quality Management System

HHI and HSHI have established a reliable quality foundation based on more than 50 years of accumulated shipbuilding experience and track records, providing customers with consistent quality and confidence.

To further enhance mutual trust with customers, HHI and HSHI introduced the ship quality assurance program, Hi-TRUST (Customer Delegated Inspection Program). Through this program, the companies are strengthening built-in quality management and inspection activities across the entire shipbuilding process, from design and construction to post-delivery services, to earn and maintain customer trust.

Minimizing Quality Failure Costs

HDKSOE and its shipbuilding subsidiaries have managed quality failure costs ¹⁾ across the Group based on quantitative data since HHI introduced the industry’s first quality failure cost management system in 2016. The costs are categorized into eight detailed areas covering subcategories across key stages of the value chain, including design, procurement, production, and after-sales service. Challenging annual targets are established for each category, supporting efforts to deliver high-quality ships to customers on time.

1) Costs incurred due to quality-related issues before and after the delivery of products and services to customers.

Supply Chain Quality Stabilization

HDKSOE and its shipbuilding subsidiaries conduct various support activities to improve contractors’ quality, stability, and competitiveness. In this context, we provide not only regular quality checks and technology consultation, but also provide manufacturing know-how and technology expertise free of charge, and support our contractors in developing their own quality management capabilities.

In addition, quality management executives visit contractors in person to provide feedback on potential quality issues or best practices that may arise during production. Contractors’ quality staff are also invited to the company for meetings, strengthening the sense of partnership and collaboration with our contractors.

Activities to Stabilize Supply Chain Quality

Category	Activities
Visits and feedback by quality management executives and department leaders	Discuss improvement measures for recurring and major quality issues, and listen to contractors’ requests and challenges regarding quality improvements
Yard visits and roundtable meetings for contractor quality personnel	Promote communication by providing opportunities to understand the installation and operation processes of supplied materials and listen to VOC through meetings
Quality inspections for contractors with excessive A/S claims	Conduct on-site improvement activities to prevent the recurrence of A/S claims

Quality Management Training

HDKSOE and its shipbuilding subsidiaries consider enhancing employee capabilities as a key factor in ensuring the quality of all products and services. Accordingly, tailored training programs are provided for key job functions. Practical training materials based on quality work standards and defect cases are regularly provided to production personnel, including foreign workers, with a focus on applicability at work sites.

This training helps all employees reinforce their understanding that the quality of their work directly affects the quality of products and services, while fostering a strong quality-oriented mindset.

Customer Satisfaction Survey Platform

HHI and HSHI conduct customer surveys at each stage of the shipbuilding process in line with vessel construction schedules to understand customer perceptions and utilize the results in customer satisfaction improvement activities.

Since 2023, standardized survey formats have been introduced to objectively measure customer satisfaction levels. The survey results are used to identify areas requiring improvement during the construction and post-delivery stages and develop improvement measures, thereby further enhancing quality management practices.

Customer Satisfaction Survey Areas

	Category	Area
Construction Phase	Production Process	Design, production (hull, outfitting, painting), sea trials
	Project Management	Quality, contract, and administrative tasks
After Delivery	Ship Quality	Hull, outfitting, accommodation
	Service Quality	A/S (procedures & results, service personnel)

Quality Management

Risk Management

Quality Risk Management

Quality Risk Management System

Risk Management for Initial Equipment and Technologies

HDKSOE and its shipbuilding subsidiaries rigorously manage quality-related risks that may arise when developing initial equipment and technologies applied to novel ships and low and zero carbon (LZC) ships.

To ensure the stability of products and technologies, we operate the ‘Initial Equipment Application Risk Management Task Force.’ This encompasses all performance check activities at each stage, from design and production to commissioning. The TF continuously monitors the performance of initial equipment and technology applications after delivery in order to reduce risks.

Initial Equipment Application Risk Management TF

Category	Activities
Members	Executives and responsible department employees from the R&D, engineering, procurement, production, commissioning, and quality organizations of HDKSOE and its shipbuilding subsidiaries
Roles	Share the application status of newly introduced equipment from the initial design stage through vessel delivery and identify and manage risks associated with each item of equipment
Key Operations	Categorized the management standards for newly introduced equipment and systems, and monitored progress at each stage, including design, production, and commissioning. Any issues were shared and resolved, and improvements were made when applying similar equipment and systems to other vessels, minimizing potential risks. 2025: A total of 26 cases managed, including LPGC CHS and Hi-ERSN corrective actions (as of December 2025)

Quality Defect Prevention Activities

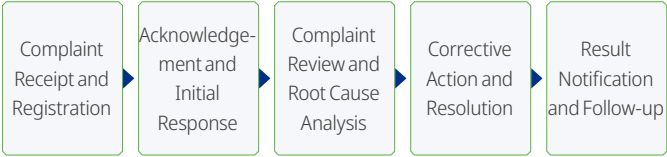
HDKSOE and its shipbuilding subsidiaries continue to enhance quality management to prevent quality complaints from customers. To improve their confidence, we advance internal quality capabilities by adopting smart inspection technologies and enhancing built-in quality management activities. Quality inspections are conducted before product delivery to identify potential issues, and corrective actions are taken immediately when abnormalities are found.

Together with HD Hyundai Marine Solution, HDKSOE and its shipbuilding subsidiaries analyze customer complaints and develop service improvements. Quality databases on after-sales defects are used to provide customized responses based on the severity and complexity of issues. We also maintain a feedback system to identify causes, prevent recurrence, and manage quality risks.

Quality Management After Delivery

HDKSOE and its shipbuilding subsidiaries conduct post-delivery quality management to ensure stable vessel operation and quality. After-delivery issues are promptly handled through the warranty service system with HD Hyundai Marine Solution, while customer feedback is used to identify causes and implement improvements. Collected quality and operational data are analyzed and applied to design, production, and quality processes to prevent repeated issues and improve quality.

Customer Complaint Handling Process



Quality Management System Certification

HDKSOE and its shipbuilding subsidiaries strive to meet customer demands, enhance customer satisfaction, and improve the quality of their products and services. As a part of these efforts, each company has obtained the ISO 9001 certification, an international standard for quality management systems.

Based on these systematic quality management systems, HDKSOE and its shipbuilding subsidiaries continuously build the trust of global customers by delivering world-class products and services. The Group also strives to further enhance its quality standards in response to an increasingly diverse and evolving industry environment.

Internal Audit of the Quality Management System

HDKSOE and its shipbuilding subsidiaries operate internal audit programs to regularly assess the effectiveness of their quality management systems and drive continuous improvement. In accordance with the international guideline ISO 19011, internal audits are conducted by qualified internal and external auditors through independent and systematic procedures at each business site and organization. The audits objectively evaluate the operational effectiveness of the quality management system and compliance with established standards based on objective evidence. Through these activities, the Group identifies the adequacy and effectiveness of key quality-related processes, as well as areas for improvement. The audit results are utilized to advance the overall management system and enhance quality performance.

Third-Party Certification Status for Quality Management System

Category	Certification Standard	Certifying Body	Validity Period
HDKSOE	ISO 9001:2015	DNV	July 2023 – June 2026 ¹⁾
HHI	ISO 9001:2015	DNV	March 2026 – February 2028
HSHI	ISO 9001:2015	DNV	December 2025 – November 2028

1) Renewal scheduled after June 2026.

Other Quality-related Certifications

HHI and HSHI have each obtained the ISO 3834-2 certification, an international standard for welding quality management systems.

In addition, HHI has obtained quality certifications required by each of its business units. For the naval business, HHI operates the Defense Quality Management System certified by the Defense Acquisition Program Administration (DAPA). For the Engine & Machinery Business, HHI has obtained the Korea Electric Power Industry Code (KEPIC) certifications for Nuclear Mechanical (MN) and Nuclear Electrical and Instrumentation & Control (EN). For the Offshore & Energy Business, HHI has acquired nine types of ASME certifications, including Nuclear (N, NA, NPT, NS) and Non-nuclear (U, U2, S, PP, A) certifications, verifying the quality systems and technical expertise of each business area.

Based on these certifications and systematic quality management systems, HDKSOE and its shipbuilding subsidiaries ensure the safety and reliability of products delivered to customers while enhancing customer satisfaction. Moving forward, the companies will continue to identify and obtain additional quality-related certifications required for each business area in a timely manner, establishing a strong foundation for quality management.

Quality Management

Metrics & Targets

Quality Management Metrics & Targets

Quantitative Performance and Action Plans for Quality Management

Customer Satisfaction¹⁾

Category	Unit	2023	2024	2025
Overall Satisfaction	Score	79.4	77.4	79.3
Satisfaction During Construction	Score	79.1	78.5	77.8
Satisfaction After Delivery	Score	80.1	76.3	82.0
Survey Participation Rate ²⁾	%	36.1	35.7	39.7

1) Combined results of shipbuilding subsidiaries, based on a 100-point scale.
2) Percentage of customers who responded to the satisfaction survey out of the total number of customers who received the survey.

Product Recalls¹⁾

Category	Unit	HDKSOE	HHI	HSHI
No. of Product Recalls	Cases	0	0	0

1) No product recalls have been reported for vessels or products delivered during the past four years (2022–2025).

Key Achievements and Plans

HDKSOE and its shipbuilding subsidiaries have implemented practical, customer-focused quality management practices to strengthen quality competitiveness. In 2026, each company will establish a quality management plan, and each established plan will be implemented progressively in connection with the company-wide quality management system.

2025 Key Achievements and 2026 Action Plans

Category	2025 Key Achievements	2026 Action Plans
HDKSOE	- Delivered the 5,000th vessel, a first in the global shipbuilding industry - Obtained Approval in Principle for a cargo handling system for very large ethane carriers (VLECs)	- Stabilize quality management at overseas shipyards - Advance the electronic standard document management system - Successfully deliver the first vessel equipped with the independently developed LNG high-pressure pump
HHI	(Shipbuilding) - Received the Korea Master Craftsman Award (1) and the National Quality Master Award (1) (Offshore Energy) - Secured a leading position in the offshore wind market with a self-developed offshore substation (Engine & Machinery) - Obtained type approval for the HiMSEN ammonia dual-fuel engine (Naval & Medium-sized Ships) - Launched the Aegis destroyer ROKS Dasan Jeong Yak-yong - Delivered Korea's first 22,000 m³ LCO₂ carrier (January 5, 2026) - Signed an MOU for the establishment and demonstration of a digital twin-based electric propulsion system standard	(Shipbuilding) - Promote the PMI(Post Merger Integration) TFT following the merger of HHI and HMD (Offshore Energy) - Establish a quality management system for SMR projects (Engine & Machinery) - Commercialize ammonia engine technology (Naval & Medium-sized Ships) - Build and develop a prototype unmanned surface vessel in collaboration with Anduril
HSHI	- Received the 2025 Gartner EOI Award in the Advanced Manufacturing category for the first time in Korea - Received the Korea Master Craftsman Award (1), the National Quality Master Award (1), and the National Quality Merit Award (3)	Develop an integrated I/O platform



Liquefied Carbon Dioxide (LCO₂) Carrier



MOU for Demonstration of a Digital Twin-based Electric Propulsion System



2025 Gartner EOI Awards

Social Contribution

Governance

Social Contribution Governance

Roles and Responsibilities

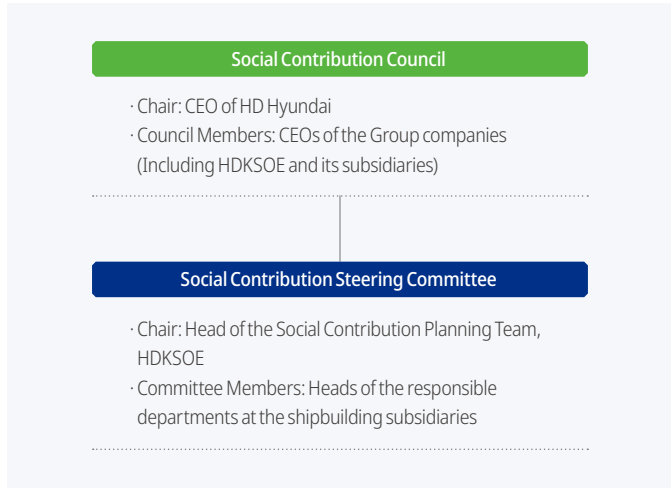
Social Contribution Council

As the decision-making body determining social contribution activities at the group level, the Social Contribution Council of **HD Hyundai** sets the basic direction and policies for the group's social commitment. The Council is composed of the CEOs of **HDKSOE and its shipbuilding subsidiaries**, and it reviews group-wide social contribution activities and establishes goals and plans.

Social Contribution Steering Committee

HDKSOE and its shipbuilding subsidiaries operate the Social Contribution Steering Committee, which comprises the department heads of each company's social contribution organization. The Steering Committee discusses overall social contribution activities of the group and the operation of the HD Hyundai 1% Nanum (Sharing) Foundation.

Social Contribution Organization



HD Hyundai 1% Nanum Foundation

HD Hyundai 1% Nanum Foundation was established with the shared intention of employees to donate 1% of their salaries. **HDKSOE and its shipbuilding subsidiaries** have also joined this initiative. The contributions, donated through the good will of employees, are used to implement various social contribution programs by HD Hyundai Group.

[HD Hyundai 1% Nanum Foundation Website](#)

HD Hyundai Hope Foundation

HD Hyundai established the “HD Hyundai Hope Foundation” in 2024 to console grieving families of workers who lost their lives in tragic shipbuilding-related accidents and fulfill our corporate social responsibilities as the top shipbuilding company in the world. To ensure fairness and transparency in the Foundation's operations, its Board of Directors is primarily composed of external members. The Honorary Chairman of HD Hyundai also donated KRW 100 million of personal funds and serves as the Foundation's Honorary Chair.

HDKSOE and its shipbuilding subsidiaries participated in the establishment of the HD Hyundai Hope Foundation. In particular, **HHI and HSHI** contributed funds to support the Foundation's operations. The Foundation provides scholarships for the children of bereaved families, living assistance, medical expense support, and legal aid programs. Through these initiatives, it aims to provide meaningful support to families affected by fatal industrial accidents and help them build a more hopeful future.

[HD Hyundai Hope Foundation Website](#)

Business Case Activities of HD Hyundai 1% Nanum Foundation

HD Hyundai Honor Award

HD Hyundai 1% Nanum Foundation operates the HD Hyundai Honor Awards, which recognizes individuals and organizations that are dedicated to supporting socially vulnerable groups, such as the elderly, people with disabilities, single parent families, multicultural families, and children in need of protection. Recipients are selected based on a comprehensive evaluation of their contribution to addressing social issues, long-term commitment and dedication, organizational excellence and transparency, and overall social impact.

At the 3rd HD Hyundai Honor Award in 2025, Jeong Deok-hwan received the Grand Prize. The Excellence Award (Group Category) was presented to the Korea Childhood Leukemia Foundation and Raphael Clinic, while Father Kim Ha-jong received the Excellence Award (Individual Category).

Opening of Dream Place

The Dream Place initiative, implemented by the HD Hyundai 1% Nanum Foundation in partnership with Save the Children, an international non-governmental organization for children's rights, is a place-based social contribution program designed to improve the living environments of residential child care facilities and help children in need of protection grow in safer and more creative spaces.

In 2025, the Foundation implemented environmental improvement and infrastructure development projects at residential child care facilities, including Gyeongaewon in Mokpo, by creating multi-purpose play and rest areas and creating new recreational facilities.



2025 3rd HD Hyundai Honor Awards Ceremony



Opening Ceremony of Dream Place at Gyeongae-won in Mokpo

Business Case Key Activities of HD Hyundai Hope Foundation

Support for Families of Victims of Industrial Accidents

HD Hyundai Hope Foundation operates financial support programs to help bereaved families affected by fatal industrial accidents recover and achieve greater financial stability. In February 2025, the Foundation provided scholarships to three university students from families affected by fatal industrial accidents to support their continued education and a stable learning environment. In September 2025, financial assistance was provided to nine bereaved families to ease their financial burden and support their long-term self-reliance. The Foundation continues to provide support aimed at easing financial hardship and promoting the long-term independence of affected families.

Agreement on Free Legal Aid for Bereaved Families of Shipbuilding Industry Accident Victims

HD Hyundai Hope Foundation signed an agreement with the Korea Legal Aid Corporation to launch a free legal aid program for bereaved families of victims of shipbuilding industry accidents. The program was established to help ease the legal and financial burdens faced by bereaved families who have lost loved ones in industrial accidents within the shipbuilding industry. Under the agreement, the Foundation will contribute KRW 50 million annually to support the program.

Social Contribution

Strategy

Social Contribution Direction

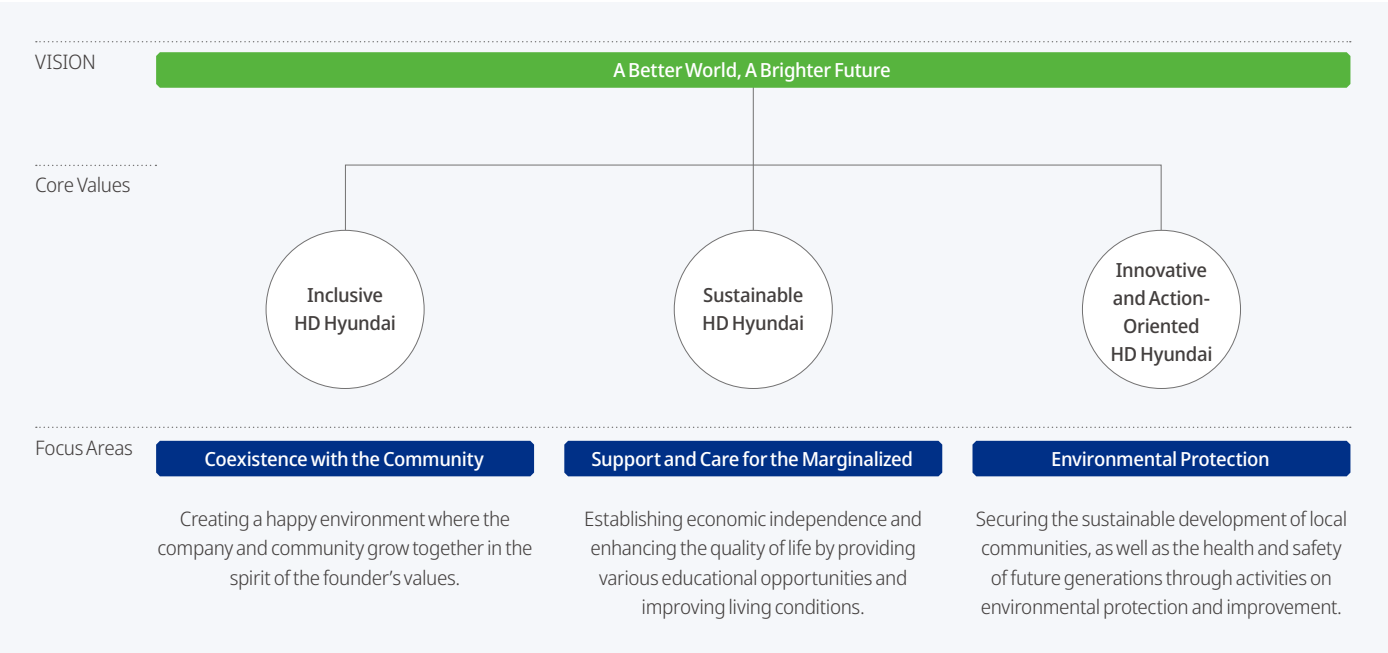
Social Contribution Vision and Core Values

Social Contribution Vision

HD Hyundai has established “Inclusion,” “Sustainability,” and “Innovation and Action” as key strategic priorities to realize “A Better World, A Brighter Future,” and has continued its contribution to marginalized people and local communities. In addition, HD Hyundai engages with local communities to attain the UN Sustainable Development Goals (UN SDGs) through its social contribution activities.

HDKSOE and its shipbuilding subsidiaries align with the social contribution vision of the HD Hyundai Group and its foundations and actively participate in their social contribution initiatives. Beyond financial contributions, we encourage our employees to take part directly in volunteer activities, fostering a culture of sharing while continuing our efforts toward a better future.

Core Values of HD Hyundai Social Contribution



Happy Family

- Happy Meals for Elders
- Heating Oil Support
- Temporary Care



“Happy Family” is a social contribution program that supports vulnerable members of society through a variety of initiatives. Through the “Happy Meal” program, nutritious meals are provided to low-income seniors, while the “Heating Oil Support” initiative helps energy-vulnerable households stay warm during the winter. In addition, the “Temporary Care” program strengthens a community-based care network to help address care gaps for vulnerable groups.

Happy Donor

- ‘Happy Supporters’
- HD119



Happy Supporters is the main program of “Happy Donor.” Through this program, employees across the Group propose specialized, region-tailored community projects, ensuring the initiatives remain sustainable rather than one-time efforts.

Another program, “HD119,” provides emergency relief activities in case of unexpected accidents or natural disasters by offering financial or material support and dispatching teams of employee volunteers.



Dream Future

- Dream Place
- Dream Academy
- Dream Harmony



“Dream Future” is a program that supports space renovations, education and independent living, and cultural activities of the socially vulnerable groups.

To ensure the children of socially vulnerable groups settle well into society, we have established an integrated platform with a wide range of support from child protection to independent living.

Dream Partner

- HD Hyundai Honor Award
- I'm Donor
- HD Hyundai MZ Volunteer Group
- Sign Language Class
- 100 Parents: Child Sponsorship Program
- Our Heroes



“Dream Partner” aims to promote the value of sharing among a wide range of stakeholders.

Programs such as the HD Hyundai Honor Award and I'm Donor, which reflect the opinions of donors, including employees, while providing opportunities for employees to actively participate in volunteer initiatives through programs such as the HD Hyundai MZ Volunteer Group and the 100 Parents Program. In addition, the Our Heroes program provides cultural experience opportunities for children with cancer and their families.

Social Contribution

Strategy

Social Contribution Activities

HDKSOE Social Contribution Activities

ESG-linked Volunteer Activities for Biodiversity Conservation

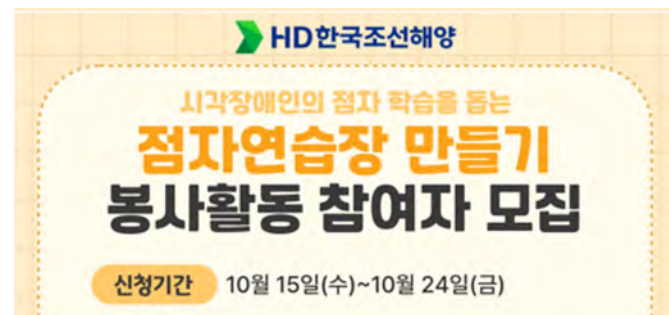
HDKSOE promotes environmental management initiatives to enhance biodiversity in collaboration with local communities. As part of these efforts, 28 employees volunteered at the Shingu University Botanic Garden in Seongnam, participating in activities to conserve endangered plant species and improve their habitats. Working with the botanical garden, employees planted lilac and honeysuckle trees and carried out habitat maintenance activities to improve the survival rates of protected species, contributing to ecosystem restoration and the conservation of genetic resources. Before participating in the volunteer activities, employees also completed training on identifying protected species and the importance of biodiversity conservation, combining hands-on participation with greater environmental awareness.



Lilac Planting Volunteer Activity at the Shingu University Botanic Garden

Volunteer Activity for Braille Practice Book Making

HDKSOE organized a volunteer program to produce braille practice books to help reduce educational disparities for people with visual impairments and promote a culture of sharing among employees. Conducted remotely, the program involved employees assembling felt-based learning materials designed to support Braille education. The braille practice books were donated to organizations serving people with visual impairments and are being used as educational materials for basic braille education.



Braille Practice Book Brochure

Blood Donation Campaign

HDKSOE employees actively participate in the Group's regular blood donation campaign. In 2025, a total of 50 employees took part in the campaign. Blood donation certificates received through the campaign were donated to the Korea Childhood Leukemia Foundation and the Korea Pediatric Cancer Foundation to help reduce medical expenses for children undergoing treatment.



Blood Donation Campaign

HHI Social Contribution Activities

Supporting Healthy Nutrition for Local Children and Youth

As part of the Happy Supporters program operated by the HD Hyundai 1% Nanum Foundation, HHI donated KRW 7 million to the Heemangchan side dish program at the Ulsan Hwajeong Social Welfare Center to promote healthy eating among children and youth from vulnerable households. In addition, Damoahoi,

HHI's women employees' association, delivered homemade side dishes once a month to 15 economically disadvantaged households with children and youth. The association also organized hands-on cooking activities such as cake-making in May, songpyeon making during the Chuseok holiday in October, and Christmas baking in December.



Donation Ceremony for the "Heemangchan" meal support program

Supporting Independence for People with Developmental Disabilities

HHI donated KRW 35 million to the Dong-gu Welfare Center for People with Disabilities in Ulsan to support the health and independence of people with developmental disabilities. The donation was used to introduce the smart rehabilitation program Re:Motion providing rehabilitation training for 150 people with developmental disabilities to enhance gross and fine motor skills and cognitive abilities. The program was also made available to about 50 disability welfare organizations across Ulsan, including special schools, daytime care centers, and welfare facilities, enabling more people with developmental disabilities to benefit from rehabilitation services.



Donation Ceremony for the Rehabilitation Support Program at the Dong-gu Welfare Center for People with disabilities in the local community in Ulsan

Community Welfare and Cultural Support

HHI donated winter comforters to 200 single-person senior households in Dong-gu, Ulsan. The donation was organized to help improve winter living conditions for the low-income seniors facing high heating costs, while supporting their safety and well-being throughout the winter season.

The company also invited 40 users and staff members from social welfare facilities in Ulsan to performances at the HD Arts Center, providing them with opportunities to enjoy cultural experiences and contributing to an improved quality of life in the local community.



Donation Ceremony for the Warm Winter Support Campaign at Dong-gu in Ulsan

Social Contribution

Strategy

Social Contribution Activities

HSHI Social Contribution Activities

Support for Children from Vulnerable Groups in the Mokpo and Yeongam Communities

In celebration of Children’s Day, **HSHI** delivered gift sets to approximately 1,300 children across 53 community child centers in Mokpo and Yeongam. Funded with approximately KRW 26 million, this initiative was carried out through the “Happy Supporters” program of the HD Hyundai 1% Nanum Foundation. Beyond this event, HSHI actively engages in diverse community contribution programs, including facility renovation projects for the Gyungaewon welfare facility, free meal services for low-income senior citizens, and the seasonal provision of daily necessities for local residents.



Gift Set Donation Ceremony for Children’s Day at Local Children’s Centers

Community Disinfection Program

As part of its commitment to ESG practices within local communities, **HSHI** conducted disinfection volunteer activities in Sandu Village in Haenam, near the company’s facilities. Volunteers used their own disinfection equipment to carry out sanitization activities throughout the village. The initiative was conducted once a week from July through the end of August, contributing to improved public health conditions for local residents.



HSHI Community Disinfection Activities

Kimchi Sharing Program

The **HSHI** Housewives’ College Alumni Association and Damuldan organized a kimchi sharing program during the winter season. More than 80 employees and association members from the Housewives’ College Alumni Association prepared 1,000 heads of kimchi cabbage and delivered them to vulnerable households and company housing senior community centers in Yeongam County. More than 30 employees and members of HSHI Damuldan prepared kimchi at the Mokpo E-Land Senior Welfare Center and distributed it to about 120 older adults living alone.



HSHI Damuldan Kimchi Sharing Program

Business Case Group Social Contribution Activities

“Love Nest” Housing Improvement Volunteer Program

Established in 2000, the **HHI** Master Craftsmen Association is an employee volunteer group comprising 532 highly skilled professionals with nationally certified technical qualifications in a wide range of fields, including welding, piping, machining, assembly, and electrical work. Drawing on the technical expertise and hands-on experience accumulated through their work, members continue to carry out activities aimed at improving the quality of life for underprivileged and vulnerable groups in local communities.

In particular, the “Love Nest” program is a community partnership initiative jointly operated by the HD Hyundai 1% Nanum Foundation and the HHI Master Craftsmen Association since 2020. The program is funded through a combination of employee donations and corporate social contribution funds from **HDKSOE and its shipbuilding subsidiaries**. Each year, the program supports underserved low-income households by providing boiler and electrical facility inspections and replacements, wallpapering and flooring work, and painting services. Through these efforts, it helps improve housing conditions and enhance the quality of life of vulnerable members of local communities.



“Love Nest” Housing Improvement Volunteer Program

Business Case Overseas Community Engagement Activities

Support for Flood Recovery in Khanh Hoa Province, Vietnam

In response to the severe flooding and landslides caused by record-breaking rainfall in November 2025, **HD Hyundai Vietnam Shipbuilding** extended its condolences to the government and residents of Khanh Hoa Province. To support the rapid recovery of affected communities and help residents return to stable daily lives, the company donated VND 500 million (KRW 27.9 million) to the Khanh Hoa Provincial Committee.



Donation for Flood Relief in Khanh Hoa Province

Overseas Medical Volunteer Activities in Partnership with Ulsan University Hospital

As part of their contributions to local communities, **HD Hyundai Philippines Shipyard** and **HD Hyundai Eco Vina** organize medical volunteer activities for local residents in collaboration with medical staff from Ulsan University Hospital. Through these initiatives, the companies seek to go beyond just doing business in the communities surrounding their sites in Subic, the Philippines, and Quang Ngai Province, Vietnam by building social trust and promoting mutual growth with local communities.



Medical Volunteer Activities in Subic, Philippines

Social Contribution

Risk Management

Social Contribution Risk Management

Social Contribution Monitoring

Evaluation of Donations and Social Contribution Program Effectiveness

HDKSOE and its shipbuilding subsidiaries conduct comprehensive reviews of the credibility of beneficiary organizations and the feasibility of proposed initiatives when allocating donations and social contribution funds. Decisions on support are made based on assessments of organizational performance, collaborative engagement, and project execution capabilities. The feasibility of each project plan is reviewed in advance, while post-project reporting is used to evaluate project performance and the transparency of financial management, thereby assessing overall program effectiveness. To maintain transparent execution processes, the use of donations is systematically managed, and related information is publicly disclosed to enhance transparency and credibility.

The Group Social Contribution Steering Committee, which convenes twice a year, reviews the performance and effectiveness of social contribution programs at the Group level and discusses whether individual initiatives should be continued or discontinued based on the evaluation results. Through this process, the Group maintains a regular monitoring and evaluation framework.

Business Case
Engagement with External Stakeholders

During the course of planning and implementing social contribution projects, HDKSOE and its shipbuilding subsidiaries identify the needs of the local community through various methods, including meetings and workshops with external partners, or consultations with experienced professionals and subject matter experts, as needed. After project implementation, the effectiveness of each initiative is evaluated by conducting satisfaction surveys, interviews, and outcome reports. Areas for improvement are then identified and reflected in future projects.

For example, the “Happy Meal” program, one of the Group’s social contribution initiatives, is carried out through regular information sharing with partner organizations, including local community service centers. Quantitative performance targets are established for each project and monitoring framework. In addition, through program closing ceremonies and year-end events, the Group engages with stakeholders to gather firsthand feedback from the field and assess behavioral changes resulting from the program.



Happy Meal Program Closing Ceremony

Stakeholder Participation Process

HDKSOE and its shipbuilding subsidiaries operate multiple channels to encourage participation and collect opinions from the stakeholders at the activity planning and implementation stages. These collected opinions are then reviewed internally and utilized in planning social contribution activities, as well as managing and disbursing donations and funds. The Social Contribution Steering Committee, which convenes twice a year, shares the current social contribution activities and plans of each subsidiary and discusses recommendations for decision-making purposes.

When planning activities for the local community and socially vulnerable groups, HDKSOE and its shipbuilding subsidiaries work with local government organizations and social welfare organizations to identify the needs and trends of the local community. By incorporating the needs of stakeholders, social contribution activities such as supporting the vulnerable or providing skilled resources are conducted to provide practical assistance to the local community.

Metrics & Targets

Social Contribution Metrics & Targets

Social Contribution Management Status

Social Contribution Targets and Performance Management

HDKSOE and its shipbuilding subsidiaries establish and manage targets related to social contribution activities and shared growth with local communities, while regularly monitoring the performance and progress of these initiatives.

Social Contribution Targets and Roadmap

	2026	2027	2028
Coexistence with the Community	- Establish a collaboration framework with specialized social contribution organizations - Payroll sharing and special donations through the HD Hyundai 1% Nanum Foundation - Contributions to the Community Chest of Korea's Neighbor Love Fund - Support for Local Communities - Rice donations to welfare facilities in Dong-gu, Ulsan - Support programs for a cool summer and warm winter campaign - Collaboration on locally tailored social contribution initiatives (25 projects)	- Enhance collaboration with professional social contribution organizations - Increased payroll sharing and special donations through the HD Hyundai 1% Nanum Foundation - Support for Local Communities - Increased support for welfare facilities in communities where business sites are located - Identification and support of underserved communities and individuals in welfare blind spots - Collaboration on locally tailored social contribution initiatives (30 projects)	- Advance the collaboration framework with professional social contribution organizations - Increased support for public interest organizations and NGO activities (designated donation programs) - Employee participation in and proposals for public interest sponsorship initiatives - Tailored community support: Diversify beneficiaries - Collaboration on local social contribution initiatives (35 projects)
Support and Care for the Marginalized	- Support for children and youth from vulnerable groups - Support for the Didim Seed Account program and talent development initiatives - Hope Scholarship program - Support for independent living skills training for persons with disabilities	- Establish a care system for children and youth from vulnerable groups - Expansion of existing programs - Support across housing, meals, and education - Provide cultural and recreational experiences for persons with disabilities	- Advance the care system for children and youth from vulnerable groups - Broader support covering cultural experiences in addition to housing, meals, and education - Support housing environment improvements for persons with disabilities
Environmental Protection	- Organize environmental clean-up activities outside business sites - Environmental clean-up activities along the Taehwa River - Roadside and coastal clean-up activities and flower planting near Yeongam - Participate in biodiversity conservation and restoration initiatives - Participate in habitat improvement activities for endangered and protected species	- Expand environmental clean-up activities outside business sites - Encouraging employee participation (activity sharing and promotion)	- Promote environmental clean-up activities outside business sites - Encouraging employee participation through activity sharing and communication initiatives - Expand biodiversity conservation and restoration initiatives - Increased participation in habitat improvement activities for endangered and protected species



Governance

We will firmly stand on the trust and respect from the people based on transparent management and business ethics.

110	Board of Directors
117	Shareholder Protection
119	Ethics & Compliance
123	Information Security
127	Risk Management

Board of Directors

BOD Composition

Overview of BOD Composition

The Boards of Directors (BOD) of **HDKSOE and its shipbuilding subsidiaries** comprise directors with expertise in management, accounting, legal affairs, and risk management, with strong industry knowledge, supporting effective decision-making. The BOD deliberates on key decisions and strategic directions, while overseeing management execution. Through transparent and rational decision-making, the BOD strives to enhance corporate value and protect stakeholder interests.

BOD Appointment Process

All directors of **HDKSOE and its shipbuilding subsidiaries** are appointed at the general meeting of shareholders through fair procedures and evaluations. Director candidates are selected by the BOD and the Outside Director Recommendation Committee. Notices for the meeting disclose information about each candidate, including personal background, recommending party, and whether the candidate has any relationships with major shareholders or related parties. Each candidate is presented as a separate agenda item for shareholder approval.

Board Term Limits

In accordance with the Korean Commercial Act, the tenure of outside directors of **HDKSOE and its shipbuilding subsidiaries** is limited to a maximum of six years. Throughout their tenure, the companies provide various forms of support to enhance outside directors’ understanding of the business and strengthen their decision-making capabilities. In addition, when outside directors request advice from external experts on significant matters requiring Board deliberation and decision-making, the companies actively provide the necessary support.

Securing Independence of Directors

HDKSOE and its shipbuilding subsidiaries maintain BOD independence by appointing outside directors to comprise a majority of the BOD and by creating an environment in which Board members can freely express their views without influence from the company, management, controlling shareholders, or other vested interests. Outside directors are not involved in the company’s regular course of business and are selected based on the following independence requirements.

Independence Requirements for Outside Directors

Outside directors shall meet the following requirements as well as other qualifications as prescribed under applicable laws, including the Commercial Act of South Korea.
Outside directors shall not have served as an executive of the company within the past two years.
Outside directors shall not be immediate family members of any executives of the company or its subsidiaries.
Outside directors shall not have conflicts of interest with advisors, consultants, or employees and major shareholders of the corporation that has concluded a major advisory contract with the company or its senior management.
Outside directors shall not be major customers or the employees or major shareholders of suppliers as defined in Items (a) and (b) of Article 34 (5) 2 of the Enforcement Decree of the Commercial Act.
Outside directors shall not have been partners or employees of the company’s external auditor for the past two years.
Outside directors shall not have any conflicts of interest regarding matters decided by the BOD, such as economic interests.

Promoting BOD Diversity

HDKSOE and its shipbuilding subsidiaries respect the diversity of directors to ensure various perspectives are considered in decision-making. During the nomination and review process for director candidates, no discrimination is made based on gender, age, nationality, race, religion, or ethnicity. To enhance effectiveness, each company appoints outside directors with extensive experience and expertise across diverse professional fields. As of the end of March 2026, each company has appointed one female director to its Board.

Kim Sae-youn, an outside director of **HDKSOE**, was appointed based on her expertise in legal affairs. The company expects her to contribute to the review of legal risks associated with key management decisions and to support sustainable growth and competitiveness through her contributions to the advancement of the compliance management framework.

Park Kwang-woo, an outside director of **HHI**, was appointed in recognition of his extensive experience and expertise in finance. He is expected to provide strategic guidance on enhancing the company’s financial soundness and managing financial and business risks arising from business operations.

Lee Gi-kwon and Kim So-young, outside directors of **HSHI**, were appointed for their extensive legal expertise. They are expected to advise on legal matters that may arise across the company’s operations, including contracts, compliance, and dispute prevention, while contributing to greater transparency and legal integrity in the decision-making process.

Changes in BOD Composition Compared with the Previous Reporting Year

	Category	Name	Position	Date	Remarks
HDKSOE	Resigned	Kim Sung-joon	CEO	Mar. 31, 2026	Expiration of term
		Jo Young-hee	Outside Director	Mar. 31, 2026	Personal reasons
	Newly appointed	Kim Hyung-kwan	CEO	Mar. 31, 2026	Resolution of the General Meeting of Shareholders
		Kim Sae-youn	Outside Director	Mar. 31, 2026	
HHI	Resigned	Kim Hong-kee	Outside Director	Mar. 31, 2026	
		Noh Jin-yul	CEO	Mar. 31, 2026	
	Newly appointed	Chae Joon	Outside Director	Mar. 26, 2026	
		Keum Seok-ho	CEO	Mar. 31, 2026	
HSHI	Resigned	Park Kwang-woo	Outside Director	Mar. 31, 2026	Resolution of the General Meeting of Shareholders
		Lee Sang-kyun	CEO	Mar. 31, 2026	
		Lee Sang-hyuk	Inside Director	Mar. 24, 2026	Expiration of term
	Newly appointed	Jung Do-sam	Outside Director	Mar. 4, 2026	Personal reasons
		Lee Jang-young	Outside Director	Mar. 24, 2026	Expiration of term
		Lee Jong-yun	Inside Director	Mar. 24, 2026	Resolution of the General Meeting of Shareholders
		Lee Gi-kwon	Outside Director	Mar. 24, 2026	
		Kim So-young	Outside Director	Mar. 24, 2026	

Board of Directors

BOD Composition

BOD Composition Status

Category		Name	Position	Gender	Career Highlights	Date of Initial Appointment	Industrial Relevance	
HDKSOE	Inside Director	Chung Ki-sun	CEO	Male	Former) President of Sales, HHI Current) CEO, HD Hyundai	March 2022	· Expertise in global shipbuilding industry operations	· Comprehensive understanding of the Group's shipbuilding, offshore engineering, and energy business portfolio
		Kim Hyung-kwan	CEO (Chair of the BOD)	Male	Former) CEO, HSHI Former) CEO, HD Hyundai Mipo	March 2026	· Technological expertise and experience in ship design and production	· Leadership experience in shipbuilding sites and managing businesses
	Outside Director	Kim Hong-kee	Outside Director	Male	Former) CEO, Samil PwC Accounting Former) Auditor, Wonik PNE	March 2023	· Expertise in corporate audit and financial risk management	· Expertise in financial regulations and regulatory systems
		Kim Sung-han	Outside Director	Male	Former) Second Vice Minister of Foreign Affairs Current) Honorary Professor, Graduate School of International Studies, Korea University	March 2024	· Wide range of experience in global economy, trade, and foreign policy	· Expertise in international security and economic policy advisory
		Kim Sae-youn	Outside Director	Female	Former) Judge, Seoul District Court, Daejeon District Court, and Suwon District Court Current) Lawyer at KIM & CHANG	March 2026	· Experience in providing legal advisory services in the fields of international arbitration and international trade	· Expertise as a legal professional
HHI	Inside Director	Lee Sang-kyun	CEO	Male	Former) COO of Shipbuilding Business Unit, HHI Current) CEO, HHI	April 2021	· Expertise in business, technology, and production within the shipbuilding industry, along with strategic planning capabilities	· Industry-wide leadership and network capabilities as the Chairman of the Korea Offshore & Shipbuilding Association
		Keum Seok-ho	CEO	Male	Current) CEO, HHI Current) Head of HR Support Office, HD Hyundai	March 2026	· Capabilities in business management and organizational leadership across the shipbuilding and energy industries	· Expertise in labor relations, human resources, and communication
	Outside Director	Shin Dong-mok	Outside Director (Chair of the BOD)	Male	Current) Dean, Asan Honors College, University of Ulsan Current) Dean, College of General Education, University of Ulsan	March 2024	· Expertise in shipbuilding production processes with a Ph.D. in industrial engineering from Pennsylvania State University	· Authored a number of papers on shipbuilding, including Block Assembly Planning in Shipbuilding Using Case-based Reasoning, Pipe Offset Routing Program by Using 3D CAD for Shipbuilding
		Park Hyun-jung	Outside Director	Female	Former) Judge, Seoul Central District Court Current) Professor, Hanyang University Law School	March 2022	· Expertise in corporate legal risk management and responding to lawsuits	· Expertise in public and civil lawsuits
		Park Kwang-woo	Outside Director	Male	Former) President, Korean Securities Association Current) Professor, KAIST Graduate School of Finance	March 2026	· Expertise in corporate finance strategy and investment risk management	· Expertise in finance and accounting
HSHI	Inside Director	Kim Jae-eul	CEO (Chair of the BOD)	Male	Former) COO of Shipbuilding Business Unit, HHI Current) CEO, HSHI	March 2025	· Leadership experience in shipbuilding sites and managing businesses	· Experience in various projects in shipbuilding and offshore engineering industry
		Lee Jong-yun	Inside Director	Male	Former) Executive in Charge of Finance, Tax, and Accounting, HD Hyundai Infracore Current) Head of Finance Division, HDKSOE	March 2026	· Expertise in profitability management	· Capabilities in financial strategy development and maintaining financial soundness
	Outside Director	Ko Chang-hyun	Outside Director	Male	Former) Lawyer at KIM & CHANG Current) Lawyer at Ko Chang-hyun Law Firm	March 2021	· Expertise in managing risks under the Commercial Act and corporate laws	· Expertise in financial regulatory responses
		Shin Ho-young	Outside Director	Female	Former) President of the Academic Society of Global Business Administration Current) Honorary Professor, Business School of Hanyang University	March 2022	· Expertise in tax risk management	· Expertise in responding to government policy changes
		Lee Gi-kwon	Outside Director	Male	Former) Chairperson, HD Hyundai Hope Foundation Current) Lawyer at KIM & CHANG	March 2026	· Expertise in managing human resources and labor-related risks	· Capabilities in industrial safety management and major accident response
		Kim So-young	Outside Director	Female	Former) Justice of the Supreme Court of Korea Current) Lawyer at KIM & CHANG	March 2026	· Expertise in corporate governance and legal risk management	· Experience in providing legal advice on corporate decision-making

Board of Directors

BOD Composition

Enhancing BOD Expertise

HDKSOE and its shipbuilding subsidiaries consider the professional expertise and risk management capabilities required for corporate management in a comprehensive manner when appointing directors. The BOD is composed of individuals with a strong understanding of the shipbuilding industry, supporting balanced judgment in key management decision-making processes.

The BODs of HDKSOE and its shipbuilding subsidiaries consist of experts across a wide range of fields, including leadership, CEO experience, risk management, finance and accounting, legal affairs, and policy and administration. These BODs are responsible for setting strategic direction, reviewing and approving major management decisions, and overseeing management. Each company discloses a Board Skills Matrix (BSM) to enable stakeholders to clearly assess the composition of expertise and competencies within the BOD.

HDKSOE Board Skills Matrix

(As of March 31, 2026)

Name	Leadership	CEO Experience	Risk Management	Finance/ Accounting	Policy Administration	Sales & Marketing	Laws/ Regulations	R&D	International Relations	Gender	Certification
Chung Ki-sun	●	●	●			●				Male	-
Kim Hyung-kwan	●	●	●			●		●		Male	-
Kim Hong-kee	●	●	●	●	●					Male	CPA
Kim Sung-han	●		●		●				●	Male	-
Kim Sae-youn	●		●				●		●	Female	Lawyer

HHI Board Skills Matrix

(As of March 31, 2026)

Name	Leadership	CEO Experience	Risk Management	Finance/ Accounting	Laws/ Regulations	Industry Experience ¹⁾	Gender	Certification
Lee Sang-kyun	●	●	●			●	Male	-
Keum Seok-ho	●		●			●	Male	-
Shin Dong-mok	●		●			●	Male	-
Park Hyun-jung	●		●		●		Female	Lawyer
Park Kwang-woo	●		●	●			Male	-

1) Board members with business administration, academic, or research experience within the same industry

HSHI Board Skills Matrix

(As of March 31, 2026)

Name	Leadership	CEO Experience	Risk Management	Finance/ Accounting	Policy Administration	Sales & Marketing	Laws/ Regulations	Gender	Certification
Kim Jae-eul	●	●	●					Male	-
Lee Jong-yun	●		●	●				Male	Chartered Property Casualty Underwriter (CPCU)
Ko Chang-hyun	●		●		●		●	Male	Lawyer
Shin Ho-young	●		●	●	●			Female	-
Lee Gi-kwon	●		●		●		●	Male	-
Kim So-young	●		●				●	Female	Lawyer

Board of Directors

BOD Operation

Functions of BOD

The BODs of **HDKSOE and its shipbuilding subsidiaries** establish the long-term vision and goals of the companies and make decisions on significant management issues. For example, the BOD systematically manages those issues that are directly related to the creation of corporate values such as risks, ethical and compliance management, internal accounting, and auditing as well as issues for sustainable management including climate change, human rights, and safety and health.

Chair of the BOD

HDKSOE and its shipbuilding subsidiaries appoint a Chair of the BOD every year at the first Board meeting following the regular approval at the General Meeting of Shareholders. The Chair serves a one-year term, and to ensure continuity in cases where the Chair is absent, the Chair can determine the order of directors who will serve as an acting chair or designate an interim Chair. Notably, **HHI** has appointed an outside director as the Chair of the BOD since 2025, enhancing its independence.

Business Case

Reflection of the Revised Commercial Act in the Articles of Incorporation

HDKSOE and HHI amended their Articles of Incorporation by resolution at the regular general meetings of shareholders held in March 2026 to reflect the revised Commercial Act and to reorganize governance provisions related to the BOD and Audit Committee. Key amendments include the introduction of electronic general meetings of shareholders, the renaming of outside directors, and the incorporation of voting rights restrictions (3% in total) related to the appointment of Audit Committee members. In addition, relevant provisions were revised to enable the use of cumulative voting to protect minority shareholder rights, along with improvements, including changes to the record date for quarterly dividends.

Convening and Organizing Board Meetings

Board meetings at **HDKSOE and its shipbuilding subsidiaries** are convened by the Chair or a director designated by the Board, and notice of the meeting must be given to each director at least one day before the meeting. However, if all directors agree, Board meetings can be held at any time without following the convening procedures. The quorum for the Board meeting is the majority of directors, and the Board makes decisions with the majority approval of the members present. For matters falling under Article 397-2 (Prohibition of Usurpation of Corporate Opportunities and Assets) and Article 398 (Transactions Between Directors and the Company) of the Commercial Act, resolutions of the BOD require the approval of at least two thirds of all directors. Lastly, the Articles of Incorporation stipulate that directors who have a special interest are not allowed to exercise their voting rights.

BOD Operation Status (January 1, 2025 - December 31, 2025)				
Category	Board Resolutions		Attendance Rate	
	Decisions	Reports	Inside Directors	Outside Directors
HDKSOE	33	10	95.0%	90.0%
HHI	22	10	85.0%	96.7%
HSHI	18	8	88.9%	88.9%

BOD Training

HDKSOE and its shipbuilding subsidiaries provide a wide range of training programs to enhance directors’ capacity to discern, as well as their expertise in judgment and decision-making capabilities. The 2025 training focused on key changes in the business environment and regulatory trends relevant to BOD decision-making, including legal and institutional changes related to the operation of the BOD and Audit Committee, finance and accounting, ESG regulations and global trends, and risk management.

BOD Training Status

Category	Date	Topic
HDKSOE	Apr. 2025	· Understanding and Review of ITGC
	Jul. 2025	· Changes in Global ESG Policies and Trends in ESG Institutionalization in Korea
	Dec. 2025	· Trends in Mandatory ESG Disclosure in Korea
HHI	Feb. 2025	· Prevention and Detection of Financial Misconduct, Including Embezzlement, and Analysis of Deficiencies in Internal Control over Financial Reporting
	Apr. 2025	· Understanding the Design and Operation of ITGC
	Nov. 2025	· Domestic and Global Trends and Key Considerations for the Audit Committee in 2026
HSHI	Apr. 2025	· 2025 Accounting Review and Audit Plan of the Financial Supervisory Service · Key Findings from Financial Statement Audits Related to the Shipbuilding Industry
	Jul. 2025	· Impact of IFRS 18 “General Presentation and Disclosure in Financial Statements”
	Nov. 2025	· Global Economic Outlook amid Changes in the Global Business Environment · Key Domestic and Global Trends and Considerations for the Audit Committee in 2026

Establishment of the CEO Succession Policy

HDKSOE and HHI have established a CEO succession policy to ensure transparency and continuity in the CEO succession process. The companies operate a review committee responsible for developing succession plans, identifying and developing CEO candidates, and making the final selection of CEO candidates. The Committee consists of the CEO and key executives and systematically reviews and manages major matters related to succession. The committee is held at least once a year in principle and convened as needed to review key succession matters, ensuring a planned and stable CEO succession process.

CEO Candidate Selection and Management

HDKSOE and HHI select internal and external candidate pools and operate procedures for candidate development, evaluation, and final selection to ensure a systematic CEO succession process. Internal candidates are selected from senior executives at the executive vice president level and above from major affiliates, while external candidates are selected from individuals with extensive knowledge, experience, and expertise relevant to the businesses operated by the company and its major affiliates. Various development programs, including job rotations, transfers among affiliates, and strategic training, are provided for internal candidates to develop the capabilities required for future CEOs.

When selecting CEO successors, the Review Committee evaluates candidates’ understanding of mid- to long-term business strategies, management capabilities, leadership, and expertise. Final candidates are selected after assessing their capabilities to perform the role of CEO through in-depth interviews and other evaluation processes. Contingency plans reflecting the succession process have been established in preparation for situations where the CEO is unable to perform duties due to accidents, health issues, or other circumstances. The companies manage the process to enable the selection of a CEO successor through a Review Committee meeting in the event of an emergency.

Board of Directors

BOD Operation

Board Meetings

HDKSOE Board Meetings

Category	Date	Agenda	Approval Status	Approval Ratio
1st	Feb 6, 2025	Report and approval of the 2025 Safety and Health Management Plan	Approved	100%
		Approval of the 51st Financial Statements and Business Report	Approved	100%
		Approval of the record date for year-end dividend payment	Approved	100%
		Approval of changes to the real estate lease agreement	Approved	100%
		Approval of the provision of a parent company guarantee for an overseas subsidiary	Approved	100%
		Approval of delegation of authority to the CEO	Approved	100%
		Report on the 2024 Compliance Control Standards operation status review	Reported	-
		Report of 2H 2024 Fair Trade Compliance Program status review	Reported	-
		Report of 2024 Consolidated and Separate Internal Accounting Control System operation status	Reported	-
2nd	Feb 25, 2025	Approval of the convocation of the 51st annual general meeting of shareholders and agenda items	Approved	100%
		Approval of in-kind and cash donations for the relocation of Hyundai Foreign School	Approved	100%
		Approval of the issuance of exchangeable bonds	Approved	100%
		Report on the 2024 evaluation of the consolidated and separate Internal Control over Financial Reporting (ICFR) system operation status	Reported	-
		Report on the 2024 BOD operation evaluation results	Reported	-
3rd	Mar 26, 2025	Approval of the appointment of the CEO (Director Chung Ki-sun)	Approved	100%
		Approval of the appointment of the Chair of the BOD and the order of acting directors	Approved	100%
		Approval of the appointment of members of the Outside Director Nomination Committee	Approved	100%
		Approval of the appointment of members of the ESG Committee	Approved	100%
		Approval of the appointment of members of the Related Party Transactions Committee Members	Approved	100%
		Approval of the appointment of members of the Compensation Committee	Approved	100%
		Approval of investment in an overseas subsidiary	Approved	100%
4th	Apr 24, 2025	Report on Q1 2025 business performance	Reported	-
5th	Jul 31, 2025	Approval of quarterly dividend payment	Approved	100%
		Approval of participation in the paid-in capital increase of HD Hydrogen	Approved	100%
		Report on 1H 2025 business performance	Reported	-
6th	Aug 20, 2025	Report on the 1H 2025 Fair Trade Compliance Program operation status	Reported	-
		Approval of the execution of an overseas entity share acquisition agreement	Approved	100%
7th	Aug 27, 2025	Approval of the establishment and investment in an overseas subsidiary	Approved	100%
		Approval of the merger between subsidiaries	Approved	100%
8th	Sep 26, 2025	Report on the restructuring plan for the shipbuilding business	Reported	-
		Approval of investment in a Singapore entity	Approved	100%
9th	Nov 3, 2025	Approval of the provision of a parent company guarantee for a Singapore entity	Approved	100%
		Report on Q3 2025 business performance	Reported	-
10th	Dec 12, 2025	Approval of the designation of the shareholder confirmation record date	Approved	100%
		Approval of transaction limits between directors, etc. and the Company (1)	Approved	100%
		Approval of transaction limits between directors, etc. and the Company (2)	Approved	100%
		Approval of transaction limits between directors, etc. and the Company (3)	Approved	100%
		Approval of transaction limits with major shareholders and other stakeholders	Approved	100%
		Approval of in-kind donation to Ulsan University Hospital	Approved	100%
		Approval of changes to the brand usage agreement (1)	Approved	100%
		Approval of changes to the brand usage agreement (2)	Approved	100%
		Approval of changes to the brand usage agreement (3)	Approved	100%
		Approval of changes to the brand usage agreement (4)	Approved	100%

HHI Board Meetings

Category	Date	Agenda	Approval Status	Approval Ratio
1st	Feb 6, 2025	Report of 2H 2024 Fair Trade Compliance Program status review	Reported	-
		Report on compliance management	Reported	-
		Report on the results of the operational assessment of the consolidated and separate Internal Control over Financial Reporting (ICFR) systems	Reported	-
		Approval of the 6th Financial Statements	Approved	100%
		Approval of the 6th Business Report	Approved	100%
		Approval of the record date for determining shareholders	Approved	100%
		Approval of 2025 Safety and Health Management Plan	Approved	100%
		Report on the evaluation of the 2024 Internal Control over Financial Reporting (ICFR) System	Reported	-
		Approval Prior to the Execution of the Asset Transfer Agreement	Approved	100%
2nd	Feb 25, 2025	Approval of transaction limits between directors, etc. and the Company	Approved	100%
		Approval of the convocation of the 6th Annual General Meeting of Shareholders and agenda items	Approved	100%
		Approval of the appointment of members of BOD committees	Approved	100%
3rd	Mar 26, 2025	Approval of the appointment of the Chair of the BOD and the order of acting directors in the event of the Chair's absence	Approved	100%
		Report on Q1 2025 business performance	Reported	-
4th	Apr 23, 2025	Approval of the cancellation of the Saudi Riyadh business registration	Approved	100%
		Approval of the appointment of co-representatives for the Peru branch	Approved	100%
5th	Jul 30, 2025	Report on 1H 2025 business performance	Reported	-
		Approval of quarterly dividend payment	Approved	100%
6th	Aug 27, 2025	Report on the restructuring plan for the shipbuilding business	Reported	-
		Approval of entry into a merger agreement	Approved	100%
		Approval of the convocation of an extraordinary general meeting of shareholders and proposed agenda items	Approved	100%
7th	Sep 26, 2025	Approval of the record date for determining eligible shareholders	Approved	100%
8th	Oct 31, 2025	Approval of investment in a Singapore entity	Approved	100%
		Report on Q3 2025 business performance	Reported	-
9th	Dec 1, 2025	Report on the 1H 2025 Fair Trade Compliance Program operation status	Reported	-
		Report on compliance management	Reported	-
10th	Dec 12, 2025	Report on the progress of the merger and approval of the public notice in lieu of the general meeting for reporting the merger	Approved	100%
		Approval of large-scale internal transactions	Approved	100%
		Approval of changes to the brand usage agreement	Approved	100%
		Approval of transaction limits between directors, etc. and the Company	Approved	100%
		Approval of transactions in goods and services with affiliates in which the same person or related parties have invested	Approved	100%
10th	Dec 12, 2025	Approval of the designation of the shareholder record date	Approved	100%

HSHI Board Meetings

Category	Date	Agenda	Approval Status	Approval Ratio
1st	Feb 6, 2025	Approval of the 27th Financial Statements	Approved	100%
		Approval of the 27th Business Report	Approved	100%
		Approval of changes to executive compensation standards	Approved	100%
		Approval of the 2025 Safety and Health Management Plan	Approved	100%
		Report on the results of the 2024 Internal Control over Financial Reporting (ICFR) System	Reported	-
		Report on the 2H 2024 Fair Trade Compliance Program operation status review	Reported	-
2nd	Feb 21, 2025	Approval of the convocation of the 27th Annual General Meeting of Shareholders and agenda items	Approved	100%
		Report on the evaluation of the 2024 Internal Accounting Management System	Reported	-
3rd	Mar 21, 2025	Approval of the appointment of the Chair of the BOD and the acting Chair in the event of the Chair's absence	Approved	100%
		Approval of appointment of CEO	Approved	100%
		Approval of the appointment of members of BOD committees	Approved	100%
4th	Apr 23, 2025	Report on Q1 2025 business performance	Reported	-
5th	Jun 27, 2025	Approval of the record date for exercising voting rights at the 1st extraordinary general meeting of shareholders for the 28th fiscal year	Approved	100%
		Approval of the convocation of the 1st extraordinary general meeting of shareholders for the 28th fiscal year and agenda items	Approved	100%
6th	Jul 23, 2025	Report on 1H 2025 business performance	Reported	-
		Report on the 1H 2025 Fair Trade Compliance Program operation status review	Reported	-
7th	Aug 13, 2025	Approval of interim dividend payment and the record date	Approved	100%
8th	Oct 30, 2025	Report on Q3 2025 business performance	Reported	-
9th	Dec 12, 2025	Approval of the designation of the shareholder confirmation record date	Approved	100%
		Approval of product and service transactions with affiliated companies invested by the same person, etc.	Approved	100%
		Approval of transaction limits between directors, etc., and the Company	Approved	100%
		Approval of changes to the brand usage agreement	Approved	100%
		Approval of adjustments to the CEO position allowance standards	Approved	100%
		Approval of changes to performance-based annual compensation standards for research members	Approved	100%
		Approval of increases in executive position allowances	Approved	100%
		Report on the 2026 Business Plan	Reported	-

Board of Directors

Committee under BOD

Audit Committee

HDKSOE and its shipbuilding subsidiaries strictly adhere to the requirements for the appointment of Audit Committee members as specified in the Commercial Act. The Audit Committee of each company consists of outside directors appointed at the general meeting of shareholders to strengthen the independence of internal audit functions. Each company appoints at least one accounting and finance expert as a member of the Audit Committee.

The Audit Committee of each company confirms the legality of the activities of directors and the management based on its expertise in accounting and finance, and oversees the integrity of financial reports and the reliability of disclosure. These committees also review other matters related to the independence of corporate management, including the supervision of external auditors and the company-wide risk management system.

Audit Committee (As of March 31, 2026)		
Category	Chair	Members
HDKSOE	Kim Hong-kee (Outside Director)	Kim Sung-han (Outside Director) Kim Sae-youn (Outside Director)
HHI	Park Kwang-woo (Outside Director)	Shin Dong-mok (Outside Director) Park Hyun-jung (Outside Director)
HSHI	Shin Ho-young (Outside Director)	Ko Chang-hyun (Outside Director) Lee Gi-kwon (Outside Director) Kim So-young (Outside Director)

Non-audit Service Fees (Unit: KRW million)			
Category	2023	2024	2025
HDKSOE	0	80	0
HHI	12	179	14
HSHI	0	0	0

Outside Director Recommendation Committee

HDKSOE and its shipbuilding subsidiaries operate the Outside Director Recommendation Committee to select candidates for outside directors to be appointed at the general meeting of shareholders such as date, place, and agenda. In line with the relevant laws, the Outside Director Recommendation Committee comprises a majority of outside directors, and the committee reviews the qualifications of the nominees.

Composition and Roles of Outside Director Recommendation Committee (As of March 31, 2026)		
Category	Chair	Members
HDKSOE	Kim Hong-kee (Outside Director)	Kim Hyung-kwan (Inside Director) Kim Sung-han (Outside Director) Kim Sae-youn (Outside Director)
HHI	Shin Dong-mok (Outside Director)	Lee Sang-kyun (Inside Director) Park Kwang-woo (Outside Director) Park Hyun-jung (Outside Director)
HSHI	Kim So-young (Outside Director)	Kim Jae-eul (Inside Director) Shin Ho-young (Outside Director) Ko Chang-hyun (Outside Director) Lee Gi-kwon (Outside Director)

Compensation Committee

The Compensation Committees of **HDKSOE** and **HHI** consist entirely of outside directors in accordance with the BOD regulations, ensuring independence. The committees enhance objectivity and transparency in the process of determining compensation for directors and executives by deliberating and resolving matters related to the compensation limits for registered directors and the compensation structure for inside directors.

Composition and Roles of the Compensation Committee (As of March 31, 2026)		
Category	Chair	Members
HDKSOE	Kim Sung-han (Outside Director)	Kim Hong-kee (Outside Director) Kim Sae-youn (Outside Director)
HHI	Park Hyun-jung (Outside Director)	Shin Dong-mok (Outside Director) Park Kwang-woo (Outside Director)

ESG Committee

HDKSOE and its shipbuilding subsidiaries have established and actively operate the ESG Committee to enhance sustainability and increase ESG management capabilities. The ESG Committee of each company supports initiatives necessary to develop and internalize ESG capabilities. The committee also oversees key issues related to corporate sustainability, such as climate change, safety and health, human rights, and risks.

Composition and Roles of ESG Committee (As of March 31, 2026)		
Category	Chair	Members
HDKSOE	Kim Sae-youn (Outside Director)	Kim Hyung-kwan (Inside Director) Kim Hong-kee (Outside Director) Kim Sung-han (Outside Director)
HHI	Park Kwang-woo (Outside Director)	Keum Seok-ho (Inside Director) Shin Dong-mok (Outside Director) Park Hyun-jung (Outside Director)
HSHI	Lee Gi-kwon (Outside Director)	Kim Jae-eul (Inside Director) Shin Ho-young (Outside Director) Ko Chang-hyun (Outside Director) Kim So-young (Outside Director)

ESG Committee Meetings

Category	Date	Agenda	Approval Status	Approval Ratio
HDKSOE	Feb 25, 2025	Report on key ESG performance in 2024	Reported	-
		Report on key ESG plans for 2025	Reported	-
	Mar 26, 2025	Approval of the appointment of the Chair of the ESG Committee	Approved	100%
	Apr 24, 2025	Approval of the selection results of ESG material issues	Approved	100%
		Establishment of a human rights management framework	Reported	-
	Jul 31, 2025	[Training] Changes in global ESG policies and trends in ESG institutionalization in Korea	-	-
HHI	Dec 12, 2025	[Training] Trends in mandatory ESG disclosure in Korea	-	-
		Roadmap for HD Hyundai Group's response to mandatory ESG disclosure	Reported	-
	Feb 25, 2025	Report on 2025 ESG management (Climate Change, SCM, Human Rights, etc.)	Reported	-
		Report on 2025 environmental management	Reported	-
	Apr 23, 2025	Report on the 2024 BOD evaluation results	Reported	-
HSHI		Report on the results of the double materiality assessment	Reported	-
		Report on the management status of ESG policies	Reported	-
HSHI	Dec 12, 2025	Report on 2025 ESG management performance and 2026 plans	Reported	-

Related Party Transactions Committee

HDKSOE and its shipbuilding subsidiaries have established and actively operate the Related Party Transactions Committee to develop basic policies for transactions among affiliates and review the standards for selecting transaction counterparties. Each Related Party Transactions Committee enhances internal controls by deliberating on large-scale internal transactions exceeding a certain threshold and overseeing unfair support activities.

Composition and Roles of Related Party Transactions Committee (As of March 31, 2026)		
Category	Chair	Members
HDKSOE	Kim Sae-youn (Outside Director)	Kim Hyung-kwan (Inside Director) Kim Hong-kee (Outside Director) Kim Sung-han (Outside Director)
HHI	Park Hyun-jung (Outside Director)	Keum Seok-ho (Inside Director) Shin Dong-mok (Outside Director) Park Kwang-woo (Outside Director)
HSHI	Ko Chang-hyun (Outside Director)	Kim Jae-eul (Inside Director) Shin Ho-young (Outside Director) Lee Gi-kwon (Outside Director) Kim So-young (Outside Director)

Board of Directors

BOD Performance Evaluation and Compensation

Evaluating BOD Performance

HDKSOE and its shipbuilding subsidiaries have introduced and are operating a board performance evaluation system to assess the appropriateness of board composition and the efficiency of its operations. The BOD evaluation consists of 15 items in 4 areas: BOD’s roles and responsibilities, structure, operation, and reflection of evaluation results. The evaluation of Board committees covers 20 items, including authority and responsibilities of each committee, appropriateness of meetings, support from external experts, and provision of training. The outside director evaluation comprises 10 items in 4 areas: participation, experience and knowledge, contribution to Board operations, and strengthening Board accountability. Evaluations of the BOD and its committees are conducted by all Inside directors and outside directors, while evaluations of outside director activities are carried out by all outside directors. Evaluations of outside director activities are conducted annually through a self-assessment process by each outside director. The evaluation for FY2025 found no significant issues in the composition and operation of the BOD, and it was deemed to fulfill its roles and responsibilities faithfully.

Performance Evaluation for the Management

HDKSOE and its shipbuilding subsidiaries evaluate the performance of the management, including the CEO, by considering quantitative indicators such as sales, orders, and operating profits, as well as qualitative indicators such as leadership, expertise, and accountability in job performance. We have set company-wide ESG KPIs for the CEOs of each company and continue to monitor results for each KPI and whether the target has been achieved.

Calculation and Payment of Performance Incentives for the Management

Performance-based compensation for the management of **HDKSOE and its shipbuilding subsidiaries** (including the CEOs) consists of an annual performance bonus and a long-term incentive. The management bonus is calculated based on the current year’s quantitative indicators such as sales, orders received, and operating profits, as well as the leadership and expertise to attain management targets. This is paid at the beginning of the following year. The long-term incentive was introduced in late 2023 to prevent the management from focusing only on short-term performance and to maximize long-term corporate value. This incentive is calculated comprehensively, considering factors such as organizational evaluation and net profit over a grace period (longer than three years), and paid after the grace period ends. Outside Directors and Audit Committee members receive fixed base remuneration without performance-based compensation to ensure their independence.

Calculation Criteria and Methods for Compensation Package

Category		Remarks
Payment basis		· Executed based on the Executives Remuneration Standards determined by the BOD resolution, within the directors’ remuneration limit approved at the general shareholders meeting
Criteria	Base annual salary	· Comprises base pay and position allowances, and paid in equal monthly installments - Base pay: Determined according to rank (grade) - Position-based pay: Determined by assigned role and responsibilities
	Performance-based compensation	· Performance bonus: Paid based on organizational performance, individual performance, and operating profit for the relevant year · Long-term incentive: Eligibility and final payment amount are determined after the end of the deferral period, based on indicators including organizational performance and net income achieved during the deferral period.

CEO Remuneration					(As of December 31, 2025)
Category		HDKSOE ¹⁾	HHI		HSHI
		Chung Ki-sun	Noh Jin-yul	Lee Sang-kyun	Kim Jae-eul
CEO	Base salary	KRW 816 million	KRW 803 million	KRW 946 million	KRW 748 million
	Performance-based compensation	KRW 277 million	KRW 423 million	KRW 556 million	KRW 484 million
	Total (excluding retirement benefits)	KRW 1,093 million	KRW 1,226 million	KRW 1,502 million	KRW 1,232 million
Year-end value of shares held compared to base pay		0.27	(No shares held)	0.64	(Unlisted)

1) CEO Kim Sung-jun was excluded from the disclosure as he was transferred to another position during the reporting period.

Shareholder Protection

Exercise of Shareholder Rights

Notice of General Meeting of Shareholders

HDKSOE and its shipbuilding subsidiaries convene a regular general meeting of shareholders within three months of the settlement day of each fiscal year. The information on the general shareholders meeting such as date, place, and agenda is provided at least four weeks ahead of the meeting date by a notice of meeting of shareholders, notice of meeting on the electronic disclosure system, and electronic notification on each company's website. Furthermore, the results of shareholders' votes, including approval and opposition ratios, are disclosed on each company's website.

- [HDKSOE General Meeting of Shareholders Notice](#)
[HHI General Meeting of Shareholders Notice](#)

HD Hyundai Shareholding Structure (As of December 31, 2025)			
Category	Authorized Shares	Shares Issued	Issued Share Ratio
Common stock ¹⁾	800,000,000	78,993,085	9.87%

1) No class shares, including dividend-priority convertible shares, have been issued.

HD Hyundai Status of Issued Stocks (As of December 31, 2025)		
Shareholder	Number of Shares Held	Percentage
Chung Mong-jun	21,011,330	26.60%
National Pension Service	5,423,881	6.87%
Chung Ki-sun	4,837,985	6.12%
ASAN Foundation	3,078,300	3.90%
Asan Nanum Foundation	389,915	0.49%
Kwon Oh-gap	45,030	0.06%
Noh Jin-yul	4,782	0.01%

Exercise of Shareholder Voting Rights

In accordance with the Articles of Incorporation, HDKSOE and its shipbuilding subsidiaries grant one vote for each share. We have introduced an electronic voting system to enhance shareholders' opportunities and convenience in exercising their voting rights. With participation in the 2026 Voluntary Compliance Program for Dispersing General Meeting Dates, we held general meetings on dates that avoided peak shareholder meeting periods.

HDKSOE Status of Issued Stocks (As of December 31, 2025)			
Category	Authorized Shares	Shares Issued	Issued Share Ratio
Common stock ¹⁾	100,000,000	70,773,116	70.77%

1) No class shares, including dividend-priority convertible shares, have been issued.

HDKSOE Shareholding Structure (As of December 31, 2025)		
Shareholder	Number of Shares Held	Percentage
HD Hyundai Co., Ltd.	24,807,124	35.05%
National Pension Service	5,260,080	7.43%
ASAN Foundation	694,436	0.98%
Asan Nanum Foundation	431,844	0.61%
Employee Stock Ownership Association	25,595	0.04%

Delegation of Voting Rights (Proxy Voting)

HDKSOE and its shipbuilding subsidiaries provide reference documents before the proxy solicitation period starts to help shareholders exercise their voting rights. All shareholders receive information on attendance at the general meeting of shareholders as well as guidance on proxy voting. Institutional investors holding shares above a specified ownership threshold are also contacted directly to encourage the use of proxy voting and greater participation in the exercise of voting rights.

HHI Status of Issued Stocks (As of December 31, 2025)			
Category	Authorized Shares	Shares Issued	Issued Share Ratio
Common stock ¹⁾	120,000,000	104,961,225	87.47%

1) No class shares, including dividend-priority convertible shares, have been issued.

HHI Shareholding Structure (As of December 31, 2025)		
Shareholder	Number of Shares Held	Percentage
HD Korea Shipbuilding & Offshore Engineering Co., Ltd.	72,668,285	69.23%
National Pension Service	8,367,493	7.97%
Asan Nanum Foundation	69,817	0.07%
Employee Stock Ownership Association	53,683	0.05%
Lee Sang-kyun	1,188	0.00%

Guarantee of Shareholder Proposal

HDKSOE and its shipbuilding subsidiaries have internal standards and procedures in place for handling shareholder proposals. We guarantee shareholders' rights to raise inquiries and request explanations during general meetings of shareholders and create opportunities to question and provide opinions on the agenda items.

HSHI Status of Issued Stocks (As of December 31, 2025)			
Category	Authorized Shares	Shares Issued	Issued Share Ratio
Common Stock	68,000,000	26,024,324	38.27%
Class Stock ¹⁾	15,000,000	4,647,202	30.98%

1) Preferred shares with voting rights that are participating and cumulative, convertible with dividend preference

HSHI Shareholding Structure (As of December 31, 2025)		
Shareholder	Number of Shares Held	Percentage
HD Korea Shipbuilding & Offshore Engineering Co., Ltd.	29,644,413	96.65%
Employee Stock Ownership Association	183,870	0.60%

Shareholder Protection

Protection of Shareholders’ Interests

Communications with Shareholders

HDKSOE and its shipbuilding subsidiaries have engaged in active communication with shareholders by participating in IR conferences targeting domestic and international institutional investors and analysts, as well as organizing Corporate Day events and Non-Deal Road Shows (NDR). In addition, investors’ understanding of the operational status is enhanced through two-way conference calls and webcasts (live online audio broadcasts) during the quarterly earnings release.

Business performance is regularly provided through posts on IR data such as quarterly earnings reports and monthly IR news in Korean and English. The IR inquiry pages on these websites include contact information for IR departments (phone numbers and email addresses), allowing investors to make inquiries about the companies’ business status and request a one-on-one or group meeting with IR staff when necessary.

Earnings reports, IR news, and contact information for the IR departments are also provided in English on the websites for the convenience of international investors. Since 2024, HDKSOE and HHI have published disclosures in English on the Korea Exchange’s electronic disclosure system (KIND).

Furthermore, HDKSOE and HHI have changed their dividend record dates to a date after the dividend decision is made, enhancing shareholders’ predictability regarding dividend payments. This measure aims to protect shareholder rights and build long-term trust.

Shareholder Return Policies

HDKSOE and its shipbuilding subsidiaries recognize enhancing shareholder value as a key management principle and operate a dividend policy to provide stable shareholder returns. We target a dividend payout of at least 30% of separate net income and determine dividend levels based on a comprehensive assessment of investment plans, cash flow, financial structure, and dividend sustainability. The dividend policy may be adjusted flexibly to reflect changes in the business environment, industry conditions, and economic outlook.

Dividends are determined within the scope of distributable earnings after considering profitability, investment plans to support future growth, and the financial structure. Subject to BOD resolution and approval at the general meeting of shareholders, dividends may be distributed in cash or stock. For the fiscal year 2025 year-end dividend, HDKSOE and HHI achieved a dividend payout ratio of 40% based on consolidated net income attributable to owners of the parent, meeting the criteria for high-dividend companies.

Respect for the Rights of Sole Shareholders and Minority Shareholders

HDKSOE and its shipbuilding subsidiaries have specified the respect for sole shareholder’s rights and minority shareholders’ rights in Article 17.2 of the Articles of Incorporation, and Article 17 of the Corporate Governance Charter. For significant changes in ownership structure or major business operations such as mergers, business acquisitions, physical division and spin-off, and comprehensive exchanges and transfers of stocks, measures to protect shareholders’ rights will continue to be reviewed and improved, including collecting shareholders’ opinions and protecting the rights of dissenting shareholders.

HDKSOE and HHI have revised the relevant provisions to allow the adoption of cumulative voting, further enhancing the protection of minority shareholder rights.

Corporate Value Enhancement Plan

HDKSOE and HHI have established and disclosed Corporate Value Enhancement Plans to enhance shareholder value and promote communication with the capital market while regularly disclosing key initiatives and implementation progress under these plans. The plans outline the mid- to long-term direction and key initiatives for enhancing corporate value, including improving profitability, managing the financial structure, shareholder return policies, and corporate governance. Progress against the plans and future initiatives are disclosed transparently through public filings.

Through these efforts, we seek to build investor trust and pursue responsible management that supports sustainable corporate value.

- [HDKSOE Corporate Value-up Plan](#)
- [HHI Corporate Value-up Plan](#)
- [HDKSOE Value-up & Progress Report](#)
- [HHI Value-up Progress Report](#)

Achievement and Revision of Corporate Value Enhancement Plan Targets

	Target		Implementation Status (2025)	
HDKSOE	Shareholder Return ¹⁾	Over 30% Separate net income for 2025–27	142%, over target	40% of consolidated net income
	Long-term Revenue ²⁾	KRW 34.0T → 36.1T by 2027 CAGR 12.8%→ 14.1%(2023-2027)	KRW 29.9T, over target	CAGR 18.5% (2023-2025)
	ROE ³⁾	Over 12% by 2027	16.3%, over target	Higher than 10.6% in 2024
	Governance Core Indicators ⁴⁾	Over 93% by 2027	87% compliance (2024) / increase compliance	13 of 15 indicators met
HHI	Shareholder Return ¹⁾	Over 30% Separate net income for 2025–27	40%, over target	40% of consolidated net income
	Long-term Revenue ²⁾	KRW 19.0T → 25.9T by 2027 CAGR 12.8%→ 21.4%(2023-2027)	KRW 17.6T, over target	CAGR 21.1% (2023-2025)
	ROE ³⁾	Over 15% by 2027	18.8%, over target ⁵⁾	Higher than 11.4% in 2024
	Governance Core Indicators ⁴⁾	Over 93% by 2027	93% compliance (2024) / increase compliance	14 of 15 indicators met

1) Shareholder Return Ratio: (Dividends + Share repurchases and cancellations) divided by standalone net income × 100. One-time gains or losses may be excluded when calculating the ratio.

2) The target was revised as actual performance exceeded the initial plan due to increased business orders.

3) ROE: Net income attributable to owners of the parent / Average equity. One-time items may be excluded.

4) Governance Indicators: Measures of corporate governance transparency and fairness. The compliance rate is based on 15 Korea Exchange indicators. The 2024 rate is presented as the 2025 report was not disclosed.

5) After the HHI and HD Hyundai Mipo merger, 2025 earnings included one month only, while year-end equity reflected the full amount. Figures were based on the merger date.

Ethics & Compliance

Ethical Management Governance

Governance Roles and Responsibilities

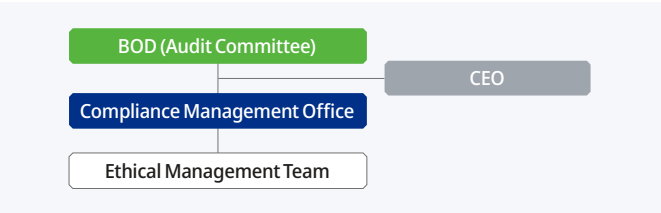
Role of the BOD

The Audit Committee under the BOD of **HDKSOE and its shipbuilding subsidiaries** serves as the highest oversight body for ethical management and anti-corruption systems. It reviews and oversees policies and operations, including the Code of Ethics, anti-corruption policies, and ethical management directions. The committee also monitors internal control systems, risk management frameworks, violation cases, and response measures. Through regular reports, it reviews key ethical and anti-corruption issues and risk levels, and requests corrective actions and improvement plans when necessary. In cooperation with the internal audit function, the Audit Committee works to prevent unethical conduct and ensure fair responses to incidents, promoting transparent and responsible management.

Role of Working-Level Departments

The CEO of **HDKSOE and its shipbuilding subsidiaries** establishes ethical management plans and determines implementation directions. The Audit Committee independently audits and evaluates ethical management activities and monitors corrective actions. The Ethical Management Team under the Compliance Management Office operates ethical management systems and provides ethics education and programs for employees. The team also conducts investigations into unethical conduct, risk assessments, and preventive activities.

Ethical Management Governance



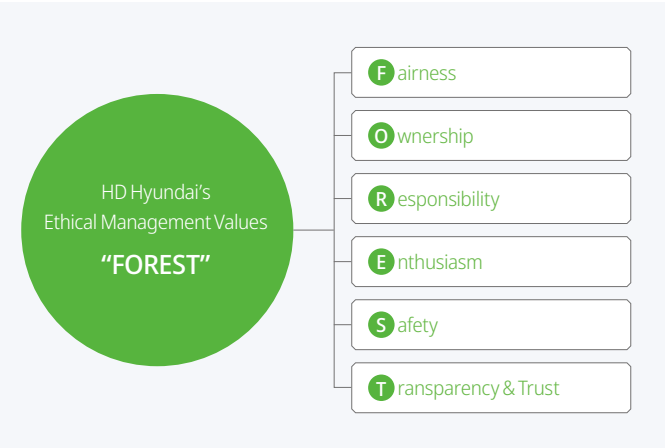
Ethical Management Strategy

Promoting Ethical Management

Values Pursued through Ethical Management

HDKSOE and its shipbuilding subsidiaries adopt the ethical management values pursued by HD Hyundai Group and strive to put them into practice. Like a “FOREST” that contributes to the coexistence and mutual growth of the creatures that live in it, we aim to contribute to the growth and development of all our stakeholders.

Values Pursued through Ethical Management



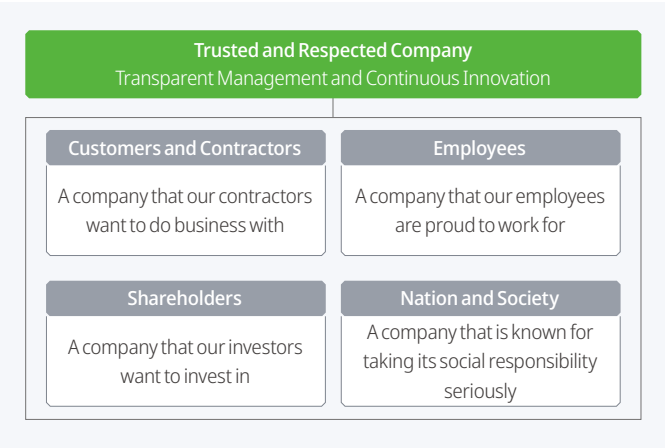
Ethical Management Directions

Stakeholder	Value Pursued	Direction for Implementation
Shareholders/Investors	Transparency	Strengthening corporate value, providing transparent business management information, equal treatment of shareholders, fair dividends
Contractors/Competitors	Fairness	Fair business practices, protection of technology and business information, and prohibition of unfair recruitment practices
Government/Related Agencies	Law-abiding	Maintaining sound and fair relationships, cooperation in policies, faithful payment of taxes
Customers/Consumers	Customer Satisfaction	Promoting customers' interests, technology development, quality improvement
Employees	Respect	Respect for human rights and privacy, improving working conditions, no discrimination
Community	Corporate Citizenship	Eco-friendly management, social contribution activities

Setting Ethical Management Goals

All employees of **HDKSOE and its shipbuilding subsidiaries** are required to uphold ethics as a top priority and comply with the code of ethics in all business activities. We aim to conduct transparent and innovative management with the objective of becoming a widely trusted and respected company.

Ethical Management Goals



Ethics Audits

HDKSOE and its shipbuilding subsidiaries conduct ethics audits at domestic sites and subsidiaries. Audits are divided into investigation audits for suspected misconduct, regular audits, and special audits requested by the management. Annual audit plans are established at the beginning of each year, and audit programs are operated systematically. The results and key issues are reported to the CEO, and improvement plans are implemented, and monitored for deficiencies.

Strengthening Ethics Training

HDKSOE and its shipbuilding subsidiaries provide annual ethics training to all employees to raise awareness. Offline training is provided to new employees to help establish ethical awareness early in their careers. Contractors also receive guidance on ethical commitments and reporting channels, along with online ethics training to promote ethical practices throughout the supply chain.

Ethics Training Programs

Category	Agenda	Participants
HiClass Training	Video-based ethics management training content	All employees and in-house contractors
Ethical Job Performance Training	Training on guidelines for practicing job ethics that serve as standards for decision-making in work performance	All employees
Self-Assessment	Annual online (PC, mobile devices) survey to assess employee understanding of the company's ethical management practices	All office employees and production team leaders or above
Group Training	Ethics management training provided for employees in relevant departments	Requesting departments

Ethics & Compliance

Ethical Management Strategy

Ethical Management Code and Guidelines

Charter of Ethics

HDKSOE and its shipbuilding subsidiaries have established a Charter of Ethics and conduct business activities based on its principles. The Charter of Ethics sets out key principles, including compliance with laws and regulations, transparent management, customer value creation, maximization of shareholder value, fair trade practices, establishment of a sound corporate culture, fulfillment of social responsibilities, provision of fair opportunities for employees, and creation of a safe working environment. Through these principles, we pursue sustainable growth based on trust with our stakeholders.

[Charter of Ethics of HDKSOE and Its Shipbuilding Subsidiaries](#)

Code of Conduct

HDKSOE and its shipbuilding subsidiaries have established a Code of Conduct to prescribe ethical behavior for employees in order to promote effective ethical management practices. The Code of Conduct provides clear standards for appropriate behavior within the organization and guidelines for employees to follow.

[Code of Conduct of HDKSOE and its shipbuilding subsidiaries](#)

Business Ethics Guideline

HDKSOE and its shipbuilding subsidiaries established the Business Ethics Guideline in accordance with ethical management-related laws such as the Anti-Corruption Act, and the growing public awareness of ethical management practices. This serves as a guide for employees to act in an ethical manner and maintain a transparent and fair organizational culture.

[Business Ethics Guideline of HDKSOE and its Shipbuilding Subsidiaries](#)

Pledge for Ethical Management

HDKSOE and its shipbuilding subsidiaries require all employees and contractors to submit the pledge for ethical management. The pledge prohibits acts such as unfair transactions, unethical conduct, improper solicitations, and the provision of improper benefits, and emphasizes compliance with ethical regulations and anti-corruption guidelines.

Prevention and Management of Unethical Conduct

Unethical Conduct Management Activities

Ethical Management Compliance Self-Assessment

HDKSOE and its shipbuilding subsidiaries use survey-based checklists each year to enable employees to assess their compliance with ethical management-related regulations. Through checklists covering areas such as improper benefits, entertainment, and conflicts of interest, employees enhance their understanding of relevant regulations and review their ethical awareness.

Unethical Conduct Reporting Channels

HDKSOE and its shipbuilding subsidiaries operate various reporting channels, including telephone, mail, and online consultation services, to promote an ethical corporate culture. Reported information is strictly kept confidential, and reporters may request corrective actions and protection from the Ethics Management Team if they experience unfair treatment, with appropriate measures taken accordingly.

We also ensure the confidentiality of both reporters and the details of reported cases. Reporters’ identities are not disclosed without their consent, and protection is provided to prevent any disadvantages or discrimination resulting from reporting. When reports contribute to preventing financial losses or reducing costs, rewards are provided in accordance with separately established criteria.

HR System and Ethics & Compliance

HDKSOE and its shipbuilding subsidiaries conduct ethics training and activities to ensure compliance with the Code of Conduct. Employees who violate the standards are subject to disciplinary action under internal regulations. Depending on the severity, actions may include warnings, reprimands, pay reductions, suspension, or dismissal. The same rules apply to all employees.

When an employee violates ethical regulations, disciplinary procedures are conducted in accordance with the company’s rules. The company notifies the employee 7 days before the Personnel Committee meeting, which reviews whether a violation occurred and determines the appropriate disciplinary action. The employee has the opportunity to explain their position and may request the attendance of up to 3 reference witnesses and 3 witnesses. Employees receiving suspension or more severe penalties may file an appeal within 10 days. The Personnel Committee reviews the appeal within 15 days, and the result is notified within 7 days after the meeting.

Employees who receive serious disciplinary actions for ethical or compliance violations have their performance evaluations downgraded (pay cut: 1 grade, suspension: 2 grades). Promotion points are also deducted based on the level of disciplinary action (pay cut: -4 points; reprimand: -2 points; warning: -1 point). Employees receiving suspension or higher penalties are not eligible for promotion.

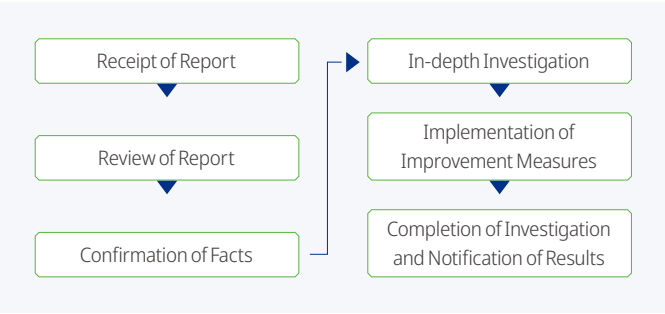
Gift Return Program

HDKSOE and its shipbuilding subsidiaries operate a Gift Return Program for unavoidable gifts received from contractors and stakeholders. Employees can return gifts through a simple process, and unreturnable gifts are donated to social welfare organizations.

Ethical Management Framework

Charter of Ethics A concise declaration ofHD Hyundai’s management philosophy based on ethical management	Code of Conduct Detailed guidelines for each area of the Charter of Ethics and standards for ethical behaviors	Business Ethics Guidelines Specific criteria for ethical behaviors and work processes to practice ethical management
Contractor Code of Conduct Ethical standards to ensure fair and transparent transactions and promote mutual growth with contractors	Ethical Management Practice Programs Ethical management activities to foster a fair and transparent corporate culture (training, promotion, and campaigns)	

Procedures for Handling Unethical Conduct Reports



Ethics & Compliance

Compliance Management Governance

Governance Roles and Responsibilities

Compliance Management Organization

HDKSOE and its shipbuilding subsidiaries have established compliance management governance structures at each company. Based on the compliance management plans and implementation directions set by the BOD and CEO, the companies conduct activities such as compliance training and compliance control assessments.

Compliance Management Governance



Designation of Compliance Officers

Category	Name	Appointment Date (Term)	Experience
HDKSOE	Kim Mi-sun	Feb 7, 2023 (3 years)	Former) Legal Team Leader at HD Hyundai Oilbank Current) Head of Domestic Legal Division / Compliance Executive at HDKSOE
HHI	Kim Tae-jeong	Apr 22, 2024 (3 years)	Former) Compliance Team and International Legal Team Leader at HDKSOE Current) Executive overseeing the Legal Team at HHI / Head of the International Legal Affairs Division at HDKSOE
HSHI	As an unlisted company, HSHI has not appointed a Compliance Officer. The Fair Trade Compliance Manager is in charge of compliance control.		

Compliance Management Strategy

Promoting Compliance Management

Ethics and Compliance Management Practice Declaration

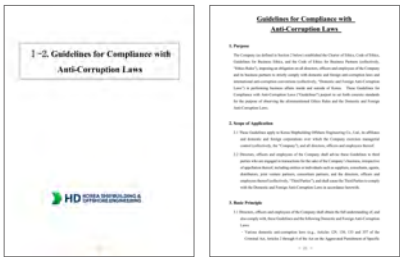
Every year, the CEOs of **HDKSOE and its shipbuilding subsidiaries** publicly declare their commitment and policies to practice ethical and compliance management, including establishing an anti-corruption management system, promoting a culture of fair trade, and continuously revising ethical and compliance management systems.

Compliance Control Standards

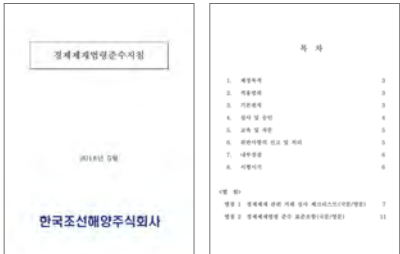
HDKSOE and its shipbuilding subsidiaries set compliance control standards and have applied them to adhere to laws and regulations and to promote transparent business practices. The compliance control standards define the roles and responsibilities of the BOD, CEO, and Compliance Officer and address matters such as compliance risk assessment, operation of compliance-related training programs, employees' voluntary compliance monitoring, reporting and processing of violations, and validity evaluation of compliance control standards. The CEO establishes and revises the compliance control standards through a resolution of the BOD; for revisions necessitated by changes in relevant laws and regulations, a report to the BOD replaces such resolution.

Compliance Guidelines for Anti-corruption and Economic Sanctions Laws

To establish a fair and clean management culture and manage the risks of legal violations, **HDKSOE and its shipbuilding subsidiaries** conduct thorough preliminary checks and reviews on anti-corruption activities in accordance with the Anti-corruption Laws Compliance Guidelines. Furthermore, monitoring activities are conducted based on the Economic Sanctions Laws Compliance Guidelines to prevent risks related to domestic and international economic sanctions. Efforts are made to minimize the risks of illegal acts that employees may commit while performing their duties by operating a compliance pre-approval system, including the approval of providing economic benefits and due diligence for transactions related to economic sanctions, as well as providing one-on-one consultation with experts through a legal support system.



Anti-corruption Laws Compliance Guidelines



Economic Sanctions Laws Compliance Guidelines

Compliance Training

HDKSOE and its shipbuilding subsidiaries regularly hold compliance training sessions for all employees. The training covers topics such as fair transaction practices, subcontracting, and illegal labor dispatch, with a differentiated curriculum for different responsibilities and positions. Awareness of compliance management among employees is increased by identifying specific training needs on key compliance issues based on risk assessment results and providing online and offline training, as well as consulting services.

Compliance Training Programs

Category	Agenda	Participants
Compliance Leader Training	Internal compliance system and the roles and responsibilities of Compliance Leaders	Compliance Leaders from each department (team)
First-Half Compliance Training	General compliance management, recent changes in laws and regulations, and sanction cases	All employees (regular and contract employees)
Second-Half Compliance Training	Fair trade, subcontracting, anti-corruption, illegal dispatch, and economic sanctions-related laws and cases	Regular and contract employees in departments assessed as having medium to high compliance risk

- [HDKSOE Anti-corruption Laws Compliance Guidelines](#)
- [HHI Anti-corruption Laws Compliance Guidelines](#)
- [HSHI Anti-corruption Laws Compliance Guidelines](#)

Ethics & Compliance

Compliance Risk Management

Embedding Compliance Awareness

Compliance Risk Assessment

HDKSOE and its shipbuilding subsidiaries conduct an annual compliance risk assessment to identify and analyze compliance risks. The compliance risk assessment evaluates the risk of violating relevant laws and regulations that employees may encounter in the course of their duties — such as the Monopoly Regulation and Fair Trade Act (hereinafter referred to as the “Fair Trade Act”), the Fair Transactions in Subcontracting Act (hereinafter referred to as the “Subcontracting Act”), and the Anti-Corruption Act. The assessment also evaluates the effectiveness of the risk controls. In addition, the effectiveness of the training is monitored by reviewing improvements for each risk indicator.

Compliance Risk Assessment Items

Risk Assessment	· Fair Trade Act, Subcontracting Act, Anti-corruption Act, etc.
Pre-check Systems	· Consultation systems including legal support system, email, phone calls, and visits
Internal Control Systems	· Compliance Control Standards and Compliance Program

Compliance Risk Assessment Status

Category	Number of Departments Assessed (Percentage)
HDKSOE	103 (100%)
HHI ¹⁾	226 (100%)
HSHI	50 (100%)

1) A separate compliance risk assessment, including anti-corruption risks, is conducted for contractors. The percentage of Tier 1 critical contractors identified with relevant risks accounts for 5.2% of all Tier 1 significant contractors.

Operation of Compliance Program (CP)

In accordance with the CP regulations, HDKSOE and its shipbuilding subsidiaries conduct semiannual reviews of CP operations and employees' compliance. Based on the monitoring results, manuals and on-site training are provided, as appropriate, for those departments that have a higher risk of violations. The results of monitoring and record of training are reported to the BOD twice a year.

Online Consultation System for Unfair Transactions

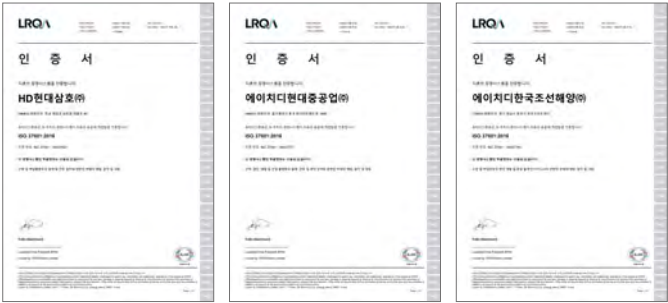
In order to establish a culture of fair subcontracting practices, HDKSOE and its shipbuilding subsidiaries operate an online consultation system by which contractors can report or inquire about potential unfair transactions directly to the compliance management teams. To ensure the effective operation of the system, information related to reporters is kept confidential. In cases where reporters experience disadvantages due to identity disclosure or discriminatory treatment, they may request protection measures or remedies from the Ethical Management Team. We are committed to ensuring that no reporter is subject to any disadvantage.

Compliance News and Card News Publications

HDKSOE and its shipbuilding subsidiaries identify timely compliance topics, including amendments to laws and regulations and violation cases related to fair trade, anti-corruption, and economic sanctions, and provide employees with compliance news materials. In 2025, the companies distributed a total of 19 compliance news updates to employees covering topics such as regulatory trends regarding the linkage system for subcontract payment adjustments, the lifting of U.S. economic sanctions against Syria, and sanctions cases involving violations of fair trade-related laws and the Subcontracting Act.

Anti-bribery Management System Certification

HDKSOE and its shipbuilding subsidiaries have obtained the international ISO 37001 Anti-Bribery Management System certification from LRQA, an internationally recognized certification body. This international standard defines the system that prevents and manages the risks of bribery and corruption arising from corporate activities. To obtain the certification, a total of 45 items in 7 ethical management categories were analyzed for over 2 months, including organizational context, leadership, planning, and support. The results satisfied all detailed criteria and demonstrated high-level compliance management capabilities and efforts toward fair transactions with contractors.



ISO 37001 Certificate

Third-party Certification Status of Anti-bribery Management System

Category	Certification Standard	Certifying Body	Validity Period	Scope of Certification
HDKSOE	ISO 37001:2016	LRQA	Sep 2022 – Sep 2025 ¹⁾	100 %
HHI	ISO 37001:2016	LRQA	Sep 2022 – Sep 2025 ¹⁾	100 %
HSHI	ISO 37001:2016	LRQA	Oct 2022 – Oct 2025 ¹⁾	100 %

1) HDKSOE validity period after renewal: Sep 2025 – Sep 2028
HHI validity period after renewal: Sep 2025 – Sep 2028
HSHI validity period after renewal: Oct 2025 – Oct 2028

Information Security

Information Security Governance

Governance Roles and Responsibilities

Role of the Senior Management

HDKSOE and its shipbuilding subsidiaries appoint employees with expertise in information security and privacy protection for the roles of Chief Information Security Officer (CISO) and the Chief Privacy Officer (CPO). The CISO is responsible for the operation of information security organizations, security planning, audit, risk management, and mock training and drills. The CPO is in charge of establishing internal management plans for privacy protection, overseeing management of personal information, processing complaints and damage relief, and managing personal information files.

Roles of the Security Committee

HDKSOE and its shipbuilding subsidiaries convene the Security Committee — chaired by the CEO of each company and attended by key executives — at least once a year. The Security Committee reviews and coordinates important security decisions such as the establishment, revision, and abolition of company- wide security regulations, plans, and budgets for security programs, securing of human resources, improvement measures and support for enhanced security levels, the introduction of new technologies, responses to security incidents, and preventative measures to prevent recurrences.

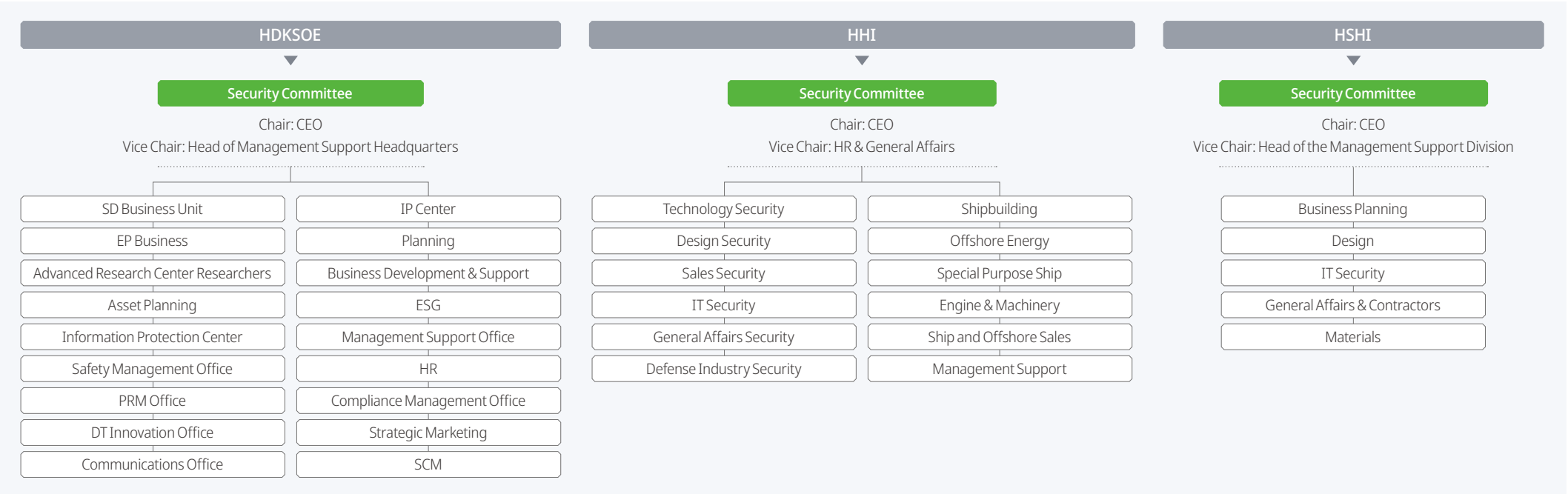
Appointment of Security Officers by Area

HDKSOE and its shipbuilding subsidiaries have appointed security officers by area to operate a systematic management framework for information security and technology protection. While enhancing site-level security management through security officers assigned to each business division, we manage personal information processing and protection activities through the Chief Privacy Officers. In addition, the companies have designated Managing Officer of National Core Technology/National Defense Industry Technology to establish protection and management systems for key technologies and defense-related technologies. Through these efforts, we prevent company-wide security risks and systematically protect information and technology assets.

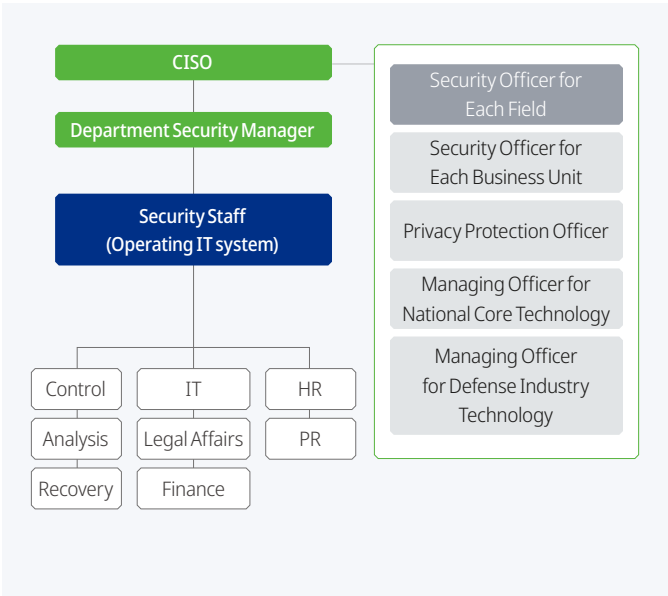
Incident Response Team (IRT)

HDKSOE and its shipbuilding subsidiaries have formed an Incident Response Team (IRT) to promptly respond to information security incidents, thereby minimizing damages from such incidents and returning to normal operations as soon as possible. The IRT, led by the CISO, consists of security officers in each business unit, security managers and staff in each department, operators of each computer system, and outside technicians as necessary. If there is a leak of personal information, information on national core technology, defense industry technology, or any other critical national information asset, then the IRT reports the incident to the CPO or the Managing Officer of National Core Technology/National Defense Industry Technology, who will report to relevant authorities and cooperate with them for damage recovery.

Security Committee Organizational Structure



IRT Structure



Information Security

Information Security Strategies

Internalization of Information Security Principles

Establishment and Revision of Security Regulations

HDKSOE and its shipbuilding subsidiaries have built an integrated group-level security management system by developing and revising information security regulations, including security management, national core technology protection, privacy protection, and GRC facility security. These regulations are updated in response to changes in domestic and international laws and security environments. Revisions reflect legal changes, security level assessments, information security vulnerability analyses, penetration testing results, and incident response system inspections.

Posting of Information Security Regulations

HDKSOE and its shipbuilding subsidiaries post information security regulations, including security management, national technology protection, privacy, and GRC facility security, on the intranet accessible to all employees. The detailed requirements provide guidelines for employee conduct during business activities and serve as the security policies.

Promoting Information Security Awareness

HDKSOE and its shipbuilding subsidiaries operate a Personal Penalty Point System for employees. Based on this, penalty points are imposed on any violation of information security regulations. The penalty points differ depending on the seriousness of violations, and the points double for a second offense of the same issue, and triple for three or more offenses. Assigned penalty points accumulate over 2 years, and employees exceeding a total of 10 points are referred to the Personnel Committee for disciplinary actions in accordance with the employment rules and reward and disciplinary regulations.

Information Security Training

HDKSOE and its shipbuilding subsidiaries regularly provide information security awareness training to all employees, covering the structure and use of information security systems, as well as required practices and guidelines to follow during business activities. We designate security officers responsible for information security in each department and provide them with training on detailed internal security regulations and the use of security portal systems. Employees handling national core technologies and personal information receive annual training at least once a year on relevant laws and regulations, technology and information leakage prevention, and incident response procedures.

Information Security Incident Response System

To identify any attempts related to security incidents or threats, **HDKSOE and its shipbuilding subsidiaries** detect signs of potential security incidents through regular monitoring (EDR integrated security events, and logs from security devices such as firewalls and intrusion prevention systems). If an employee reports an incident or an incident is identified through security controls, an emergency response procedure is undertaken by the IRT that comprises security control and analysis teams, the IT system manager, and other internal experts. Actions to recover and improve systems are taken to prevent recurrence through in-depth analysis of the types and progress of the incident.

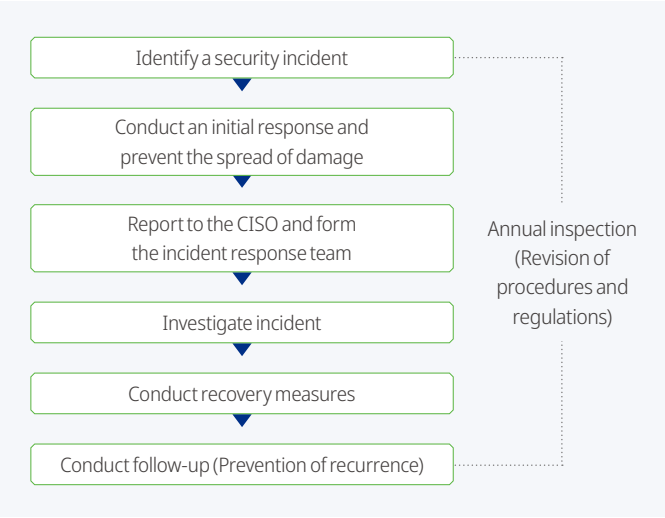
Summary of Information Security Regulations

Category	Details
Continuous improvement of security systems	· Maintain records of information security policies. · Track and manage changes to security policies.
Information integrity and protection	· Manage network access using firewalls, ACLs, and other security controls. · Allow only necessary services between network segments.
Monitoring and responding to security threats	· Perform annual vulnerability assessments and risk evaluations. · Identify causes of vulnerabilities and take corrective actions.
Employee security responsibility framework	· Provide training when creating accounts and assigning access. · Collect security pledges from employees.
Contractor security management	· Share security requirements with contractors and external personnel. · Control access rights and system usage.

Information Security Training Programs

Training Program	Participants	Agenda
Security training for new employees	New employees	Security rules, the practice of security commitment, compliance with the protection of national core technology and confidential business information
Training for division security managers	Department security managers	Internal security regulations (comprehensive), use of security portal system
Privacy protection training	Employees handling personal information	Laws related to personal information, measures to secure safety, procedures of response to information leakage
Training for national core technology handlers	Employees handling national core technology	Relevant laws related to national core technology and export reporting procedures, response procedures to technology leakages and breaches
Training in security change management	Personnel of the Global R&D Center	Shift of perception on security, screen watermark, and precautions when using a business laptop
Monthly security training	All employees	Monthly training on “Security Day” (security measures related to email, documents, and in everyday life)
Training for prospective retirees	Employees scheduled for retirement	Procedures to review security for prospective retirees, compliance with the protection of national core technology and confidential business information

Security Incident Response Process



Information Security

Information Security Risk Management

Information Security Risk Management Framework

Third-party Certification of Information Security System

HDKSOE and its shipbuilding subsidiaries have continued to advance various matters to ensure information security, such as physical measures against threats to information security, continuous revision of information security procedures and regulations, and enhanced system security programs and networks. Based on these management activities and achievements, the information security system has obtained and maintained the international standard (ISO 27001) certification by an accredited third party.

HDKSOE and HHI have obtained and maintained third-party certifications for their Privacy Information Management System (ISO 27701), as well as cloud information protection and privacy protection (ISO 27017, ISO 27018), based on its robust security management capabilities. In 2022, HHI became the first company in the shipbuilding industry to obtain and maintain all 4 international standard certifications on information security, proving its excellence in information security management in the global market.

Third-party Certifications for Information Security Systems

Category	Certification Standard	Validity Period	Scope of Certification
HDKSOE	ISO/IEC 27001:2022	Feb 2024 – Feb 2027	All business sites using the HDKSOE system
	ISO/IEC 27017:2015		
	ISO/IEC 27018:2019		
	ISO/IEC 27701:2019	Feb 2025 – Feb 2027	HD Hyundai Global R&D Center
	ISO 22301:2019	Dec 2022 – Dec 2025 ¹⁾	
HHI	ISO/IEC 27001:2022	Feb 2024 – Jan 2027	All business sites using the HHI system
	ISO/IEC 27017:2015		
	ISO/IEC 27018:2019		
	ISO/IEC 27701:2019		
HSHI	ISO/IEC 27001:2022	Dec 2024 – Dec 2027	All business sites using the HSHI system

1) Certification validity period after renewal: Dec 2025 – Dec 2028

Third-Party Audit of Information Technology General Controls

HDKSOE and its shipbuilding subsidiaries have secured the capability for the overall operation, data access security, and development and modification of IT programs necessary for operating the Internal Control over Financial Reporting (ICFR) system. Third-party audits are conducted for infrastructure setup, security management activities, and overall information technology general controls related to the acquisition, development, maintenance, and operation of IT systems.

Security Level Assessment (Vulnerability Analysis and Penetration Testing, etc.)

To enhance the security level and strengthen competitiveness, **HDKSOE and its shipbuilding subsidiaries** conduct annual security assessments to identify and mitigate security vulnerabilities while strengthening the overall security framework. These assessments cover the establishment and revision of security policies, designation of protected areas and management of access rights, server and database access control, vulnerability checks for network equipment, personal information protection measures, and physical, IT, technical security, and personal information protection management.

Security Level Assessment for Contractors

HDKSOE and its shipbuilding subsidiaries conduct regular security training and assessments for contractors to enhance information security across the supply chain. Information security compliance requirements are specified in contracts during contractor selection and business engagement processes, while security pledges and assessments are used to evaluate contractors' information security management capabilities. These activities help improve contractors' security awareness and establish a foundation for proactive prevention and management of information security risks across the supply chain.

Security Assessment Criteria

Category	Items
Management security (43 items)	· Establishment and revision of security regulations · Development of an annual business plan · Commitment to security pledge, security activities, security training, etc.
Physical security (43 items)	· Designation of protected areas and management of access authorization · Operation of security guards and access control procedures · Installation, operation, and management of CCTVs
IT security (44 items)	· Server and database access control, security management · Security incident response procedures and team · Confirmation of protection level of IT assets

Category	Items
Technology security (2 areas)	· Inspection of vulnerabilities in servers, network equipment, etc. · Third-party penetration testing of a publicly accessible web system (such as company website)
Privacy protection (55 items)	· Establishment of a privacy protection management team and an annual privacy protection plan · Collection, use, provision, and destruction of personal information · Check on the existence of mandatory safety measures for private information

Information Security

Information Security Risk Management

AI Risk Management

Responsible AI Governance Framework

HDKSOE and its shipbuilding subsidiaries operate a governance framework to prevent security and safety risks that may arise from the use of artificial intelligence and to provide a secure AI usage environment. Company-wide communications are used to inform employees of the principles and requirements governing AI use, while security solutions support system controls, usage log management, and security modes tailored to specific business areas to protect internal information. Security review procedures are conducted prior to the introduction of AI tools to assess security and potential vulnerabilities in advance, and separate management and control standards are applied to employees handling national core technologies as part of ongoing efforts to maintain security and safety in AI utilization.

Restricted Use of High-Risk Technologies

HDKSOE and its shipbuilding subsidiaries operate procedures to review potential ethical and legal risks associated with the adoption of new technologies, including artificial intelligence. Furthermore, we do not use AI to monitor or supervise employees’ biometric information, emotional states, attendance, or work behavior.

Continuous Monitoring and Improvement of AI Models

HDKSOE and its shipbuilding subsidiaries review AI models adopted to support digital transformation across shipyards and vessels and to improve productivity to identify potential biases in the data and information. Particular attention is given to areas directly linked to business performance, including shipbuilding lead time estimation and material receipt management, to ensure that AI-generated outputs remain reliable and support sound decision-making done by management and field workers.

We also plan to maintain optimal predictive performance and accuracy by implementing timely retraining and algorithm enhancement measures to prevent performance degradation or model drift resulting from changes in data characteristics associated with the digital transformation of shipyards and vessels. Furthermore, updated AI models are provided in line with advances in technologies such as AGI and ASI to maximize the effectiveness of AI in employees’ day-to-day work.

AI Ethics Training

HDKSOE and its shipbuilding subsidiaries provide AI ethics and safe-use training to employees to prevent information security and ethical risks associated with the growing use of generative AI. Guidance on the internal use of different types of generative AI tools and related usage considerations is communicated through email and company-wide notices, while monthly security training delivered through the internal security education platform includes modules on the safe use of generative AI in the workplace. Monthly security newsletters are also used to share compliance requirements and security considerations related to generative AI on an ongoing basis. Seminars led by external experts are organized to enhance employees’ understanding of the latest AI technology trends and emerging ethical and security issues.

Privacy Protection

Privacy Protection System and Raising Awareness

HDKSOE and its shipbuilding subsidiaries recognize the importance of privacy protection and strive to protect the personal information of all stakeholders. To manage personal information-related risks across the entire group, each company appoints its own CPO to ensure that the personal information of all stakeholders, including customers, employees, and supplier companies, is safely managed according to the governing laws to prevent loss, theft, leakage, forgery, falsification, or corruption.

Furthermore, it is monitored whether the personal information handling system complies with the mandatory safety measures for personal information (administrative, technical, and physical safety measures) to enhance the level of privacy protection through improvement activities.

Collection and Processing of Personal Information

HDKSOE and its shipbuilding subsidiaries collect personal information only to the minimum extent necessary to provide customer consultation and various services. Collected personal information is not used for purposes other than those previously defined. If the purpose of use is changed, prior consent is sought from the individuals.

Personal information is immediately destroyed once the objective of collecting personal information has been fulfilled. The information is destroyed in a safe and unrecoverable manner such as permanent deletion or incineration.

Automatic Collection of Personal Information and Refusal

In principle, **HDKSOE and its shipbuilding subsidiaries** do not use cookies, which enable users to store and retrieve personal information automatically. The rights of information subjects to opt in/out of the automatic collection of personal information (cookie installation) are respected, and instructions on how to opt out of automatic collection are provided through the Privacy Policy.

Rights and Obligations of Personal Information Subjects

HDKSOE and its shipbuilding subsidiaries respect the right of information subjects to access personal information, correct errors, and request deletion, and are committed to our obligations to take necessary actions to uphold these rights. In handling personal information, physical and administrative safeguards are implemented to prevent loss, theft, leakage, forgery, alteration, or damage. Where a data subject requests correction of inaccurate information, the relevant personal information is not used until the correction has been completed. Personal information deleted in response to a deletion request is not retained.

Rights of Personal Information Subject

Right to access	Information subjects have the right to access their personal information held by the company at any time
Right to correction and deletion	Information subjects have the right to the correction and deletion of their personal information held by the company at any time
Right to suspend personal information processing	Information subjects have the right to the suspension of the processing of their personal information held by the company

Risk Management

Governance

Risk Management Governance

Governance Roles and Responsibilities

Risk Management Oversight

HDKSOE and its shipbuilding subsidiaries work to accurately identify business-related risks, while minimizing the impacts of risk factors on businesses and finance through systematic and effective countermeasures. Responsibilities are allocated to relevant departments to identify and address impacts of the company on the economy, environment, and stakeholders.

Role of the Senior Management

The senior management of HDKSOE and its shipbuilding subsidiaries operate and monitor risk management processes. The Risk Management Committee reviews risks and seeks countermeasures at the company level for significant risk factors such as foreign exchange and raw materials. The Chief Financial Officer reports to the Board of Directors about the key risks that can have significant impact on current operations or future business plans. In line with the shift to an ESG management paradigm, key identified risks and response measures related to the environment, society, and governance are reported by the Chief ESG Officer to the ESG Committee under the Board.

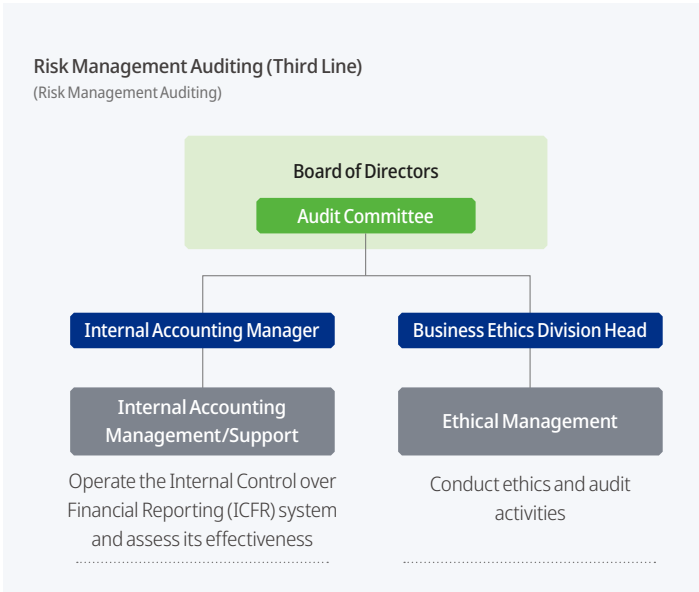
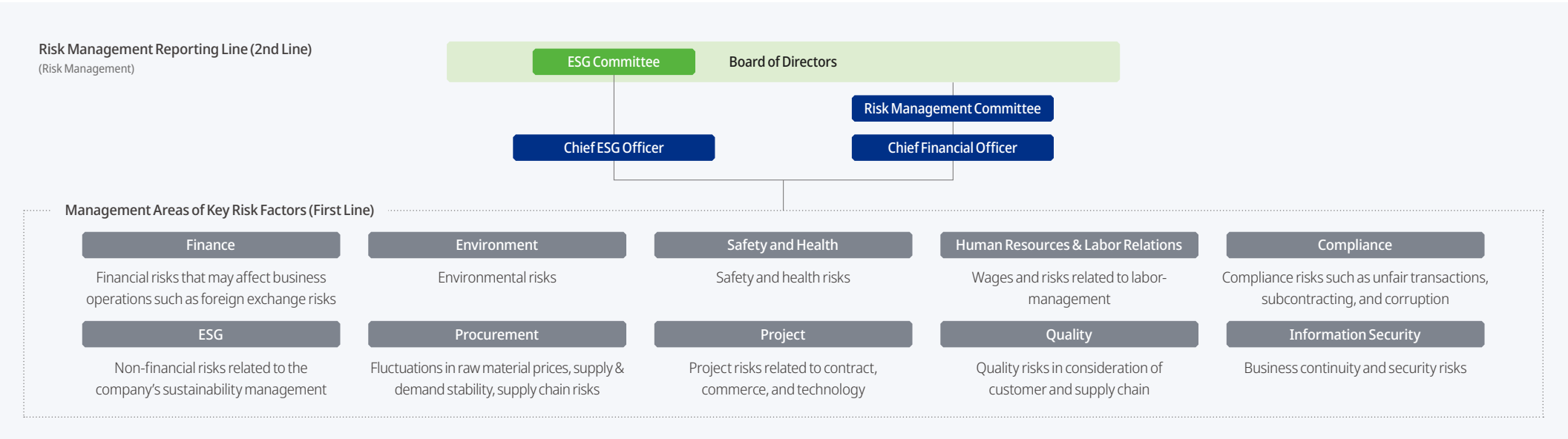
Role of the Internal Auditor

HDKSOE and its shipbuilding subsidiaries monitor the effectiveness of risk management activities through internal accounting control, support functions and ethical management functions to ensure that such activities are conducted systematically and effectively in accordance with internal regulations and guidelines. The internal auditors review the appropriateness and effectiveness of each department’s activities related to internal control and risk management, and then report the results directly to the Audit Committee under the BOD. To ensure objectivity and reliability in audit activities, internal audit organizations across HDKSOE and its shipbuilding subsidiaries are granted unrestricted access to the information and data necessary to perform their duties and operate independently from management.

Role of the External Auditor

HDKSOE and its shipbuilding subsidiaries undergo annual audits by independent auditors to protect the interests of all stakeholders and to assess and manage the company’s risk management system. The accounting practices of each company and internal controls are thoroughly reviewed in order to minimize potential risk. Any matters identified in the financial statements that may have a significant impact on stakeholder decision-making are jointly reviewed by the company’s Audit Committee and external auditor, thus enhancing reliability and transparency.

Risk Management Organizational Structure



Risk Management

Strategy

Risk Management Strategy

Risk Management Procedures

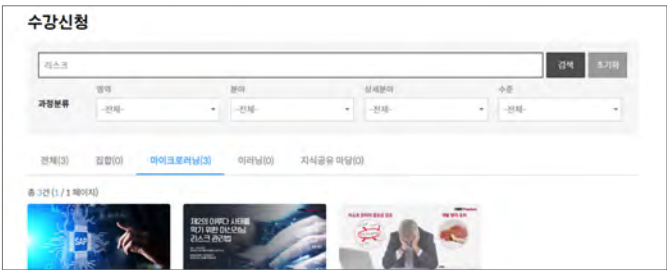
Enterprise-wide Risk Management

HDKSOE and its shipbuilding subsidiaries conduct risk management activities centered on the Risk Management Committee to ensure stable business operations. Risk exposure levels are measured and analyzed using indicators tailored to key risks, and mitigation measures are implemented. Dedicated committees manage foreign exchange and raw material risks due to their impact on business performance. The companies focus on improving risk predictability and establishing response measures to minimize risks from foreign currency fluctuations, financial losses, raw material price changes, and supply instability. For non-financial risks, the companies analyze impacts, risks, and opportunities (IROs) related to material issues identified through double materiality assessments and incorporate the results into strategic planning. Risk management policies and regulations are shared across the organization, and training is provided. In addition, Audit Committee members (outside directors) receive annual training to enhance oversight in accordance with internal regulations.

In accordance with internal policies, HDKSOE and its shipbuilding subsidiaries incorporate risk and opportunity management plans developed by each department into specific quality policies. The results of these activities are consolidated and reported as part of quality management performance, while opportunities for continuous improvement are regularly identified and evaluated. The companies also consider consumer safety risks in providing products and services and have established and implemented the Principles for Providing Products and Services with Consideration for Consumer Safety to develop appropriate response measures.

2025 Audit Committee Risk Management Training

Category	Details
HDKSOE	Business Operations Risk - Understanding and auditing of ITGC Market Risk - Global economic outlook in response to changes in the global business environment - Domestic and international trends and key considerations for the Audit Committee
HHI	Compliance Risk - Prevention and detection of financial misconduct, including embezzlement - Analysis of deficiencies in internal control over financial reporting Business Operations Risk - Understanding the design and operation of ITGC Market Risk - Domestic and international trends and key considerations for the Audit Committee
HSHI	Business Operations Risk - Financial Supervisory Service (FSS) accounting review and inspection plans - Key findings from financial statement inspections related to the order-based industry - Implications of IFRS 18 Presentation and Disclosure in Financial Statements Market Risk - Global economic outlook in response to changes in the global business environment - Domestic and international trends and key considerations for the Audit Committee



HiClass Risk Management Training

Risk Identification

HDKSOE and its shipbuilding subsidiaries identify risks that may affect current business operations or future business plans through a comprehensive analysis of relevant data, including changes in laws and regulations affecting the shipbuilding industry, fluctuations in economic conditions, evolving stakeholder expectations and requirements, and the historical business performance.

Risk Assessment

HDKSOE and its shipbuilding subsidiaries identify risk factors according to the risk identification process, then assess the likelihood (frequency) and magnitude (intensity) of each risk factor. The likelihood and impact of individual risk factors can be assessed by both a quantitative method as an absolute measure and a qualitative method as a relative measure, depending on the characteristics of risks. The likelihood and magnitude of each risk factor are regularly evaluated to monitor any exposure to these risks.

Risk Assessment Cycle

Assessor	Assessment Cycle
Foreign Exchange Risk Management Committee	Monthly, and as required
Raw Material Risk Management Committee	Quarterly
ESG Committee	Annually, and as required

Risk Prioritization

HDKSOE and its shipbuilding subsidiaries conduct risk assessments to identify priority risks, which are risk factors that require imminent action due to their high likelihood, or requiring comprehensive response measures due to their high impact. When prioritizing risks, we consider not only the results from the risk assessment, but also any issues from past experience or lessons learned and their financial impacts.

Risk Appetite and Response Measures

HDKSOE and its shipbuilding subsidiaries analyze both the probability as well as potential business and financial impacts of assessed risks including priority risks. Based on this analysis of probability and impact, appetite and tolerance are assigned to each risk factor. In order to calculate the probability and impact of key risks, sensitivity analysis is conducted for key risk factors as needed, and where business constraints or financial losses are anticipated, response measures are established to mitigate them.

Probability and Impact Assessment of Risk Factors

HDKSOE and its shipbuilding subsidiaries manage risks across key areas, including environment, safety, security, quality, and compliance. Based on risk assessment methodologies presented in internationally recognized risk management standards, including ISO standards, we measure the likelihood and impact of priority risks to evaluate their overall significance and scale. Operational conditions are also continuously monitored to identify and define the effects of risk factors.

Risk Management

Risk Management

Risk Management Activities

Business Continuity Risk Management

Business Continuity Management System Certification

HDKSOE established and is actively operating a business continuity management system that can minimize damages and restore operations in the shortest amount of time in case of disruptions of the company’s major functions due to security incidents, physical accidents, and natural disasters. Based on this system, the company has obtained and maintained ISO 22301 certification from DNV (Det Norske Veritas), an international standard for business continuity management.

Business Continuity Management System Certification

Category	Certification Standard	Certifying Body	Validity Period
HDKSOE ¹⁾	ISO 22301:2019	DNV	Dec 2022 – Dec 2025 ²⁾

1) Scope of certification: HD Hyundai Global R&D Center
2) Certification validity period after renewal: Dec 2025 – Dec 2028



HDKSOE ISO 22301 Certificate

Audit of the Risk Management Process

HDKSOE and its shipbuilding subsidiaries conduct regular audits each year on a range of matters, including the enterprise risk management process, through the Audit Committee, internal audit functions, and independent external auditors.

Internal and External Audit Activities of the Audit Committee

Category	Activities
First Half	· Review of quarterly external audit results · Approval of the evaluation report on the operation of Internal Control over Financial Reporting · Approval of the opinion on internal control mechanisms · Post-review of external auditors' compliance with audit standards
Second Half	· Review of quarterly external audit results

Risk Sensitivity Analysis

Sensitivity Analysis of Financial Risks

HDKSOE and its shipbuilding subsidiaries are exposed to financial risks such as credit, liquidity, and market risks. We are exposed to market risks since the fair value of financial products or future cash flows may fluctuate to changes in market prices. In this context, market price management activities are conducted to manage and control market risk exposures to an acceptable level while optimizing profits. In particular, interest rate risk is hedged by using interest rate swaps that minimize the impact on current net income from fluctuations of variable interest bonds and borrowings.

Sensitivity Analysis of Profit or Loss to Changes in Financial Indicators

Category	[Financial Risk] Variable Interest Rate Risk		Financial Instruments [Market Risk] Exchange Rates				Remarks
	Interest Rate +100bp	Interest Rate -100bp	USD +3%	EUR +3%	CNY +3%	JPY +3%	
HDKSOE	9,737	(9,737)	200,883	(3,811)	(43)	(114)	Consolidated
HHI	4,648	(4,648)	133,361	(3,000)	(44)	(96)	Consolidated
HSHI	1,274	(1,274)	62,384	(666)	-	-	Separate

Sensitivity Analysis of Profit and Loss According to Changes in Labor Hours

Category	Impacts on Current Profit/Loss		Impacts on Future Profit/Loss		Impact on Contract Assets		Impact on Contract Liabilities		Remarks
	+10%	-10%	+10%	-10%	+10%	-10%	+10%	-10%	
HDKSOE	(288,058)	297,876	(1,176,486)	1,158,746	(219,775)	232,968	58,759	(57,284)	Consolidated
HHI	(256,234)	265,441	(839,085)	821,956	(197,785)	210,659	49,716	(47,986)	Consolidated
HSHI	(27,672)	28,179	(300,116)	299,609	(18,861)	19,118	9,043	(9,298)	Separate

Risk Management

Risk Management

Risk Management Activities

Risk Identification and Response

Foreign Exchange Risk

HDKSOE and its shipbuilding subsidiaries, as leading export companies, generate most of the revenue in foreign currencies, and need to manage foreign exchange risks. Foreign exchange risk refers to the uncertainty that the net value of foreign currency-denominated assets or net value of cash flow may change due to unexpected foreign exchange movements.

HDKSOE and its shipbuilding subsidiaries manage a considerable portion of foreign exchange risk exposure unhedged by the balance of foreign exchange derivatives transactions out of the net inflows of foreign currency or the net assets denominated in foreign currencies by adopting hedging strategies such as forward exchange transactions. We set currency hedging standards and execute hedge transactions based on comprehensive analysis factors, such as exchange rate volatility and amount of order intakes.

Raw Material Price Volatility Risk

HDKSOE and its shipbuilding subsidiaries' profitability is sensitive to fluctuations in raw material prices. Raw material prices can increase from estimates at the time of ship orders due to changes in domestic and foreign economic conditions and the global political climate, which can lead to reduced profit.

Based on an analysis of raw material supply & demand as well as price fluctuations, HDKSOE and its shipbuilding subsidiaries factor foreseeable raw material price risks into shipbuilding contracts at the time of signing. However, if raw material prices are expected to exceed initial forecasts, we minimize the price impacts by implementing various response measures such as entering into long-term purchase agreements, diversifying suppliers, securing optimal inventory levels, and executing hedge transactions.

Tax Risk

In line with our fundamental principle of contributing to national and regional development, **HDKSOE and HHI** actively manage potential tax risks that may occur during business operations. To this end, the companies establish and operate tax policies, ensuring that we are in compliance with the tax laws of the countries in which we operate. Strict controls are maintained to prevent any violations of tax laws, including tax evasion and improper tax accounting practices.

HDKSOE and its shipbuilding subsidiaries disclose details of corporate taxes annually through the Financial Supervisory Service (FSS)'s DART (Data Analysis, Retrieval, and Transfer System), and enhance transparency and objectivity through audits by an independent auditor.

Non-Financial Risks

HDKSOE and its shipbuilding subsidiaries manage non-financial risks by identifying material issues through annual double materiality assessments and analyzing associated risk factors to establish response strategies across environmental, social, and governance areas. Key sustainability-related risks are identified, monitored, and managed through activities including human rights impact assessments, biodiversity risk assessments, supply chain ESG assessments, and on-site audits.

Full Text of Tax Policies

As corporate citizens, HDKSOE and HHI are committed to contributing to national and regional development through fair tax management and compliance with tax laws. To this end, structured standards and procedures for tax policy and risk management have been established and implemented, and transparent payment of taxes is ensured.

Tax Principle | The company complies with the laws of the countries in which it operates and faithfully fulfills its tax obligations.

Principle of Arm's Length Transaction

- The company conducts internal monitoring to prevent Base Erosion and Profit Shifting (“BEPS”), and submits integrated/individual company reports and respective country reports to the tax authorities when legal requirements such as transaction volume with foreign related parties are met.
- The company transacts with domestic and foreign related parties at Arm's Length Prices (ALP) and engages independent expert opinions for objective and professional ALP.
- The company does not violate tax laws or engage in abnormal tax accounting practices for the purposes of tax evasion, and does not exploit differences in tax laws in different countries.

Principle of Tax Risk Management

- The company carefully reviews and evaluates potential tax risks that can arise from business operations, including entry into new businesses, corporate restructuring such as mergers and acquisitions, and revision of tax laws, and has established a decision-making system based on its assessments.
- The company abides by all tax reporting and payment dates, and all evidence of transactions are documented and stored.
- In the event of significant issues arising from business activities, the company consults with external experts to investigate the issue.

Principle of Tax Information Disclosure

- The company discloses details of corporate taxes annually through the Financial Supervisory Service's DART, including the calculation and composition of corporate tax expenses (income), deferred tax assets, liabilities, and changes, and it ensures transparency and objectivity through audits by an independent auditor.

Risk Management

Risk Management

Risk Management Activities

Identification and Mitigation of Emerging Risks

Redefinition of the Value Chain Driven

The International Maritime Organization (IMO) is advancing discussions on regulatory frameworks for Maritime Autonomous Surface Ships, while the International Association of Classification Societies continues to enhance requirements for digital systems and cyber resilience. These changes are driving structural transformation in the shipbuilding industry. Demand is expected to increase for integrated, data-driven systems throughout the ship lifecycle, from design and construction to operation, shifting competitive advantages from hardware-focused capabilities to software and system integration expertise. However, uncertainties remain regarding technology commercialization and the future direction of global standards and certification systems, which may lead to changes across the shipbuilding value chain over the next three to five years.

As digital transformation accelerates across the industry, **HDKSOE** may need to strategically review its technology portfolio and R&D investment priorities. With the growing importance of software, data analytics, and system integration capabilities, decisions on internalizing digital capabilities and establishing external partnerships may affect the competitive landscape over the medium to long term. If global technology standards become concentrated around specific ecosystems, adjustments to technology resource allocation and R&D priorities across subsidiaries may be required. These changes may result in long-term shifts in technology strategies and growth structures.

Mitigating actions of HDKSOE

- Partnered with Palantir Technologies, a global software company.
- Introduced AI Studio to support AI model development.
- Provided AI and Palantir Foundry training for employees.
- Developed an internal generative AI service.

Tightening Environmental Standards Driven by Increasing Regulations

The International Maritime Organization (IMO) has revised guidelines for reducing underwater radiated noise (URN) from ships and continues discussions on technical measures to protect marine ecosystems. In addition, global biodiversity conservation frameworks are being developed, including the adoption of the Kunming-Montreal Global Biodiversity Framework at the Convention on Biological Diversity (CBD) COP15 and the BBNJ Agreement for marine biodiversity conservation in areas beyond national jurisdiction. These developments are expanding environmental requirements related to habitat impacts and marine protected area management. However, uncertainty remains regarding the scope and mandatory application of these emerging standards across the industry.

If environmental requirements related to marine ecosystem protection become mandatory or more stringent, **HDKSOE** may face additional investment needs and increased cost pressures. The adoption of underwater noise reduction designs, hull structure modifications, and related equipment and monitoring systems may require investments across design and production systems throughout subsidiaries. In addition, stricter testing and certification requirements could increase project costs and create greater volatility in profitability. These changes may create economic risks beyond technological challenges and affect capital requirements and cost structures.

Mitigating actions of HDKSOE

- Established biodiversity governance systems and revised related policies.
- Introduced ship ballast water treatment systems from environmental equipment suppliers.
- Developed technologies to reduce underwater radiated noise (URN).
- Enhanced certification standards through DT, AI monitoring, and collaboration with classification societies.
- Monitored IMO marine environmental regulation trends.

Changing Quality Assurance for Autonomous and Intelligent Ships

The International Maritime Organization (IMO) and the International Association of Classification Societies (IACS) are advancing the development of verification standards for autonomous navigation and digitally enabled ship systems. As a result, expectations for the safety and reliability of digital ship systems are increasing. These changes may require shipbuilders to secure validation capabilities for new autonomous and intelligent technologies and establish quality risk management frameworks from the design and manufacturing stages. In particular, quality assurance systems may need to evolve beyond traditional hardware-focused approaches to include software integration verification, data reliability, and system interoperability validation as part of a digital quality assurance model.

As autonomous and intelligent ship technologies become more widely adopted, **HDKSOE and its shipbuilding subsidiaries** are expected to face new manufacturing and testing requirements. Quality assurance may need to expand beyond conventional hardware, such as machinery and equipment, to include software validation and integrated system verification. The broader scope of product responsibility may require reviews of quality and risk management frameworks. These changes could increase production complexity and quality management costs, affecting project risks and competitiveness over the medium to long term.

Mitigating actions of HDKSOE and its Shipbuilding Subsidiaries

- Reduced material quality risks through proactive monitoring and validation.
- Advanced digital capabilities through smart shipyard development.
- Improved quality data transparency through next-generation platforms.

Uncertainty in Alternative Fuel Transition

The International Maritime Organization (IMO) is expanding discussions on safety guidelines for alternative fuels such as ammonia and hydrogen, while the European Union is promoting fuel transition through Fuel EU Maritime, accelerating the adoption of next-generation propulsion and fuel systems. Major classification societies are also developing technical standards for ammonia- and hydrogen-powered vessels, supporting the development of ships using a broader range of fuels beyond LNG. However, uncertainties remain regarding the technological maturity of each fuel option, the establishment of safety standards, and the development of fuel supply infrastructure. If certain fuel technologies are adopted faster than expected or technical requirements become stricter, changes to ship design and production systems may be required.

HHI and HSHI may require additional capital investment and operational adjustments if demand for next-generation fuel vessels increases or technical requirements become more stringent. Potential measures include modifying facilities, enhancing safety standards, and restructuring procurement systems. In particular, high-pressure fuel storage and supply systems, specialized materials, and safety verification facilities may require new technical capabilities and operational expertise beyond existing production infrastructure. Increased demand volatility across different fuel technologies may also require more flexible production planning and increase inventory and process complexity, potentially raising costs, reducing efficiency, and affecting profitability over the medium to long term.

Mitigating actions of HHI and HSHI

- Conducted risk assessments for initial ammonia engine projects to improve safety.
- Reviewed ammonia safety requirements and provided training.
- Conducted fuel safety inspections and emergency drills for methanol and ammonia.
- Operated a TF to manage lifecycle safety of eco-friendly fuel engines.



HME

133	Environmental Management
136	Safety & Health
139	People & Labor Relations
141	Supply Chain Management
143	Quality Management
145	Social Contribution
146	Board of Directors
150	Ethics & Compliance
152	Information Security

Environmental Management

Roles and Responsibilities

Role of the Senior Management

HME recognizes environmental management as a foundation for sustainable growth and operates its environmental governance under the leadership of management. Led by the CEO, management oversees implementation through regulatory compliance, site-level environmental risk management, and reviews of key environmental performance, ensuring environmental considerations are integrated into business operations.

Role of Working-level Departments

The HSE Department leads the implementation of environmental management at HME. It monitors environmental laws, regulations, and policy developments, assesses their applicability to business sites, and works with production and other relevant departments to minimize environmental impacts. Environmental risks are proactively managed through accident prevention activities, internal inspections, and employee training.

Incorporation of Environmental Management KPIs

Under its 2026 ESG KPI framework, HME has introduced environmental management indicators and linked key environmental metrics to its performance management system. These indicators will become part of management performance evaluations, moving beyond simple monitoring. ESG-related targets will also be incorporated into the KPIs of the CEO and other executives to drive continuous improvement in environmental performance.

Environmental Management Organizational Structure



Environmental Management Direction

Support for the Environmental Management Declaration of the Shipbuilding and Offshore Sector

HME shares the holding company’s direction for environmental management and sustainable growth and supports the Environmental Management Declaration of its parent company, HDKSOE. Based on this declaration, efforts are continuously made to minimize environmental impacts arising from business operations while promoting compliance with environmental regulations, efficient resource use, and pollution prevention. In addition, environmental management systems are operated at business sites to ensure that the parent company's environmental management direction is reflected throughout management activities, while ongoing initiatives are carried out to manage environmental risks and improve performance.

Environmental Regulatory Compliance Strategy

To minimize environmental risks associated with business operations and ensure compliance with applicable regulations, HME operates a structured environmental regulatory management system. Based on our ISO 14001 Environmental Management System, the company continuously monitors developments in environmental laws and regulations and regularly reviews compliance with requirements applicable to site operations. These activities are carried out in accordance with the environmental management system procedures and follow a Plan-Do-Check-Act (PDCA) cycle to enable early risk identification and effective response. Compliance status is also verified through internal inspections and management activities. When improvement opportunities are identified, corrective actions are implemented in collaboration with relevant departments to maintain compliance with environmental regulations.

* No violations of environmental laws and regulations were recorded during the last three years (2023–2025).

Risk Management Activities and Performance

Implementation of the Environmental Management System

To establish a company-wide environmental management framework, HME obtained certification for the internationally recognized ISO 14001 Environmental Management System. Through this system, key environmental aspects, including air pollutants, water pollutants, chemicals, and waste, are systematically managed to minimize environmental risks. To maintain the reliability of the environmental management system, regular external audits are conducted by accredited certification bodies, and the certification is renewed every three years. Internal audits and training programs are also carried out to support the continuous improvement of the system.

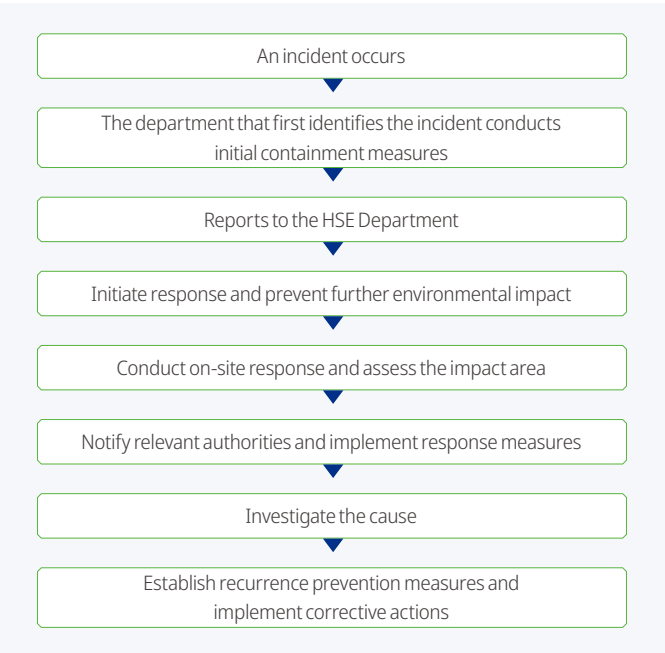
Third-Party Certification Status of HME’s Environmental Management System

Category	Details
Certification Standard	ISO 14001:2015
Certifying Body	DNV
Validity Period	August 2024 – August 2027
Scope of Certification	100%

Environmental Incident Response System

To enable a prompt and systematic response to environmental incidents during business operations, HME has established response procedures and an emergency management system in place. In the event of an environmental incident at a business site, the department that first identifies the situation carries out initial containment measures to prevent further impacts and reports to the HSE Department. The HSE Department then leads on-site response activities, assesses the extent of contamination and environmental impacts, and implements response measures. In addition to on-site response measures, HME has established procedures to manage environmental risks, including marine pollution incidents. To ensure preparedness, we conduct routine inspections of environmental facilities and regularly carry out emergency response drills, strengthening our emergency response capabilities.

Environmental Incident Response Process



Environmental Management

Risk Management Activities and Performance

Environmental Risk Review and Integration into Investment Decisions

HME incorporates environmental risks and impacts into decision-making processes related to the introduction of new facilities and major investments. During the investment review process, potential environmental impacts and regulatory requirements are assessed in advance, and measures to minimize the risk of environmental pollution are considered as part of the evaluation. Emissions and energy consumption associated with facility operations are also taken into account to support efficient operation of equipment and facilities.

Reduction of GHG Emissions

Recognizing the importance of climate change response, **HME** calculates and manages GHG emissions generated from site operations on an annual basis to ensure systematic management of its emissions profile. Based on these calculations, GHG emissions are monitored and reviewed.

Energy consumption associated with operational processes is also regularly assessed, while equipment efficiency is managed to reduce unnecessary energy use. Periodic inspections of production and supporting facilities help maintain energy efficiency and contribute to reducing GHG emissions. At the same time, facility improvement initiatives, including the replacement of LED lighting, installation of air compressors, and replacement of gas heaters, are being implemented to reduce energy consumption and improve operational efficiency.

Compliant Waste Disposal and Recycling

HME carries out waste management to ensure that waste generated from business operations is handled in compliance with regulations while promoting resource circulation. Waste storage areas have been established at business sites to ensure compliance with waste segregation and storage requirements by waste type. For temporary storage areas in particular, management processes have been refined to prevent improper disposal and enable more efficient waste management. The majority of total waste generated is also recycled through outsourcing agreements with specialized service providers, thus contributing to resource circulation.

Integration of Environmental Criteria into Service Provider Selection and Evaluation

To ensure systematic waste management, **HME** conducts selection and evaluation processes for waste service providers. Assessments cover fundamental requirements, including permits and waste management records, the legality of treatment methods, the availability of fire-prevention facilities and adequacy of transportation capacity and waste storage space. Through this process, the environmental management capabilities and operational standards of service providers are evaluated. Where improvement opportunities are identified, we ensure corrective actions are implemented along with follow-up reviews to support continuous management and minimize environmental impacts.

* non-compliance with environmental regulations in the past three years (2023–2025)

Water Consumption Management

To promote the efficient use of water across its operations, **HME** regularly monitors water consumption and reviews usage patterns at its business sites. Water-saving initiatives are also being implemented through routine facility improvements, including the replacement of selected shower heads with water-efficient models.

Water Pollutant Management

HME manages wastewater generated from business operations in accordance with regulations to prevent water pollution. Wastewater generated from processes is properly stored and all wastewater treatment is outsourced to specialized service providers. Management procedures are also in place to oversee wastewater generation and treatment. In addition, wastewater generation is monitored, and records are maintained to support effective pollutant management. Through these activities, HME seeks to prevent water pollution risks associated with its operations.

Air Pollutant Management

HME manages air pollutants generated from business operations in accordance with laws and regulations. Emission facilities are managed to minimize air pollutant emissions, while painting facilities, which represent a major source of emissions, are equipped with two-stage pollution control systems incorporating filtration and adsorption technologies to effectively reduce pollutant concentrations. To ensure the stable operation of emission and pollution control facilities, equipment conditions are monitored, and Internet of Things (IoT)-based measuring devices have been installed to track air emissions in real time. This enables monitoring of operating conditions and pollutant management performance, supporting effective control of air pollutant emissions.

Hazardous Chemical Management

To minimize environmental and safety risks associated with hazardous chemicals handled during business operations, **HME** operates a management system based on regulations. From the chemical introduction stage, Material Safety Data Sheets (MSDS) are reviewed to identify hazardous properties and determine substances requiring management, while relevant regulatory requirements are assessed to establish appropriate management plans. Workplace management standards have also been established to minimize environmental impacts that may arise during the handling, storage, and use of chemicals. In addition, chemical handling practices and compliance with legal requirements are regularly reviewed, and improvement actions are implemented to enhance chemical management practices across business sites. Although HME is not currently subject to permit requirements for hazardous chemical handling facilities under the Chemicals Control Act, we continue to manage chemicals in accordance with applicable regulations and internal standards to ensure their safe use and protect employee safety.

Hazardous Chemical Management Process



Environmental Management

Risk Management Activities and Performance

Environmental Management Training

To enhance the expertise and practical capabilities of personnel responsible for environmental management, **HME** supports participation in training programs provided by external institutions. Through training programs organized by the Korea Environment Conservation Institute, employees improve their understanding of environmental regulations and management requirements. Ongoing training opportunities are also provided to support the stable operation of the environmental management system and enhance working-level response capabilities.

Environmental Management Training Completion Status

Training Date	Training Program	Participants	Training Content
April 24–25, 2025	General Air Environmental Training	2 employees from HSE Dept.	Training on air pollutant management and regulatory compliance
May 13–19, 2025	General Water Environmental Training (Outsourcing/Exemption)	2 employees from HSE Dept.	Working-level training on wastewater management and pollution prevention

Identification of Risks and Opportunities

HME identifies risks and opportunities that may affect business operations by considering factors related to climate change, waste, water pollution, air pollution, and hazardous chemicals. Based on this assessment, the company seeks to proactively manage uncertainties arising from changes in the external environment and establish a basis for incorporating these considerations into management decision-making. As environmental regulations become more stringent and market demand continues to evolve, key risk factors are regularly reviewed and corresponding response strategies are further refined. At the same time, improvements in production efficiency and efforts to enhance technological competitiveness support a flexible response to changing market conditions, helping maintain stability while identifying new growth opportunities.

Business Case

Investment in Facilities for Eco-friendly Engine Production

To respond to growing market demand for eco-friendly engines, **HME** continues to invest in production facilities. In August 2025, to support increased production of ME-LGIP engines, the company expanded the dual piping systems at the test bed and installed electrical junction boxes, enhancing its production infrastructure for eco-friendly engines. In November 2025, a new gas engine component module test system was introduced to improve production capabilities for gas engines. This reduced gas tightness test times, enabled parallel production of two units, improved production efficiency, and enhanced operational stability by allowing prompt responses in the event of equipment issues. In January 2026, construction of a new SCR facility in D Zone was initiated in response to increasing orders for SCR Scheme A Test engines. This is intended to increase SCR performance testing capacity, support the timely production of growing volumes of eco-friendly engines, and improve production and order competitiveness for LPG and SCR-equipped engines.

Identification of Risks and Opportunities

Issue	Financial Impact	Duration	Risks	Opportunities
Tightening GHG Emissions Regulations	Medium	Short- to Mid-term	- Increased capital and operating costs associated with compliance with environmental regulations - Increased burden associated with meeting customers’ environmental requirements	- Increased business opportunities driven by growing demand for eco-friendly products - Improved order competitiveness through enhanced capabilities to respond to environmental regulations
Changes in energy sources	High	Mid- to Long-term	- Declining demand for conventional fossil fuel-based engine products - Challenges associated with adjusting product portfolios in response to fuel transition and changing market structures	- Growing demand for engines and related products based on eco-friendly fuels - New order opportunities created through the development of products aligned with fuel transition trends
Growing demand for production methods to minimize environmental impacts	High	Short- to Mid-term	- Increased operating costs associated with production efficiency improvements through process optimization - Greater operational burden due to process changes and more stringent management standards	- Reduced energy and operating costs through improved process efficiency - Growing demand for eco-friendly production technologies
Changing stakeholder demands	Medium	Short- to Mid-term	Increased costs associated with meeting investment criteria of financial institutions and responding to global initiatives	Improved order competitiveness through transparent climate-related disclosures and the provision of solutions that address stakeholder expectations
Tightening regulations on waste generation and treatment	Medium	Short- to Mid-term	- Increased waste treatment, outsourcing, and management costs - Greater administrative burden associated with more stringent regulatory requirements	- Cost savings through waste reduction initiatives - Additional revenue opportunities through recycling and resource circulation
More stringent water pollution management requirements	Medium	Short Term	- Increased wastewater treatment costs and management burden - Legal risks from non-compliance with water-related regulations	Improved operational efficiency through enhanced water treatment performance
Tightening air emissions regulations	Medium	Short- to Mid-term	- Increased costs associated with the installation and maintenance of emission reduction facilities - Greater operational burden related to process management for regulatory compliance	Improved energy efficiency through emission reduction activities
More stringent regulations on the use and management of hazardous chemicals	Medium	Short- to Mid-term	- Increased costs associated with hazardous chemical management and regulatory compliance - Additional burden related to process changes and validation activities resulting from the adoption of alternative materials	- Improved product competitiveness through the application of eco-friendly materials - Reduced incident risks through more advanced hazardous chemical management systems

Safety & Health

Roles and Responsibilities

Role of the Executive Management

HME’s management reviews company-wide occupational safety & health policies, mid/long-term strategies, and management plans, while overseeing risks related to the prevention of serious accidents. As the Chief Safety & Health Officer, the CEO oversees the company-wide safety & health management system and demonstrates leadership by allocating the necessary human and financial resources to eliminate workplace hazards and risks at their source and by reviewing implementation status across business sites. In addition, management-led safety meetings involving production, HSE, and the Occupational Safety & Health Committee are held to share key safety issues and review actions for improvement, supporting site-focused safety management activities.

Role of Working-level Departments

HME’s HSE Department establishes and manages company-wide safety & health standards and guidelines in a systematic manner and enhances site-level safety capabilities through the planning and operation of effective safety & health programs. The department also conducts regular reviews of site safety and serves as a control tower for rapid response during emergency situations, enabling the integrated management of safety risks across the organization.

Integration of Safety & Health KPIs

Based on its 2026 ESG KPI framework, HME has introduced safety & health indicators and linked key safety performance metrics to its performance management system. The safety & health indicators will move beyond monitoring and become part of management performance evaluations. The CEO will be assessed on occupational safety & health management performance indicators, including injury rate, SIF rate, and the completion rate of pre-work inspections for high-risk jobs.

Occupational Safety & Health Committee

To create a safe working environment through close cooperation between labor and management, HME has organized an Occupational Safety & Health Committee in accordance with legal requirements. Through quarterly meetings, key issues are shared and major agenda items, including the establishment and revision of safety & health management plans and measures to prevent hazards and risks, are reviewed and approved. Feedback from site workers is actively incorporated to develop safety measures, supporting the establishment of a self-directed safety culture built on shared responsibility between labor and management.

Occupational Safety & Health Council

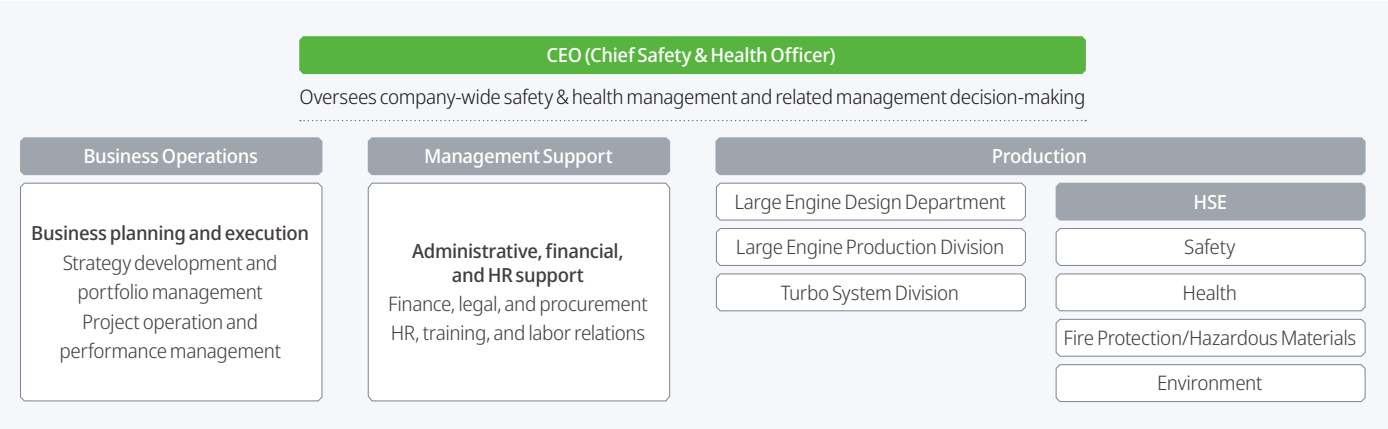
HME’s Occupational Safety & Health Council is organized to enhance safety management among all parties involved in site operations, including in-house contractors. The council shares workplace hazards and areas for improvement, while discussing safety standards and operational directions. Through a collaborative response framework with contractors, efforts are made to improve safety standards across business sites and promote prevention-focused safety activities.

Direction of Safety & Health Management

Safety, Health, and Environmental Policy

HME has established a Safety, Health, and Environmental Policy based on the recognition of safety, health, and the environment as core values to create a safe workplace where employees can work with confidence. The policy applies not only to employees but also to contractors and all other stakeholders participating in business activities. Key priorities include raising company-wide safety awareness, managing hazards and risks, promoting preventive health management practices, and reducing environmental impacts through efficient use of resources and energy throughout business operations. These principles are integrated to support a safe and healthy working environment while contributing to a sustainable foundation for long-term business growth.

HME HSE Organizational Structure



HME Safety, Health, and Environmental Policy

Recognizing safety, health, and the environment as the foundation of management and its highest priority, HME adheres to the following principles to create a sustainable workplace trusted by employees and their families.

Building a safe workplace	- Establish a company-wide safety-first culture and operate a responsible and self-directed safety management system - Ensure compliance with standard operating procedures and integrate risk assessments into daily operations
Creating a healthy and pleasant workplace	- Establish a preventive health management system centered on the management of hazardous chemicals - Encourage communication and gather employee feedback to support health and well-being
Promoting an eco-friendly corporate culture	- Contribute to carbon reduction through the optimized use of resources and energy - Pursue eco-friendly business practices by minimizing pollutant emissions

Safety & Health

Risk Management Activities and Performance

Establishment of the Safety & Health Management System

Based on its company-wide Safety, Health, and Environmental Policy, **HME** has established and operates a safety and health management system. Safety and health objectives and key initiatives are defined, while the necessary resources and budgets are allocated to identify and address workplace hazards and risks in advance. The implementation process and outcomes of safety & health activities are regularly reviewed, with actions incorporated through a management framework designed to support continuous improvement. HME has obtained and maintains certification for its safety & health management system in accordance with the ISO 45001 and continues to enhance its management practices to prevent workplace injuries and accidents.

Third-Party Certification Status of HME's Safety & Health Management System

Category	Details
Certification Standard	ISO 45001:2018
Certifying Body	DNV
Validity Period	August 2024 – August 2027
Scope of Certification	100%

Compliance with Safety & Health Laws and Regulations

HME complies with the Serious Accidents Punishment Act and other safety & health laws, and manages legal requirements to ensure they are properly implemented across the workplace. Compliance with relevant legislation, including the Occupational Safety & Health Act, is regularly reviewed, and actions are taken to address any identified gaps.

Process Safety Management (PSM) System

HME operates a Process Safety Management (PSM) system to prevent major accidents associated with hazardous facilities and processes. The system identifies process-specific risks, establishes safety operating standards and procedures, and requires pre-risk reviews for facility modifications, supported by regular inspections and maintenance. Process safety training and emergency response systems further help minimize accident risks.

Work Environment Monitoring

To protect employee health and provide a safe working environment, **HME** conducts work environment monitoring twice annually. Exposure levels to hazardous factors are regularly assessed, and the results are used to implement workplace improvements and preventive measures.

Key Findings from the Workplace Environment Facility Inspection

Category	Details
Ventilation	Natural ventilation was maintained through doors, windows, and ceiling openings
Exhaust Systems	Protective guards on rotating parts of blowers used in the milling process were in good condition
Noise	High noise exposure was identified during commissioning activities and handheld tool operations - Monitoring through the hearing protection program
Safety	Ongoing forklift operations within the workplace require continued attention to prevent safety incidents - Installation of LED beam lights and rear-view cameras
Chemical Substances	MSDS and safety & health signage were posted in the workplace
Work Environment	Fire access routes were secured and cleanliness was maintained
Protective Equipment	Appropriate use of personal protective equipment, including respirators, protective clothing, and safety helmets, was confirmed
Musculoskeletal Disorders	Certain processes were identified as having a risk of leading to musculoskeletal disorders among employees - Pre-work stretching program and health management center

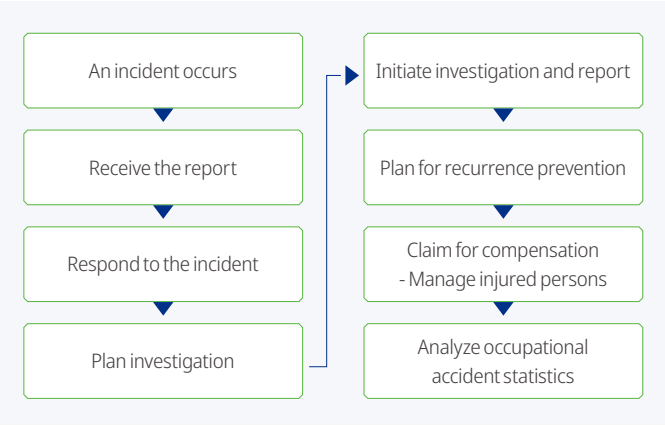
Workplace Risk Assessments

HME conducts regular risk assessments to proactively identify and manage workplace hazards and risks. Potential risks associated with individual processes and facilities are identified and evaluated based on their likelihood and potential impact. The results are then used to establish priorities and identify key processes and facilities requiring focus. Actions for improvement are implemented in the workplace to reduce identified risks, while the effectiveness of these measures is monitored to maintain a high level of safety management across operations.

Emergency Response System

HME has established an emergency response system to prepare for potential fires, explosions, and hazardous material leaks. Response procedures have been developed for each emergency scenario, and organizational responsibilities and roles are clearly defined to enable prompt initial response actions. Regular emergency response drills are also conducted to enhance employee preparedness and ensure an effective and coordinated response during actual emergencies.

Incident Response Process



Accident Prevention Programs

HME operates a range of site-focused prevention programs to proactively prevent workplace accidents. These initiatives range from pre-work activities that promote the sharing of workplace risks to inspection programs involving both labor and management representatives as well as contractors. Rather than relying on one-time inspections, the programs emphasize continuous verification and improvement to support an effective site-based safety management system.

HME Accident Prevention Programs

T.B.M activities	- Share workplace hazards and risks prior to work - Review work procedures and safety rules - Raise safety awareness among employees
Safety patrols	- Conduct routine inspections throughout the workplace - Address potential hazards and risks without delay - Monitor the status of on-site safety management
Joint labor-management inspections	- Conduct inspections based on employee participation - Reflect site feedback and identify improvement opportunities - Enhance the effectiveness of safety management
Joint inspections with contractors	- Conduct integrated inspections with contractors - Identify interrelated risks across processes and operations - Manage safety performance throughout the supply chain

Safety & Health

Risk Management Activities and Performance

Safety & Health Training

HME provides regular safety training to employees and contractors to enhance safety awareness and on-site response capabilities. Training programs are designed to reflect the characteristics and risk factors associated with individual tasks and operations, with a strong focus on accident prevention.

HME Safety & Health Training Programs

Training Program	Training Content	Participants
Regular Safety & Health Training	· Risk assessments, TBM activities, and accident case studies · Inspection of aerial work platforms, safe operation practices, and personal protective equipment	In-house Contractors
Fire Safety Training	· Initial fire response procedures	Employees
Work Environment Monitoring Presentation	· Analysis of hazardous factors by process and review of monitoring results and evaluations	Employees, In-house Contractors
Heat Illness Prevention Training	· Heat illness prevention measures, emergency response procedures, and related regulations	Employees, In-house Contractors
CPR Training	· CPR practice sessions and AED operation instructions	Employees, In-house Contractors

Core Value-based Reward Program

HME has a reward program in place to foster a safety culture based on its core values of Challenge, Innovation, Respect, and Safety. The program recognizes employees and contractors who contribute to safety by complying with safety rules or supporting the achievement of accident-free operations. Various examples of safety practices, including workplace improvements, accident prevention activities, and efforts to promote a positive safety culture, are identified and rewarded to encourage participation across the organization.

Promoting Safety & Health Among Contractors

HME carries out a range of support and collaboration activities to improve the safety & health performance of contractors. Relevant training and information are provided to enhance awareness and on-site response capabilities, while regular communication channels are maintained to share safety & health issues and identify areas of improvement. Working conditions and health management practices are also reviewed to support improvements, with guidance provided where necessary. Through these initiatives, HME encourages contractors to operate their own safety & health management systems while enhancing overall workplace performance through collaboration.

In-house Contractor Evaluation

HME conducts quarterly evaluations of in-house contractors performing work within its facilities. The evaluations are designed to review their safety management performance and enhance site-based safety capabilities. Evaluation criteria include accident records and the fulfillment of management responsibilities, risk assessment and improvement activities, implementation of occupational safety & health training, TBM activities, and work interruption management. Areas requiring improvement are shared with contractors, and follow-up reviews are conducted to monitor progress. These efforts support the improvement of contractors’ safety performance and contribute to the prevention of accidents.

Employee Health Checkup

To manage employee health, HME conducts regular health examinations. In addition to general health checkups, special health checkups are provided for those exposed to occupational hazards associated with specific job characteristics, enabling the early identification of work-related health risks. Based on results, employees with health risk factors such as hypertension or dyslipidemia are provided with consultations and health management guidance, with additional support available where necessary. The results are also reviewed alongside workplace environment to identify potential vulnerabilities and incorporate improvement measures into management activities.

Company-wide HSE Objectives for 2026

HME has established its 2026 company-wide HSE objective of achieving “Zero Serious Accidents and a Workplace Where No One Gets Hurt.” The objective focuses on preventive management across safety, health, and environmental areas, with particular attention given to proactively managing potential workplace risks. Site-focused inspections and improvement activities are carried out to prevent accidents, while ongoing management of employee health and working conditions supports the creation of a safe and healthy workplace and a sustainable foundation for business operations.



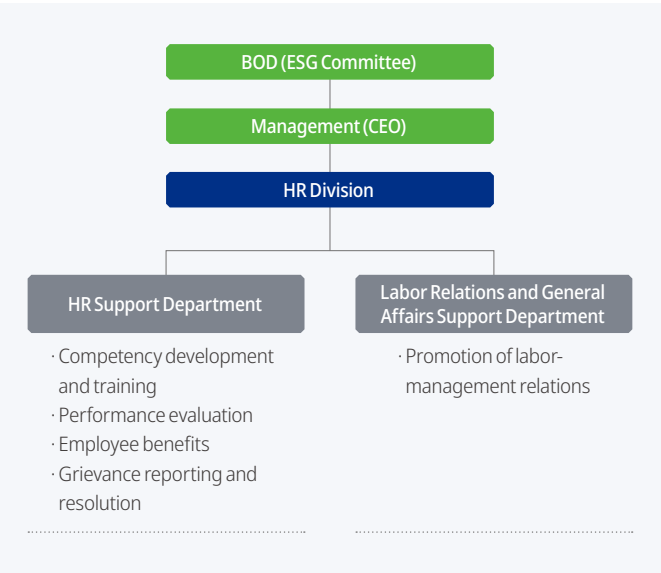
People & Labor Relations

Governance Roles and Responsibilities

Talent & Labor Management Governance Structure

HME operates a dedicated human resources governance structure in which talent management responsibilities are assigned through its HR organization framework. Talent management activities are managed through the Human Resources Support Department and the Labor Relations and General Affairs Support Department. The Human Resources Support Department oversees human rights protection and the implementation of human rights management, the operation of training and competency development systems, the management of performance evaluation systems, and the planning and administration of employee welfare programs. The Labor Relations and General Affairs Support Department is responsible for the operation of the Labor-Management Council, labor relations management, and matters related to working conditions. Through ongoing communication and consultation with employees, the department supports the maintenance of stable and cooperative labor relations.

Talent & Labor Management Organizational Structure



Holding Labor-Management Council Meetings

HME operates a Labor-Management Council on a regular basis to promote communication and collaboration between management and employees. The council convenes quarterly and serves as a platform for sharing and discussing matters related to working conditions, employee welfare, and the work environment. Through these meetings, employee opinions and suggestions are collected and reviewed, and improvement measures are developed through mutual consultation where necessary. This approach supports cooperative labor relations founded on trust and open communication.

Labor Union Composition

HME's labor union protects employee rights and promotes improvements in working conditions. Representing employees, the labor union engages with the company on matters related to working conditions, employee welfare, and the work environment, while communicating employees' views and concerns. The labor union also serves as an important channel for labor-management communication and contributes to maintaining stable labor relations through constructive dialogue and reasonable consultation.

Talent and Labor Management Direction

Employee Competency Development Plan

HME has employee competency development programs in place in line with HD Hyundai Group's talent development principles. Employees participate in training programs designed to build the common competencies required to embody the Group's core values, while also engaging in professional development programs tailored to their respective areas of expertise. In addition, structured development programs are provided to support employees in building the capabilities required to grow as leaders and future leaders.

Training programs and systems are categorized into Group-wide programs and company-specific programs reflecting individual business characteristics and operational requirements. Building on the foundation of Group-wide training, HME operates additional programs tailored to its business and job functions, providing employees with systematic support for competency development.

Online Learning Platform “HiClass”

HME operates the online learning platform “HiClass” to support employee capability development. Employees can access training courses through HiClass at any time, while a diverse range of learning programs is continuously provided based on employee training needs assessments and external market trends.

Job-Specific Training Programs

HME operates job-specific training programs to enhance competencies aligned with the requirements of each function. These programs are designed to systematically develop the fundamental capabilities and expertise required for effective job performance while supporting employees in improving their understanding of role-specific responsibilities. Training is primarily provided for key functions, including HR, finance, and procurement, with program content reflecting core responsibilities, relevant policies, and practical business cases associated with each role.

Leadership Development Programs

HME provides the HD Hyundai Leadership Course (HLC) to develop executives and high-potential leaders at the department head level. The program is designed to enhance understanding of the roles and responsibilities expected of leaders while supporting the development of management capabilities. HLC consists of staged learning programs tailored to different leadership levels, including young executives, next-generation leaders, and department heads. Each program focuses on the leadership and organizational management capabilities required at different career stages.

Transparent Recruitment Processes

HME excludes all forms of unreasonable discrimination based on personal characteristics such as gender, age, religion, region, or background throughout the recruitment process. All applicants are evaluated according to the same criteria, and recruitment activities are conducted in accordance with established internal standards and procedures to ensure fairness and equity.

In line with the HD Hyundai Group recruitment framework, HME operates separate hiring processes for new graduates, experienced professionals, and interns. Recruitment activities focus on assessing the competencies and job suitability required for each role, while transparent procedures are maintained throughout the process to prevent unfair practices at every stage of hiring.

HME Talent Profile

Innovators Who Think Creatively Talented individuals who think creatively and lead change	Professionals Who Pursue Excellence Talented individuals who contribute to organizational performance as leading experts
Team Players with an Open Mindset Talented individuals who value teamwork based on mutual respect	Action-Oriented Leaders Driving Global Markets Talented individuals who think creatively and lead change

People & Labor Relations

Governance Roles and Responsibilities

Employee Benefits

HME provides employee benefits to enhance employee satisfaction and support a stable and positive working environment. They are designed to promote employees' quality of life and work-life balance, with detailed implementation guidelines managed in accordance with internal policies and standards. Taking into consideration the diverse needs of employees, HME continuously manages and operates its employee benefits to support a stable and engaging workplace environment.

Status of Employee Benefits

Category	Employee Benefits
Family-Friendly Benefits	- University Tuition Support : Financial assistance for university tuition fees for employees' children - Early Childhood Education Support : Financial support for preschool education expenses for employees' children - Health Check-ups and Medical Expense Support : Assistance provided to support employees' health and well-being
Personal Development	- Employee Club Support : Support for employee clubs and activities that promote a healthy work-life balance - Family Event Support : Financial assistance for weddings and bereavements involving employees and their immediate family members

Fair Performance Evaluation

HME's performance evaluation system is based on objective indicators, including short-term targets and key initiatives. Executives, department heads, and team leaders establish performance objectives in consideration of the roles and operational characteristics of their respective functions and departments and regularly monitor progress against these objectives. Key initiatives are established based on organizational performance objectives, while individual assignments are determined through consultation between managers and employees, taking into account job responsibilities and competency levels. Performance evaluations are conducted semi-annually and are based on objective monthly performance results. To support fairness and consistency in the evaluation process, evaluation calibration sessions and an appeals review process are in place. Upon completion of the evaluation cycle, feedback is provided by evaluators to support both individual development and organizational performance improvement.

Multi-Dimensional Leadership Assessment

HME has introduced a multi-dimensional leadership assessment program for executives, department heads, team leaders, and managers with supervisory responsibilities. The assessment is conducted through input from multiple evaluators and reviews various leadership dimensions, including behaviors, attitudes, collaboration, and communication. Assessment criteria are designed in consideration of the purpose of the evaluation as well as the participant's position and job characteristics. Assessment outcomes are utilized as reference materials to support leadership capability development.

Performance-based Compensation System

HME's performance-based compensation system links evaluation results to employee rewards. Incentives tied to base salary and competency-based compensation are provided according to individual performance evaluation outcomes, supporting a reasonable alignment between performance and compensation. The management performance incentive program also reflects overall business performance. The incentives are determined based on company-wide results, enabling the compensation framework to recognize both individual contributions and organizational achievements.

Risk Management Activities and Performance

Human Rights Declaration

HME implements human rights management in line with the HD Hyundai Group's Human Rights Policy. The company respects global human rights frameworks, including the Universal Declaration of Human Rights and the UN Guiding Principles on Business and Human Rights, and applies these principles across all business activities to protect and promote human rights. Compliance with the laws and regulations related to human rights, labor, environment, and ethics is maintained in all regions and countries of operation, while efforts continue to prevent and address human rights risks.

Human Rights Training

HME provides human rights training once a year to raise employee awareness and support implementation. The program is designed to improve understanding of human rights principles and standards that must be observed in the course of work, supporting the establishment of a culture of respect for human rights across the organization.

Human Rights Training Programs

Category	Key Training Programs
Human Rights Training for Employees	- Sexual Harassment Prevention Training - Disability Awareness Training - Workplace Harassment Prevention Training - Human Rights Training

Meetings with Management

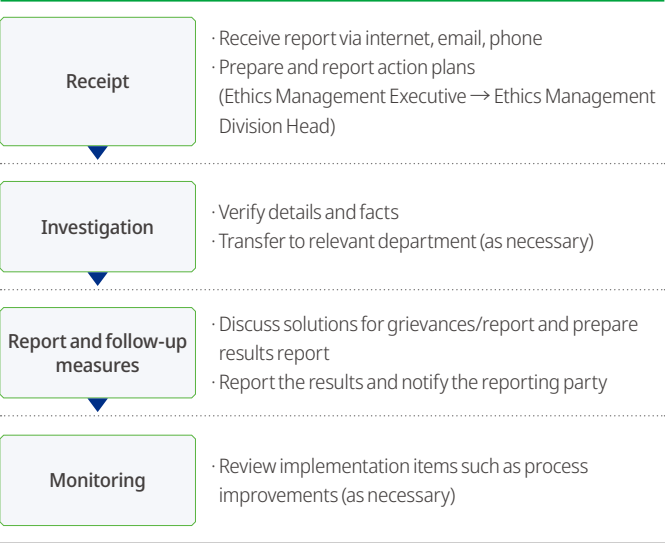
HME organizes regular meetings between management and employees to promote effective communication between labor and management. These meetings serve as a platform to directly hear employee opinions and suggestions, as well as a way for sharing key management issues and matters related to organizational operations. Through this process, mutual understanding is enhanced and a cooperative labor-management relationship based on open communication is maintained.

Grievance Handling Procedures

HME's grievance handling procedures are designed to address adverse human rights impacts promptly and responsibly. A grievance submission system is in place to allow individuals and groups who have experienced or may be at risk of adverse impacts to raise concerns with the responsible organization, with channels available for confidential reporting in accordance with relevant standards.

Upon receipt of a grievance, the responsible organization verifies the facts and, where necessary, recommends the suspension of the alleged infringement or requests relevant departments to review actions in line with company regulations. Where sufficient evidence is identified, follow-up measures are implemented in stages, taking into account the severity and urgency of the case. Throughout the grievance handling process, confidentiality is maintained in accordance with relevant standards, and protective measures are applied to prevent any disadvantage to the reporting party.

Grievance Handling Process



Supply Chain Management

Governance Roles and Responsibilities

Role of the BOD and Senior Management

The BOD and management of **HME** set the overall direction for supply chain management to support a stable and responsible supply chain, while overseeing its implementation across the organization. They also review whether the supply chain management framework is appropriately maintained to ensure fair and transparent transactions with contractors and reliable supply chain performance. Based on this direction, management applies criteria for the selection and evaluation of contractors and manages supply chain risks through ongoing communication, aiming to maintain a stable procurement system.

Role of Working-Level Departments

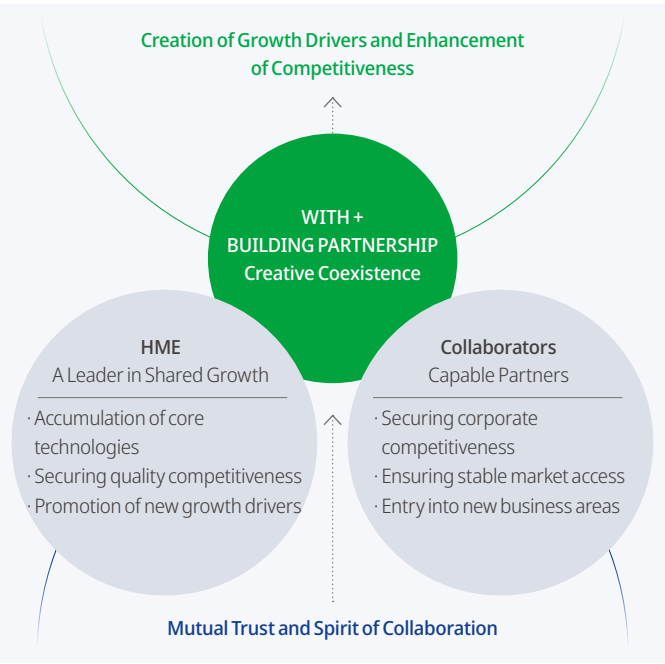
Supply chain management activities at **HME** are led by the Engine Procurement Department, which is responsible for contractor sourcing and registration, evaluation and management, and contract administration. The department carries out contractor management activities to ensure quality and delivery reliability, while addressing supply chain risks through continuous communication with contractors to support a stable procurement system. Furthermore, collaboration with contractors contributes to incorporating sustainability considerations, such as environmental and safety compliance, into supply chain management processes over time.

Supply Chain Management Direction

Supply Chain ESG Management Framework

HME aims to build a stable supply chain through collaboration with contractors while progressively advancing a management framework that incorporates Environmental, Social, and Governance (ESG) considerations across the supply chain. Given the industry characteristics of ship engine production, which involves sourcing a wide range of parts and materials, efforts are made to identify and address potential risks in advance through ongoing communication with contractors. Collaboration also supports compliance with environmental regulations and the promotion of safe working conditions, contributing to responsible supply chain practices and enhancing overall stability and sustainability.

HME Shared Growth Vision



Maintaining Fair and Sound Business Relationships

HME maintains fair and reasonable business relationships with contractors by considering raw material price fluctuations, production lead times, and contract terms when setting transaction conditions. Through this approach, mutually acceptable terms are agreed upon, supporting a stable supply chain environment. For transactions that may affect production schedules, such as equipment and key component supply, delivery timelines are established in advance through consultation with contractors, reflecting product characteristics and manufacturing periods. Dutiful adherence to payment terms based on agreed conditions also supports contractors’ stable business operations and contributes to long-term, trust-based partnerships.

Internal Review Procedures

To ensure fairness and compliance in transactions with contractors, **HME** applies internal review procedures. Key stages, including contractor selection and registration, contract execution, and the establishment of transaction terms, are reviewed in advance to confirm alignment with relevant standards and procedures and to reduce the risk of regulatory non-compliance in subcontracting. Potential issues arising during transactions are assessed through internal review processes to identify risks in advance, with relevant departments consulted where necessary. Consistent decision-making is maintained by applying internal standards when changes to transaction terms or exceptional cases arise.

Fair Selection and Registration

At **HME**, objective and fair criteria are applied throughout the contractor selection and registration process to ensure transparency and reliability. The integrated procurement system (Engine Supplier Portal) supports a structured approach to managing the full transaction life-cycle, including selection, contracting, delivery, and payment, enabling consistent contractor management. Evaluations consider quality, technical expertise, and delivery performance, with selection carried out in accordance with defined standards and procedures. During contract execution, compliance with applicable laws and internal requirements is maintained, while commitments to ethical management are obtained from contractors to support a sound compliance framework.

Protection of Technical Data and Confidential Information

HME recognizes that contractors’ technical data and confidential information are critical business assets and applies responsible management practices to protect them throughout transactions. Requests for core technical data, such as manufacturing processes, technical information, and intellectual property, are not made without valid justification, and any use of such data is limited to the scope required for business purposes. Clear safeguards are applied through technical data request documentation and non-disclosure agreements, ensuring the protection of sensitive information, including drawings and patents.

Respect for contractors’ independent management is maintained by avoiding undue involvement in their personnel and business activities. No inappropriate intervention is made in subcontracting arrangements unrelated to transaction purposes, and controls are in place to prevent requests that may conflict with contractors’ intentions.

Supply Chain Management

Risk Management Activities and Performance

Contractor Selection and Evaluation

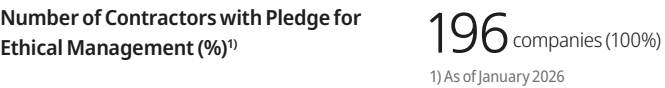
HME establishes basic requirements and evaluation criteria for contractors and applies them throughout the selection and registration process to build sustainable and stable business relationships. Companies seeking registration as contractors submit applications containing general information, intended supply items, financial status, and workforce capacity, based on which their suitability as business partners is comprehensively reviewed. The selection and evaluation process focuses on financial stability, compliance with quality standards, design and development capabilities, manufacturing capacity, and business sustainability. Environmental and safety factors are also considered to reflect sustainability considerations across the supply chain. Key evaluation criteria include policies for managing hazardous substances, the level of risk and hazard management for chemicals, and quality management system certifications, which are incorporated into contractor management standards.

Contractor Selection and Registration Evaluation Criteria

· Delivery performance by industry · Financial stability · Contractor evaluation · Technical requirements and quality compliance · Documentation of work certification standards · Measurement equipment management · Inspector qualification standards · Design and development capabilities · Manufacturing capabilities · Change management	· Product management standards and implementation · Product identification and traceability · Material management standards · Worksite management standards · Shipping and logistics · Claim handling procedures · Standardization of claim recurrence prevention measures · Environmental substance management system · Safety and health management activities · Quality management system certification
---	---

Regular External Contractor Evaluation

HME conducts regular evaluations of external contractors to comprehensively review their quality, technical capabilities, and delivery performance, while encouraging continuous improvement. On-site inspections are conducted for contractors to assess actual operating conditions and management practices. The evaluation criteria cover not only quality and production capabilities, but also safety management performance and compliance with the Ethical Management Pledge. Through these evaluations, HME reviews contractors’ overall sustainability management practices. When areas requiring improvement are identified, contractors are requested to establish improvement plans, and follow-up reviews are conducted to verify that corrective actions have been appropriately implemented.



Utilization of Regular External Contractor Evaluation Results

HME manages contractor capabilities systematically based on the results of regular external contractor evaluations. Evaluation cycles are reasonably adjusted for high-performing contractors, while the evaluation frequency is increased for contractors requiring improvement to enable closer monitoring. Evaluation criteria and items are continuously reviewed and improved based on the results to enhance the effectiveness of the contractor management system. Through these efforts, HME promotes improvements in overall contractor performance while supporting stable quality and delivery across the supply chain.

In-house Contractor Safety Management Evaluation

HME conducts regular safety evaluations for in-house contractors involved in product manufacturing and site operations. The evaluations comprehensively review areas including the establishment of safety and health plans, clarity of responsibilities and roles, implementation of risk assessments, compliance with safety measures, adherence to work permit procedures, management of hazardous materials and equipment, and accident records. Any deficiencies that are identified during the evaluations are subject to immediate action, and follow-up reviews are conducted to monitor implementation. Through these activities, HME supports improved safety management practices among in-house contractors and maintains a safe working environment.

Regular Contractor Evaluation Results²⁾

Category	Number of Contractors
Contractors subject to regular evaluations	271
Contractors with identified risks	12

2) As of 2025

Contractors Risk Analysis and Identification

HME conducts supply chain risk analysis and identification activities to proactively identify potential or existing risk factors among contractors and minimize their impact on business operations. Comprehensive reviews are conducted on contractor risk factors, with priorities determined based on the likelihood and impact of each risk area. Based on these assessments, contractors requiring focused management are identified. Identified risks are addressed through the establishment and implementation of improvement plans, and management measures are developed through consultation with contractors when necessary.

Technology Development and Quality Support Program

As part of its shared growth initiatives, HME provides a technology development and quality support program to help contractors enhance their technical problem-solving capabilities and production efficiency. To improve contractors’ understanding of products, information on the structure and characteristics of developed engines is provided. Quality improvement meetings are also held to review on-site issues and identify improvement measures together.

Contractor Partnership Council

HME organizes the Contractor Partnership Council meetings to promote continuous communication and collaboration with contractors. The council consists of contractors that have maintained business relationships with HME for more than three years and have annual transaction volumes exceeding KRW 1 billion. It aims to promote shared growth based on mutual trust while supporting collaborative relationships with key contractors. Through regular and ongoing meetings, the council provides opportunities to share opinions on management issues, quality improvement, and productivity enhancement with contractors.



Contractor Partnership Council

Quality Management

Governance Roles and Responsibilities

Role of the Senior Management

HME recognizes that product and service quality is directly linked to customer safety, trust, and sustainable growth, and manages the direction and implementation framework of quality management accordingly. The management reviews the overall direction of quality management in alignment with mid- to long-term business strategies, monitors key quality risks and performance, and communicates with the BOD on related matters. Quality standards are applied throughout the entire product lifecycle, including design and development, manufacturing, and after-sales service. By regularly reviewing performance and making decisions on areas requiring improvement, the management aims to embed customer-oriented quality management across business operations.

Role of Working-Level Departments

Quality management activities at HME are led by the Performance Quality Department and Parts Quality Department, which are responsible for implementing and managing the company-wide quality management system. The Parts Quality Department ensures that components produced by external suppliers comply with quality standards and carries out activities to maintain quality stability across the supply chain. To achieve this, key component issues are managed based on quality data, and root causes are analyzed in collaboration with suppliers when non-conformities occur, followed by improvement activities. The Performance Quality Department manages quality issues throughout the entire product lifecycle, from manufacturing and final delivery to customers, to quality issues arising during the warranty period after delivery. In addition to quality management standards that reflect international standards, legal requirements, and customer requirements, the department conducts responsible analysis and responses to post-delivery quality issues to maintain a sound quality management foundation.

Quality Management Direction

Establishment of the Quality Policy

HME establishes and implements its quality policy across the organization based on four key principles: customer satisfaction, built-in quality, preventive quality, and smart quality, with the aim of securing product competitiveness and achieving customer satisfaction. Through continuous quality improvement and reliability enhancement based on the quality policy, HME seeks to maintain global competitiveness.

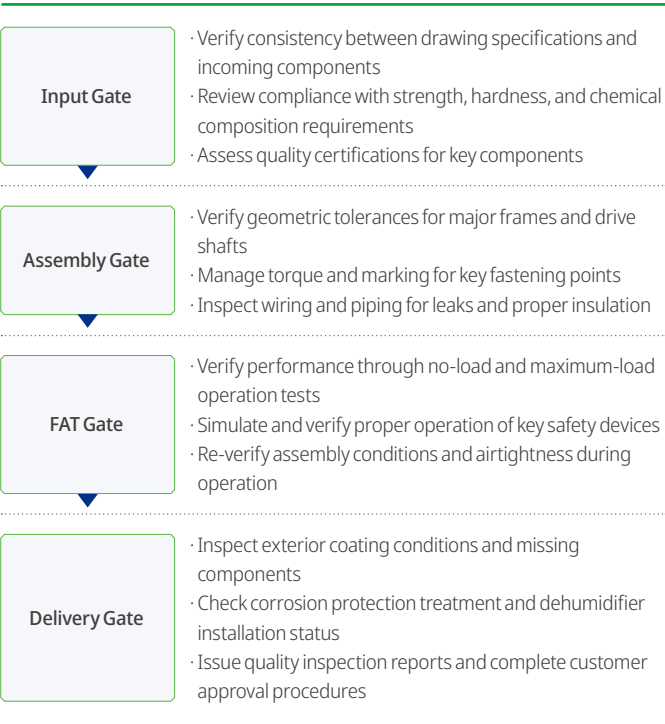
HME Quality Policy



Quality Management Process

HME implements a systematic quality management process throughout the entire production process to ensure stable product quality. The Q-Gate-based quality management system is applied to proactively manage potential quality risks during production. Quality verification procedures are conducted at each stage, including component supply, assembly, commissioning, and shipment, to review key quality factors. Through these activities, HME identifies quality issues at an early stage and implements corrective actions to secure product reliability and quality stability.

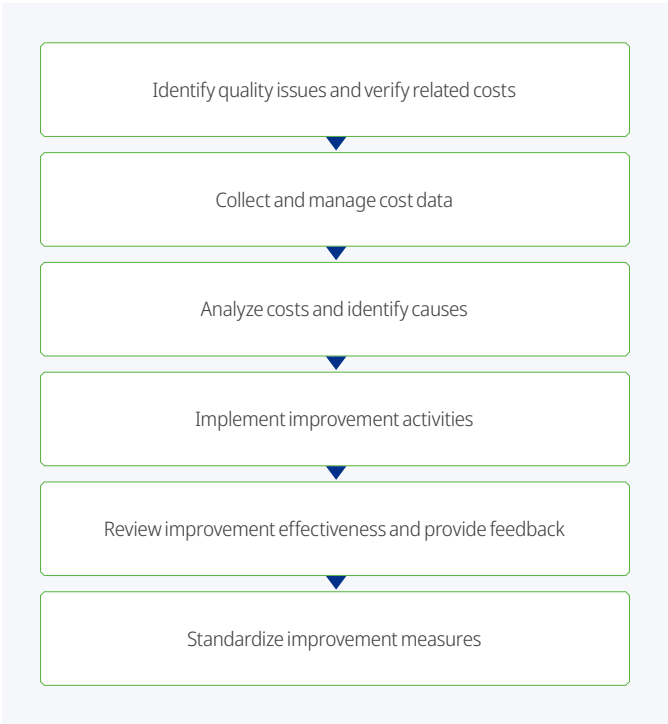
Q-Gate System



Minimizing Quality Failure Costs

HME manages the cost of quality failure to control costs arising from quality issues and prevent quality risks. Quality-related costs across key value chain areas, including design, procurement, production, and service, are reviewed to assess the effectiveness of quality management activities. Quality data is also monitored, and improvement activities are carried out to minimize internal losses and potential complaints caused by quality issues.

Cost of Quality Failure Management Process



Quality Management

Risk Management Activities and Performance

Quality Management System Certification

HME has obtained ISO 9001 Quality Management System certification, an international standard, to meet customer requirements and continuously improve the quality of its products and services. Through this certification, systematic quality management procedures are applied throughout the entire process, including product design, development, manufacturing, and service, enabling the company to maintain a stable quality management system based on defined quality standards and processes. HME also conducts quality management activities that reflect customer requirements and reviews quality-related performance to improve product and service reliability and enhance customer satisfaction.

Third-Party Quality Management System Certification

Category	Agenda
Certification Standard	ISO 9001:2015
Certifying Body	DNV
Validity Period	August 2024 – August 2027
Scope of Certification	100%

Quality Management Training

HME provides quality management training to enhance employees’ quality capabilities and ensure product and service quality. IMS promotion sessions are held to improve understanding of the quality management system and practices. Internal reviewer training courses are provided to develop capabilities for conducting internal quality management system audits and reviewing compliance with quality standards.

Quality Management Training Status¹⁾

Training Program	Description	Number of Participants	Assessment Cycle
IMS Promotion Ses-sion	Share the direction of quality management system operation and key initiatives	29	Once a year
Internal Reviewer Training	Understanding ISO 9001 quality management system and training on internal audit procedures and methods	8	Once a year

1) 100% completion by key personnel in each department

Quality Management Activities

HME conducts various quality management activities throughout the entire production process to ensure product quality stability and reliability. Quality standards are applied from design and production to inspection and shipment stages to verify product quality, while process-level quality management activities are carried out to proactively manage quality risks and maintain consistent quality levels for products and services.

HME continues to invest in Tier 3 and gas-related production facilities to secure stable manufacturing capabilities and establish an advanced production environment. Based on this infrastructure, continuous improvement activities are carried out by identifying process losses and implementing improvement measures. As a result, HME achieved a 100% on-time customer delivery compliance rate for large engines and crankshafts, securing differentiated quality and service competitiveness.

HME Quality Management Activities

Engine Performance Evaluation	- Conduct engine performance and durability tests - Verify long-term operational stability and reliability - Review compliance with performance standards based on test results
Quality Data Management	- Integrate and manage production and quality data - Monitor quality status through a quality management system - Support quality improvement activities and decision-making
Quality VOC Response Management	- Receive and manage customer feedback (VOC) through a response management system - Analyze customer complaints and quality issues - Reflect analysis results in quality improvement activities
Quality Assurance	- Provide warranty repair services after product delivery - Respond to quality issues arising during operation - Build customer trust and enhance quality responsibility

Supply Chain Quality Stabilization

HME promotes quality stability across the supply chain through collaboration with contractors. Recognizing that the quality of components and materials required for production is directly linked to the quality of final products, HME reviews contractor quality management systems and supports compliance with quality standards and improvement activities through close collaboration with contractors. Through these efforts, HME supports contractors in improving their quality management capabilities and maintains stable quality levels across the supply chain.

HME Supply Chain Quality Stabilization Activities

Regular Quality Evaluation	- Review contractor quality management systems and quality control levels in production processes - Verify compliance with key quality standards by process - Provide feedback based on evaluation results and implement quality improvement activities through collaboration
Preventive Quality Check	- Identify potential risks through proactive assessments of contractor production processes and procedures - Minimize the possibility of product defects through preventive inspection systems - Prevent supply chain risks from propagating downstream and ensure stable final product quality
Contractor Quality Training	- Provide training to improve understanding of quality standards and detailed management procedures - Support contractors in establishing self-controlled quality management capabilities by sharing quality management expertise - Promote consistent quality improvement across the supply chain based on collaborative partnerships

Customer Satisfaction Survey

HME conducts an annual customer satisfaction survey to promote customer-centered management and reflect feedback in service and product quality improvements. The survey targets domestic and international customers engaged in business with HME and focuses on collecting objective opinions from external customers, excluding affiliate customers. Customer satisfaction levels and improvement needs are comprehensively assessed across various areas, including products, human services, and business support. The survey results are internally analyzed and reflected in quality and service improvement activities. Through these efforts, HME strives to provide products and services that meet customer expectations and raise customer satisfaction by maintaining continuous and trusted relationships with customers.

Customer Satisfaction Survey Results

Category	2024	2025
Overall Satisfaction	84.3 points	85.3 points
Product	83.0 points	84.0 points
Human Service	88.0 points	90.0 points
Work Support	82.0 points	82.0 points

Social Contribution

Social Contribution Framework

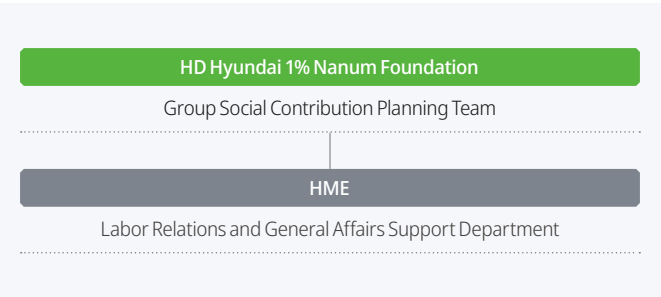
Social Contribution Organization

HME has established an organizational structure led by the Labor Relations and General Affairs Support Department to manage social contribution activities. The Labor Relations and General Affairs Support Department develops strategies and annual plans, manages donations and internal review procedures for social contribution programs, including those linked to the HD Hyundai 1% Nanum Foundation, and ensures that all activities comply with internal standards and procedures.

HD Hyundai 1% Nanum Foundation

The HD Hyundai 1% Nanum Foundation was established through the voluntary donation of 1% of employees’ salaries and conducts various support activities for underserved communities. HME participates in the HD Hyundai 1% Nanum Foundation and carries out donation and social contribution activities.

Social Contribution Governance



Social Contribution Direction

To realize HD Hyundai’s social contribution vision, “A Better World, A Brighter Future,” HME has established “Inclusion,” “Sustainability,” and “Innovation and Action” as the key directions for its social contribution activities. HME also aims to contribute to the achievement of the UN Sustainable Development Goals through social contribution activities and implements initiatives that reflect diverse social needs within local communities.

Transparent Fund Management

HME manages financial and non-financial resources used for social contribution activities, including contributions and donations, in accordance with internal standards. The resources are classified and managed by purpose from the fundraising stage, and each stage of execution, including the purchase of donated goods and project expenses, follows prior review and approval procedures. After funds are utilized, execution details and activity outcomes are reviewed and managed to ensure that social contribution activities are carried out as planned. The results of fund execution are disclosed externally in accordance with relevant standards, enabling HME to maintain transparency and accountability in managing social contribution resources.

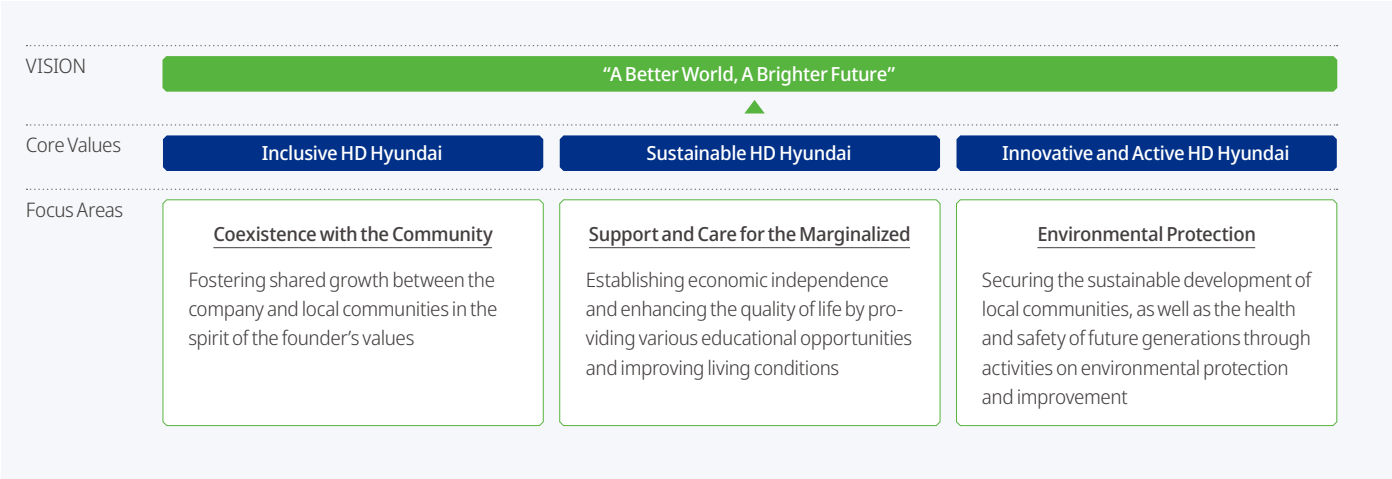
Social Contribution Strategy and Activities

Social Contribution Vision

HD Hyundai sets “Inclusion”, “Sustainability,” and “Innovation and Action” as key directions to realize “A Better World, A Brighter Future,” and has continued its contribution to marginalized people and local communities. We also pay close attention to local communities to contribute to the achievement of the UN Sustainable Development Goals through social contribution activities.

Based on these core values, HME is committed to developing social contribution activities that promote shared growth with local communities. The company plans to identify areas needed by local communities and explore ways to contribute across various fields, including support for vulnerable groups, environmental protection, and nurturing future generations.

Core Values of HD Hyundai Social Contribution



Business Case
Happy Meal

Happy Meal is a social contribution program led by the HD Hyundai 1% Nanum Foundation that provides free meals to elderly people living alone and those with low incomes. HME participates in the Happy Meal program and provides regular free meal services for vulnerable elderly residents at the Banji Free Meal Center in Changwon. Through this activity, HME contributes to supporting the basic needs and emotional well-being of elderly members of the local community. The company also regularly reviews meal service operations and support activities to ensure that the program continues to be implemented as planned. Based on these efforts, HME continues to pursue community-based social contribution activities.

Banji Free Meal Center in Changwon

Board of Directors

BOD Composition

BOD Composition Status

The BOD of **HME** consists of directors with diverse expertise and experience to support efficient and balanced decision-making. Based on their understanding of key areas, including management, finance, and legal affairs, the BOD makes major corporate decisions while maintaining a governance structure that supports independence and transparency. Through these efforts, the BOD performs its oversight and monitoring functions over management and supports sound corporate governance.

BOD Appointment Process

Directors of **HME** are appointed through a fair process at the General Meeting of Shareholders in accordance with the laws and the Articles of Incorporation. Outside director candidates are reviewed and recommended by the outside director Candidate Recommendation Committee, and their key career backgrounds and potential conflicts of interest are disclosed when convening the General Meeting of Shareholders to ensure transparency. Each director candidate is presented as an individual agenda item during the appointment process to ensure that shareholders’ opinions are fully reflected, with the BOD and the outside director Candidate Recommendation Committee overseeing the process.

Board Term Limits

HME sets director terms in accordance with applicable laws and complies with term limits for outside directors. Through this approach, HME maintains the independence and objectivity of the BOD while minimizing the potential for decision-making bias resulting from extended tenure. The company also provides directors with the information and support necessary to fulfill their roles, enabling professional and responsible decision-making.

BOD Composition Status

Category	Name	Position	Gender	Career Highlights	Date of Initial Appointment	Areas of Expertise (Industrial Relevance)
Executive director	Yu Jeong-dae	CEO (Chair of the BOD)	Male	Current) Executive Vice President, HME Former) Head of Engine Machinery Quality and Planning Division, HHI Former) Head of Safety and Production Division, Engine Machinery Business Unit, HHI Former) Head of Technology Division, Engine Machinery Business Unit, HHI	March 2026	Leadership experience in shipbuilding sites and managing businesses
	Ko Byung-jo	Executive director	Male	Current) Head of Cost and Accounting Division, HDKSOE (Senior Vice President) Former) Executive in charge of Account-ing and Taxation, Finance Division, HHI Former) Executive in charge of Business Analysis Team, Management Support Office, HHI Former) Head of Tax Planning Team, HHI	March 2026	Strong expertise in accounting and finance
Outside Director	Yoon Kyung-sik	Outside Director	Male	Current) Certified Public Accountant, Induk Accounting Corporation Current) Outside Director, Arlico Phar-maceutical Co., Ltd. Former) Chair of the Inspection and Investigation Committee, Korean Institute of Certified Public Accountants Former) Standing Vice Chairman, Korean Institute of Certified Public Accountants	July 2024	Expertise as an accounting professional
	Park Tae-ho	Outside Director	Male	Current) Honorary Professor, Seoul Na-tional University Former) Director, International Trade Research Institute, Lee & Ko Former) Minister for Trade, Ministry of Foreign Affairs and Trade	July 2024	Expertise in International Trade
	Lee Sa-cheol	Outside Director	Male	Former) Managing Partner, Shinsegi Law Firm Former) Member of the 15th and 18th National Assemblies	July 2024	Expertise as a legal professional

Board of Directors

BOD Composition

BOD Expertise, Diversity, and Independence

HME ensures balanced expertise, diversity, and independence of the BOD by appointing directors with professional experience and capabilities across various fields, including management, finance, and legal affairs, to support effective decision-making. The BOD conducts in-depth reviews of key management issues, and the company appoints directors with diverse backgrounds and experiences without discrimination based on specific factors during the candidate review process to ensure that various perspectives are reflected in board discussions. The majority of the BOD is also composed of outside directors, enabling independent decision-making free from undue influence by management and stakeholders.

Board Skills Matrix

Name	Yu Jeong-dae	Ko Byung-jo	Yoon Kyung-sik	Park Tae-ho	Lee Sa-cheol
Leadership	●	●	●	●	●
Industry Expertise	●	●			
Risk Management	●	●	●	●	●
Finance/Accounting		●	●		
Policy Administration				●	
Sales & Marketing	●				
Laws/Regulations					●
Certification			CPA		Lawyer

Independence Requirements for Outside Directors

Outside Directors shall meet the following requirements as well as other qualifications as stated in the related laws including the Commercial Act of South Korea. ① Outside directors shall not have served as an executive of the company within the past two years. ② Outside directors shall not be an immediate family member of any executives of the company or its subsidiaries. ③ Outside directors shall not have conflicts of interest arising from serving as an advisor, consultant, employee, or major shareholder of an entity that has entered into a significant advisory agreement with the company or its senior management. ④ Outside directors shall not be significant customers, or the employees or major shareholders of suppliers as defined in Items a and b of Article 34 (5) 2 of the Enforcement Decree of the Commercial Act. ⑤ Outside directors shall not have been partners or employees of the company's external auditor for the past two years. ⑥ Outside directors shall not have any conflicts of interest regarding matters decided by the BOD, such as economic interests.

BOD and Committee Operation

Convening and Organizing Board Meetings

The BOD of HME is convened by the Chair or a designated director in accordance with applicable laws and the Articles of Incorporation, and meeting schedules and agendas are provided to directors in advance.

The BOD meetings are held with the required quorum specified in the Articles of Incorporation, and major agenda items are resolved with the approval of a majority of attending directors. The company ensures fair and transparent decision-making by restricting the voting rights of directors with a conflict of interest.

BOD Meetings

Session	Date	Agenda Type	Agenda Item	Approval Status	Approval Ratio
1st	Feb 5, 2025	Approval	1. Approval of the 24th Financial Statements	Approved	100%
			2. Approval of the 24th Business Performance Report	Approved	100%
		Reported	3. Appointment of Compliance Officer	Approved	100%
			4. Amendments to Internal Accounting Control regulations	Approved	100%
2nd	Feb 24, 2025	Approval	1. Report on 2024 Internal Accounting Control System Operation Status	-	-
			2. Report on the Introduction of BOD Evaluation	-	-
		Reported	1. Approval of convening the 24th Regular General Meeting of Shareholders and its agenda items	Approved	100%
			1. Report on the 2024 Internal Accounting Control System operation status assessment	-	-
3rd	Apr 23, 2025	Reported	2. Audit report by the Audit Committee	-	-
4th	Jul 30, 2025	Reported	3. Report on the 2024 BOD evaluation results	-	-
5th	Oct 24, 2025	Reported	1. Report on Q1 2025 Business Performance	-	-
		Reported	1. Report on 1H 2025 Business Performance	-	-
6th	Dec 23, 2025	Approval	1. Approval of fund loan	Approved	100%
		Approval	1. Report on Q3 2025 Business Performance	-	-
			1. Approval of transaction limits with major shareholders and other related parties	Approved	100%
			2. Approval of transaction limits for self-dealing between directors and the company (Self-dealing approval due to an executive director concurrently serving as CEO of HD Hyundai Crankshaft; transaction items include service fee revenue and engine component purchases)	Approved	100%
		Reported	3. Approval of brand usage agreement	Approved	100%
			1. Report on 2026 Business Plan	-	-
			2. Report on the 2026 BOD Meeting Schedule	-	-

Board of Directors

BOD and Committee Operation

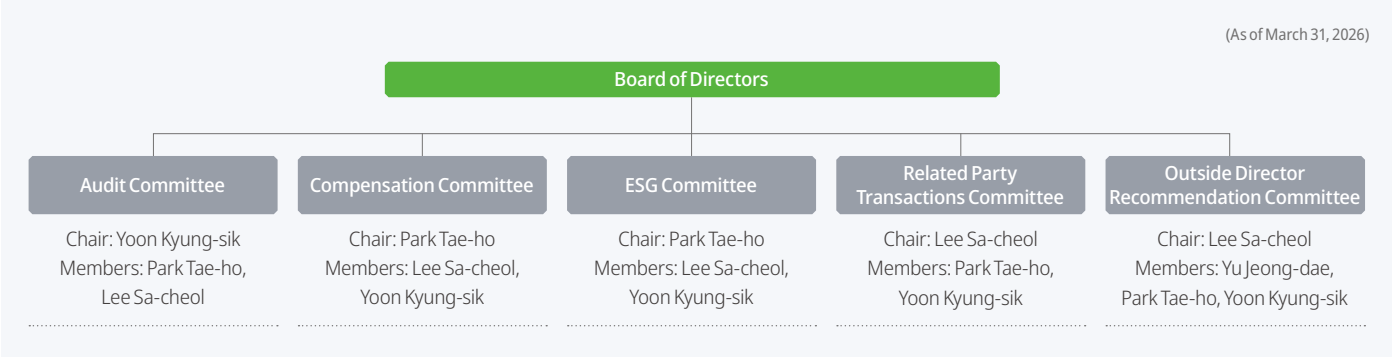
Audit Committee

HME maintains an Audit Committee to ensure the reliability of financial reporting and the legal compliance of management activities. Although not legally required to establish such a committee, the company has voluntarily formed one to enhance transparency and reinforce internal controls. The committee is composed entirely of outside directors to ensure independence. It reviews the accuracy of accounting and financial information and assesses the appropriateness of duties performed by directors and management. It also evaluates the internal control framework and risk management activities, and works with external auditors to support transparent financial reporting and disclosures.

Compensation Committee

The Compensation Committee of HME ensures objectivity and transparency in determining remuneration for directors and management. In accordance with BOD regulations, the committee is composed entirely of outside directors to ensure independence. It reviews the remuneration framework and levels for directors and executives, and supports related decision-making.

Committee under BOD



ESG Committee

The ESG Committee of HME advances sustainable management. The committee reviews the company's ESG strategy and implementation plans, and monitors progress on key ESG initiatives. It also integrates and oversees environmental matters, safety and health, and risk management.

Related Party Transactions Committee

HME maintains a Related Party Transactions Committee to ensure fairness and transparency in transactions with affiliates. The committee establishes policies for transactions with related parties and reviews the criteria for selecting counterparties as well as actual practices. It also conducts prior reviews of transactions above a certain threshold to prevent improper support and reinforce internal control functions.

Outside Director Recommendation Committee

The Outside Director Recommendation Committee of HME ensures the independence and expertise of the BOD. The committee reviews candidates based on qualifications, independence, and capability to perform duties, and recommends suitable nominees. In accordance with applicable regulations, a majority of the committee members are outside directors.

BOD Committee Meetings

Committee	Session	Date	Agenda Type	Agenda Item	Approval Status	Approval Ratio
Audit Committee	1st	Feb 5, 2025	Approval	1. Amendments to Internal Accounting Control regulations	Approved	100%
				2. Prior approval of non-audit services provided by the external auditor to the company's parent company	Approved	100%
			Reported	1. Report on the 2024 External Auditor's Audit Results	-	-
				2. Communication between the governance body and the external auditor in 2024	-	-
	2nd	Feb 24, 2025	Approval	3. Report on 2024 Internal Accounting Control System Operation Status	-	-
				1. Approval of the 2024 Evaluation Report on the Operation of the Internal Control over Financial Reporting	Approved	100%
				2. Approval of the submission of the 24th Audit Report and the review of agenda items and related documents for the 24th Annual General Meeting of Shareholders	Approved	100%
				3. Submission of the Audit Committee's opinion on internal control systems	Approved	100%
			Reported	1. Internal Audit Report (2024 Results and 2025 Plan)	-	-
			Approval	1. Approval of the evaluation results of the pre-vious external auditor's audit activities	Approved	100%
				1. Report on the 2025 Internal Control over Financial Reporting Operation Plan	-	-
	3rd	Apr 25, 2025	Reported	2. Report on the 2025 Audit Committee Plan	-	-
			Approval	1. Approval of the 2025 External Audit Plan	Approved	100%
	4th	Jul 30, 2025	Reported	1. Report on the 2025 Risk Assessment Results of the Internal Control over Financial Reporting	-	-
				2. Report on the 2025 Changes Management and Design Evaluation Results of the Internal Control over Financial Reporting	-	-
				3. Report on the 2025 1H Cash Management Review Results	-	-
				4. Communication with the external auditor for 2025 1H	-	-
			Approval	1. Prior approval of non-audit services provided by the external auditor to the parent company	Approved	100%
				1. Report on the 2025 1H Internal Control over Financial Reporting Operation	-	-
			5th	Oct 24, 2025	Reported	2. Report on the 2025 Q3 Changes Management of the Internal Control over Financial Reporting
	Approval	1. Consent for the appointment and dismissal of the head of the Audit Committee support unit			Approved	100%
	6th	Dec 23, 2025	Reported	1. Report on the 2025 Q4 Changes Management Results of the Internal Control over Financial Reporting	-	-
				2. Report on the 2025 2nd Internal Control over Financial Reporting Evaluation Results	-	-
			Approval	3. Report on the 2025 2H Cash Management Review Results	-	-
Compensation Committee	1st	Feb 5, 2025	Approval	1. Amendment to the Director Remuneration Regulations	Approved	100%
		2. Approval of the Director Remuneration Limit		Approved	100%	
	2nd	Jul 30, 2025	Approval	1. Amendment to the Director Remuneration Regulations	Approved	100%
Related Party Transactions Committee	1st	Feb 24, 2025	Reported	1. Report on the 2024 Counterparty Selection Criteria Operation Status	-	-
ESG Committee	1st	Oct 24, 2025	Reported	1. Introduction of ESG Management	-	-
				2. Key Activities in 2025	-	-
				3. Key Upcoming Issues	-	-

Board of Directors

BOD and Committee Operation

BOD Training

HME provides BOD training to support directors’ expertise and responsible decision-making. The company provides directors with information on key business environments, including industry trends and changes in laws and regulations, enabling the BOD to conduct in-depth reviews and make informed decisions on key issues.

BOD Training Programs

Date	Training Program
2025.11.27	· Global Economic Outlook amid Changes in the Global Business Environment
2025.11.27	· Domestic and Global Trends and Key Considerations for the Audit Committee in 2026 · Amendments to the Commercial Act and measures to enhance accounting transparency

Performance Evaluation of the BOD and Management

BOD Evaluation

HME conducts an annual BOD evaluation to enhance the effectiveness and accountability of its operations. The evaluation covers the BOD, its committees, and Outside Director activities, and is conducted through a self-assessment process involving BOD members. It consists of 32 questions covering topics such as the BOD’s roles and responsibilities, structure, operations, reflection of evaluation results, BOD committees, and outside director activities. The evaluation results are reflected in the following year’s BOD operations and outside director activities and are utilized to continuously improve its effectiveness.

Management Performance Evaluation and Remuneration

HME promotes responsible management based on a performance-based remuneration system. Management remuneration consists of base salary and performance-based pay, with amounts determined based on responsibilities associated with each position and role. Performance-based pay is determined by considering both organizational performance and individual management performance, with key evaluation indicators including business results, organizational management performance, leadership, and contribution to business execution. The company encourages sustainable performance creation through a remuneration system that reflects long-term performance, with the payment eligibility and amount determined based on management performance and the company’s financial performance during a deferral period (three years or more).

Shareholder Protection

Notice of General Meeting of Shareholders

In accordance with relevant laws and the Articles of Incorporation, HME convenes general meetings of shareholders through BOD resolutions. Annual general meetings of shareholders are held within three months after the end of each fiscal year. The company notifies shareholders of the date, venue, and key agenda items of the general meeting at least four weeks before the meeting and enhances shareholder accessibility by disclosing the information through the electronic disclosure system and the company website. Key information is provided in advance to allow shareholders to review the information necessary to exercise their voting rights. The company also discloses the results of general meetings to maintain transparent communication with shareholders.

Status of Issued Stocks (As of December 31, 2025)			
Category	Authorized Shares	Shares Issued	Issued Share Ratio
Common Stock	700,000,000	33,921,495	4.85%

Shareholding Structure (As of December 31, 2025)		
Shareholder	Number of Shares Owned	Percentage
HD Korea Shipbuilding & Offshore Engineering Co., Ltd.	11,888,844	35.05%
National Pension Service	2,705,653	7.98%
Kang Young	6,530	0.02%
Yeo In-pyo	2,075	0.01%
Choi Cheol-gon	3,000	0.01%

Exercise of Shareholder Voting Rights

HME follows the one-share, one-vote principle under its Articles of Incorporation, supporting the fair exercise of shareholder rights. A system is in place to allow electronic voting, enabling shareholders to cast votes online. Proxy voting through a power of attorney is also permitted for their convenience. In addition, general meetings of shareholders are scheduled outside peak dates to encourage broader participation.

Communication with Shareholders

HME provides timely access to key management updates and disclosure information through the electronic disclosure system and its website, improving shareholders’ access to information. Major decisions are shared at general meetings of shareholders, and communication channels are available to ensure shareholder feedback can be reflected in business management. In addition, quarterly earnings presentations and IR materials are regularly made available on the website, while an IR inquiry channel allows investors to ask questions about the company’s business at any time. Through these efforts, HME maintains open communication with shareholders and enhance transparency in its business operations.

Ethics & Compliance

Governance Roles and Responsibilities

Ethics and Compliance Management Organization

HME establishes policies and implementation directions for ethics and compliance management under the leadership of the CEO and maintains a company-wide management system to promote ethical and compliant business practices. The Audit Committee under the BOD serves as the highest-level oversight body for ethics management and anti-corruption systems, reviewing and overseeing related policies and overall operations. Relevant departments are responsible for establishing, revising, and managing ethics and compliance regulations, identifying and monitoring compliance risks, and providing training and awareness programs for employees. Potential legal and ethical risks arising from major business activities and decision-making processes are reviewed in advance, while internal reporting channels are maintained to investigate and respond to unethical or illegal activities.

Ethics and Compliance Management Organizational Structure

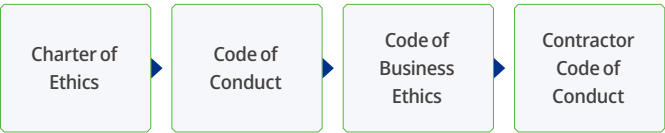


Ethics and Compliance Management Direction

HD Hyundai Group's Ethics Management Framework

HME's ethics management is implemented based on HD Hyundai Group's ethical standards, including the Charter of Ethics and Code of Conduct. To establish a systematic and practical ethics management framework, the company conducts ethics management practice programs and enhances employees' awareness of ethical values through training and communication activities.

HD Hyundai Ethical Standards



Charter of Ethics

HME conducts its business activities based on the HD Hyundai Charter of Ethics. The Charter of Ethics establishes key principles, including compliance with laws and regulations, transparent management, customer value creation, shareholder value enhancement, fair trade and a sound corporate culture, fulfillment of social responsibilities, fair opportunities for employees, and a safe working environment. Through these principles, the company pursues sustainable growth based on trust with stakeholders.

[HME Charter of Ethics](#)

Code of Conduct

HME is committed to embedding the behavioral standards and ethical decision-making principles set out in HD Hyundai's Code of Conduct. Based on the Contractor Code of Conduct, the company shares relevant standards with contractors to ensure that ethical and compliance principles are followed throughout business transactions, while promoting a fair and transparent business culture.

Risk Management Activities and Performance

Prevention of Violations of the Code of Conduct

HME conducts various activities for employees to prevent and manage potential violations of the Code of Conduct. Regular self-assessments on ethics management compliance are conducted to proactively review ethics and compliance risks and identify potential violations at an early stage. Employees are encouraged to make commitments to compliance through ethics practice pledges, fostering a corporate culture based on ethical responsibility.

At the same time, the company gathers feedback from business units on challenges and areas for improvement related to ethics and compliance through on-site listening activities. By monitoring the implementation of follow-up actions, HME promotes improvements to establish an effective ethics management system.

HME Ethics Management Practice

Pledge for Ethical Management	Employees and contractors are required to submit an annual ethics management practice pledge.
Conflict of Interest Disclosure	Employees of HME and contractors are required to submit a conflict of interest disclosure form annually.
Ethical Holiday Campaign	Before each holiday, HME sends letters to contractors requesting them to refrain from providing gifts or valuables. Employees are also informed that accepting gifts from stake-holders is prohibited. Any gifts received from stakeholders are returned or donated to social welfare organizations.
Ethics Management Compliance Self-Assessment	Conduct self-assessments on ethics management compliance through questionnaires.
On-site Listening for Ethical Practice	Collect feedback on areas requiring improvement from business units and monitors the implementation of improvement actions.
Ethics Management Training and Promotion	Provide annual ethics management training sessions and online training, and publishes eth-ics management promotional videos.

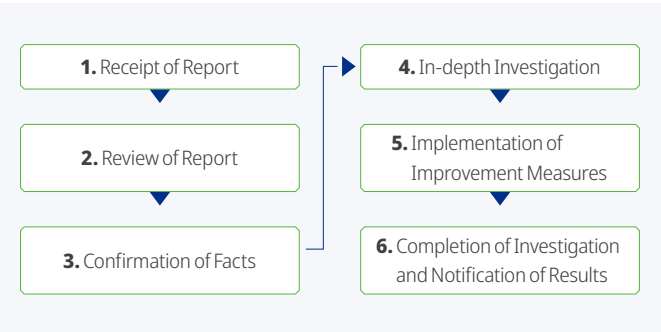
Ethics & Compliance

Risk Management Activities and Performance

Ethics Management Reporting Channels

HME receives reports on violations of ethical standards and applicable laws through an online reporting channel available 24/7 on the Group’s integrated ethics management website. Through this channel, stakeholders can report unethical conduct, and various reporting channels, including phone and fax, are also available to facilitate reporting. In addition, HME maintains protection and reward systems to ensure that the identity of reporters and the details of reports are strictly kept confidential. The company protects reporters from any disadvantage or discrimination arising from legitimate reports. For cases in which the reports contribute to preventing losses or reducing costs, the reporters are rewarded in accordance with internal guidelines.

Procedures for Handling Unethical Conduct Reports



Grievance Counseling Channel

HME’s grievance counseling channels address unethical conduct in the workplace and resolve concerns raised by employees and in-house contractors. The channels receive reports of sexual harassment, gender discrimination, and workplace harassment, listen to the affected individuals, and provide counseling support. Monitoring is also conducted to prevent secondary harm. In addition, the company reviews disciplinary actions against perpetrators and establishes response measures to prevent similar incidents from recurring.

Ethics and Compliance-based HR Management and Disciplinary System

HME incorporates ethics-related elements into its performance evaluation and promotion systems to embed an ethics and compliance culture throughout the organization. Employee competency evaluations include ethics and compliance-related criteria, and ESG ethics management items have been mandatory components of MBO evaluations for managers at the team leader level and above since 2026. When violations of ethical standards occur, deductions may be applied to performance evaluations and promotion review scores to reflect ethical responsibility and compliance awareness within the HR system.

In cases of unethical conduct, the company convenes a HR (Disciplinary) Committee to review the matter based on its severity. HME takes principled actions through a range of disciplinary measures, from minor disciplinary actions such as warnings and reprimands to more severe measures such as salary reductions and dismissal.

Employee Ethics and Compliance Training

HME provides regular training programs to raise employees’ ethical awareness and compliance capabilities. Annual ethics management video training is provided once a year, while regular compliance training is conducted twice a year (once in the first/second half of the year) under the leadership of HDKSOE’s Compliance Management Office. Through these programs, employees improve their understanding of legal compliance requirements and key risks. Customized compliance training is provided for employees responsible for medium- or higher-risk areas to enhance compliance capabilities based on their roles.

Ethics and Compliance Training

Category	Agenda	Assessment Cycle	Participants
Compliance Leader Training	Conducts offline group training sessions for compliance practice leaders	Once a year	Permanent employees
First and Second Half Compliance Training	Provides online training for all employees (offline training is also provided for employees who have difficulty accessing online training)	Twice a year	Permanent employees, contract employees, dispatched employees, and subsidiaries (HCS)
Other Training	Provides offline compliance training upon request for departments with medium or higher risks identified through risk assessments or departments related to relevant business activities	As needed	Requesting departments and related departments

Anti-corruption Risk Assessment

HME conducts regular anti-corruption risk assessments to proactively identify and prevent corruption and compliance risks. Departments at the head office and Daegu Plant review potential anti-corruption and fair trade risks that may arise during business activities through self-assessments using questionnaires and checklists. During the assessment process, risk levels are identified based on the likelihood and severity of occurrence, and residual risks are evaluated by considering existing control measures. Based on the assessment results, HME identifies improvement tasks and establishes response strategies to continuously prevent corruption and compliance risks and improve its internal control system.

Compliance Promotion Initiatives

HME organizes various initiatives to enhance employees’ ethics and compliance awareness and promote a compliance culture across the organization. To encourage employee interest and participation, the company conducts compliance quizzes and regularly publishes compliance newsletters and infographics to share key compliance issues and related information. Since 2026, compliance leaders have been appointed in each department to facilitate the sharing of monthly compliance updates and key issues throughout the organization.

Compliance Control Standards

HME pursues fair and transparent business practices through compliance with relevant laws and regulations and the practice of ethical management. To this end, the company has established and operates the Compliance Control Standards in accordance with Group guidelines. HME monitors changes in key laws and regulations and conducts review activities to proactively identify and manage compliance risks. The company also responds promptly to violations in accordance with the standards and procedures, while continuing to prevent compliance risks and improve internal control systems.

Appointment of Compliance Officer

HME has appointed a Compliance Officer to ensure the effective implementation of its compliance management system and enhance internal controls. The Compliance Officer oversees company-wide compliance activities, including the operation and monitoring of compliance control standards, risk assessments, and training for employees. The company also continuously manages internal regulations and standards in response to changes in relevant laws and regulations.

Key Activities of the Compliance Officer

Category	Activities and Performance
Monitoring and Training	Compliance risk assessment
	Compliance training for purchasing personnel
	Compliance training in the first and second half of 2025
Other Compliance Control Activities	Company-wide distribution of the revised Fair Trade Compliance Manual (Subcontracting Section) reflecting amendments to fair trade-related laws and regulations and the latest cases
	Monthly distribution of compliance issues and trend reports

Information Security

Governance Roles and Responsibilities

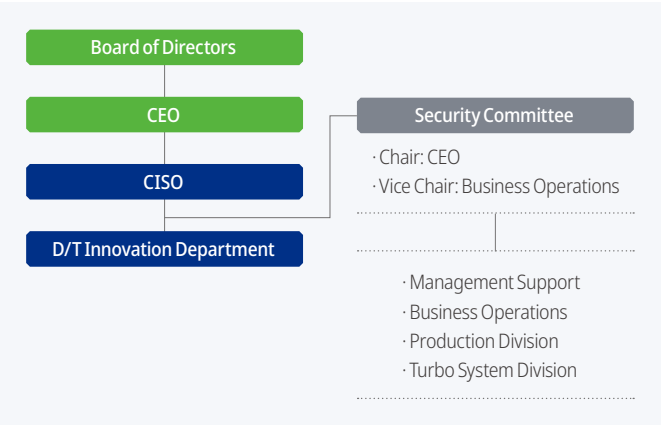
Role of the Senior Management

HME’s management is responsible for establishing and maintaining the information security and privacy protection systems. The Chief Information Security Officer (CISO) and Chief Privacy Officer (CPO) oversee related matters. The CISO is responsible for managing the information security organization, establishing plans, managing risks, and conducting training and inspection activities, while the CPO oversees the internal management plans for privacy protection, personal information processing and management, and handling of complaints and damage compensation.

Role of Working-Level Departments

HME’s D/T Innovation Department carries out overall information security activities, including implementing information security policies and guidelines, identifying and responding to risks, controlling system access and managing user privileges, and conducting security vulnerability assessments. The department also provides security and privacy protection training for employees and maintains security incident prevention and response systems to continuously manage and improve the company-wide security level.

Information Security Organizational Structure



Information Security Strategy

Establishment and Revision of Information Security Regulations

HME establishes and maintains security management guidelines to respond to domestic and international security laws and regulations, while defining company-wide security management standards. The guidelines include standards for information asset protection, system access control, personal information processing, and physical security, enabling the company to maintain a consistent security management framework. In addition, HME reviews the guidelines regularly by comprehensively reflecting amendments to relevant laws and regulations, security level assessment results, vulnerability analyses and simulated inspections, and security incident response cases. Through these efforts, the company proactively responds to changing security environments and regulatory requirements and improves its company-wide security capabilities.

Information Security Training

HME provides regular security training to raise employees’ awareness and prevent risks. The training covers security policies and guidelines, privacy protection, and the latest security threat cases, helping employees understand and follow security standards required in their daily work.

Security Training Programs

Training Program	Agenda
Security training for new employees	Security rules, the practice of security commitment, and confidential business information
Department security managers	(Detailed) internal security regulations and use of the security portal system
Privacy protection training	Laws related to personal information, measures to secure safety, procedures of response to information leakage
Training in security change management	Shift of perception on security, screen watermark, and precautions when using a business laptop
Monthly security training	Monthly training on “Security Day” (security measures related to email, documents, and in everyday life)
Training for prospective retirees	Procedures to review security for prospective retirees, compliance with the protection of national core technology and confidential business information

Risk Management Activities and Performance

Simulated Hacking and Vulnerability Analysis

HME conducts security vulnerability assessments on a regular basis in response to increasingly sophisticated cyberattacks and information leakage threats. Based on identified improvement tasks, the company continuously improves its security level. Through security assessments, HME identifies vulnerabilities across systems and business environments and implements measures to maintain a stable information security framework. The company also organizes security training and exercises, including simulated phishing email drills, to enhance employees’ security awareness. Customized guidance and training are provided based on the results to improve security response capabilities across the company.

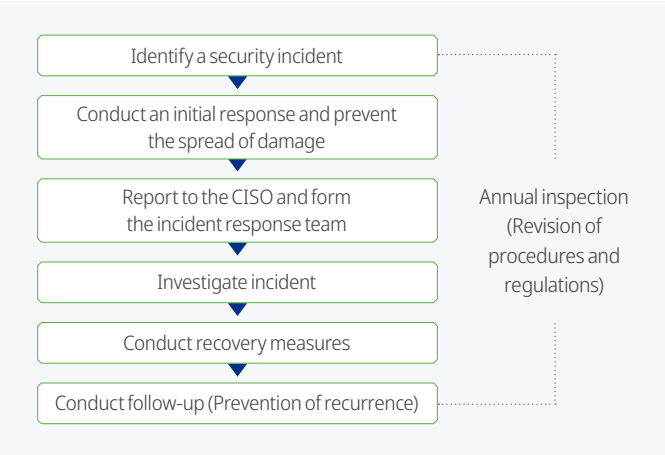
Security Assessment Areas

Category	Items
Management security (40 items)	- Establishment and revision of security regulations - Development of an annual business plan - Commitment to security pledge, security activities, security training, etc.
Physical security (43 items)	- Designation of protected areas and management of access authorization - Operation of security guards and access control procedures - Installation, operation, and management of CCTVs
IT security (47 items)	- Control of access to servers and databases, security management - Security incident response procedures and team - Confirmation of protection level of IT assets
Privacy protection (52 items)	- Establishment of privacy protection management team and an annual plan for privacy protection - Collection, use, provision, and destruction of personal information - Check on the existence of mandatory safety measures for private information
Technology security (2 areas)	- Inspection of vulnerabilities in servers, network equipment, etc. - Third-party penetration testing of a publicly accessible web system (such as company website)

Responses to Security Incidents

HME monitors security events and system logs in response to security incidents and threats, while regularly reviewing abnormal activities. As part of its incident prevention activities, the company conducts daily black-list updates and monthly traffic analysis to proactively identify potential threats. When security events occur or reports are received from employees, HME takes prompt action through a response system consisting of relevant departments and system owners. In the event of a security incident, the company analyzes the cause and progress of the incident, implements system recovery and corrective measures, and prevents recurrence.

Response Process in Case of Incident



Privacy Protection

HME recognizes the importance of personal information protection and collects, uses, and manages personal information in compliance with the laws and regulations. Personal information is only processed within the scope necessary for its intended purpose, and technical and administrative measures are implemented to ensure secure management and protection. HME also maintains an internal management system to prevent privacy violations and misuse, maintaining and improving the level of privacy protection.



ESG Factbook

154 Summary of Financial Data

156 Environmental

163 Social

171 Governance

174 HD Hyundai Marine Engine

181 Other Subsidiaries

Summary of Financial Data

Economic

Summary of Consolidated Financial Statements

(Unit: KRW million)

Title of Account	50th Reporting Period (FY2023)	51st Reporting Period (FY2024)	52nd Reporting Period (FY2025)
Current assets	17,735,127	20,431,356	23,424,478
Cash and cash equivalents	3,018,391	3,717,319	3,742,016
Short-term financial assets	1,595,619	1,922,179	4,434,581
Trade and other receivables	1,460,129	1,640,343	1,812,030
Contract assets	7,156,818	7,503,004	7,738,830
Inventories	2,005,665	2,232,067	2,765,843
Other current assets	2,498,505	3,416,444	2,931,178
Non-current assets	14,507,441	16,287,781	16,117,735
Investments in associates and joint ventures	308,959	256,615	206,178
Long-term financial assets	232,714	141,591	139,177
Investment properties	218,330	216,566	130,204
Tangible assets	10,503,503	11,110,890	12,025,455
Intangible assets	190,793	374,651	519,011
Other non-current assets	3,053,142	4,187,468	3,097,710
Total assets	32,242,568	36,719,137	39,542,213
Current liabilities	17,497,867	19,325,058	20,010,814
Non-current liabilities	2,374,598	3,238,266	2,623,046
Total liabilities	19,872,465	22,563,324	22,633,860
Capital stock	353,866	353,866	353,866
Capital surplus	2,459,695	2,599,782	3,016,775
Capital adjustments	(8,609,897)	(8,609,021)	(8,608,785)
Accumulated other comprehensive income	1,325,568	1,670,921	1,856,692
Retained earnings	14,374,459	15,083,879	16,667,530
Non-controlling interests	2,466,412	3,056,386	3,662,275
Total equity	12,370,103	14,155,813	16,908,353
Valuation method for the stocks of associates and joint ventures	Equity method	Equity method	Equity method

HHI merged with HMD on December 1, 2025. The data related to financial statements were calculated based on the merged entity as of the year-end reporting date.
Period performance indicators, including the P&L (Profit&Loss) and cash flow statement, include one month of HMD's financial results prior to the merger.

Summary of Consolidated P&L (Profit & Loss) Statement

(Unit: KRW million)

Title of Account	50th Reporting Period (FY2023)	51st Reporting Period (FY2024)	52nd Reporting Period (FY2025)
Sales	21,296,206	25,538,577	29,933,215
Operating profit (loss)	282,261	1,434,090	3,904,490
Profit (loss) for the year	144,930	1,454,580	2,928,395
Equity attributable to owners of parent	221,711	1,172,336	2,168,412
Non-controlling interests	(76,781)	282,244	759,983
Total comprehensive income (loss)	(11,608)	1,274,836	3,196,207
Equity attributable to owners of parent	103,218	1,054,773	2,356,352
Non-controlling interests	(114,286)	220,063	839,855
Earnings per share (loss) (KRW)	3,135	16,578	30,664
No. of consolidated subsidiaries	19	25	26

HHI merged with HMD on December 1, 2025. The data related to financial statements were calculated based on the merged entity as of the year-end reporting date.
Period performance indicators, including the P&L (Profit&Loss) and cash flow statement, include one month of HMD's financial results prior to the merger.

Economic

Financial Highlights for the Group Companies¹⁾

Category	Unit	HDKSOE			HHI			HSHI		
		2023	2024	2025	2023	2024	2025	2023	2024	2025
Sales	KRW 100 mil.	2,699	5,168	14,938	119,639	144,865	175,806	59,587	70,031	80,714
Operating profit (loss)	KRW 100 mil.	(116)	173	7,006	1,786	7,052	20,375	3,017	7,236	13,628
Profit (loss) for the year	KRW 100 mil.	3,015	1,656	6,143	247	6,215	14,155	2,112	6,841	10,015
Total assets	KRW 100 mil.	117,742	120,573	129,011	171,336	193,909	261,630	74,573	83,862	79,522
Total liabilities	KRW 100 mil.	2,447	3,767	11,601	119,162	136,865	168,214	56,256	59,011	49,336
Total equity	KRW 100 mil.	115,296	116,805	117,410	52,074	57,044	93,416	18,318	24,851	30,186
Debt ratio	%	2.12	3.23	9.88	229.0	239.9	180.0	307.1	237.5	163.4
Net debt-to-equity ratio ²⁾	%	-	-	-	39.8	-	-	-	-	-
Operating margin	%	-4.3	3.3	46.9	1.5	4.9	11.6	5.4	10.3	16.9
Return on assets	%	2.6	1.4	4.8	0.1	3.2	5.4	2.8	8.2	12.6

1) Financial data of HDKSOE and HSHI are on a separate basis, while those of HHI are on a consolidated basis.

2) As it is a negative (-) ratio, the net debt-to-equity ratio is not calculated.

Distribution to Stakeholders

Category	Unit	HDKSOE			HHI			HSHI		
		2023	2024	2025	2023	2024	2025	2023	2024	2025
Employees	Personnel expenditure	KRW 100 mil.	1,133	1,512	1,937	10,536	12,335	15,336	4,050	4,651
Contractors	Cost for raw material procurement ¹⁾	KRW 100 mil.	-	-	-	73,230	84,391	97,155	36,712	39,314
Shareholder and investor	Interest expense	KRW 100 mil.	42	62	195	1,319	1,497	965	377	292
	Dividend	KRW 100 mil.	0	0	5,869	0	0	3,339	52	52
Government	Corporate tax (profit)	KRW 100 mil.	(2,398)	491	(685)	97	1,766	3,854	973	2,051
	Tax and public imposts	KRW 100 mil.	14	13	14	28	27	35	23	28
Local community	Community Investment	KRW 100 mil.	48	28	979	59	432	461	32	73

1) HHI's major vendors for raw materials: POSCO Co., Ltd., Hyundai Steel Co., Ltd., Honeywell Korea Co., Ltd., SFF Korea Co., Ltd., etc.

HSHI's major vendors for raw materials: POSCO Co., Ltd., Hyundai Steel Co., Ltd., HD Hyundai Heavy Industries Co., Ltd., etc.

Environmental

HHI merged with HMD on December 1, 2025. Accordingly, the data below have been calculated on a basis that includes HMD. The 2023–2024 data were prepared on a standalone basis for HHI. As a result, year-over-year comparisons for certain indicators may be limited. Where additional explanation is required, it is provided in the relevant footnotes.

Raw Materials ¹⁾

Category	Unit	HDKSOE			HHI			HSHI		
		2023	2024	2025	2023	2024	2025	2023	2024	2025
Steel purchase amount	KRW mil.	-	-	-	1,234,824	1,188,358	1,110,599	863,679	793,265	848,417
Recycled steel purchase amount	KRW mil.	-	-	-	52,618	47,394	42,074	38,582	43,334	31,250

1) Based on steel (excluding equipment and outfitting materials)

Violations of Environmental Laws ¹⁾

Category	Unit	HDKSOE			HHI			HSHI		
		2023	2024	2025	2023	2024	2025	2023	2024	2025
No. of significant violations of environmental laws	Cases	0	0	0	0	0	0	0	0	0
Total monetary sanctions for significant violations of environmental laws	KRW mil.	0	0	0	0	0	0	0	0	0

1) Only significant fines (over USD 10,000 fines imposed on confirmed major violations) are indicated

HHI merged with HMD on December 1, 2025. Accordingly, environmental data have been calculated to reflect the change in the reporting boundary.
Pre-merger data represent HHI on a standalone basis, while post-merger data represent the simple aggregate of HHI's and HMD's data for the most recent three years.

Patents Related to Environmental Impact Reduction

Category	Unit	HDKSOE			HHI						HSHI		
					Pre-merger			Post-merger					
		2023	2024	2025	2023	2024	2025	2023	2024	2025	2023	2024	2025
Patent application related to environmental impact reduction technologies	Cases	187	338	455	220	310	282	233	346	307	-	110	194
Patent registration related to environmental impact reduction technologies	Cases	22	41	113	60	89	136	61	95	145	-	9	68

Water Pollutants¹⁾

Category	Unit	HDKSOE			HHI						HSHI		
					Pre-merger			Post-merger					
		2023	2024	2025	2023	2024	2025	2023	2024	2025	2023	2024	2025
Total Organic Carbon	kg	-	-	-	172	325	156	186	336	177	1.5	1.2	1.5
Biochemical Oxygen Demand	kg	-	-	-	75	50	38	91	59	45	1.3	0.7	0.6
Suspended Solids	kg	-	-	-	65	165	179	77	171	185	0.4	0.9	0.2

1) HDKSOE: Ulsan Research Building
HHI: Emissions have been recalculated due to the expanded disclosure boundary of business sites, resulting in changes from the figures reported in the 2024 Sustainability Report.
- Pre-merger: Head office (main plant), Offshore & Engineering Yard, Gunsan Yard, Naengcheon Shop, Naengcheon Piping Fabrication Shop, Munsan Piping Fabrication Shop, Hyundai Incineration Plant
- Post-merger: In addition to the pre-merger business sites, Medium size ship Division (Former HMD main plant), Yongyeon Plant, Onsan Plant, and Mohwa Plant have been included.
HSHI: Head office (main plant)

Air Pollutants¹⁾

Category	Unit	HDKSOE			HHI						HSHI		
					Pre-merger			Post-merger					
		2023	2024	2025	2023	2024	2025	2023	2024	2025	2023	2024	2025
Nitrogen Oxides	kg	- ²⁾	- ²⁾	- ²⁾	38,852	35,824	36,665	43,679	41,551	40,897	10,880	11,958	14,237
Sulfur Oxides	kg	- ²⁾	- ²⁾	- ²⁾	2,519	2,654	4,089	3,494	2,902	4,240	2,472	1,738	2,828
Total Suspended Particulate	kg	25	31	15	34,598	35,282	28,046	44,992	41,285	33,460	21,386	15,800	12,322

1) In accordance with the integrated reporting standards for HD Hyundai affiliates, calculations of pollutant concentration, exhaust gas flow rates, and facility operating time are all taken into account when calculating air pollutants
HDKSOE: Ulsan Research Building
HHI: Emissions have been recalculated due to the expanded disclosure boundary of business sites, resulting in changes from the figures reported in the 2024 Sustainability Report.
- Pre-merger: Head office (main plant), Offshore & Engineering Yard, Gunsan Yard, Pipe Painting Shop, Hyundai Incineration Plant
- Post-merger: In addition to the pre-merger business sites, Medium size ship Division (Former HMD main plant), Yongyeon Plant, Onsan Plant, and Mohwa Plant have been included.
HSHI: Head office (main plant)

2) A hyphen (–) is used because the relevant facilities were confirmed not to qualify as emission facilities under applicable laws and regulations.

Environmental

HHI merged with HMD on December 1, 2025. Accordingly, environmental data have been calculated to reflect the change in the reporting boundary.
Pre-merger data represent HHI on a standalone basis, while post-merger data represent the simple aggregate of HHI's and HMD's data for the most recent three years.

Environmental Training for Employees

Category	Unit	HDKSOE			HHI						HSHI		
					Pre-merger			Post-merger					
		2023	2024	2025	2023	2024	2025	2023	2024	2025	2023	2024	2025
No. of trained employees ¹⁾	Persons	1,058	1,322	1,468	11,157	13,127	12,973	13,715	15,866	16,770	0	12,596	11,537

1) HDKSOE: Training programs for chemical substance handlers
HHI/HSHI: Based on chemical substance training for employees at facilities handling hazardous chemicals in accordance with the Chemical Substances Control Act

Scope 1 & 2 Emissions ^{1), 2)}

Category	Unit	HDKSOE			HHI						HSHI			
					Pre-merger			Post-merger						
		2023	2024	2025	2023	2024	2025	2023	2024	2025	2023	2024	2025	
Market-based	Total emissions (Scope 1+2)	tCO ₂ eq	7,286	8,408	8,441	639,878	671,156	660,160	802,978	838,069	826,449	266,223	276,469	272,844
	Emission intensity	tCO ₂ eq/KRW bil.	26.994	16.269	5.651	53.511	46.362	37.574	- ⁴⁾	- ⁴⁾	- ⁴⁾	44.678	39.478	33.804
	Direct emissions (Scope 1)	tCO ₂ eq	2,862	3,201	3,254	276,779	309,407	299,051	333,901	366,517	354,784	113,555	118,736	115,534
	Indirect emissions (Scope 2)	tCO ₂ eq	4,424	5,207	5,187	363,104	361,755	361,116	469,086	471,562	471,676	152,670	157,737	157,310
Location-based	Total emissions (Scope 1+2)	tCO ₂ eq	7,286	8,408	8,441	639,878	671,156	660,749	802,978	838,069	827,296	266,223	276,469	272,844
	Emission intensity	tCO ₂ eq/KRW bil.	26.994	16.269	5.651	53.511	46.362	37.608	- ⁴⁾	- ⁴⁾	- ⁴⁾	44.678	39.478	33.804
	Direct emissions (Scope 1)	tCO ₂ eq	2,862	3,201	3,254	276,779	309,407	299,051	333,901	366,517	354,784	113,555	118,736	115,534
	Indirect emissions (Scope 2)	tCO ₂ eq	4,424	5,207	5,187	363,104	361,755	361,705	469,086	471,562	472,523	152,670	157,737	157,310
Total reduction (Scope 1+2) ³⁾		tCO ₂ eq	-	-	-	8,071	12,342	16,061	10,672	13,823	16,664	0	0	0
Direct reduction (Scope 1)		tCO ₂ eq	-	-	-	566	5,840	9,080	2,060	6,017	9,339	0	0	0
Indirect reduction (Scope 2)		tCO ₂ eq	-	-	-	7,505	6,502	6,981	8,613	7,806	7,325	0	0	0

1) HDKSOE: GRC Headquarters, Ulsan Research Building, Seoul Gyedong Office, Seamarq Hotel
HHI: All business sites
HSHI: All business sites
2) There may be some slight discrepancies in the total emissions amount due to the truncation of emissions from each business site to whole numbers.
3) Figures are based on the standards applied in the submission of the greenhouse gas emissions statement.
4) A hyphen (-) is used to account for differences in the basis for calculating emissions and revenue resulting from the timing of the merger.

Environmental

HHI merged with HMD on December 1, 2025. Accordingly, environmental data have been calculated to reflect the change in the reporting boundary. Pre-merger data represent HHI on a standalone basis, while post-merger data represent the simple aggregate of HHI's and HMD's data for the most recent three years.

Scope 3 Emissions¹⁾

Category	Unit	HDKSOE			HHI ²⁾						HSHI		
					Pre-merger			Post-merger					
		2023	2024	2025 ⁶⁾	2023	2024	2025	2023	2024	2025	2023	2024	2025
Total Scope 3 emissions ³⁾	tCO ₂ eq	115,968	859,847	2,312,334	56,118,291	63,052,869	62,970,375	81,816,343	91,823,815	80,481,886	37,519,464	40,147,729	43,893,377
Upstream emissions	tCO ₂ eq	17,395	40,970	204,084	3,055,146	3,500,753	3,274,599	4,246,475	4,728,250	4,432,183	2,297,032	2,157,089	2,632,335
Category 1. Purchased products and services	tCO ₂ eq	14,346	34,747	196,573	2,890,103	3,317,675	3,083,886	4,008,043	4,463,990	4,190,276	2,234,450	2,057,399	2,535,916
Category 2. Capital goods ⁴⁾	tCO ₂ eq	1,051	1,261	1,389	24,263	15,529	15,332	30,172	19,967	18,869	6,707	6,861	4,872
Category 3. Fuel and energy-related activities	tCO ₂ eq	379	1,115	1,109	49,445	79,378	78,711	61,181	100,163	99,573	19,209	32,595	32,591
Category 4. Upstream transportation and distribution	tCO ₂ eq	209	438	2,013	62,152	57,110	60,841	90,020	83,530	81,802	8,505	10,018	9,806
Category 5. Waste generated in operations	tCO ₂ eq	76	30	12	13,254 ⁵⁾	13,027 ⁵⁾	18,489 ⁵⁾	36,306 ⁵⁾	37,414 ⁵⁾	21,438 ⁵⁾	17,507	39,840	37,869
Category 6. Business travel	tCO ₂ eq	754	2,553	1,903	3,614	4,547	5,030	4,230	5,425	5,954	469	686	1,006
Category 7. Employee commuting	tCO ₂ eq	580	826	1,085	12,315	13,487	12,310	16,523	17,761	14,271	10,185	9,690	10,275
Category 8. Upstream leased assets	tCO ₂ eq	-	-	-	-	-	-	-	-	-	-	-	-
Downstream emissions	tCO ₂ eq	98,573	818,877	2,108,250	53,063,145	59,552,116	59,695,776	77,569,868	87,095,565	76,049,703	35,222,432	37,990,640	41,261,042
Category 9. Downstream transportation and distribution	tCO ₂ eq	-	-	-	-	-	-	-	-	-	-	-	-
Category 10. Processing of sold products	tCO ₂ eq	-	-	-	-	-	-	-	-	-	-	-	-
Category 11. Use of sold products	tCO ₂ eq	76,190	808,166	2,092,307	53,058,683	59,538,675	59,674,739	77,563,877	87,079,940	76,026,793	35,218,698	37,987,468	41,257,747
Category 12. End-of-life treatment of sold products	tCO ₂ eq	2	6	110	4,462	5,245	5,183	5,991	7,429	7,056	3,734	3,172	3,295
Category 13. Downstream leased assets	tCO ₂ eq	-	-	-	-	-	-	-	-	-	-	-	-
Category 14. Franchises	tCO ₂ eq	-	-	-	-	-	-	-	-	-	-	-	-
Category 15. Investments	tCO ₂ eq	22,381	10,705	15,833	-	8,196	15,854	-	8,196	15,854	-	-	-

1) Scope 3 emissions for 2023–2025 were calculated using a methodology jointly developed by HD KSOE and its shipbuilding subsidiaries, domestic and international classification societies, and domestic shipbuilders; third-party assurance was provided by Korean Foundation for Quality (KFQ). (However, some methodologies and boundaries may vary depending on each company's circumstances, and additional changes may occur during the ongoing standardization of the Scope 3 calculation methodology and updates to global guidelines.)

2) For the post-merger basis, HHI's 2025 Scope 3 emissions were calculated excluding emissions attributable to intercompany transactions between HHI and HMD.

3) Total emissions may differ slightly from the sum of individual categories due to rounding of category-level emissions to whole numbers.

4) Capital goods emissions are calculated based on the investment or acquisition amounts of major facilities disclosed in the Annual Report; therefore, year-to-year fluctuations may occur.

5) HHI incinerates some of the wastes from its business sites internally in addition to outsourcing waste disposal to third parties. The resulting GHG emissions are reflected in Scope 1 and 2.

6) There was an increase in emissions compared to the previous year due to growth in business activities and sales of the SD division.

HHI merged with HMD on December 1, 2025. Accordingly, environmental data have been calculated to reflect the change in the reporting boundary.
Pre-merger data represent HHI on a standalone basis, while post-merger data represent the simple aggregate of HHI's and HMD's data for the most recent three years.

Energy¹⁾

Category	Unit	HDKSOE			HHI						HSHI		
					Pre-merger			Post-merger					
		2023	2024	2025	2023	2024	2025	2023	2024	2025	2023	2024	2025
Total energy consumption ²⁾	TJ	149	172	173	11,511	11,891	11,678	14,416	14,900	14,704	4,552	4,802	4,724
Non-renewable energy consumption	TJ	149	172	172	11,515	11,893	11,665	14,426	14,906	14,690	4,552	4,802	4,724
Direct energy consumption	TJ	57	62	63	3,700	4,075	3,838	4,396	4,793	4,553	1,365	1,509	1,437
Indirect energy consumption	TJ	92	110	109	7,815	7,818	7,827	10,030	10,113	10,137	3,190	3,296	3,287
Electricity consumption	TJ	90	107	106	7,588	7,558	7,544	9,802	9,852	9,854	3,190	3,296	3,287
Steam/heat consumption	TJ	2	3	4	227	260	283	227	260	283	0	0	0
Renewable energy consumption	TJ	0.3	0.5	0.6	2	2	18	2	2	24	0	0	19
Percentage of renewable energy	%	0.201	0.291	0.337	0.017	0.017	0.154	0.014	0.016	0.163	0	0	0.411
Total energy consumption intensity	TJ/KRW bil.	0.552	0.333	0.116	0.963	0.821	0.665	- ³⁾	- ³⁾	- ³⁾	0.764	0.686	0.585
Percentage of eco-friendly vehicles owned	%	2.273	2.381	2.439	0.611	4.489	5.369	1.824	5.229	6.372	7.95	14.575	16.735

1) HDKSOE: GRC Headquarters, Ulsan Research Building, Seoul Gyedong Office, Seamarq Hotel
HHI: All business sites
HSHI: All business sites
2) Energy consumption by business site may be truncated to whole numbers, which could result in slight discrepancies in the total.
3) A hyphen (–) is used to account for differences in the basis for calculating emissions and revenue resulting from the timing of the merger.

Environmental Investments

Category	Unit	HDKSOE			HHI						HSHI		
					Pre-merger			Post-merger					
		2023	2024	2025	2023	2024	2025	2023	2024	2025	2023	2024	2025
GHG reduction financial performance	KRW mil.	-	-	-	73	117	167	96	131	173	-	-	70
GHG reduction investment amount	KRW mil.	-	-	-	1,851	1,666	3,040	2,735	3,461	9,016	-	-	6,797

Environmental

HHI merged with HMD on December 1, 2025. Accordingly, environmental data have been calculated to reflect the change in the reporting boundary. Pre-merger data represent HHI on a standalone basis, while post-merger data represent the simple aggregate of HHI's and HMD's data for the most recent three years.

Water Withdrawal¹⁾

Category	Unit	HDKSOE ²⁾			HHI ²⁾						HSHI		
					Pre-merger			Post-merger					
		2023	2024	2025	2023	2024	2025	2023	2024	2025	2023	2024	2025
Total water withdrawal	m ³	18,549	43,732	49,813	3,721,596	3,544,333	3,748,294	5,182,052	4,833,629	4,943,705	2,796,532	2,890,234	2,774,846
Total surface water withdrawal	m ³	0	0	0	0	0	0	0	0	0	0	0	0
Business site 1	m ³	0	0	0	0	0	0	0	0	0	0	0	0
Business site 2	m ³	0	0	0	-	-	-	0	0	0	0	0	0
Business site 3	m ³	-	-	-	0	0	0	0	0	0	-	-	-
Business site 4	m ³	-	-	-	0	0	0	0	0	0	-	-	-
Business site 5	m ³	-	-	-	0	0	0	0	0	0	-	-	-
Total seawater withdrawal	m ³	0	0	0	0	0	0	0	0	0	0	0	0
Business site 1	m ³	0	0	0	0	0	0	0	0	0	0	0	0
Business site 2	m ³	0	0	0	-	-	-	0	0	0	0	0	0
Business site 3	m ³	-	-	-	0	0	0	0	0	0	-	-	-
Business site 4	m ³	-	-	-	0	0	0	0	0	0	-	-	-
Business site 5	m ³	-	-	-	0	0	0	0	0	0	-	-	-
Total Third-party water withdrawal	m ³	18,549	43,732	49,813	3,721,596	3,544,333	3,748,294	5,182,052	4,833,629	4,943,705	2,796,532	2,890,234	2,774,846
Business site 1	m ³	0	25,710	25,216	2,628,351	2,565,970	2,631,319	2,628,351	2,565,970	2,631,319	2,778,732	2,865,226	2,754,538
Business site 2	m ³	18,549	18,022	24,597	-	-	-	1,320,504	1,137,568	1,083,606	17,800	25,008	20,308
Business site 3	m ³	-	-	-	799,936	637,366	768,353	799,936	637,366	768,353	-	-	-
Business site 4	m ³	-	-	-	92,101	107,023	99,796	92,101	107,023	99,796	-	-	-
Business site 5	m ³	-	-	-	201,208	233,974	248,826	341,160	385,702	360,631	-	-	-
Total water withdrawal (intensity)	m ³ /KRW mil.	0.069	0.085	0.033	0.311	0.245	0.213	- 3)	- 3)	- 3)	0.469	0.413	0.344

1) HDKSOE: Compiled from a total of two business sites. “Business Site 1” refers to GRC Headquarters, and “Business Site 2” refers to the Ulsan Research Building. At GRC Headquarters, shared utility consumption was fully attributed to the holding company through 2023. From 2024 onward, the consumption has been allocated to tenant companies based on occupancy, resulting in changes to the reported figures.

HHI: Compiled from a total of five business sites. “Business Site 1” refers to head office (main plant), “Business Site 2” refers to Medium size ship Division (Former HMD main plant), “Business Site 3” refers to Offshore & Engineering Yard, “Business Site 4” refers to Gunsan Yard, “Business Site 5” refers to other business sites.

- Pre-merger Other business sites: GRC, Naengcheon Shop, Naengcheon Piping Fabrication Shop, Pipe Painting Shop, Munsan Piping Fabrication Shop, Ehwa Shop, Hyundai Incineration Plant

- Post-merger Other business sites: In addition to the pre-merger business sites, Yongyeon Plant, Onsan Plant, and Mohwa Plant have been included.

HSHI: Compiled from a total of two business sites. “Business Site 1” refers to head office (main plant), “Business Site 2” refers to the Daebul 1 Plant.

2) Certain figures have been revised from those reported in the 2024 Sustainability Report following a review of the calculation methodology and the recalculation of water withdrawal data due to the expanded disclosure boundary of business sites.

3) A hyphen (-) is used to account for differences in the basis for calculating water withdrawal and revenue resulting from the timing of the merger.

Environmental

HHI merged with HMD on December 1, 2025. Accordingly, environmental data have been calculated to reflect the change in the reporting boundary. Pre-merger data represent HHI on a standalone basis, while post-merger data represent the simple aggregate of HHI's and HMD's data for the most recent three years.

Waste^{1), 2)}

Category				Unit	HDKSOE ³⁾			HHI ³⁾						HSHI		
								Pre-merger			Post-merger					
					2023	2024	2025	2023	2024	2025	2023	2024	2025	2023	2024	2025
Total waste disposed ⁴⁾				ton	239	366	384	263,915	264,858	271,990	297,374	301,567	306,510	84,648	94,632	107,548
General waste	Waste disposed			ton	231	354	377	174,667	180,397	182,106	204,422	212,300	212,601	79,822	82,472	83,925
	Recycled	Internal	ton	0	0	0	0	0	0	0	0	0	0	0	0	0
		Outsourced	ton	207	300	323	137,024	140,368	140,761	153,518	158,369	158,082	63,188	66,147	70,082	
	Landfilled	Internal	ton	0	0	0	0	0	0	0	0	0	0	0	0	0
		Outsourced	ton	0	0	0	552	861	757	824	1,141	1,095	6,298	6,647	4,582	
	Incinerated (energy recovery)	Internal	ton	0	0	0	36,557	38,512	40,007	48,222	50,677	51,354	0	0	0	0
		Outsourced	ton	24	14	16	534	632	556	534	632	556	0	0	0	0
	Incinerated (w/o energy recovery)	Internal	ton	0	0	0	0	0	0	0	0	0	0	0	0	0
		Outsourced	ton	0	0	0	0	0	0	1,324	1,455	1,488	10,337	9,678	9,261	9,261
	Others	Outsourced	ton	0	39	37	0	24	26	0	28	26	0	0	0	0
Hazardous waste	Waste disposed			ton	8	12	7	7,877	9,412	10,768	9,986	11,631	12,867	4,347	4,579	4,260
	Recycled	Internal	ton	0	0	0	0	0	0	0	0	0	0	0	0	0
		Outsourced	ton	1	2	1	4,993	6,252	6,378	6,280	7,559	7,727	2,287	2,525	2,792	
	Landfilled	Internal	ton	0	0	0	0	0	0	0	0	0	0	0	0	0
		Outsourced	ton	0	0	0	863	980	1,045	935	994	1,066	13	2	33	
	Incinerated (energy recovery)	Internal	ton	0	0	0	58	58	44	58	58	44	0	0	0	0
		Outsourced	ton	7	10	5	114	63	98	114	63	98	0	0	0	0
	Incinerated (w/o energy recovery)	Internal	ton	0	0	0	0	0	0	0	0	0	0	0	0	0
		Outsourced	ton	0	0	0	1,839	2,059	3,053	2,590	2,957	3,781	2,047	2,052	1,435	1,435
	Others	Outsourced	ton	0	0	0	10	0	151	10	0	151	0	0	0	0
Construction waste ⁵⁾	Waste disposed			ton	0	0	0	81,371	75,049	79,117	82,966	77,636	81,042	480	7,581	19,363
	Recycled			ton	0	0	0	81,371	75,049	79,117	82,966	77,636	81,042	480	7,581	19,363

1) HDKSOE: GRC Headquarters, Ulsan Research Building. At GRC Headquarters, shared utility consumption was fully attributed to the holding company through 2023. From 2024 onward, the consumption has been allocated to tenant companies based on occupancy, resulting in changes to the reported figures.

HHI: Certain figures have been revised from those reported in the 2024 Sustainability Report following the recalculation of emissions due to the expansion of the business site disclosure boundary.

- Pre-merger: Head office (main plant), Offshore & Engineering Yard, Gunsan Yard, GRC, Naengcheon Shop, Naengcheon Piping Fabrication Shop, Pipe Painting Shop, Munsan Piping Fabrication Shop, Hyundai Incineration Plant

- Post-merger: In addition to the pre-merger business sites, Medium size ship Division (Former HMD main plant), Yongyeon Plant, Onsan Plant, and Mohwa Plant have been included.

HSHI: All business sites

2) Based on the figures reported in the Allbaro system of the Ministry of Environment, and some items, such as waste paper and scrap metal, are based on their weight.

3) Certain figures have been revised from those reported in the 2024 Sustainability Report following the re-establishment of the calculation methodology.

4) Since the amount of waste discharged for each category are rounded up to whole numbers, there may be some differences with the sum of total waste disposed.

5) Construction wastes are fully recycled through outsourced processing companies.

Social

HHI merged with HMD on December 1, 2025. Accordingly, social data have been calculated on a basis that includes HMD. The 2023–2024 data were prepared on a standalone basis for HHI. As a result, year-over-year comparisons for certain indicators may be limited. Where additional explanation is required, it is provided in the relevant footnotes.

Labor-Management Relations

Category	Unit	HDKSOE ¹⁾			HHI			HSHI		
		2023	2024	2025	2023	2024	2025	2023	2024	2025
Unionization rate ²⁾	%	-	-	-	97.0	97.8	95.7	86.6	85.8	86.0
Percentage of employees covered by collective bargaining agreements	%	-	-	-	100	100	100	100	100	100
No. of labor-management council meetings held	Times	4	4	4	4	4	4	4	4	4

1) HDKSOE's last union member withdrew from the union in October 2022.

2) Calculation: (Number of union members / number of employees eligible for the membership) x 100

Status of Employees¹⁾

Category		Unit	HDKSOE			HHI			HSHI		
			2023	2024	2025	2023	2024	2025	2023	2024	2025
Total number of employees		Persons	1,194	1,416	1,548	13,282	14,542	18,885	3,875	3,918	4,004
Registered executives		Persons	5	5	5	5	5	5	6	6	6
Employees excluding registered executives		Persons	1,189	1,411	1,543	13,277	14,537	18,880	3,869	3,912	4,010
External workers		Persons	13	22	249	129	111	25,004	13,163	13,440	13,683
By employment type	Total permanent employees	Persons	1,142	1,365	1,495	12,061	12,393	15,353	3,651	3,639	3,588
	Male	Persons	947	1,116	1,217	11,559	11,847	14,616	3,566	3,542	3,480
	Female	Persons	195	249	278	502	546	737	85	97	108
	Total temporary employees	Persons	47	46	48	1,216	2,144	3,527	218	273	422
	Male	Persons	16	18	26	1,107	1,999	3,293	179	228	373
	Female	Persons	31	28	22	109	145	234	39	45	49
By managerial position ²⁾	Total number of managerial positions	Persons	201	254	277	3,408	3,797	4,140	542	525	535
	Top management ³⁾	Persons	45	47	55	118	123	150	30	29	29
	Middle management	Persons	92	116	120	217	234	320	61	51	48
	Junior management	Persons	64	91	102	3,073	3,440	3,670	451	445	458
	Total number of non-managerial positions	Persons	990	1,159	1,268	9,871	10,742	14,742	3,328	3,390	3,470

1) As of the end of the reporting period

2) Managerial and non-managerial positions are calculated excluding non-executive directors and outside directors among registered executives, resulting in a discrepancy in the total number of employees.

3) Managerial officials of director or higher rank

Social

HHI merged with HMD on December 1, 2025. Accordingly, social data have been calculated on a basis that includes HMD. The 2023–2024 data were prepared on a standalone basis for HHI. As a result, year-over-year comparisons for certain indicators may be limited. Where additional explanation is required, it is provided in the relevant footnotes.

Employee Diversity¹⁾

Category			Unit	HDKSOE			HHI			HSHI		
				2023	2024	2025	2023	2024 ²⁾	2025	2023	2024	2025
By age	Under 30		Persons(%)	287(24.0)	336(23.7)	323(20.9)	1,085(8.2)	1,285(8.8)	1,990(10.5)	302(7.8)	324(8.3)	377(9.4)
	30 ~ 50		Persons(%)	813(68.1)	954(67.4)	1,076(69.5)	8,756(65.9)	9,210(63.3)	11,553(61.2)	2,042(52.7)	1,946(49.7)	1,923(48.0)
	Over 50		Persons(%)	94(7.9)	126(8.9)	149(9.6)	3,441(25.9)	4,047(27.8)	5,342(28.3)	1,531(39.5)	1,648(42.1)	1,704(42.6)
By gender	Employee	Male	Persons(%)	967(81.0)	1,138(80.4)	1,247(80.6)	12,670(95.4)	13,850(95.2)	17,913(94.9)	3,750(96.8)	3,775(96.4)	3,848(96.1)
		Female	Persons(%)	227(19.0)	278(19.6)	301(19.4)	612(4.6)	692(4.8)	972(5.1)	125(3.2)	143(3.6)	156(3.9)
	Registered executives	Male	Persons(%)	4(80.0)	4(80.0)	4(80.0)	4(80.0)	4(80.0)	4(80.0)	5(83.3)	5(83.3)	5(83.3)
		Female	Persons(%)	1(20.0)	1(20.0)	1(20.0)	1(20.0)	1(20.0)	1(20.0)	1(16.7)	1(16.7)	1(16.7)
	Managerial position	Male	Persons(%)	191(95.0)	236(92.9)	262(94.6)	3,397(99.7)	3,782(99.6)	4,116(99.4)	539(99.4)	523(99.6)	532(99.4)
		Female	Persons(%)	10(5.0)	18(7.1)	15(5.4)	11(0.3)	15(0.4)	24(0.6)	3(0.6)	2(0.4)	3(0.6)
	Top management	Male	Persons(%)	43(95.6)	44(93.6)	53(96.4)	117(99.2)	121(98.4)	148(98.7)	30(100)	29(100)	29(100)
		Female	Persons(%)	2(4.4)	3(6.4)	2(3.6)	1(0.8)	2(1.6)	2(1.3)	0(0)	0(0)	0(0)
	Middle management	Male	Persons(%)	87(94.6)	107(92.2)	114(95.0)	215(99.1)	232(99.1)	318(99.4)	61(100)	51(100)	48(100)
		Female	Persons(%)	5(5.4)	9(7.8)	6(5.0)	2(0.9)	2(0.9)	2(0.6)	0(0)	0(0)	0(0)
	Junior management	Male	Persons(%)	61(95.3)	85(93.4)	95(93.1)	3,065(99.7)	3,429(99.7)	3,650(99.5)	448(99.3)	443(99.6)	455(99.3)
		Female	Persons(%)	3(4.7)	6(6.6)	7(6.9)	8(0.3)	11(0.3)	20(0.5)	3(0.7)	2(0.4)	3(0.7)
	Non-managerial position	Male	Persons(%)	774(78.2)	900(77.7)	983(77.5)	9,270(93.9)	10,066(93.7)	13,795(93.6)	3,207(96.4)	3,250(95.9)	3,317(95.6)
		Female	Persons(%)	216(21.8)	259(22.3)	285(22.5)	601(6.1)	676(6.3)	947(6.4)	121(3.6)	140(4.1)	153(4.4)
	Managerial employees in revenue-generating departments	Male	Persons(%)	97(96.0)	122(93.1)	138(95.2)	3,073(99.8)	3,374(99.8)	3,764(99.5)	276(99.6)	261(99.6)	263(100)
		Female	Persons(%)	4(4.0)	9(6.9)	7(4.8)	7(0.2)	8(0.2)	17(0.5)	1(0.4)	1(0.4)	0(0)
	STEM employees	Male	Persons(%)	642(88.9)	724(87.9)	733(87.7)	1,998(90.4)	2,011(88.9)	2,636(88.2)	518(91.5)	513(90.3)	522(90.5)
		Female	Persons(%)	80(11.1)	100(12.1)	103(12.3)	211(9.6)	251(11.1)	351(11.8)	48(8.5)	55(9.7)	55(9.5)
Employees with disabilities (percentage) ³⁾			Persons(%)	2(0.17)	2(0.14)	2(0.13)	225(1.69)	240(1.65)	291(1.54)	119(3.07)	108(2.76)	100(2.50)

1) As of the end of the reporting period
2) Due to rounding to the first decimal place, the sum of employee percentages by age group may not equal 100%.
3) Based on the reporting standards provided by the Korea Employment Agency for Persons with Disabilities (KEAD)

Social

HHI merged with HMD on December 1, 2025. Accordingly, social data have been calculated on a basis that includes HMD. The 2023–2024 data were prepared on a standalone basis for HHI. As a result, year-over-year comparisons for certain indicators may be limited. Where additional explanation is required, it is provided in the relevant footnotes.

Employee Diversity^{1), 2)}

Category		Unit	HDKSOE			HHI			HSHI		
			2023	2024	2025	2023	2024	2025	2023	2024	2025
By nationality	Total employees	South Korea	1,189(99.58)	1,407(99.36)	1,539(99.42)	12,789(96.29)	13,665(93.97)	17,133(90.72)	3,874(99.97)	3,917(99.97)	3,965(99.03)
		Malaysia	0	0	1(0.07)	1(0.01)	1(0.01)	0	0	0	0
		US	2(0.17)	2(0.14)	2(0.13)	1(0.01)	1(0.01)	1(0.01)	0	0	0
		Myanmar	0	1(0.07)	1(0.07)	0	0	0	0	0	0
		Vietnam	0	0	0	0	101(0.69)	916(4.85)	0	0	0
		Sri Lanka	0	0	0	331(2.49)	454(3.12)	412(2.18)	0	0	0
		UK	2(0.17)	2(0.14)	2(0.13)	0	1(0.01)	0	0	0	0
		Uzbekistan	0	0	0	0	22(0.15)	25(0.13)	0	0	0
		Australia	0	0	1(0.07)	0	0	0	1(0.03)	1(0.03)	1(0.03)
		India	0	0	0	57(0.43)	61(0.42)	74(0.39)	0	0	0
		Indonesia	0	0	0	0	3(0.02)	89(0.47)	0	0	0
		China	0	1(0.07)	1(0.07)	0	1(0.01)	1(0.01)	0	0	0
		Cambodia	0	0	0	0	12(0.08)	12(0.06)	0	0	0
		Canada	1(0.08)	1(0.07)	1(0.07)	1(0.01)	1(0.01)	1(0.01)	0	0	0
		Thailand	0	0	0	101(0.76)	219(1.51)	218(1.15)	0	0	0
		Philippines	0	0	0	1(0.01)	0	1(0.01)	0	0	0
		Nepal	0	0	0	0	0	1(0.01)	0	0	0
		Iran	0	0	0	0	0	1(0.01)	0	0	0
		Russia	0	1(0.07)	0	0	0	0	0	0	0
		Bangladesh	0	1(0.07)	0	0	0	0	0	0	0
	Managerial employees	South Korea	201(100)	253(100)	276(99.64)	3,408(100)	3,793(99.90)	4,139(99.98)	542(100)	525(100)	536(100)
		US	0	0	0	0	1(0.02)	1(0.02)	0	0	0
		UK	0	1(0.39)	1(0.36)	0	0	0	0	0	0
		India	0	0	0	0	3(0.08)	0	0	0	0

1) As of the end of the reporting period
2) Due to rounding to the first decimal place, the sum of employee percentages by nationality may not equal 100%.

HHI merged with HMD on December 1, 2025. Accordingly, social data have been calculated on a basis that includes HMD. The 2023–2024 data were prepared on a standalone basis for HHI. As a result, year-over-year comparisons for certain indicators may be limited. Where additional explanation is required, it is provided in the relevant footnotes.

Social

Recruitment and Retention ¹⁾

Category			Unit	HDKSOE			HHI			HSHI		
				2023	2024	2025	2023	2024	2025	2023	2024	2025
Total number of new recruits			Persons	222	173	134	382	274	416	173	100	84
By gender	Male	Persons(%)	177(79.7)	125(72.3)	104(77.6)	335(87.7)	227(82.8)	351(84.4)	145(83.8)	82(82.0)	69(82.1)	
	Female	Persons(%)	45(20.3)	48(27.7)	30(22.4)	47(12.3)	47(17.2)	65(15.6)	28(16.2)	18(18.0)	15(17.9)	
By age	Under 30	Persons(%)	155(69.8)	59(34.1)	55(41.0)	233(61.0)	139(50.7)	304(73.1)	130(75.1)	87(87.0)	78(92.9)	
	30 ~ 50	Persons(%)	67(30.2)	114(65.9)	78(58.2)	148(38.7)	135(49.3)	108(26.0)	43(24.9)	13(13.0)	6(7.1)	
	Over 50	Persons(%)	0	0	1(0.8)	1(0.3)	0	4(1.0)	0	0	0	
Percentage of positions filled by internal recruitment ⁴⁾			%	38.3	47.6	44.4	8.2	9.3	14.6	4.0	3.0	6.0
Average hiring cost per employee			KRW	1,220,000	1,140,000	1,241,791	514,051	850,318	520,301	838,539	1,358,073	1,548,471
Employee turnover ²⁾			Persons(%)	45(5.2)	61(5.3)	39(2.9)	448(3.6)	543(4.5)	500(4.0)	109(3.0)	134(3.7)	186(5.1)
By gender	Male	Persons	33	52	34	440	529	484	104	122	184	
	Female	Persons	12	9	5	8	14	16	5	12	2	
By age	Under 30	Persons	13	20	6	60	81	33	15	24	8	
	30 ~ 50	Persons	27	34	33	130	126	81	25	27	26	
	Over 50	Persons	5	7	0	258	336	386	69	83	152	
Voluntary employee turnover ³⁾			Persons(%)	41(4.7)	55(4.8)	39(2.9)	192(1.6)	216(1.8)	127(1.0)	37(1.0)	39(1.1)	18(0.5)
Average years employed by the company			Years	4.2	4.0	4.3	17.3	17.2	14.4	18.5	18.4	18.5
By gender	Male	Years	4.1	4.0	4.3	17.5	17.4	14.6	19.0	19.2	19.2	
	Female	Years	4.2	4.0	4.3	14.0	13.0	10.7	4.7	4.8	4.4	

1) Due to rounding to the first decimal place, the sum of employee percentages may not equal 100%.

2) Total turnover rate (%) = (Total number of turnover / number of permanent employees) x 100%

3) Excluding involuntary departures such as retirement

4) Due to the updates in data reporting standard, some figures have changed compared to the 2024 Sustainability Report

Performance Evaluation

[illegible]

Social

HHI merged with HMD on December 1, 2025. Accordingly, social data have been calculated on a basis that includes HMD. The 2023–2024 data were prepared on a standalone basis for HHI. As a result, year-over-year comparisons for certain indicators may be limited. Where additional explanation is required, it is provided in the relevant footnotes.

Remuneration ¹⁾

Category		Unit	HDKSOE			HHI			HSHI		
			2023	2024	2025	2023	2024	2025	2023	2024	2025
Average fixed annual salary of registered executives	Male	KRW mil.	436	359	352	467	450	479	173	180	200
	Female	KRW mil.	-	-	-	-	-	-	-	-	-
Average total salary of registered executives (fixed salary + variable salary)	Male	KRW mil.	591	570	422	571	666	724	226	271	297
	Female	KRW mil.	-	-	-	-	-	-	-	-	-
Average fixed annual salary of managerial positions	Male	KRW mil.	172	157	143	84	85	89	81	83	110
	Female	KRW mil.	139	117	111	97	102	100	84	129	100
Average total salary of managerial positions (fixed salary + variable salary)	Male	KRW mil.	202	205	197	96	105	124	108	123	157
	Female	KRW mil.	150	146	146	102	124	139	105	91	140
Average fixed annual salary of non-managerial positions	Male	KRW mil.	84	76	84	60	61	63	64	66	80
	Female	KRW mil.	70	65	68	55	56	56	48	47	59
Average total salary of non-managerial positions (fixed salary + variable salary)	Male	KRW mil.	90	89	108	69	73	87	93	102	112
	Female	KRW mil.	77	79	92	63	69	80	61	64	84

1) Since the number of female registered executives is too small to calculate the average, the data is not disclosed for personal data protection.

Employee Benefits

Category		Unit	HDKSOE			HHI			HSHI		
			2023	2024	2025	2023	2024	2025	2023	2024	2025
Maximum period of paid parental leave	Male	Weeks	52	52	78	52	52	78	52	52	78
	Female	Weeks	52	65	78	52	65 ¹⁾	78	52	65	78

1) Due to the updates in data reporting standard, some figures have changed compared to the 2024 Sustainability Report

Social

HHI merged with HMD on December 1, 2025. Accordingly, social data have been calculated on a basis that includes HMD. The 2023–2024 data were prepared on a standalone basis for HHI. As a result, year-over-year comparisons for certain indicators may be limited. Where additional explanation is required, it is provided in the relevant footnotes.

Employee Training¹⁾

Category		Unit	HDKSOE			HHI ²⁾			HSHI		
			2023	2024	2025	2023	2024	2025	2023	2024	2025
Training expenditure per employee		KRW mil.	0.7	1.2	1.0	0.6	0.6	0.6	0.7	0.4	0.5
Training hours per employee		Hours	71.6	65.1	72.4	42.3	46.7	52.8	32.8	13.9	14.6
By gender	Male	Hours	73.9	65.9	73.8	42.5	46.8	53.2	30.9	12.9	14.0
	Female	Hours	62.5	62.1	66.7	39.8	45.3	44.6	89.9	42.1	29.0
By age	Under 30	Hours	103.9	85.8	79.0	66.5	67.2	68.7	138.5	67.3	42.7
	30 ~ 50	Hours	64.3	61.8	73.5	41.5	46.9	52.9	27.3	12.0	15.2
	Over 50	Hours	37.8	35.1	50.4	36.7	39.8	46.4	19.4	5.7	7.7
By managerial position	Top management	Hours	– ³⁾	40.8	56.3	29.2	50.6	15.5	17.0	21.5	28.8
	Middle management	Hours	– ³⁾	75.4	76.9	59.6	72.8	50.1	38.1	46.0	61.9
	Junior management	Hours	– ³⁾	69.6	92.3	52.8	56.1	63.1	31.9	13.1	31.1

1) Based on all employees (permanent, non-permanent)

2) Due to the updates in data reporting standard, some figures have changed compared to the 2024 Sustainability Report.

3) Due to a change in classification criteria, HDKSOE began collecting data based on the new criteria starting from 2024.

Community¹⁾

Category		Unit	HDKSOE			HHI			HSHI		
			2023	2024	2025	2023	2024	2025	2023	2024	2025
Community Investment		KRW mil.	4,846	2,816	97,895	5,909	43,179	46,134	3,211	7,266	19,004
Cash donations		KRW mil.	405	215	615	569	1,227	1,296	327	1,841	1,241
In-kind donations		KRW mil.	0	0	0	122	75	45	0	0	0
Community co-prosperity contributions		KRW mil.	4,407	2,536	97,188 ²⁾	4,775	41,487	44,296	2,865	5,253	17,669
Monetized value of employee volunteer hours		KRW mil.	34	65	92	443	390	497	19	173	94

1) Due to the updates in data reporting standard, some figures have changed compared to the 2024 Sustainability Report.

2) The figure increased compared with the previous year due to one-off factors, including the donation of land and buildings to local communities.

Social

HHI merged with HMD on December 1, 2025. Accordingly, social data have been calculated on a basis that includes HMD. The 2023–2024 data were prepared on a standalone basis for HHI. As a result, year-over-year comparisons for certain indicators may be limited. Where additional explanation is required, it is provided in the relevant footnotes.

Grievance Handling

Category	Unit	HDKSOE			HHI			HSHI		
		2023	2024	2025	2023	2024	2025	2023	2024	2025
Percentage of corrective actions taken regarding human rights incident	%	100	100	100	100	100	100	100	100	100
Number of reported cases of discrimination and harassment	Cases	1	8	7	9	9	7	5	4	5
Number of cases of discrimination and harassment addressed	Cases	1	8	7	9	9	7	5	4	5

Safety and Health Risk Management ¹⁾

Category		Unit	HDKSOE			HHI ²⁾			HSHI		
			2023	2024	2025	2023	2024	2025	2023	2024	2025
Employee	Total working hours	Hours	2,282,880	2,739,840	3,085,440	27,047,573	29,901,476	29,518,920	7,923,712	8,011,776	8,228,112
	Work-related fatality rate	Cases per 200,000 working hours	0	0	0	0	0	0	0	0	0
	Number of work-related fatalities	Cases	0	0	0	0	0	0	0	0	0
	Injury rate	%	0	0	0	0.255	0.153	0.180	0.206	0.125	0.289
	Number of injuries	Cases	0	0	0	33	22	26	8	5	12
Contractor	Total working hours	Hours	78,720	184,320	295,680	35,411,113	38,986,238	38,870,244	18,900,992	19,859,456	19,569,008
	Work-related fatality rate	Cases per 200,000 working hours	0	0	0	0	0.005	0	0.011	0	0
	Number of work-related fatalities	Cases	0	0	0	0	1	0	1	0	0
	Injury rate	%	2.439	0	0	0.103	0.096	0.110	0.064	0.059	0.044
	Number of injuries	Cases	1	0	0	18	18	21	8	8	6

1) Due to the updates in data reporting standard, some figures have changed compared to the 2024 Sustainability Report.

2) Due to the change in the reporting boundary resulting from the merger, calculation including HMD is not feasible. Accordingly, the figures have been calculated on a standalone basis for HHI.

Social

HHI merged with HMD on December 1, 2025. Accordingly, social data have been calculated on a basis that includes HMD. The 2023–2024 data were prepared on a standalone basis for HHI. As a result, year-over-year comparisons for certain indicators may be limited. Where additional explanation is required, it is provided in the relevant footnotes.

Supply Chain ¹⁾

Category		Unit	HDKSOE ²⁾			HHI			HSHI		
			2023	2024	2025	2023	2024	2025	2023	2024	2025
No. of Tier 1 suppliers		Companies	50	295	475	3,275	3,354	5,378	1,418	1,486	1,503
No. of significant suppliers in Tier-1		Companies	25	56	109	314	317	427	172	173	167
Percentage of total spend on significant suppliers in Tier-1		%	18	38	69	58	59	73	38	46	39
Assessment	No. of Tier 1 suppliers assessed via desk assessments	Companies	0	71	176	40	516	464	23	19	267
	No. of significant suppliers in Tier-1 assessed via desk assessments	Companies	0	22	50	33	107	126	5	10	48
	No. of Tier 1 suppliers assessed via on-site assessments	Companies	0	4	17	40	22	36	6	19	25
	No. of significant suppliers in Tier-1 assessed via on-site assessments	Companies	0	1	9	37	22	29	1	10	9
	No. of suppliers with identified risks	Companies	0	4	9	40	22	36	6	19	25
Risk mitigation	No. of Tier 1 suppliers supporting risk mitigation plan	Companies	0	0	17	40	22	36	0	0	25
	No. of significant suppliers supporting risk mitigation plan	Companies	0	0	9	37	22	29	0	0	9
	No. of suppliers whose contracts were terminated due to a lack in improvement on risks	Companies	0	0	0	0	0	0	0	0	0

1) Significant suppliers are partners classified as core companies (Tier 1) according to internal standards, and are all considered Tier 1 companies.

2) HDKSOE data was collected based on a separate criteria for its businesses and suppliers. Data from the supply chain evaluation was collected starting in 2024.

Governance

HHI merged with HMD on December 1, 2025. Accordingly, governance data have been calculated on a basis that includes HMD. The 2023–2024 data were prepared on a standalone basis for HHI. As a result, year-over-year comparisons for certain indicators may be limited. Where additional explanation is required, it is provided in the relevant footnotes.

Board of Directors

[illegible]

Governance

HHI merged with HMD on December 1, 2025. Accordingly, governance data have been calculated on a basis that includes HMD. The 2023–2024 data were prepared on a standalone basis for HHI. As a result, year-over-year comparisons for certain indicators may be limited. Where additional explanation is required, it is provided in the relevant footnotes.

Remuneration System and Stock Ownership

Category		Unit	HDKSOE			HHI			HSHI		
			2023	2024	2025	2023	2024	2025	2023	2024	2025
Remuneration	Average CEO compensation relative to average employee compensation	Times	11.0	9.0	5.8	12.1	12.8	21.0	9.2	27.7	9.4
	Average CEO compensation	KRW mil.	977	1,046	759	1,101	1,252	2,389	954	3,209	1,231
	Average employee compensation	KRW mil.	89	116	131	91	98	114	104	116	131
Stock Ownership ¹⁾	Ratio of CEO stock holdings to base salary	Times	0.5	0.2	0.4	0.3	0.2	0.7	0	0	0
	Required ratio of CEO stock holdings to base salary	Times	-	-	-	-	-	-	-	-	-
	Ratio of executive directors’ stock holdings to base salary (excluding CEO) ²⁾	Times	-	-	-	-	-	-	-	-	-
	Required ratio of executive directors’ stock holdings to base salary (excluding CEO)	Times	-	-	-	-	-	-	-	-	-
	Total ownership percentage of government agencies and pension funds holding 5% or more	%	5.98	6.57	7.44	6.15	6.61	7.97	0	0	0
	Total ownership percentage of founders and their families holding 5% or more ³⁾	%	12.49	12.83	12.83	9.75	9.63	8.89	0	0	0

1) Ownership percentages for this indicator are calculated based on voting shares.
2) Excluding the CEO, none of the inside directors own shares in the company
3) Ownership percentages are calculated on an indirect ownership basis, reflecting the ownership structure of the ultimate parent company (HD Hyundai).

Ethics and Compliance Management

Category		Unit	HDKSOE			HHI			HSHI		
			2023	2024	2025	2023	2024	2025	2023	2024	2025
Resolution rate of breaches of Code of Conduct		%	-	100	100	100	100	100	100	100	100
Total number of breaches of Code of Conduct		Cases	0	1	1	5	10	6	3	1	6
Total number of resolved breaches of Code of Conduct		Cases	0	1	1	5	10	6	3	1	6

Compliance¹⁾

Category		Unit	HDKSOE			HHI			HSHI		
			2023	2024	2025	2023	2024	2025	2023	2024	2025
Number of violations of fair-trade regulations		Cases	1	1	1	0	2	0	0	0	0
Total monetary sanctions for violations of fair-trade regulations		KRW mil.	100	25	1,500	0	676	0	0	0	0
Number of violations of anti-corruption and anti- bribery regulations		Cases	0	0	0	0	0	0	0	0	0
Total monetary sanctions for violations of anti-corruption and anti- bribery regulations		KRW mil.	0	0	0	0	0	0	0	0	0

1) Violations of fair trade laws and regulations were prepared based on the Annual Report, excluding cases currently under litigation, trials, or objections.

Governance

HHI merged with HMD on December 1, 2025. Accordingly, governance data have been calculated on a basis that includes HMD. The 2023–2024 data were prepared on a standalone basis for HHI. As a result, year-over-year comparisons for certain indicators may be limited. Where additional explanation is required, it is provided in the relevant footnotes.

Policy Spending ¹⁾

Category	Unit	HDKSOE			HHI			HSHI		
		2023	2024	2025	2023	2024	2025	2023	2024	2025
Total policy expenditure	KRW mil.	295	110	167	2,114	1,749	2,929	983	1,426	1,783
Lobbying and interest groups	KRW mil.	0	0	0	0	0	0	0	0	0
Political contributions	KRW mil.	0	0	0	0	0	0	0	0	0
Associations and tax-exempt organizations	KRW mil.	295	110	167	2,114	1,749	2,929	983	1,426	1,783

1) The company does not provide political donations in accordance with relevant laws such as the Political Funds Act.

Association Fees ¹⁾

Category	Unit	HDKSOE		HHI		HSHI	
		Name of organization	2025	Name of organization	2025	Name of organization	2025
Top 1	KRW mil.	Korea Chamber of Commerce & Industry	74	Korea Offshore & Shipbuilding Association	1,707	The Federation of Korean Industries	800
Top 2	KRW mil.	Korea Listed Companies Association	14	Korea Enterprises Federation	373	Korea Offshore & Shipbuilding Association	745
Top 3	KRW mil.	Korea Advanced Institute of Science and Technology	10	Korea Defense Industry Association	316	Korea Chamber of Commerce & Industry	60
Top 4	KRW mil.	Korea Association for Industrial Technology Security	9	Korea Chamber of Commerce & Industry	205	KEF Corporate Safety and Health Committee	50
Top 5	KRW mil.	Nuclear Energy Maritime Organization (NEMO)	8	Foreign Workforce Introduction Support Center	55	Korea Enterprises Federation	36.5

1) Purpose of participation: Engage as a member of economic organizations and associations that represent the industry and business community by communicating views to domestic and international institutions.

Privacy and Information Security

Category	Unit	HDKSOE			HHI			HSHI		
		2023	2024	2025	2023	2024	2025	2023	2024	2025
No. of violations of laws and regulations related to privacy protection	Cases	0	0	0	0	0	0	0	0	0
No. of information security breaches	Cases	0	1	0	0	0	0	0	0	0

HD Hyundai Marine Engine

Environmental

Patents Related to Environmental Impact Reduction ¹⁾

Category	Unit	2023	2024	2025
Patent application related to environmental impact reduction technologies	Cases	-	-	0
Patent registration related to environmental impact reduction technologies	Cases	-	-	0

1) New indicator introduced in 2025

Violations of Environmental Laws

Category	Unit	2023	2024	2025
No. of significant violations of environmental laws	Cases	0	0	0
Total monetary sanctions for significant violations of environmental laws	KRW mil.	0	0	0

Environmental Training for Employees

Category	Unit	2023	2024	2025
No. of trained employees	Persons	0	2	2

Scope 1 & 2 Emissions

Category	Unit	2023 ¹⁾	2024 ¹⁾	2025
Total emissions (Scope 1+2)	tCO ₂ eq	8,451	7,737	9,006
Direct emissions (Scope 1)	tCO ₂ eq	5,714	3,243	4,155
Indirect emissions (Scope 2)	tCO ₂ eq	2,737	4,494	4,850
Emission intensity	tCO ₂ eq/KRW bil.	35.810	26.137	23.699

1) The 2023 data were calculated based on the Changwon business site, while the 2024–2025 data were calculated based on the combined results of the Changwon and Daegu business sites.

Energy

Category	Unit	2023 ¹⁾	2024 ¹⁾	2025
Total energy consumption	TJ	146	144	164
Non-renewable energy consumption	TJ	146	144	164
Direct energy consumption	TJ	89	50	62
Indirect energy consumption	TJ	57	94	101
Electricity consumption	TJ	57	94	101
Steam/heat consumption	TJ	0	0	0
Renewable energy consumption	TJ	0	0	0
Percentage of renewable energy	%	0	0	0
Total energy consumption intensity	TJ/KRW bil.	0.620	0.488	0.430
Percentage of eco-friendly vehicles owned	%	0	0	0

1) The 2023 data were calculated based on the Changwon business site, while the 2024–2025 data were calculated based on the combined results of the Changwon and Daegu business sites.

HD Hyundai Marine Engine

Environmental

Raw Materials ¹⁾

Category	Unit	2023	2024	2025
Steel purchase amount	KRW mil.	-	-	4,453
Recycled steel purchase amount	KRW mil.	-	-	0

1) New indicator introduced in 2025

Water Withdrawal ¹⁾

Category	Unit	2023	2024	2025
Total water withdrawal	m³	37,600	35,200	43,200
Surface water	m³	0	0	0
Seawater	m³	0	0	0
Third-party water	m³	37,600	35,200	43,200
Total water withdrawal intensity	m³/KRW mil.	0.160	0.119	0.114

1) Due to the updates in data reporting standard, some figures have changed compared to the 2024 Sustainability Report.

Water Pollutants ¹⁾

Category	Unit	2023	2024	2025
Total Organic Carbon	kg	-	-	-
Biochemical Oxygen Demand	kg	-	-	-
Suspended Solids	kg	-	-	-

1) Self-measurement is not feasible, as all waste is outsourced for treatment.

Air Pollutants

Category	Unit	2023	2024	2025
Nitrogen Oxides	kg	68	59	42
Sulfur Oxides	kg	0	4	0.2
Total Suspended Particulate	kg	91	145	104

Waste ¹⁾

Category		Unit	2023	2024	2025
Total waste disposed		ton	556	868	1,014
General waste	Waste disposed	ton	403	661	845
	Re-used	ton	0	0	0
	Recycled	Internal	ton	0	0
		Outsourced	ton	330	593
	Landfilled	Internal	ton	0	0
		Outsourced	ton	74	68
	Incinerated (energy recovery)	Internal	ton	0	0
		Outsourced	ton	0	0
	Incinerated (w/o energy recovery)	Internal	ton	0	0
		Outsourced	ton	0	0
Hazardous waste	Others	Internal	ton	0	0
		Outsourced	ton	0	0
	Waste disposed	ton	152	208	169
	Re-used	ton	0	0	0
	Recycled	Internal	ton	0	0
		Outsourced	ton	136	184
	Landfilled	Internal	ton	0	0
		Outsourced	ton	16	23
	Incinerated (energy recovery)	Internal	ton	0	0
		Outsourced	ton	0	0
Construction waste	Incinerated (w/o energy recovery)	Internal	ton	0	0
		Outsourced	ton	16	22
	Others	Internal	ton	0	0
		Outsourced	ton	0	2
	Waste disposed	ton	0	0	0
	Re-used	ton	0	0	0
	Recycled	Internal	ton	0	0
		Outsourced	ton	0	0
	Landfilled	Internal	ton	0	0
		Outsourced	ton	0	0
	Incinerated (energy recovery)	Internal	ton	0	0
		Outsourced	ton	0	0
	Incinerated (w/o energy recovery)	Internal	ton	0	0
		Outsourced	ton	0	0
	Others	Internal	ton	0	0
		Outsourced	ton	0	0
		Internal	ton	0	0
		Outsourced	ton	0	0
		Internal	ton	0	0
		Outsourced	ton	0	0

1) Due to the updates in data reporting standard, some figures have changed compared to the 2024 Sustainability Report.

HD Hyundai Marine Engine

Social

Labor-Management Relations

Category	Unit	2023	2024	2025
Unionization rate	%	97.9	98.7	97.8
No. of employees eligible for union membership	Persons	235	234	224
No. of union members	Persons	230	231	219
Percentage of employees covered by collective bargaining agree-ments	%	100	100	100
No. of employees covered by collective bargaining agreements	Persons	294	304	291
No. of employees eligible for collective bargaining agreement cover-age	Persons	294	304	291
Employees who directly participated in a strike	Persons	0	0	0
No. of labor-management council meetings held	Times	5	4	4

Status of Employees

Category		Unit	2023	2024	2025
Total number of employees		Persons	292	301	303
Registered executives		Persons	7	5	5
Employees excluding registered executives		Persons	285	296	298
External workers		Persons	0	0	0
By employment type	Total permanent employees	Persons	265	277	259
	Male	Persons	240	253	238
	Female	Persons	25	24	21
	Total temporary employees	Persons	20	19	37
	Male	Persons	17	17	30
	Female	Persons	3	2	7
By managerial position	Total number of managerial positions	Persons	52	47	46
	Top management	Persons	10	3	10
	Middle management	Persons	4	9	8
	Junior management	Persons	38	35	28
	Total number of non-managerial positions	Persons	240	254	257

Employee Diversity

Category			Unit	2023	2024	2025
By age	Under 30		Persons(%)	40(13.7)	33(11.0)	39(12.9)
	30 ~ 50		Persons(%)	213(72.9)	234(77.7)	232(76.6)
	Over 50		Persons(%)	39(13.4)	34(11.3)	32(10.6)
By gender	Employee	Male	Persons(%)	264(90.4)	275(91.4)	275(90.8)
		Female	Persons(%)	28(9.6)	26(8.6)	28(9.2)
	Registered executives	Male	Persons(%)	7(100)	5(100)	5(100)
		Female	Persons(%)	0	0	0
	Managerial position	Male	Persons(%)	52(100)	47(100)	46(100)
		Female	Persons(%)	0	0	0
	Top management	Male	Persons(%)	10(100)	3(100)	10(100)
		Female	Persons(%)	0	0	0
	Middle management	Male	Persons(%)	4(100)	9(100)	8(100)
		Female	Persons(%)	0	0	0
	Junior management	Male	Persons(%)	38(100)	35(100)	28(100)
		Female	Persons(%)	0	0	0
	Non-managerial position	Male	Persons(%)	212(88.3)	228(89.8)	229(89.1)
		Female	Persons(%)	28(11.7)	26(10.2)	28(10.9)
	Managerial employees in revenue-generating departments	Male	Persons(%)	38(100)	36(100)	11(100)
		Female	Persons(%)	0	0	0
	STEM employees	Male	Persons(%)	40(90.9)	42(93.3)	28(100)
		Female	Persons(%)	4(9.1)	3(6.7)	0
By nationality	No. of employees with Korean nationality		Persons(%)	292(100)	301(100)	303(100)
	No. of managers with Korean nationality		Persons(%)	52(100)	47(100)	44(100)
Employees with disabilities (percentage)			Persons(%)	2(0.68)	2(0.66)	2(0.66)

HD Hyundai Marine Engine

Social

Recruitment and Retention ¹⁾

Category		Unit	2023	2024	2025
Total number of new recruits		Persons	18(6.8)	19(6.9)	28(10.7)
By gender	Male	Persons(%)	-	-	23(82.1)
	Female	Persons(%)	-	-	5(17.9)
By age	Under 30	Persons(%)	-	-	15(53.6)
	30 ~ 50	Persons(%)	-	-	13(46.4)
	Over 50	Persons(%)	-	-	0(0)
Percentage of positions filled by internal recruitment		%	-	-	0
Average hiring cost per employee		KRW	-	-	48,214
Employee turnover		Persons(%)	12(4.7)	13(4.9)	8(2.9)
By gender	Male	Persons	-	-	8
	Female	Persons	-	-	0
By age	Under 30	Persons	-	-	1
	30 ~ 50	Persons	-	-	4
	Over 50	Persons	-	-	3
Voluntary employee turnover		Persons(%)	10(3.9)	4(1.5)	4(1.4)
Average years employed by the company		Years	-	-	11.2
By gender	Male	Years	-	-	11.7
	Female	Years	-	-	5.9

1) New indicator introduced in 2025

Remuneration ¹⁾

Category		Unit	2023	2024	2025
Average fixed annual salary of managers	Male	KRW mil.	-	-	108
	Female	KRW mil.	-	-	-
Average total salary of managers (fixed salary + variable salary)	Male	KRW mil.	-	-	160
	Female	KRW mil.	-	-	-
Average fixed annual salary of non-managerial positions	Male	KRW mil.	-	-	51
	Female	KRW mil.	-	-	50
Average total salary of non-managerial positions (fixed salary + variable salary)	Male	KRW mil.	-	-	74
	Female	KRW mil.	-	-	72

1) New indicator introduced in 2025

Performance Evaluation ¹⁾

Category		Unit	2023	2024	2025
Percentage of employees who receive regular performance evaluations		%	-	-	96.1
Male		%	-	-	95.7
Female		%	-	-	100

1) New indicator introduced in 2025

HD Hyundai Marine Engine

Social

Employee Benefits¹⁾

Category		Unit	2023	2024	2025
Maximum period of paid parental leave	Male	Weeks	-	-	52
	Female	Weeks	-	-	52

1) New indicator introduced in 2025

Employee Training

Category		Unit	2023	2024	2025
Training expenditure per employee		KRW mil.	0.2	0.04	0.07
Training hours per employee		Hours	10.3	5.2	21.0

Grievance Handling¹⁾

Category		Unit	2023	2024	2025
Percentage of corrective actions taken regarding human rights incident		%	-	-	100
No. of reported cases of discrimination and harassment		Cases	-	-	2
No. of cases of discrimination and harassment addressed		Cases	-	-	2

1) New indicator introduced in 2025

Community

Category		Unit	2023	2024	2025
Community Investment		KRW mil.	0	1.3	500.2
Cash donations		KRW mil.	0	0	500
In-kind donations		KRW mil.	0	0	0
Community co-prosperity contributions		KRW mil.	0	1.3	0.2
Monetized value of employee volunteer hours		KRW mil.	0	0	0

HD Hyundai Marine Engine

Social

Safety and Health Risk Management

	Category	Unit	2023	2024	2025
Employee	Total working hours	Hours	619,040	630,896	614,592
	Work-related fatality rate	%	0	0	0
	Number of work-related fatalities	Cases	0	0	0
	LTIFR	Cases per mil. working hours	3.231	3.170	0
	LTI	Cases	2	2	0
Contractor	Total working hours	Hours	231,080	249,424	332,640
	Work-related fatality rate	%	0	0	0.601
	Number of work-related fatalities	Cases	0	0	1
	LTIFR	Cases per mil. working hours	0	12.028	3.006
	LTI	Cases	0	3	1

Supply Chain ¹⁾

	Category	Unit	2023	2024	2025
	No. of Tier 1 suppliers	Companies	-	-	370
	No. of significant suppliers in Tier-1	Companies	-	-	65
	Percentage of total spend on significant suppliers in Tier-1	%	-	-	86
	No. of Tier 1 suppliers assessed via desk assessments	Companies	-	-	248
	No. of significant suppliers in Tier-1 assessed via desk assessments	Companies	-	-	48
Assessment	No. of Tier 1 suppliers assessed via on-site assessments	Companies	-	-	0
	No. of significant suppliers in Tier-1 assessed via on-site assessments	Companies	-	-	0
	No. of suppliers with identified risks	Companies	-	-	12

1) New indicator introduced in 2025

HD Hyundai Marine Engine

Governance

Board of Directors

Category		Unit	2023	2024	2025
No. of members		Persons	7	5	5
No. of outside directors		Persons	2	3	3
No. of inside directors		Persons	3	2	2
No. of other non-executive directors		Persons	2	0	0
Percentage of outside directors		%	29	60	60
Target percentage of outside directors		%	25	25	25
Board diversity	Male	Persons(%)	7(100)	5(100)	5(100)
	Female	Persons(%)	0(0)	0(0)	0(0)
	Under 30	Persons(%)	0(0)	0(0)	0(0)
	30 ~ 50	Persons(%)	1(14.3)	0(0)	0(0)
	Over 50	Persons(%)	6(85.7)	5(100)	5(100)
Board expertise	No. of outside directors with 4 or less other mandates	Persons	2	3	3
	No. of other mandates that is allowed for an outside director	Should be less than	3	3	3
	Average tenure of Board members	Years	3.2	0.4	1.4
	No. of outside directors with industry experiences	Persons	0	0	0
Board operation	Average attendance rate	%	99	85	97
	Minimum attendance required for Board meetings	%	50	50	50

Privacy and Information Security

Category		Unit	2023	2024	2025
No. of violations of laws and regulations related to privacy protection		Cases	0	0	0
No. of information security breaches		Cases	0	0	0

Stock Ownership

Category		Unit	2023	2024	2025
Total ownership percentage of government agencies and pension funds holding 5% or more		%	- 1)	- 1)	7.98
Total ownership percentage of founders and their families holding 5% or more		%	- 1)	- 1)	- 1)

1) Not applicable, as the percentage is less than 5%.

Ethics and Compliance Management

Category		Unit	2023	2024	2025
Resolution rate of breaches of Code of Conduct		%	-	-	-
Total number of breaches of Code of Conduct		Cases	0	0	0
Total number of resolved breaches of Code of Conduct		Cases	0	0	0

Compliance

Category		Unit	2023	2024	2025
No. of violations of fair-trade regulations		Cases	0	0	0
Total monetary sanctions for violations of fair-trade regulations		KRW mil.	0	0	0
No. of violations of anti-corruption and anti- bribery regulations		Cases	0	0	0
Total monetary sanctions for violations of anti-corruption and anti- bribery regulations		KRW mil.	0	0	0

HD Hyundai Vietnam Shipbuilding

Environmental

Violations of Environmental Laws

Category	Unit	2023	2024	2025
No. of significant violations of environmental laws	Cases	0	0	0
Total monetary sanctions for significant violations of environmental laws	KRW mil.	0	0	0

Scope 1 & 2 Emissions

Category	Unit	2023	2024	2025
Total emissions (Scope 1+2)	tCO ₂ eq	54,880	52,480	79,299
Direct emissions (Scope 1)	tCO ₂ eq	19,004	14,413	18,572
Indirect emissions (Scope 2)	tCO ₂ eq	35,876	38,067	60,727
Emission intensity	tCO ₂ eq/KRW bil.	76.519	61.702	81.555

Scope 3 Emissions

Category	Unit	2023	2024	2025
Total Scope 3 emissions	tCO ₂ eq	4,243,326	5,797,466	6,919,584
Upstream emissions	tCO ₂ eq	444,277	476,191	522,365
Category 1. Purchased products and services	tCO ₂ eq	406,809	442,669	482,461
Category 2. Capital goods	tCO ₂ eq	1,189	1,914	2,834
Category 3. Fuel and energy-related activities	tCO ₂ eq	7,165	6,998	7,341
Category 4. Upstream transportation and distribution	tCO ₂ eq	9,212	18,879	4,392
Category 5. Waste generated in operations	tCO ₂ eq	17,673	4,030	23,704
Category 6. Business travel	tCO ₂ eq	34	37	68
Category 7. Employee commuting	tCO ₂ eq	2,195	1,664	1,565
Category 8. Upstream leased assets	tCO ₂ eq	-	-	-
Downstream emissions	tCO ₂ eq	3,799,049	5,321,275	6,397,219
Category 9. Downstream transportation and distribution	tCO ₂ eq	-	-	-
Category 10. Processing of sold products	tCO ₂ eq	-	-	-
Category 11. Use of sold products	tCO ₂ eq	3,798,654	5,320,506	6,396,362
Category 12. End-of-life treatment of sold products	tCO ₂ eq	395	769	857
Category 13. Downstream leased assets	tCO ₂ eq	-	-	-
Category 14. Franchises	tCO ₂ eq	-	-	-
Category 15. Investments	tCO ₂ eq	-	-	-

HD Hyundai Vietnam Shipbuilding

Environmental

Energy

Category	Unit	2023	2024	2025
Total energy consumption	TJ	945	932	1,021
Non-renewable energy consumption	TJ	945	932	1,021
Direct energy consumption	TJ	195	137	165
Indirect energy consumption	TJ	750	796	856
Electricity consumption	TJ	750	796	856
Steam/heat consumption	TJ	0	0	0
Renewable energy consumption	TJ	0	0	0
Percentage of renewable energy	%	0	0	0
Total energy consumption intensity	TJ/KRW bil.	1.317	1.096	1.050

Water

Category	Unit	2023	2024	2025
Total water withdrawal	m³	696,850	646,230	711,350
Surface water	m³	696,850	646,230	711,350
Seawater	m³	0	0	0
Third-party water	m³	0	0	0
Total water withdrawal intensity	m³/KRW mil.	0.972	0.760	0.732

Waste

Category			Unit	2023	2024	2025
Total waste disposed ¹⁾			ton	362,217	374,224	330,170
General waste	Waste disposed		ton	362,094	373,330	329,191
	Recycled	Internal	ton	0	0	0
		Outsourced	ton	11,648	12,899	40,418
	Landfilled	Internal	ton	255,285	281,720	276,582
		Outsourced	ton	0	0	0
	Incinerated (energy recovery)	Internal	ton	0	0	0
		Outsourced	ton	95,161	78,711	12,191
	Incinerated (w/o energy recovery)	Internal	ton	0	0	0
		Outsourced	ton	0	0	0
Hazardous waste	Waste disposed		ton	123	894	978

1) Total emissions may differ slightly from the sum of individual categories due to rounding of category-level emissions to whole numbers.

HD Hyundai Vietnam Shipbuilding

Social

Labor-Management Relations

Category	Unit	2023	2024	2025
Unionization rate	%	99.9	99.8	100
Percentage of employees covered by collective bargaining agreements	%	100	100	100
No. of labor-management council meetings held	Times	1	1	1

Status of Employees

Category		Unit	2023	2024	2025
Total number of employees		Persons	3,039	3,099	3,195
Registered executives		Persons	6	4	4
Employees excluding registered executives		Persons	3,033	3,095	3,191
External workers		Persons	0	0	0
By employment type	Total permanent employees	Persons	3,033	3,095	3,191
	Male	Persons	2,893	2,954	3,039
	Female	Persons	140	141	152
	Total temporary employees	Persons	0	0	0
	Male	Persons	0	0	0
	Female	Persons	0	0	0
By managerial position	Total number of managerial positions	Persons	842	859	720
	Top management	Persons	1	1	4
	Middle management	Persons	70	72	71
	Junior management	Persons	771	786	645
	Total number of non-managerial positions	Persons	2,178	2,223	2,475

Employee Diversity

Category			Unit	2023	2024	2025
By age	Under 30		Persons(%)	707(23.3)	754(24.3)	751(23.5)
	30 ~ 50		Persons(%)	2,012(66.2)	1,979(63.9)	1,899(59.4)
	Over 50		Persons(%)	314(10.3)	362(11.7)	545(17.1)
By gender	Employee	Male	Persons(%)	2,893(95.2)	2,954(95.3)	3,043(95.2)
		Female	Persons(%)	140(4.6)	141(4.6)	152(4.8)
	Registered executives	Male	Persons(%)	6(100)	4(100)	4(100)
		Female	Persons(%)	0	0	0
	Managerial position	Male	Persons(%)	829(98.5)	846(98.5)	614(85.3)
		Female	Persons(%)	13(1.5)	13(1.5)	106(14.7)
	Top management	Male	Persons(%)	1(100)	1(100)	4(100)
		Female	Persons(%)	0	0	0
	Middle management	Male	Persons(%)	70(100)	72(100)	71(100)
		Female	Persons(%)	0	0	0
	Junior management	Male	Persons(%)	758(98.3)	773(98.3)	539(83.6)
		Female	Persons(%)	13(1.7)	13(1.7)	106(16.4)
	Non-managerial position	Male	Persons(%)	2,051(94.2)	2,095(94.2)	2,429(98.1)
		Female	Persons(%)	127(5.8)	128(5.8)	46(1.9)
	Managerial employees in revenue-generating departments	Male	Persons(%)	684(100)	641(100)	894(98.8)
		Female	Persons(%)	0	0	11(1.2)
	STEM employees	Male	Persons(%)	33(91.7)	57(95.0)	68(93.2)
		Female	Persons(%)	3(8.3)	3(5.0)	5(6.8)

HD Hyundai Vietnam Shipbuilding

Social

Recruitment and Retention

Category		Unit	2023	2024	2025
Total number of new recruits		Persons(%)	374(12.3)	245(7.9)	165(5.3)
By gender	Male	Persons(%)	365(97.6)	238(97.1)	150(90.9)
	Female	Persons(%)	9(2.4)	7(2.9)	15(9.1)
By age	Under 30	Persons(%)	298(79.7)	207(84.5)	149(90.3)
	30 ~ 50	Persons(%)	76(20.3)	37(15.1)	15(9.1)
	Over 50	Persons(%)	0	1(0.4)	1(0.6)
Employee turnover		Persons(%)	131(4.7)	178(5.9)	139(4.5)
Average years employed by the company		Years	13.9	14.1	14.6
By gender	Male	Years	13.9	14.1	14.6
	Female	Years	13.5	13.9	13.5

Performance Evaluation

Category		Unit	2023	2024	2025
Percentage of employees who receive regular performance evaluations		%	100	100	100
Male		%	100	100	100
Female		%	100	100	100

Employee Benefits

Category		Unit	2023	2024	2025
Maximum period of paid parental leave	Male	Weeks	18	18	18
	Female	Weeks	45	45	45

Training

Category		Unit	2023	2024	2025
Training hours per employee		Hours	51.0	33.2	19.9

Safety and Health Risk Management

Category		Unit	2023	2024	2025
Employee	Total working hours	Hours	6,937,030	10,132,137	7,455,850
	Work-related fatality rate	Cases per 200,000 working hours	0	0	0
	Number of work-related fatalities	Cases	0	0	0
	Injury rate	%	0	0	0
	Number of injuries	Cases	0	0	0
	Total working hours	Hours	2,484,634	2,824,781	3,161,914
Contractor	Work-related fatality rate	Cases per 200,000 working hours	0	0	0
	Number of work-related fatalities	Cases	0	0	0
	Injury rate	%	0	0	0
	Number of injuries	Cases	0	0	0

Occupational Health and Safety Management System

Category		Unit	2023	2024	2025
ISO 45001 (OHS management system)		%	100	100	100

HD Hyundai Vietnam Shipbuilding

Social

Community¹⁾

Category	Unit	2023	2024	2025
Community Investment	KRW mil.	142	108	331
Cash donations	KRW mil.	106	99	316
In-kind donations	KRW mil.	36	9	14
Community co-prosperity contributions	KRW mil.	-	-	-
Monetized value of employee volunteer hours	KRW mil.	-	-	-

1) Totals may differ slightly from the sum of individual figures due to rounding to whole numbers.

Governance

Economic Value

Category	Unit	2023	2024	2025
Standalone revenue	KRW mil.	717,208	850,540	972,335

Privacy and Information Security

Category	Unit	2023	2024	2025
No. of violations of laws and regulations related to privacy protection	Cases	0	0	0
No. of information security breaches	Cases	0	0	0

HD Hyundai Engine & HD Hyundai M&S

Environmental

Environmental Management System

Category	Unit	HD Hyundai Engine			HD Hyundai M&S
		2023	2024	2025	2025
ISO 14001 (Environmental management system)	%	100	100	100	-

Violations of Environmental Laws¹⁾

Category	Unit	HD Hyundai Engine			HD Hyundai M&S
		2023	2024	2025	2025
No. of significant violations of environmental laws	Cases	0	0	0	0
Total monetary sanctions for significant violations of environmental laws	KRW mil.	0	0	0	0

1) Only significant fines (over USD 10,000 fines imposed on confirmed major violations) are indicated

Scope 1 & 2 Emissions¹⁾

Category	Unit	HD Hyundai Engine			HD Hyundai M&S
		2023	2024	2025	2025
Total emissions (Scope 1+2)	tCO ₂ eq	-	8,196	9,608	6,246
Direct emissions (Scope 1)	tCO ₂ eq	-	6,231	7,564	2,580
Indirect emissions (Scope 2)	tCO ₂ eq	-	1,965	2,044	3,666

1) Although not subject to the Emissions Trading Scheme (ETS), HD Hyundai Engine has compiled its GHG emissions since 2024, and HD Hyundai M&S since 2025.

Energy¹⁾

Category	Unit	HD Hyundai Engine			HD Hyundai M&S
		2023	2024	2025	2025
Total energy consumption	TJ	-	143	170	84
Direct energy consumption	TJ	-	102	127	7
Indirect energy consumption	TJ	-	41	43	77

1) Although not subject to the Emissions Trading Scheme (ETS), HD Hyundai Engine has compiled its GHG emissions since 2024, and HD Hyundai M&S since 2025.

HD Hyundai M&S was transferred to HHI on February 25, 2025. Accordingly, its performance data are disclosed for 2025 only.

Water

Category	Unit	HD Hyundai Engine			HD Hyundai M&S
		2023	2024	2025	2025
Total water withdrawal	m ³	6,504	13,269	17,094	61,704
Surface water	m ³	0	0	0	0
Seawater	m ³	0	0	0	0
Third-party water	m ³	6,504	13,269	17,094	61,704

Waste¹⁾

Category		Unit	HD Hyundai Engine			HD Hyundai M&S
			2023	2024	2025	2025
Total waste disposed		ton	496	656	568	1,135
General waste	Waste disposed	ton	356	476	357	1,129
	Recycled	ton	350	409	340	1,129
	Incinerated (w/o energy recovery)	ton	6	67	17	0
	Outsourced					
Hazardous waste	Waste disposed	ton	140	180	211	6
	Recycled	ton	134	169	200	2
	Incinerated (w/o energy recovery)	ton	6	11	11	4
	Outsourced					
Construction waste	Waste disposed	ton	-	-	-	-

1) Based on the figures reported to the Ministry of Environment's Allbaro System.

HD Hyundai Engine & HD Hyundai M&S

Social

Status of Employees¹⁾

Category		Unit	HD Hyundai Engine ²⁾			HD Hyundai M&S	
			2023	2024	2025	2025	
Total number of employees		Persons	24	29	30	48	
Registered executives		Persons	3	3	3	4	
Employees excluding registered executives		Persons	21	26	27	44	
External workers		Persons	2	3	3	4	
By employment type	Total permanent employees	Persons	20	22	26	9	
	Male	Persons	19	21	23	9	
	Female	Persons	1	1	3	0	
	Total temporary employees	Persons	1	4	1	35	
	Male	Persons	1	2	1	30	
	Female	Persons	0	2	0	5	
By managerial position ³⁾	Total number of managerial positions	Persons	4	4	4	12	
	Top management	Persons	1	1	1	3	
	Middle management	Persons	2	2	2	1	
	Junior management	Persons	1	1	1	8	
	Total number of non-managerial positions	Persons	18	23	24	35	

1) As of the end of the reporting period

2) Due to the updates in data reporting standard, some figures have changed compared to the 2024 Sustainability Report.

3) Managerial and non-managerial positions are calculated excluding non-executive directors among registered executives, resulting in a discrepancy in the total number of employees.

Employee Diversity^{1), 2), 3)}

Category			Unit	HD Hyundai Engine			HD Hyundai M&S
				2023	2024	2025	2025
By age	Under 30		Persons(%)	4(16.7)	3(10.4)	3(10.0)	0
	30 ~ 50		Persons(%)	14(58.3)	19(65.5)	20(66.7)	38(79.2)
	Over 50		Persons(%)	6(25)	7(24.1)	7(23.3)	10(20.8)
By gender	Employee	Male	Persons(%)	23(95.8)	26(89.7)	27(90.0)	43(89.6)
		Female	Persons(%)	1(4.2)	3(10.3)	3(10.0)	5(10.4)
	Registered executives	Male	Persons(%)	3(100)	3(100)	3(100)	4(100)
		Female	Persons(%)	0	0	0	0
	Managerial position	Male	Persons(%)	4(100)	4(100)	4(100)	12(100)
		Female	Persons(%)	0	0	0	0
	Top management	Male	Persons(%)	1(100)	1(100)	1(100)	3(100)
		Female	Persons(%)	0	0	0	0
	Middle management	Male	Persons(%)	2(100)	2(100)	2(100)	1(100)
		Female	Persons(%)	0	0	0	0
	Junior management	Male	Persons(%)	1(100)	1(100)	1(100)	8(100)
		Female	Persons(%)	0	0	0	0
	Non-managerial position	Male	Persons(%)	17(94.4)	20(87.0)	21(87.5)	30(85.7)
		Female	Persons(%)	1(5.6)	3(13.0)	3(12.5)	5(14.3)
	Managerial employees in revenue-generating departments	Female	Persons(%)	0	0	0	0
	STEM employees	Female	Persons(%)	0	0	0	0
By nationality	No. of employees with Korean nationality		Persons(%)	24(100)	29(100)	30(100)	48(100)
	No. of managers with Korean nationality		Persons(%)	4(100)	4(100)	4(100)	12(100)
Employees with disabilities (percentage)			Persons(%)	0	0	0	0

1) As of the end of the reporting period

2) Due to the updates in data reporting standard, some figures have changed compared to the 2024 Sustainability Report.

3) Management and non-management positions are calculated excluding non-executive directors among registered executives, resulting in a discrepancy in the total number of employees.

HD Hyundai Engine & HD Hyundai M&S

Social

Recruitment and Retention

Category		Unit	HD Hyundai Engine		HD Hyundai M&S	
			2023	2024	2025	2025
Total number of new recruits		Persons	4	2	2	9
By gender	Male	Persons(%)	4(100)	2(100)	2(100)	9(100)
	Female	Persons(%)	0	0	0	0
By age	Under 30	Persons(%)	2(50)	2(100)	1(50)	0
	30 ~ 50	Persons(%)	2(50)	0	1(50)	8(88.9)
	Over 50	Persons(%)	0	0	0	1(11.1)
Employee turnover		Persons	1	0	1	0
Voluntary employee turnover ^{1), 2)}		Persons(%)	1(5.0)	0	1(3.9)	0

1) Total turnover rate (%) = (Total number of turnover / number of permanent employees) x 100%
2) Excluding involuntary departures such as retirement

Performance Evaluation

Category		Unit	HD Hyundai Engine		HD Hyundai M&S	
			2023	2024	2025	2025
Percentage of employees who receive regular performance evaluations		%	90.9	85.2	100	100
Male		%	90.5	91.7	100	100
Female		%	100	33.3	100	-

Employee Benefits

Category		Unit	HD Hyundai Engine		HD Hyundai M&S	
			2023	2024	2025	2025
Maximum period of paid parental leave	Male	Weeks	52	52	78	78
	Female	Weeks	52	52	78	78

Employee Training ¹⁾

Category		Unit	HD Hyundai Engine		HD Hyundai M&S	
			2023	2024	2025	2025
Training hours per employee		Hours	30.0	27.0	12.9	14.1

1) Based on all employees (permanent, non-permanent)

Grievance Handling

Category		Unit	HD Hyundai Engine		HD Hyundai M&S	
			2023	2024	2025	2025
Number of reported cases of discrimination and harassment		Cases	0	0	0	0
Number of cases of discrimination and harassment addressed		Cases	0	0	0	0

Occupational Health and Safety Management System

Category		Unit	HD Hyundai Engine		HD Hyundai M&S	
			2023	2024	2025	2025
ISO 45001 (OHS management system)		%	100	100	100	100

Safety and Health Risk Management

Category		Unit	HD Hyundai Engine		HD Hyundai M&S	
			2023	2024	2025	2025
Employee	Work-related fatality rate	Cases per 200,000 working hours	0	0	0	0
	Number of work-related fatalities	Cases	0	0	0	0
	Injury rate	%	0	0	0	0
	Number of injuries	Cases	0	0	0	0
Contractor	Work-related fatality rate	Cases per 200,000 working hours	0	0	0	0
	Number of work-related fatalities	Cases	0	0	0	0
	Injury rate	%	0	4.110	0	0.198
	Number of injuries	Cases	0	3	0	1

HD Hyundai Engine & HD Hyundai M&S

Governance

Board of Directors

Category		Unit	HD Hyundai Engine			HD Hyundai M&S
			2023	2024	2025	2025
No. of members		Persons	3	3	3	3
No. of outside directors		Persons	0	0	0	0
No. of inside directors		Persons	1	1	1	3
No. of other non-executive directors		Persons	2	2	2	0
Percentage of outside directors		%	0	0	0	0
Board diversity ¹⁾	Male	Persons(%)	3(100)	3(100)	3(100)	3(100)
	Female	Persons(%)	0	0	0	0
	Under 30	Persons(%)	0	0	0	0
	30 ~ 50	Persons(%)	1(33.3)	1(33.3)	1(33.3)	0
	Over 50	Persons(%)	2(66.7)	2(66.7)	2(66.7)	3(100)
Board expertise	Average tenure of Board members	Years	0	1	0	0
Board operation	Average attendance rate	%	100	100	100	100

1) Due to the updates in data reporting standard, some figures have changed compared to the 2024 Sustainability Report.

HD Hyundai M&S was transferred to HHI on February 25, 2025. Accordingly, its performance data are disclosed for 2025 only.

Ethics and Compliance Management

Category		Unit	HD Hyundai Engine			HD Hyundai M&S
			2023	2024	2025	2025
Resolution rate of breaches of Code of Conduct		%	0	0	0	0
Total number of breaches of Code of Conduct		Cases	0	0	0	0
Total number of resolved breaches of Code of Conduct		Cases	0	0	0	0
Code of Conduct training completion rate		%	100	100	100	- 1)

1) Participation in the HD Hyundai Group ethics management training is scheduled to begin in 2026.

Compliance¹⁾

Category		Unit	HD Hyundai Engine			HD Hyundai M&S
			2023	2024	2025	2025
Number of violations of fair-trade regulations		Cases	1	0	0	0
Total monetary sanctions for violations of fair-trade regulations		KRW mil.	4.8	0	0	0
Number of violations of anti-corruption and anti- bribery regulations		Cases	0	0	0	0
Total monetary sanctions for violations of anti-corruption and anti- bribery regulations		KRW mil.	0	0	0	0

1) Violations of fair trade laws and regulations are based on HHI's Annual Report and exclude cases currently subject to litigation, trials, or objections.

Privacy and Information Security

Category		Unit	HD Hyundai Engine			HD Hyundai M&S
			2023	2024	2025	2025
No. of violations of laws and regulations related to privacy protection		Cases	0	0	0	0
No. of information security breaches		Cases	0	0	0	0



Appendix

191	Initiative Index
197	Independent Assurance Statement
199	GHG & Energy Assurance Statement
200	Membership Status & Public Information
201	Contributing Organizations

Initiative Index

GRI

Universal Standards

Category	Note
Statement of use	HDKSOE, HHI, HSHI and HME report their sustainability information for the period from January 1, 2025 to December 31, 2025 in accordance with the GRI Standards reporting principles
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standards	As of the publication date, the GRI Sector Standard for the shipbuilding and offshore industry, which is the main industry of HDKSOE, HHI, HSHI and HME, has not yet been released and therefore is not applied.

GRI 2: General Disclosures

Category			Page	
			HDKSOE, HHI, HSHI	HME
The organization and its reporting practices	2-1	Organizational details	4~13	4, 14~16
	2-2	Entities included in the organization's sustainability reporting	2	2
	2-3	Reporting period, frequency and contact point	2	2
	2-4	Restatements of information	In case of any restatements, the details of the restatements and their reasons are disclosed in footnotes.	
	2-5	External assurance	197~198	197~198
Activities and workers	2-6	Activities, value chain, and other business relationships	2, 4~13	2, 14~16
	2-7	Employees	163	176
	2-8	Workers who are not employees	163	176
Governance	2-9	Governance structure and composition	110~112	146~147
	2-10	Nomination and selection of the highest governance body	110	146
	2-11	Chair of the highest governance body	110~112, 121	146~147
	2-12	Role of the highest governance body in overseeing the management of impacts	127	-
	2-13	Delegation of responsibility for managing impacts	18~21	22
	2-14	Role of the highest governance body in sustainability reporting	18~21	22
	2-15	Conflicts of interest	108	141, 148, 150

Category		Indicator	Page	
			HDKSOE, HHI, HSHI	HME
Governance	2-16	Communication of critical concerns	113~115	147~148
	2-17	Collective knowledge of the highest governance body	113	149
	2-18	Evaluation of the performance of the highest governance body	24~27, 32, 116	24~27, 149
	2-19	Remuneration policies	116	149
	2-20	Process to determine remuneration	115~116	148~149
	2-21	Annual total compensation ratio	116, 172	149
Strategy, policies and practices	2-22	Statement on sustainable development strategy	5, 8, 11	14
	2-23	Policy commitments	85~89, 94	136, 143
	2-24	Embedding policy commitments	85~89	140
	2-25	Processes to remediate negative impacts	89	140
	2-26	Mechanisms for seeking advice and raising concerns	89	140
	2-27	Compliance with laws and regulations	156, 172~173	174, 180
	2-28	Membership associations	200	200
	2-29	Approach to stakeholder engagement	30	30
	2-30	Collective bargaining agreements	75	139

GRI 3: Material Topics

Category		Indicator	Page	
			HDKSOE, HHI, HSHI	HME
Disclosures on material topics	3-1	Process to determine material topics	23~27	23~27
	3-2	List of material topics	23~27	23~27
	3-3	Management of material topics	① Safety & Health: 24, 68~74 GRI: 403-1~10	① Safety & Health: 24, 136~138 GRI: 403-1~10
			② Climate Change Response: 25, 32~43 GRI: 305-1~7	② Climate Change Response: 25 GRI: 305-1~7
			③ Environmental Impact Reduction Technologies: 26, 44~53 GRI: non-GRI	③ Environmental Impact Reduction Technologies: 26 GRI: non-GRI
			④ People & Labor Relations: 27, 75~84 GRI: 401-1~3, 404-1~3	④ People & Labor Relations: 27, 139~140 GRI: 401-1~3, 404-1~3
			⑤ Supply Chain Management: 27, 90~99 GRI: 308-1~2, 414-1~2	⑤ Supply Chain Management: 27, 141~142 GRI: 308-1~2, 414-1~2
			⑥ Quality Management: 27, 100~103 GRI: 416-2, 417-2~3	⑥ Quality Management: 27, 143~144 GRI: 416-2, 417-2~3

Initiative Index

GRI

Topic Standards

Category			Indicator		Page	
					HDKSOE, HHI, HSHI	HME
Biodiversity	101-1	Policies to halt and reverse biodiversity loss		62	-	
	101-2	Management of biodiversity impacts		64~66	-	
	101-3	Access and benefit-sharing		64~66	-	
	101-4	Identification of biodiversity impacts		64~66	-	
	101-5	Locations with biodiversity impacts		64~66	-	
	101-6	Direct drivers of biodiversity loss		64~66	-	
	101-7	Changes to the state of biodiversity		65	-	
	101-8	Ecosystem services		65	-	
Economic performance	201-1	Direct economic value generated and distributed		154~155	-	
	201-2	Financial implications and other risks and opportunities due to climate change		38~41	135	
	201-3	Defined benefit plan obligations and other retirement plans		79	-	
	201-4	Financial assistance received from government		173	-	
Market presence	202-1	Ratios of standard entry level wage by gender compared to local minimum wage		167	177	
	202-2	Proportion of senior management hired from the local community		- ¹⁾	- ¹⁾	
Indirect economic impacts	203-1	Infrastructure investments and services supported		104~108, 168	145, 178	
	203-2	Significant indirect economic impacts		155	-	
Procurement practices	204-1	Proportion of spending on local suppliers		170	179	
Anti-corruption	205-1	Operations assessed for risks related to corruption		122	151	
	205-2	Communication and training about anti-corruption policies and procedures		119~122	150~151	
	205-3	Confirmed incidents of corruption and actions taken		122	151	
Anti-competitive behavior	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practice		172	180	
Tax	207-1	Approach to tax		130	-	
	207-3	Stakeholder engagement and management of concerns related to tax		130	-	

1) 100%

Category			Indicator	Page	
				HDKSOE, HHI, HSHI	HME
Materials	301-1	Materials used by weight or volume	156	175	
	301-2	Recycled input materials used	156	175	
Energy	302-1	Energy consumption within the organization	160	174	
	302-3	Energy intensity	160	174	
	302-4	Reduction of energy consumption	34, 160	134, 174	
	302-5	Reductions in energy requirements of products and services	45~48	135	
Water and effluents	303-1	Interactions with water as a shared resource	58	134	
	303-2	Management of water discharge-related impacts	58	134	
	303-3	Water withdrawal	161	175	
	303-4	Water discharge	161	175	
	303-5	Water consumption	161	175	
Emissions	305-1	Direct (Scope 1) GHG emissions	43, 158	174	
	305-2	Energy indirect (Scope 2) GHG emissions	43, 158	174	
	305-3	Other indirect (Scope 3) GHG emissions	43, 159	-	
	305-4	GHG emissions intensity	158	174	
	305-5	Reduction of GHG emissions	158	-	
	305-6	Emissions of Ozone-Depleting Substances (ODS)	- ¹⁾	- ¹⁾	
	305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	157	175	

Initiative Index

GRI

Topic Standards

Category			Page	
			HDKSOE, HHI, HSHI	HME
Waste	306-1	Waste generation and significant waste-related impacts	60	134
	306-2	Management of significant waste-related impacts	60	134
	306-3	Waste generated	162	175
	306-4	Waste diverted from disposal (e.g., reuse, recycling, etc.)	162	175
	306-5	Waste directed to disposal (e.g., incineration, landfill, etc.)	162	175
Supplier environmental assessment	308-1	New suppliers that were screened using environmental criteria	170	-
	308-2	Negative environmental impacts in the supply chain and actions taken	97~98	142
Employment	401-1	New employee hires and employee turnover	166	177
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	80~81	140
	401-3	Parental leave	167	178
Labor/Management relations	402-1	Minimum notice periods regarding operational changes	- 1)	- 1)
Occupational health and safety	403-1	Occupational health and safety management system	70	137
	403-2	Hazard identification, risk assessment, and incident investigation	68, 71	137
	403-3	Occupational health services	69, 71~72	137~138
	403-4	Worker participation, consultation, and communication on occupational health and safety	68~69	136
	403-5	Worker training on occupational health and safety	69	138
	403-6	Promotion of worker health	70~72	138
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	72	137~138
	403-8	Workers covered by an occupational health and safety management system	69~70	137~138
	403-9	Work-related injuries	69~70, 169	137~138, 179
	403-10	Work-related ill health	- 2)	- 2)

1) In accordance with Article 9 of the Collective Agreement, Labor and Management promptly exchange written notifications in cases of operational changes, including those regarding company name, article of incorporation, employment rules, personnel, organizational restructuring, labor welfare, training programs, in-house contractors and other personnel-related matters.

2) Not applicable

Category			Page	
			HDKSOE, HHI, HSHI	HME
Training and education	404-1	Average hours of training per year per employee	168	178
	404-2	Programs for upgrading employee skills and transition assistance programs	76~77	139
	404-3	Percentage of employees receiving regular performance and career development reviews	166	177
Diversity and equal opportunity	405-1	Diversity of governance bodies and employees	164~165	176
	405-2	Ratio of basic salary and remuneration of women to men	167	177
Non-discrimination	406-1	Incidents of discrimination and corrective actions taken	169	178
Freedom of association and collective bargaining	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	75, 83~84, 94	139, 142
Local communities	413-1	Operations with local community engagement, impact assessments, and development programs	108	145
Supplier social assessment	414-1	New suppliers that were screened using social criteria	170	179
	414-2	Negative social impacts in the supply chain and actions taken	97~98, 170	142, 179
Public policy	415-1	Political contributions	173	-
Customer health and safety	416-2	Incidents of non-compliance related to the health and safety impacts of products and services	- 1)	- 1)
	417-1	Requirements for product and service information and labeling	- 1)	- 1)
Marketing and labeling	417-2	Incidents of non-compliance related to product and service information and labeling	- 1)	- 1)
	417-3	Incidents of non-compliance related to marketing communications	- 1)	- 1)
Customer privacy	418-1	Substantiated complaints related to breaches of customer privacy and losses of customer data	173	180

1) 0 cases

Initiative Index

HHI merged with HMD on December 1, 2025. Accordingly, SASB data have been calculated on a basis that includes HMD. The 2023–2024 data were prepared on a standalone basis for HHI. As a result, year-over-year comparisons for certain indicators may be limited. Where additional explanation is required, it is provided in the relevant footnotes.

SASB - Industrial Machinery & Goods

Sustainability Disclosure Topics & Metrics ¹⁾

Category	Code	Accounting Metrics	Unit	HDKSOE			HHI			HSHI			HME		
				2023	2024	2025	2023	2024	2025	2023	2024	2025	2023	2024	2025
Energy management	RT-IG-130a.1	Total energy consumed	TJ	149	172	173	11,511	11,891	14,704	4,552	4,802	4,724	149.991	148.132	167.219
		Percentage of electricity purchased from the grid	%	60.872	61.919	60.687	65.920	63.561	67.019	70.1	68.6	99.4	-	-	146.740
		Percentage of renewable energy used	%	0.201	0.291	0.337	0.017	0.017	0.163	0	0	0.411	0	0	0
Health & Safety	RT-IG-320a.1	Fatality rate	%	0	0	0	0	0.003	0	0.008	0	0	0	0	0.211
		Near Miss Frequency Rate (NMFR)	Cases per 200,000 working hours	17.785	18.398	14.492	6.225	5.984	5.726	8.847	7.596	9.735	0	0	5.067
Fuel economy & emissions in use-phase	RT-IG-410a.1	Sales-weighted fleet fuel efficiency for medium- and heavy-duty vehicles	L/100ton-km	-	-	-	-	-	-	-	-	-	-	-	-
	RT-IG-410a.2	Sales-weighted fuel efficiency for non-road equipment	L/h	-	-	-	-	-	-	-	-	-	-	-	-
	RT-IG-410a.3	Sales-weighted fuel efficiency for stationary generators	KJ/L	-	-	-	-	-	-	-	-	-	-	-	-
	RT-IG-410a.4	Sales-weighted emissions of nitrogen oxides (NOx)	g/KJ	-	-	-	Stroke engine Tier II	Stroke engine Tier II	Stroke engine Tier II	-	-	-	-	-	-
							0.0034	0.0034	0.0034						
							Tier III	Tier III	Tier III						
							0.0007	0.0007	0.0007						
							HiMSEN engine Tier II	HiMSEN engine Tier II	HiMSEN engine Tier II						
							0.0023	0.0023	0.0023						
							Tier III	Tier III	Tier III						
							0.0005	0.0005	0.0005						
		Sales-weighted emissions of particulate matter (PM) for: (a) marine diesel engines, (b) locomotive diesel engines, (c) on-road medium- and heavy duty engines, (d) other non-road diesel engines	g/KJ	-	-	-	-	-	-	-	-	-	-	-	-
Materials sourcing	RT-IG-440a.1	Description of the management of risks associated with the use of critical materials	N/A	Operation of Raw Material Risk Committee			Operation of Raw Material Risk Committee			Operation of Raw Material Risk Committee			Operation of Raw Material Risk Committee		
Remanufacturing design & services	RT-IG-440b.1	Revenue from remanufactured products and remanufacturing services	N/A	-	-	-	-	-	-	-	-	-	-	-	-

1) Metrics marked with dashes ("-") are either not applicable or not monitored.

Initiative Index

HHI merged with HMD on December 1, 2025. Accordingly, SASB data have been calculated on a basis that includes HMD. The 2023–2024 data were prepared on a standalone basis for HHI. As a result, year-over-year comparisons for certain indicators may be limited. Where additional explanation is required, it is provided in the relevant footnotes.

SASB - Industrial Machinery & Goods

Activity Metrics

Code	Accounting Metrics	Unit	HDKSOE			HHI			HSHI			HME		
			2023	2024	2025	2023	2024	2025	2023	2024	2025	2023	2024	2025
RT-IG-000.A	Number of units produced by product category	Ships	-	-	-	CNTR 14 ships LNG 9 ships LPG 8 ships BV 1 ships ETH 2 ships PC 1 ships VLCC 2 ships TOTAL 37 ships	CNTR 22 ships LNG 14 ships LPG 4 ships PC 3 ships TOTAL 43 ships	CNTR 24 ships LNG 14 ships LPG 11 ships ETH 1 ships PC 31 ships RO-RO 2 ships COT 2 ships TOTAL 85 ships	T/K 7 ships LPGC 10 ships LNGC 8 ships CNTR 6 ships B/C 2 ships	T/K 1 ships LPGC 4 ships LNGC 8 ships CNTR 17 ships PCTC 1 ships	T/K 1 ships LPGC 2 ships LNGC 9 ships CNTR 17 ships PCTC 3 ships	-	-	-
RT-IG-000.B	Number of employees	Persons	1,194	1,416	1,548	13,282	14,542	18,885	3,875	3,918	4,004	292	301	303

Initiative Index

UN SDGs

In line with global efforts, HDKSOE and its shipbuilding subsidiaries are committed to achieving the United Nations Sustainable Development Goals (SDGs). To this end, we pursue growth and innovation that facilitate economic development and job creation while also reducing impacts on the environment—a shared resource for humanity—through technology development. By doing so, we aim to align our business directions with the SDGs. As part of these efforts, HDKSOE and its shipbuilding subsidiaries have developed strategies to attain the goals of sustainable development and focused on contributing to 12 out of 17 SDGs and their associated 30 targets.

Key SDGs		Targets	Page	Contributions of HDKSOE and its shipbuilding subsidiaries	
	Ensure healthy lives and promote well-being for all at all ages	3.4 Reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being 3.9 Substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water, and soil pollution and contamination	60, 70~72	· Operate various health facilities such as an in-house clinic, physical therapy room, and oriental medicine treatment room to enhance employee's health · Conduct special medical check-ups for employees exposed to noise, harmful radiation, metals, and organic chemicals · Implement a hazard assessment process through a chemical management system	
	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	4.4 Substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs, and entrepreneurship 4.5 Eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous peoples, and children in vulnerable situations	76~77	· Foster excellent workforce through systematic technical education programs such as a core technology transfer system · Develop and operate job competency training courses to nurture shipbuilding professionals	
	Ensure availability and sustainable management of water and sanitation for all	6.3 Improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater, and substantially increasing recycling and safe reuse globally 6.6 Protect and restore water-related ecosystems, including mountains, forests, wetlands, rivers, aquifers, and lakes 6.7 Expand international cooperation and capacity-building support to developing countries in water- and sanitation-related activities and programs, including water harvesting, desalination, water efficiency, wastewater treatment, recycling, and reuse technologies	58, 63	· Reduce wastewater and improve water quality by minimizing water usage and reusing water · Conduct environmental clean-up activities such as collecting marine debris and removing hazardous materials	
	Ensure access to affordable, reliable, sustainable, and modern energy for all	7.2 Increase substantially the share of renewable energy in the global energy mix 7.3 Double the global rate of improvement in energy efficiency	35, 44~53	· Develop LZC ships and engines · Maintain an efficient energy management system certified by ISO 50001 · Establish optimal ship energy management systems by developing autonomous intelligent ships	
	Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all	8.2 Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labor-intensive sectors 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- and medium-sized enterprises, including through access to financial services	49~51, 91~93	· Expand high-value-added industries, enhance economic productivity, and reduce risk factors by establishing a super gap smart shipyard · Support education and financial services to achieve co-prosperity with contractors	
	Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation	9.4 Upgrade infrastructure and retrofit industries to make them sustainable, realizing increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities	44~53	· Realize saving fuel costs and energy optimization through the digital transformation of shipyards · Enhance the efficiency of ship operations through automation solutions	
	Reduce inequality within and among countries	10.4 Adopt policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality	104~108	· Conduct social contribution activities to practice sharing by supporting vulnerable groups, promoting coexistence with the local community, and supporting the self-reliance of future generations	
	Ensure sustainable consumption and production patterns	12.2 Achieve the sustainable management and efficient use of natural resources 12.4 Achieve the environmentally sound management of chemicals and all waste throughout their life cycle in accordance with agreed international frameworks, and significantly reduce their release to air, water, and soil in order to minimize their adverse impacts on human health and the environment 12.5 Substantially reduce waste generation through prevention, reduction, recycling, and reuse	54~61	· Obtain international certification for environmental management system (ISO14001) · Minimize pollutant emissions through periodic inspections of emission concentration	· Reuse resources and recycle wastes · Install prevention facilities and educate environmental personnel · Manage chemical accidents prevention
	Take urgent action to combat climate change and its impacts	13.2 Integrate climate change measures into national policies, strategies and planning	33~37	· Declare commitment to carbon neutrality and establish a roadmap · Support contractors in achieving carbon neutrality	
	Conserve and sustainably use the oceans, seas, and marine resources for sustainable development	14.1 Prevent and significantly reduce marine pollution of all kinds, in particular from land-based activities, including marine debris and nutrient pollution 14.2 Sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts, including measures such as strengthening their resilience, and take action for their restoration in order to achieve healthy and productive oceans 14.3 Minimize and address the impacts of ocean acidification, including through enhanced scientific cooperation at all levels	62~66	· Possess equipment to prevent marine accidents and manage safety during ship entry and departure · Prevent the destruction of ecosystem conservation areas, and protect and restore habitats · Reduce underwater radiated noise from ships to decrease negative impacts on marine life	
	Protect, restore, and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, halt and reverse land degradation, and halt biodiversity loss	15.4 Ensure the conservation of mountain ecosystems, including their biodiversity, in order to enhance their capacity to provide benefits that are essential for sustainable development 15.8 Introduce measures to prevent the introduction and significantly reduce the impact of invasive alien species on land and water ecosystems and control or eradicate the priority species	62~66	· Biodiversity Conservation Declaration, Deforestation Prohibition Declaration · Prevent the introduction of invasive species through the development of ballast water treatment systems such as the Hi-Ballast system and Ballast-free system	
	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 16.5 Substantially reduce corruption and bribery in all their forms 16.7 Ensure responsive, inclusive, participatory, and representative decision-making at all levels	75, 119~122, 110~116	· Practice transparent and responsible management through ethical and compliance management · Realize a rational governance that maintains checks and balances · Promote inclusive management by encouraging the engagement of various stakeholders such as communication with labor union	

Independent Assurance Statement

To readers of HDKSOE Sustainability Report 2025

Introduction

Korea Management Registrar (KMR) was engaged to conduct an independent assurance of HDKSOE Sustainability Report 2025 for the year ending December 31, 2025. The preparation, information and internal control of the report are the sole responsibility of HD Korea Shipbuilding & Offshore Engineering’s management. KMR’s responsibility is to comply with the agreed engagement and express an opinion to HD Korea Shipbuilding & Offshore Engineering’s management.

Subject Matter

The reporting boundaries included the performance and activities of sustainability-related organizations as described in HD Korea Shipbuilding & Offshore Engineering’s report:

- HDKSOE Sustainability Report 2025

Reference Standard

- GRI Standards 2021

Assurance criteria

KMR applied the quality management system in accordance with ISO 17029 and KMR EDV 01, and carried out the verification in accordance with the assurance criteria of AA1000AS v3 and KMR’s proprietary SRV1000. Under AA1000AS v3, we assessed the adherence to the four principles presented in AA1000AP:2018—Inclusivity, Materiality, Responsiveness, and Impact—and evaluated the reliability and quality of the data and information using these criteria. Under SRV1000, we conducted a multidimensional review aimed at zero data errors, applying expert judgment to determine the materiality criteria.

- ISO 17029 : 2019, ISO 14065 : 2020, AA1000AS v3 : 2020 (AccountAbility), AA1000AP : 2018 (AccountAbility), SRV 1000 : 2022 (KMR), KMR EDV 01 : 2024 (KMR)
- Levels of assurance/materiality: AA1000AS v3 – Type 2/moderate

Scope of assurance

The information subject to verification in the sustainability report is as follows.

- GRI Standards 2021 reporting principles

· Universal Standards

- GRI 2 General Disclosures 2021
- GRI 3 Material Topics 2021

· Topic Specific Standards

- GRI 101: Biodiversity,
- GRI 201: Economic Performance, GRI 202: Market Presence, GRI 203: Indirect Economic Impacts, GRI 204: Procurement Practices, GRI 205: Anti-corruption, GRI 206: Anti-competitive Behavior, GRI 207: Tax(207-1, 207-3),
- GRI 301: Materials(301-1, 301-2), GRI 302: Energy(302-1, 302-3, 302-4, 302-5), GRI 303: Water and Effluents, GRI 305: Emissions, GRI 306: Waste, GRI 308: Supplier Environmental Assessment,
- GRI 401: Employment, GRI 402: Labor/Management Relations, GRI 403: Occupational Health and Safety, GRI 404: Training and Education, GRI 405: Diversity and Equal Opportunity, GRI 406: Non-discrimination, GRI 407: Freedom of Association and Collective Bargaining, GRI 413: Local Communities(413-1), GRI 414: Supplier Social Assessment, GRI 415: Public Policy, GRI 416: Customer Health and Safety(416-2), GRI 417: Marketing and Labeling, GRI 418: Customer Privacy

As for the reporting boundary, information external to the organization was excluded from the scope of assurance.

KMR's Approach

Our Assurance Team undertook the following activities for the agreed scope of assurance using the standard outlined above:

- Evaluating the appropriateness of the reference standard used as a basis for preparing sustainability information and the reliability of the materiality assessment process and its findings;
- Conducting inquiries to understand the data management and control environment, processes, and information systems (the effectiveness of controls was not tested);
- Evaluating the appropriateness and consistency of the methodology for estimation (note that the underlying data was not tested and KMR has not made any estimates);
- Visiting the headquarters, determining visit sites based on the site’s contribution to sustainability and the possibility of unexpected changes since the previous period and sampling data, and carrying out due diligence on a limited number of source records at the sites visited;
- Interviewing people in charge of preparing the report;
- Considering whether the presentation and disclosures of sustainability information are accurate and clearly defined;
- Identifying errors through comparison and check against underlying information, recalculation, analyses, and backtracking; and
- Evaluating the reliability and balance of information based on independent external sources, public databases, and press releases.

Independent Assurance Statement

Limitations and Recommendations

The absence of generally accepted reporting frameworks or well-established practices on which to draw to evaluate and measure non-financial information allows for different measures and measuring techniques, which can affect comparability between entities. Therefore, our assurance team relied on professional judgment. In a limited assurance engagement, the scope of the risk assessment procedures and the subsequent procedures performed in response to the assessed risks are limited than in a reasonable assurance engagement. Our assurance team conducted our work to a limited extent through inquiries, analysis, and limited sampling based on the assumption that the data and information provided by HD Korea Shipbuilding & Offshore Engineering are complete and sufficient. To overcome these limitations, we confirmed the quality and reliability of the information by referring to independent external sources and public databases, such as DART and the National GHGs Management System (NGMS).

Conclusion and Opinion

Based on the document reviews and interviews, we had several discussions with HD Korea Shipbuilding & Offshore Engineering on the revision of the Report. We reviewed the Report’s final version in order to make sure that our recommendations for improvement and revision have been reflected. We found that the report was prepared in accordance with the criteria presented by HD Korea Shipbuilding & Offshore Engineering, and nothing comes to our attention to suggest that the evidence obtained regarding its content is insufficient to provide a basis for our opinion. Our opinion on the principles is as follows:

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

Materiality HD Korea Shipbuilding & Offshore Engineering has a unique materiality assessment process to decide the impact of issues identified on its sustainability performance. We have not found any material topics left out in the process.

Responsiveness HD Korea Shipbuilding & Offshore Engineering prioritized material issues to provide a comprehensive, balanced report of performance, responses, and future plans regarding them. We did not find anything to suggest that data and information disclosed in the Report do not give a fair representation of HD Korea Shipbuilding & Offshore Engineering’s actions.

Impact HD Korea Shipbuilding & Offshore Engineering identifies and monitors the direct and indirect impacts of material topics found through the materiality assessment, and quantifies such impacts as much as possible.

Reliability of Specific Sustainability Performance Information

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

KMR’s Competence, Independence, and Quality Control

Korea Management Registrar (KMR) is a verification body for the Republic of Korea Emissions Trading Scheme (K-ETS), accredited to ISO/IEC 17029:2019 (Conformity Assessment - General principles and requirements for validation and verification bodies), ISO 14067, the additional accreditation criteria ISO 14065, and ISO/IEC 17021:2015 (Requirements for bodies providing audit and certification of management systems). Additionally, KMR maintains a comprehensive quality control system that includes documented policies and procedures of the KMR EDV 01:2024 (ESG Disclosure Assurance System) based on ISO/IEC 17029 requirements and compliant with IAASB ISQM1:2022 (International Standard on Quality Management 1 by the International Auditing and Assurance Standards Board). Furthermore, KMR adheres to the ethical requirements of integrity, objectivity, professional competence and due care, confidentiality, and professional behavior in accordance with the IESBA Code:2023 (International Code of Ethics for Professional Accountants). Our assurance team consists of sustainability experts. Other than providing an independent assurance, KMR has no other contract with HD Korea Shipbuilding & Offshore Engineering and did not provide any services to HD Korea Shipbuilding & Offshore Engineering that could compromise the independence of our work.

Limitations of Use

This assurance statement is made solely for the management of HD Korea Shipbuilding & Offshore Engineering for the purpose of enhancing an understanding of the organization’s sustainability performance and activities. We assume no liability or responsibility for its use by third parties other than the management of HD Korea Shipbuilding & Offshore Engineering. As this assurance statement may be subject to revision after the assurance date below, we recommend verifying whether this is the latest version.



June 25, 2026

CEO

GHG & Energy Assurance Statement

GHG Emissions Verification

Verification Target

Korean Foundation for Quality (hereinafter ‘KFQ’) has conducted a verification of Scope 3 Greenhouse Gas Emissions (hereinafter ‘GHG emissions’) of HD Korea Shipbuilding & Offshore Engineering Co., Ltd., HD Hyundai Heavy Industries Co., Ltd., HD Hyundai Samho Co., Ltd.¹⁾ (hereinafter ‘Company’) for 2025. KFQ is responsible for providing an assurance statement on the GHG emissions based on the verification scope and criteria described below, while the responsibility for the claims made regarding the GHG emissions rests with the company.

1) Address (based on group headquarters) : 477, Bundangsuseo-ro, Bundang-gu, Seongnam-si, Gyeonggi-do, Republic of Korea

Verification Purpose

The purpose is to provide an independent verification opinion on the company's Scope3 emissions.

Verification Scope

The verification covered ten Scope 3 emission categories²⁾ selected by the company during 2025.

2) Category 1, 2, 3, 4, 5, 6, 7, 11, 12, 15

Verification Criteria

The following criteria and coefficients used by the company were applied.

- Criteria
 - ISO 14064-1:2018, ISO 14064-3:2019
 - GHG Protocol Corporate Standard
 - Rule for emission reporting and certification of greenhouse gas emission trading Scheme
- Coefficient
 - Environmental Product Declaration evaluation coefficient (2021)
 - EEDI(Energy Efficiency Design Index)

Level of Assurance

The verification has been conducted in accordance with the verification principles and standards of the 'ISO 14064-3:2019' under the limited verification level.

Verification Limitation

GHG emissions verification involves inherent limitations that may arise depending on the organization's data characteristics, calculations and estimates, sampling method, and limited assurance level. Additionally, this verification does not include responsibility for the accuracy of the original data provided by the company.

Conclusion

Based on the criteria and guidelines stated above, KFQ's verification opinion is as follows.

- 1) GHG emissions of the company for 2025 were properly calculated based on the materials provided, and no material errors or omissions that could affect the verification opinion were identified.
- 2) The criteria and process established by the company for calculating GHG emissions were transparently documented in the internal calculation process to prevent potential misunderstandings.
- 3) Accordingly, KFQ provides a verification opinion that is "Unmodified".

Appendix. 2025 Scope 3 Emissions Calculation Results

Organization: HD Korea Shipbuilding & Offshore Engineering Co., Ltd., HD Hyundai Heavy Industries Co., Ltd., HD Hyundai Samho Co., Ltd.

Emission calculation period: The emission calculation period is from January 1st to December 31st, 2025.

Scope 3 Emissions verification Results					Unit : tCO ₂ eq
Category		HD Korea Shipbuilding & Offshore Engineering	Scope 3 Emissions		HD Hyundai Samho
			HD Hyundai Heavy Industries		
			Pre-merger	Post-merger	
1	Purchased goods & services	196,573	3,083,886	4,190,276	2,535,916
2	Capital goods	1,389	15,332	18,869	4,872
3	Fuel- and Energy-Related Activities Not Included in Scope 1 or Scope 2	1,109	78,711	99,573	32,591
4	Upstream Transportation and Distribution	2,013	60,841	81,802	9,806
5	Waste Generated in Operations	12	18,489	21,438	37,869
6	Business Travel	1,903	5,030	5,954	1,006
7	Employee Commuting	1,085	12,310	14,271	10,275
11	Use of Sold Products	2,092,307	59,674,739	76,026,793	41,257,747
12	End of Life Treatment of Sold Products	110	5,183	7,056	3,295
15	Investments	15,833	15,854	15,854	-
Total		2,312,334	62,970,375	80,481,886	43,893,377

* As total emissions are summed by rounding emissions by category to whole numbers, a difference of ±1 tCO₂eq may occur.

2026-06-02



CEO Ji-Young Song
Korean Foundation for Quality

Ji Young Song

Membership Status & Public Information

Public Information

Classification	Disclosure Channel
HD Hyundai Website	https://www.hd.com/
HD Hyundai ESG Website	https://esg.hd.com/ko/main
HD Hyundai Business Ethics Website	https://ethics.hd.com/html/main.html
HD Hyundai Social Contribution Website	https://1percent.or.kr/00_main/main.html
HDKSOE Website	https://www.hd-ksoe.com/
HHI Website	https://www.hd-hhi.com
HSHI Website	https://www.hshi.co.kr/
HME Website	https://www.hd-marineengine.com/
Financial Supervisory Service (FSS) Data Analysis, Retrieval, and Transfer System (DART)	https://dart.fss.or.kr/

Membership Status

Classification	HDKSOE	HHI	HSHI	HME
Korea Enterprises Federation		●	●	
Korea International Trade Association	●	●	●	●
Korean Standards Association		●	●	
Korea Chamber of Commerce & Industry	●	●	●	●
Korea Listed Companies Association	●	●		●
Korea Fair Competition Federation	●			
Korea Offshore & Shipbuilding Association		●	●	
Korea Association of Machinery Industry		●		
Korea Defense Industry Association		●		
Korea Association for Space Technology Promotion		●		

Contributing Organizations

HDKSOE		HHI		HSHI		HME	
· Management Support Team	· Financial Management Team	· ESG Department	· Safety Management Department	· Facilities & Green Energy Department	· Legal Team	· HSE Team	· Business Planning Department
· International Finance Team	· Compliance Team	· Future Of Shipyard Department	· Energy Management Department	· AX Innovation Planning Department	· Safety Planning Department	· Finance & Economy Department	· Engine Procurement Department
· Green Coatings Research Team	· Quality Planning Team	· HR Department	· Engine & Machinery Business Planning Department	· HR Department	· Safety & Health Department	· HR & Administration Department	· Quality Management Department
· Global Purchasing Planning Dep't	· PR Team	· IP Management Team	· Engine System Sales Department 1	· Internal Control over Financial Reporting Team	· Human Resources Development Department	· Compliance Team	
· Corporate Planning Team	· AI Strategy Team	· People & Culture Team	· Human Resources Development Institute	· Co-prosperity Department	· Automation Innovation Center		
· Internal Control over Financial Reporting Team	· ESG Department	· Small Modular Reactor Department	· Property Development Department	· Project & Production Planning Department	· Materials Procurement Department		
· Corporate Relations Team	· HR Value Team	· Shipbuilding Technology Planning Department	· Financial Analysis Department	· Coexisting Cooperation Department	· Information Security Team		
· Talent Acquisition Team	· HR Management Team	· Corporate Planning Team	· Information Security Team	· Hull Outfitting Design Department	· Design Coordination Department		
· Security Planning Team	· HSE Strategy Team	· Procurement Planning Department	· Contract Management Department	· Hull Quality Management Department	· General Affairs Department		
· Brand Planning Team	· IP Strategy Team	· Green Resources Department	· Project & Production Planning Department	· System Quality Management Department	· Accounting Department		
· CSR Planning Team	· IR Team	· Technical Training Center	· Shipbuilding HR & General Affairs Support Department				
· Tax Team	· Learning & Development Team	· Mutual Growth Planning Department	· Medium Size Ship Project Planning Department 2				
· Consolidated Accounting Team	· HD Hydrogen	· Mutual Growth Management Department	· General Affairs Department				
· R&D Strategy Team	· HD Hyundai Vietnam Shipbuilding	· Corporate Culture & PR Department	· Naval & Medium Size Ships Business Planning Department				
· Business Ethics Planning Team		· Advanced Technology Development Department	· Naval & Medium Size Ships Technology Planning Department				
		· Legal Team	· Offshore Wind Power Department				
		· Co-existing Assistance Department	· Offshore & Energy Project Planning Department				
		· Co-existing Cooperation Department	· Accounting Department 1				
		· Hydrogen Energy Research Department	· Accounting Department 2				
		· Construction Planning Department	· HD Hyundai Engine				
		· Safety & Health Support Department	· HD Hyundai M&S				

