

HHI

SUSTAINABILITY  
REPORT

HEAD + HEART  
= IDEAL

HHI

2014 HYUNDAI HEAVY INDUSTRIES  
SUSTAINABILITY REPORT



HYUNDAI  
HEAVY INDUSTRIES



This report was printed on environment  
friendly paper with soybean oil ink.

Report Outline

This publication is the first sustainability report produced by Hyundai Heavy Industries (HHI). The report shows the company’s efforts and achievements in sustainable development with its stakeholders. It is framed in a magazine layout to ease the reader’s accessibility, and its contents mainly include core issues extracted from surveys, media research, etc. HHI, through this sustainability report, aims to share and communicate its corporate vision and business direction with the stakeholders.

Reporting Period and Scope

This report covers sustainable management activities in all domestic worksites of HHI, from January 1 to December 31, 2013. The quantitative data include data for a three-year period from 2011 to 2013 for better understanding of changing trends, while some of the major activities contain data of 2012 and 2014.

Reporting Principle

The report is written based on the Global Reporting Initiatives (GRI) G3.1 Guidelines, along with the information relevant to the ISO 26000. The reporting status of the GRI guidelines and ISO standard can be found in the Appendix (pp. 84 ~ 86). In order to ensure the credibility of this report, a third-party assurance was conducted by the independent assurance agency, DNV GL, and related contents can be found on the Assurance Statement (pp. 82 ~ 83).

Reader’s Guide

2014 HHI Sustainability Report is also produced in the Interactive PDF format, which can be downloaded from the HHI homepage. This PDF file provides links to the webpage, along with the shortcuts to any pages of the report.

- ▶
- Shortcut to Pages

Link to Relevant Webpage

HHI Program

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HHI Sustainability Report

HEAD + HEART = IDEAL (Rationality and Passion together create Ideal)

▶

Cover Story

“When a technology embraces faith, it becomes a masterpiece”  
In the HHI TV commercial in November 2013, the scene of a workplace was illustrated as an ‘art work’.

📷 Photographed by KIM YONG HO

## PART 1. OVERVIEW

# A NEW CHALLENGE

We challenge ourselves and act boldly, to be the best.

Challenge brings out innovation, and action creates outcome.

Let us invite you to explore our sustainable management activities in 2013.

2013 HHI  
Highlights

## PART 1. OVERVIEW

# A NEW CHALLENGE

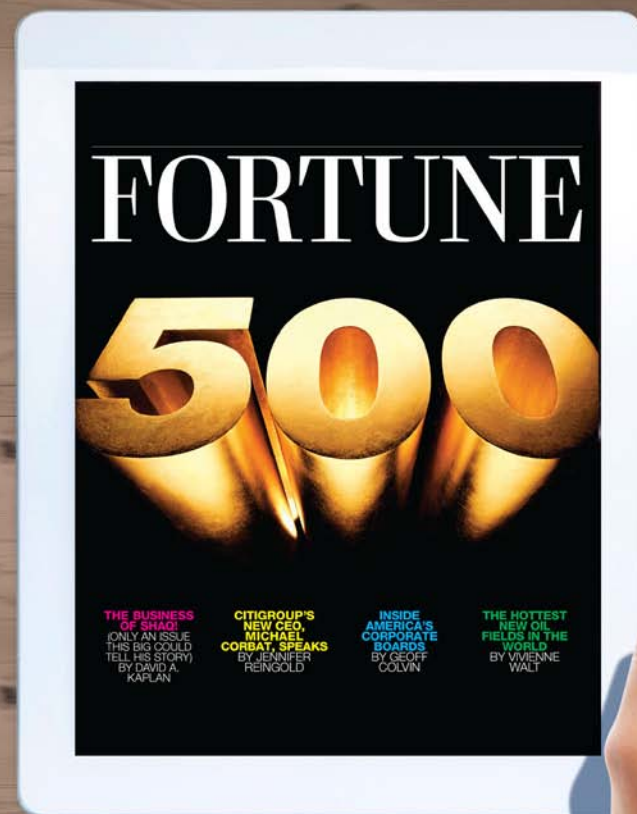
We challenge ourselves and act boldly, to be the best.

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Let us invite you to explore our sustainable management activities in 2013.

### Ranked in the Fortune 500 for Seven Consecutive Years

HHI has featured in the 'Global 500' compiled by 'Fortune' magazine for seven straight years. We ranked 206th in sales in 2012, and we maintained our ranking within the top 200 since 2011.



### Built the World's 1st Newbuilding LNG-FSRU

HHI successfully constructed a LNG-FSRU (LNG-Floating, Storage & Regasification Unit) called 'a floating LNG plant in the ocean'. A Norwegian company, Høegh's 170,000m<sup>3</sup> LNG-FSRU, whose construction began in January 2013, was named 'Independence' in February 2014.



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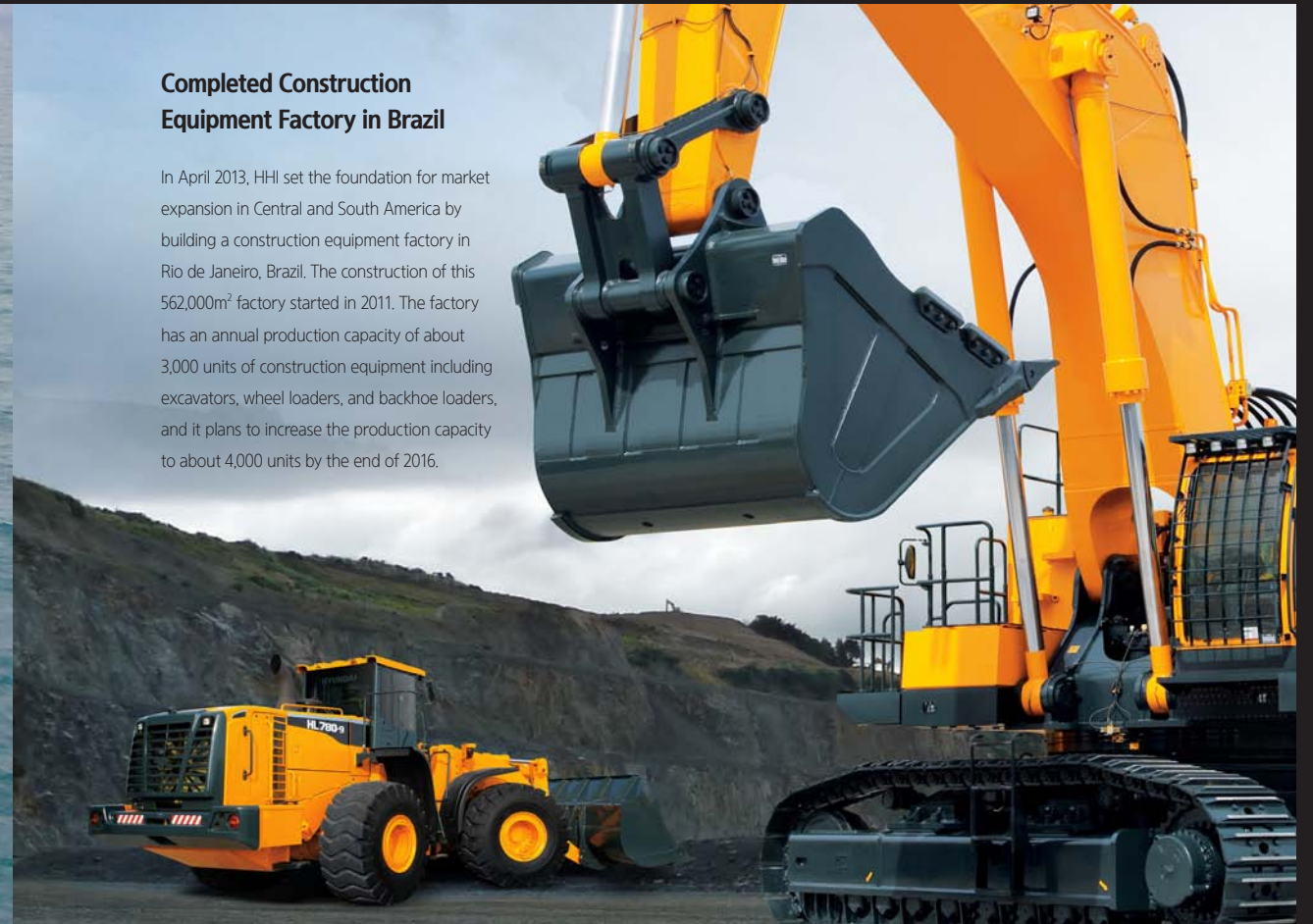
Let us invite you to explore our sustainable management activities in 2013.

### Acquired an Order of the World's Largest Container Ships

In May 2013, HHI won a USD 700 million contract to build five of the world's largest 19,000 TEU container ships from China Shipping Container Line (CSCL). Each of these container ships, with a length of 700m, a width of 58.6m, and a height of 30.5m, which is as big as four football fields, will be delivered sequentially from the second half of 2014.

### Completed Construction Equipment Factory in Brazil

In April 2013, HHI set the foundation for market expansion in Central and South America by building a construction equipment factory in Rio de Janeiro, Brazil. The construction of this 562,000m<sup>2</sup> factory started in 2011. The factory has an annual production capacity of about 3,000 units of construction equipment including excavators, wheel loaders, and backhoe loaders, and it plans to increase the production capacity to about 4,000 units by the end of 2016.



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### Launched Naro Rocket Successfully

HHI participated in the launching of Korea's first space rocket, 'Naro', during the third trial in January 2013. We received the order to build the Naro launch pad from the Korea Aerospace Research Institute (KARI) in February 2007, and used more than 75% of domestic technology in the process of construction. HHI's launch pad performed its role perfectly for all three attempts.



### Won Awards and MVP in the WorldSkills Competition

In July 2013, all of the four participants from HHI earned awards in 'The 42nd WorldSkills Competition' held in Germany. Won Hyun-woo received a gold medal in Construction Metal Work, Hong Jin-mu won a silver medal in Sheet Metal Technology, and Eun Sung-hyun and Jang Jun-hee earned bronze medals in Information Network Cabling and Plumbing & Heating, respectively. Won Hyun-woo, in particular, became the MVP, which raised the profile of HHI's technological skills throughout the world.



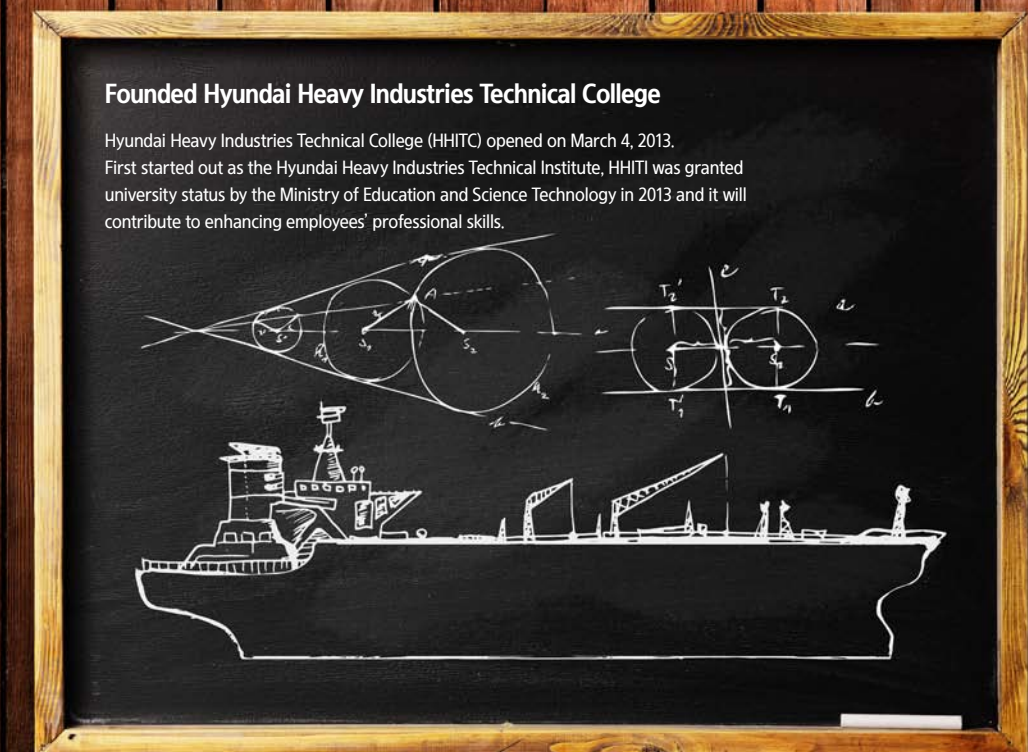
## PART 1. OVERVIEW

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## PART 1. OVERVIEW

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Let us invite you to explore our sustainable management activities in 2013.



**Dear Valued Customers, Shareholders, and Investors,  
Employees of HHI and all the Stakeholders of the Partners and Communities,**

It is a great pleasure to present to you our very first sustainability report and introduce HHI's various activities and performances for sustainable growth.

The needs and expectations for corporate social responsibility (CSR) are steadily growing. This implies that a company can achieve sustainable development only through mutual growth with the society, and it should perform voluntary CSR activities to become the future world leader.

This report encapsulates HHI's efforts and achievements in response to these demands as a global heavy industries company. Moreover, the report includes not only our performance in economic, environmental, and social areas, but also our management policy and vision on the main issues that interest stakeholders.

HHI is making persistent effort on **environmental management and safety** that are essential for a global leader. HHI established an environmental management system, maintains a response system for climate changes, and also focuses on developing eco-friendly products. In particular, we received the ISO 50001 in all of our workplaces for the first time in the domestic heavy industries industry by minimizing any environmental impacts from harmful substances and wastes. In addition, we established a comprehensive improvement plan for safety management and inspect risk factors and prevention strategy thoroughly in order to create an accident-free workplace.

I would also like you to pay close attention to our activities for making a **mutually harmonized society**. We promote various social contribution programs such as expanding our support for the underprivileged segments of the population and building a community infrastructure. Moreover, we created a win-win growth system with our partners, and we supported and invested in customized education for each work

category. As a result of this contribution to enhancing knowledge competitiveness of partners, small and medium-sized enterprises, and industrial trainees in overall industry, HHI received the 'Excellent' grade in 'Shared Growth Index Assessment for Conglomerates' in May 2013.

Since 1994, we have encouraged employees' awareness and action on ethical management and further expanded the value of **ethics management** to our partners in order to create a transparent and clean corporate culture. HHI will continue to focus on ethical management as a company that meets international standards.

The world is under a severe global economic recession. However, through our vision '**Creativity, Innovation, and New Challenge,**' we aim to overcome the crisis and further develop into a better company despite this tough situation. HHI solidified its status as a global heavy industries company by winning contracts to build the world's largest containerships and building the world's first newbuilding LNG-FSRU successfully. Our technological competitiveness also has been reinforced to increase the economic value.

This report is the fruit of HHI's various activities to create a better future together with our stakeholders. We appreciate your continuous interest and support for HHI's sustainable future.

President & CEO  
Kwon Oh-gap

*Kwon Oh-gap*

**Creativity,  
Innovation,  
and New  
Challenge,  
and the Great  
Hyundai  
Heavy  
Industries**



# Worksites Overview

Name	Hyundai Heavy Industries Co., Ltd.
Date of Establishment	December 28, 1973
Total Assets (Unit: KRW 1,000)	15,580,311,511 (Non-consolidated) 19,029,591,757 (Consolidated)
Sales (Unit: KRW 1,000)	24,282,737,183 (Non-consolidated) 54,188,096,316 (Consolidated)
Operating Profit (Unit: KRW 1,000)	734,794,998 (Non-consolidated) 801,983,016 (Consolidated)
Number of Employees	27,246
Head Office	1000, Bangeojinsunhwando-ro, Dong-gu, Ulsan, Korea 682-792
Credit Score (Corporate Bond)	AA+

※ Based on 2013 Business Report

We introduce you to the expanding Global Network of Hyundai Heavy Industries.

## Domestic worksites

### Ulsan

Head Office	1000, Bangeojinsunhwando-ro, Dong-gu, Ulsan
Offshore Plant	400, Bangeojinsunhwando-ro, Dong-gu, Ulsan
Onsan Plant	72, Yeonja-ro, Onsan-eup, Ulju-gun, Ulsan
Yongyeon Plant	800, Cheoyong-ro, Nam-gu, Ulsan
Seonam Plant	223, Sapyeong-ro, Nam-gu, Ulsan

### Gyeongju

Naengcheon Distribution Center	195-17, Naengcheonjenaegongdangil, Oedong-eup, Gyeongju-si, Gyeongsangbuk-do
Offshore Pipe Site	50, Yeongji-ro, Oedong-eup, Gyeongju, Gyeongsangbuk-do
Offshore Pipe & Paint Site	293-15, Naeo-ro, Oedong-eup, Gyeongju-si, Gyeongsangbuk-do

### Gunsan

Gunsan Shipyard	625, Seohaero, Gunsan-si, Jeollabuk-do
Wind Power Plant	232, Dongjangan-ro, Gunsan-si, Jeollabuk-do

### Eumseong

Eumseong Plant	313, Soi-ro, Soi-myeon, Eumseong-gun, Chungcheongbuk-do
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## Overseas Branches

### Europe

London  
Oslo  
Athens  
Rotterdam  
Madrid  
Moscow  
Istanbul

### Americas

New Jersey  
Houston  
Atlanta

### Asia

Tokyo  
Osaka  
Singapore  
Mumbai

### Middle East · Africa

Dubai  
Abu Dhabi  
Jebel Ali  
Riyadh  
Al Khobar  
Kuwait City  
Luanda

## Overseas Corporations

### Europe

Belgium (Construction Equipment)  
Bulgaria (Electro Electric Systems)  
Germany (Engine & Machinery)  
France (Offshore & Engineering)  
Hungary (Electro Electric System)  
VGF (Electro Electric System)  
Vladivostok VBC  
Hyundai Mikahailovka Agro  
Hyundai Khorol Agro

### Americas

Atlanta (Construction Equipment)  
Ohio (Electro Electric Systems)  
Alabama (Electro Electric Systems)  
Brazil (Construction Equipment)

### China

Beijing (Construction Equipment)  
Jiangsu (Construction Equipment)  
Changzhou (Construction Equipment)  
Taian (Construction Equipment)  
Yangzhong (Electro Electric Systems)  
Yantai (Industrial Plant & Engineering)  
Weihai (Green Energy)  
China Investment (Financing)  
China Financial Leasing (Financing)  
China Research Lab (Technological Development)

### Asia

India (Construction Equipment)

### Middle East · Africa

Nigeria (Offshore & Engineering)  
Middle East EPC

Domestic: 11 worksites  
Overseas: 21 branches,  
26 corporations,  
23 countries

# Business Overview

- Shipbuilding
- Offshore & Engineering
- Industrial Plant & Engineering
- Engine & Machinery
- Electro Electric Systems
- Green Energy
- Construction Equipment

## Shipbuilding



The Shipbuilding Division is the main business segment of HHI, and it has remained as the No. 1 shipbuilder in the world since 1983 with the largest number of contracts and constructions for vessels. Its latest manufacturing equipment, skilled human resources, and outstanding technology led HHI to become the first company in the world to record ‘100 million gross tonnages (GT) in shipbuilding’. As of the end of 2013, the division led the market by successfully delivering 1,817 ships (excluding special vessels such as naval ships) to 282 companies in 48 countries. It aims to actively respond to demands for eco-friendly, energy efficient ships and offshore-purposed special vessels, and further pursue continuous cost reduction and technological innovation, thereby solidifying its status as the world’s best shipyard.

## Offshore & Engineering



The Offshore & Engineering Division is recognized for excellent competency in construction as it completed about 170 projects for 30 major clients over the world. The main business of this division includes developing offshore oil and gas field, and designing, purchasing, manufacturing, transporting, installing, and test-running production equipment. Moreover, its turnkey-based operations provide various offshore facilities such as machineries for producing fixed oil and gas, drilling floating oil and gas, equipment for manufacturing, refining, and storing, as well as submarine pipelines. The Offshore & Engineering Division has the advantage of earning large projects with its capability to perform integrated construction on and offshore.

## Industrial Plant & Engineering



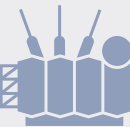
The Industrial Plant & Engineering Division has a 40-year-long experience in various onshore plant constructions and also has advanced technology and engineering capabilities. It operates with a turnkey process of designing, purchasing, manufacturing, constructing, and test-running power generating and process plants, as well as training operators. The division set up the Middle East EPC Corporation in Saudi Arabia for managing businesses in the Middle East and Africa, and it also aims to expand its target markets to Southeast and Central Asia, Central and South America, and Africa. As a step towards business diversification, the Industrial Plant & Engineering Division plans to engage in the coal-fired power plant and power & desalination integrated plants, along with the high value-added industries of refinery and petrochemical.

## Engine & Machinery



The Engine & Machinery Division, with 35 % market share in the 2-stroke world diesel engine market, functions in a turnkey system from producing materials to precision manufacturing and making equipment for assembling, and test-running. The division plays a pivotal role not only in the shipbuilding industry, but also in the areas of general industry and power generation by manufacturing and supplying ship machinery, and eco-friendly engines and reducers. In particular, the self-developed, HiMSEN engine retains its position in 4-stroke world diesel engine market, and 15 other products including ship engines, onshore power generators, robots, and fluid machinery were nominated as 'World-Class Korean Products.'

## Electro Electric Systems



The Electro Electric Systems Division operates in a global network system of design, production, and R&D in areas from house electricity to advanced industrial fields. Through the global network, it provides a total solution including transformers, GIS, switchgears, circuit breakers, motors, generators, integrated control & monitoring system, and power electronics, as well as eco-friendly products and smart-grid technology. In 1993, all of the products received the certificate of ISO 9001, a quality management system, which proved their excellence. Additionally, the Electro Electric Systems Division pursues environmentally friendly management, and it was certified with ISO 14001 environmental management standard in 1997.

## Green Energy



The Green Energy Division has 600 MW of module production capacity in both solar and wind power plants, and it promotes renewable energy business for the next generation growth. As the first Korean company to enter the European solar and wind energy market, HHI still remains as a global, eco-friendly company by successfully supplying a 142 MW solar module to the United States and a 40 MW wind turbine system to Yeongam wind farm in Korea. The Green Energy Division plans to focus on developing new technologies including high efficient solar cells and offshore wind turbines, thereby expanding its business sectors and acquiring differentiated competencies in the global market.

## Construction Equipment



The Construction Equipment Division sells about 50,000 units of construction equipment and industrial vehicles including excavators, wheel loaders, backhoe loaders, and skid steer loaders, through 500 dealerships in 130 countries and overseas corporations in the US, Europe, China, and India. In order to become a producer of the best construction equipment in the world, the division focuses on upgrading design and automatic control system of products, as well as enhancing the drivers’ convenience. It also applied the Product Data Management (PDM) system in the process in order to increase the efficiency in data management. Its technology exchanges with each area of academic-industrial cooperation, in-company laboratories, and overseas tech agencies also contribute to developing new technologies and products.

PART 2. CORE ISSUES

# PASSION AND BELIEF

The best competition in the world is powered by passion and belief.

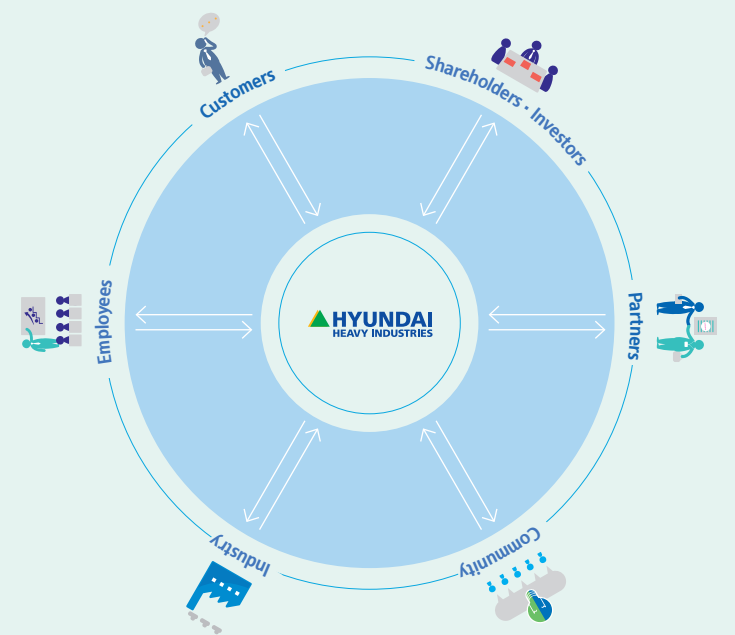
We will continue our sustainable future with the fierce passion of  
endless challenges and strong belief in principles.

Living in the Future with Stakeholder's Engagement and Materiality Test

Stakeholders of HHI

HHI communicates with each stakeholder group through various channels, regarding economic, environmental, and social performance.

HHI categorized its stakeholders into six groups: employees, partners, customers, community, industry, and Shareholders · investors. Each business sector and department sets up separate channels for communication with stakeholders, and reflects its opinions and demands into the business activities.



<b>Customers</b> <ul style="list-style-type: none"><li>Homepage (regularly updated)</li><li>Warranty &amp; Lifetime Service (year-round)</li><li>Feedback Service (year-round)</li><li>Smart Service (year-round)</li><li>FLIK Magazine (monthly)</li><li>New Horizons (quarterly)</li><li>FCFC (Foreigner's Compound Football Club, year-round)</li></ul>	<b>Shareholders · Investors</b> <ul style="list-style-type: none"><li>General Shareholders' Meeting (annually)</li><li>IR News (monthly)</li><li>Annual Report (annually)</li><li>IR Meeting (year-round)</li><li>Yard Tour (year-round)</li><li>Business Report (annually)</li></ul>	<b>Partners</b> <ul style="list-style-type: none"><li>Group Shared Development Committee (annually)</li><li>Shared Growth Expansion Council (annually)</li><li>Partners Conference (biannually)</li><li>New Year's Celebration (annually)</li></ul>
<b>Community</b> <ul style="list-style-type: none"><li>Donated Goods Sales (annually)</li><li>Making Kimchi With Love Event (annually)</li><li>Supporting Dong-gu Hall for Elderly (year-round)</li><li>Supporting Ulsan Chamsarang House (year-round)</li><li>Employee Volunteer Program (year-round)</li></ul>	<b>Industry</b> <ul style="list-style-type: none"><li>Working-level Meeting of Same Business Lines</li><li>Korea Offshore &amp; Shipbuilding Association</li><li>Korea Plant Industries Association</li><li>Other Conferences and Associations</li></ul>	<b>Employees</b> <ul style="list-style-type: none"><li>Collective Bargaining (biennially)</li><li>Wage Negotiation (annually)</li><li>Labor and Management Conference (quarterly)</li><li>Receptions (year-round)</li><li>Industrial Safety and Health Committee (quarterly)</li></ul>

STEP 1

Identifying and Analyzing Issues

- Benchmarking: Targets in the same industry or leading CSR
- Media Research: Press reports (01.01.2013 - 12.31.2013)
- International Standards Review: GRI 3.1, ISO 26000, etc.
- Employee Interview: Interviews with about 60 employees in 27 departments
- Internal Document Analysis: Analysis of policy documents and works
- Stakeholder Interview: Interviews with nine individuals including a shareholder, media representative, NGO, customer, partner, local resident, and employee

STEP 2

Creating Issue Pool

- Total of 31 Issues
  - Economic: 9 issues about R&D, compliance, etc.
  - Environmental: 5 issues about eco-friendly vessels, pollution reduction in worksites, etc.
  - Social: 10 issues about quality, fair trade, etc.
  - Employee: 7 issues about stable employment, core talent recruitment, etc.

STEP 3

Conducting Materiality Test

- Survey for internal · external stakeholders
- Survey Period: 02.18.2014 - 02.28.2014
- Targets and Methods:
  - Employees: Voluntary participation through intranet board
  - External Stakeholders: Email survey

Process of Materiality Test

HHI conducted the materiality test to identify core issues and to include the information that stakeholders demand for in this report.

The issue pool was organized through media research, CSR related standards review, benchmarking, employee interview, and internal document review.

Additionally, we carried out a survey on the issue pool list to understand the stakeholders' expectation, and from the results, we selected the issues for the HHI's first sustainability report. After the publication, we will set future goals based on the opinions of the stakeholders.

STEP 6

Reviewing and Setting Future Goals

- Plans to review contents of the materiality test and report, and to establish future objectives
  - Employees: Internal review on the committee and departments
  - External Stakeholders: Suggestions and ideas of stakeholders on the sustainability report
  - Future goals and directions are based on the performance in 2013

STEP 5

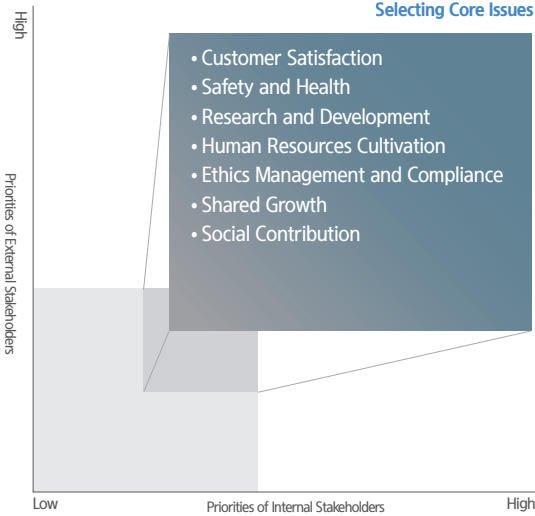
Publishing 2014 HHI Sustainability Report

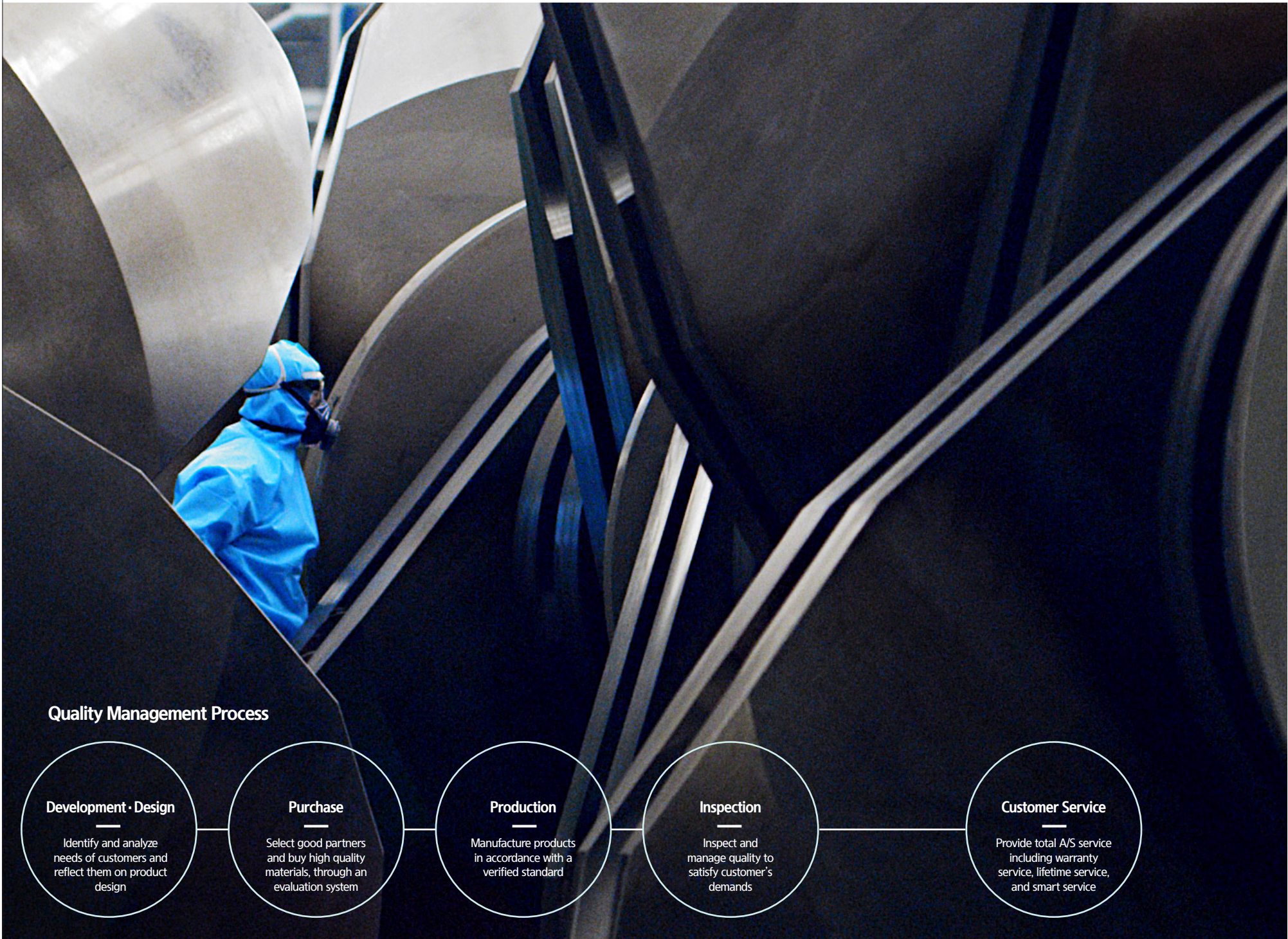
The sustainability report is based on the key issues selected from the result of the materiality test



STEP 4

Selecting Core Issues





Quality Management Process



Core Issue 1. Customer Satisfaction

Customer Satisfaction  
through Quality Management

We will strengthen our quality competitiveness through systematic management.

HHI aims to offer high quality products and services to customers. So, we set and implement the quality policies, “Ensure customer satisfaction through integrity and commitment”, “Strengthen partnership with suppliers”, “Lead the global market with best quality products and service”, thereby increasing customer satisfaction and trust. We created a quality management process from product development/design to delivery and customer service, and administer the target quality and strategy of each phase. In particular, all of our employees engage in improving product quality and competitiveness.

**Quality Management System** ● Our quality management process is based on ISO 9001. Each of our products received the relevant certificates of ISO 9001, and their quality is proven in the results of customer satisfaction survey. We will pursue the best quality in our products and services through continuous improvement.

Certified Status of Quality Management System in Each Business Division

Business Division	Main Certified Products
Shipbuilding	Container Carriers, Drillships, LNG/LPG Carriers, Naval Vessels, etc.
Offshore & Engineering	Offshore Equipment (Jacket, Module, Topside, FPSO, FSO, FPU, TLP), Subsea Oil & Gas Production Facilities, etc.
Industrial Plant & Engineering	Power and Heating Boilers, Pressure Vessels, Desalination Facilities, Industrial Plants, etc.
Engine & Machinery	2-Stroke Diesel Engines, 4-Stroke Diesel Engines (HIMSEN), Industrial Robots, Internal Combustion Power Generators, etc.
Electro Electric Systems	Transformers, Rotating Machineries, Distribution Transformers, Circuit Breakers (High & Low Voltage), etc.
Green Energy	Solar Cells/Modules, Power Inverters & System, Wind Turbines, etc.
Construction Equipment	Wheel Loaders, Excavators, Forklifts, Backhoe Loaders, Dozers, etc.

**SCAS Operation** ● Since 2010, HHI has operated Ship owner & Class Assistance System (SCAS) online for the ship owners and the Classification Society. This system provides real-time information about ships including contracts, construction, delivery, and customer service, as well as follow-up actions taken based on customers' feedback.

We also have an exclusive department for personal information security. Under a strict security, the department protects and manages customer information in the overall process from collection to disposal, as it grants access to the system differentially and encrypting database. In particular, we track all the records of system usage in order to prevent any possible misconduct, and as a result, no information breach has been reported.

We promise high-class quality management

**Production & Product Quality Management** ● HHI aims to eliminate the cause and recurrence of any defect in the entire process through a thorough quality management on materials, machinery, and production methods. During the production process, HHI conducts quality audits to sort out and remove any faults to guarantee high quality. The quality audit is divided into three stages according to the 'inspection and test plan': inspection of the production line quality check (QC), inspection of the quality management department, and client inspection (by ship owners/Classification Society). Moreover, an additional audit conducted by a third-party such as a government organization or others allows us to offer outstanding quality products to customers.

**Quality Innovation Index Management** ● In order to be more responsible and competitive in quality management, HHI selects Key Performance Indicators (KPI), and manages to achieve the annual KPI achievement target. HHI also continues its activities for quality innovation by assigning tasks to each process manager.

**Quality Management in Internal and External Subcontractors** ● HHI operates various programs including training, assessment, and support, to improve the quality management of its subcontractors. HHI evaluates working groups of the internal subcontractors quarterly and rewards those with outstanding performance in quality management. We also respond immediately to any quality issues through constant discussions and improvement support systems. For the repeated, serious quality issues, a taskforce team is assigned to resolve them on a long-term basis. HHI conducts regular training and inspections of the external subcontractors to reduce occurrence of defects and improve the quality of the products they make. HHI also evaluates the quality management system of the newly contracted external subcontractors to ensure their competence as partners. Our efforts to make quality products will assure more trust to our customers.

SUSTAINABILITY REPORT  
CORE ISSUE 1. CUSTOMER SATISFACTION

OVERVIEW > CORE ISSUES > SUSTAINABILITY PERFORMANCE



1~2 Year  
Warranty

We offer a differentiated customer service

Warranty Service

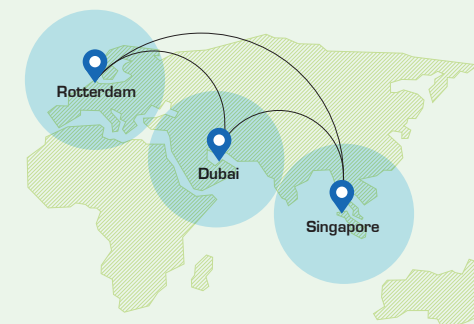
We provide prompt response and repair service for any issues during the warranty period.

Feedback Service

We run a systematic feedback service to prevent recurrence of defects in follow-up series and the same or similar ships and solve any dissatisfaction or inconvenience of customers, in advance.

Hyundai My Ship Service

During the arrival and departure of a ship, a professional inspection team comprised of design, operation, and equipment maker service engineers boards the ship and conducts overall inspection and consulting services regarding potential defects or malfunctions.



Three Hyundai Companies' Integrated A/S Branch Overseas

HHI, HMD, and HSHI operate a joint branch overseas for A/S as a cooperative system to conduct visiting inspection service for ships entering ports, voice of customers reception from ships, and business discussions with local ship owners.

**ePASS** Internet - Online Positive & prompt After-sales Management System

**mPASS** Mobile - Positive & prompt After-sales Service System

**vPASS** Vessel - Positioning Acquisition Service System

Smart Service

Along with the internet-based A/S management system, **e-PASS**, we developed a smartphone-based A/S management system, **m-PASS**, enabling us to promptly receive customers' complaints or requests. We also developed an advanced IT technology for ship tracking, **v-PASS**, which provides real-time locations and route information of ships by using satellites.

25 Year

Lifetime Service (LTS)

We pursue customers' satisfaction until the time of ship disposal, regardless of warranty expiration. Our responsibility for the product quality includes information offering about material specification and equipment makers, technology consulting, and technical support through dispatching experts.

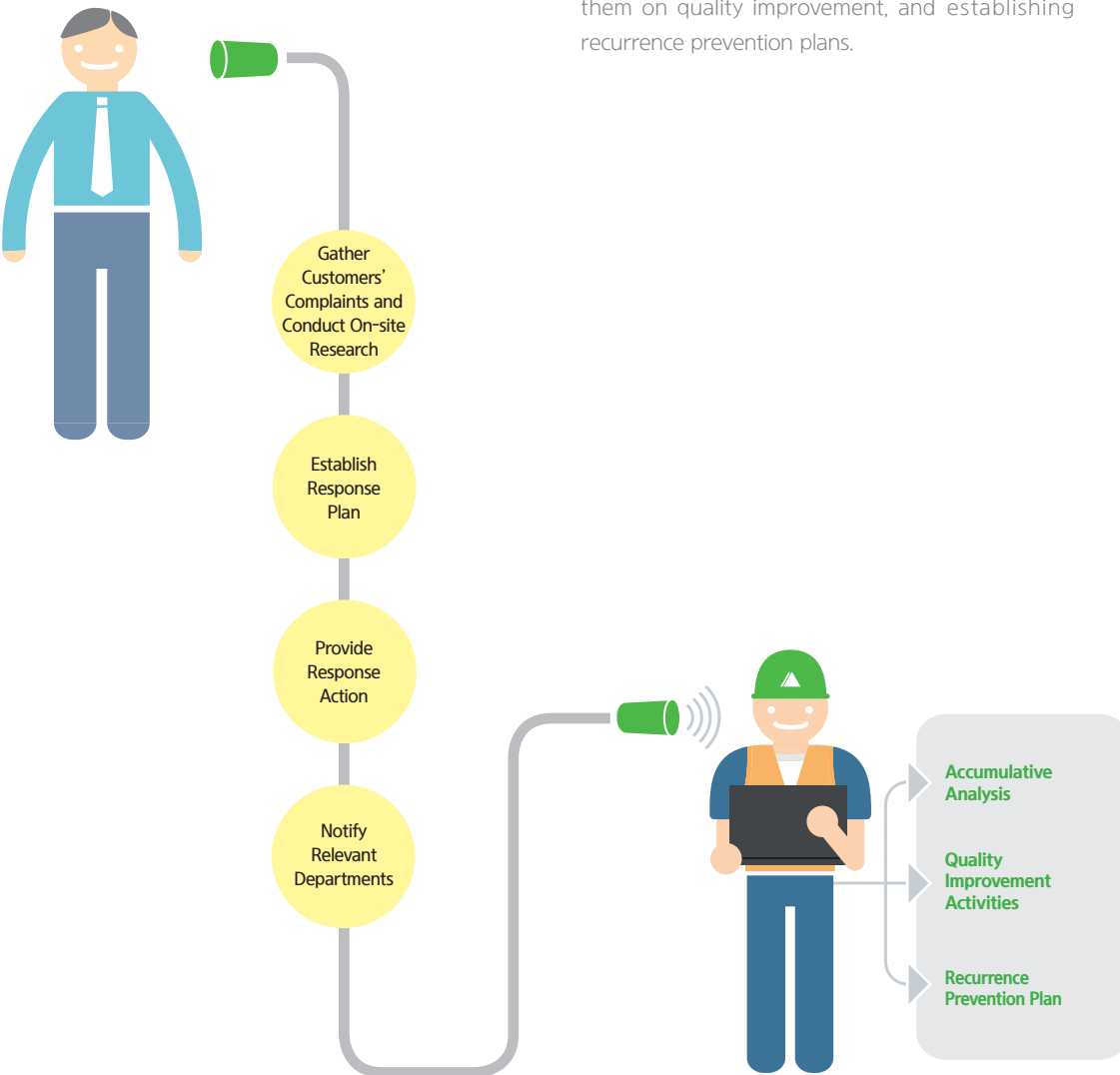


We listen carefully to our customers

HHI pays attention to the customers through a variety of communication channels. As a result, we achieved 'satisfactory' level in 2013 Customer Satisfaction Index (CSI), which was targeted to the ship owners and shipping companies.

**Listening to the Voice of Customers (VOC)** ● HHI records and manages the results of CSI and interviews with owners, captains, and chief engineers of a ship. Service reports are also created for A/S and other purposes. We also try to reflect customers' opinions by holding discussions between the executives and ship operators.

**Resolving Customers' Complaints** ● We operate a customer grievance management system to take immediate action on customers' complaints. The process of this system includes analyzing the complaints, reflecting them on quality improvement, and establishing recurrence prevention plans.



We will approach you first

HHI promotes the motto, 'Home away from Home (Ulsan as the second hometown)', for foreign clients and their families who live in Korea. Since 2005, our Foreign Life in Korea (FLiK) Service Team has supported them with interpretation, cultural services, and living solutions. In addition, we not only publish FLiK magazines, and lifestyle guide brochures, but also offer various tours, activities, and Korean lessons to support the life of expatriates living in Korea.

**Hyundai Foreigners' Compound** ● In 1972, HHI built the foreigners' compound where 800 residents from 45 nations now live. This compound includes a foreign school, a swimming pool, and golf ranges for the residents' education and convenience. The clubhouse, in particular, is a place for socializing and cultural exchanges where the foreign clients and their families can enjoy and experience special events of different nations, along with culture lessons in English.

**Socializing with Ship Owners** ● We support a variety of sports/leisure activities for the foreign residents to create closer relationship and higher satisfaction. The activities include regular soccer matches of the Foreigners' Compound Football Club (FCFC), attending matches of the Ulsan Hyundai FC, bowling, table tennis, softball, and hiking. We also hold the Spring Festival and Autumn Gathering annually to support and entertain clients and their families. In 2013, about 2,300 people participated in the activities and watched performances.

“ A Guide for Korean Life, FLiK ”

Jay Flores, wife of the Offshore Project Director

I began to like this place as soon as I arrived. Korea is an attractive country with beautiful nature and four different seasons to enjoy. HHI's FLiK magazine was very useful for me to get used to living in Korea. Its contents of traditional culture, life information, activities for experience, etc. helped me understand better about Korea. Although I don't speak Korean, the FLiK Service Team aided me with interpreting, applying for a marathon, and making reservations for concerts. They also gave me opportunities to experience Korean culture by holding local festivals, trips to nearby tourist spots, and a tea ceremony. Not only myself, but many other foreign families are also enjoying their lives here with the help of FLiK. There is an international school, so I don't have to worry about my children's education and we all get to learn other cultures by socializing with other families. I'm very pleased with my life in Korea and I thank HHI for making it happen.



Core Issue 2. Safety and Health

Safe and Healthy Workplace

We consider safety and health as priority

HHI believes that safety is the most important part in the technology- and labor-intensive industry. In 2013, we declared a vision of ‘Creating a Zero Accident Workplace’, and since then, we have devoted efforts towards increasing employees’ awareness of safety and creating a healthy workplace by running various programs including a ‘Life Guard’ campaign. In particular, we not only prevent and implement safety management based on our goal, ‘building a foundation to become a leading company in safety’, but also focus on the safety of our subcontractors.

Industrial Safety and Health Committee

- The Industrial Safety and Health Committee of HHI is composed of about ten individuals from both labor and management and aims to create a healthy workplace. The committee convenes quarterly to discuss matters about the work environment, health promotion, safety instructions, and welfare. At the Safety Breakfast Meeting or Divisional Breakfast Meeting, the executives and department heads meet to implement safety initiatives to create a zero accident workplace.

2014 Safety and Health Promotion Goal

Foundation to Become a Safety Leading Company

Main Areas

Prevention-based

Action-based

Subcontractor-based

Cumulative Number of Participants in Safety Demonstration & Training Center

207,021 persons

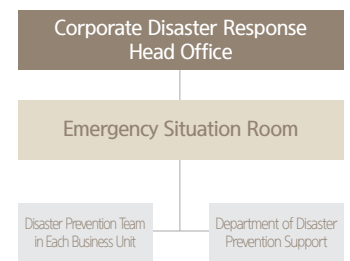
The Safety Demonstration & Training Center has provided various activities and training to prevent safety accidents since 2006.



We will prepare and prevent

Regular field inspections and corporate-wide disaster prevention system are operated in response to any emergency. Through these efforts, we prevent potential risks and create safe field environment.

**Corporate-wide Disaster Prevention System** ● HHI operates a corporate-wide system for disaster prevention to protect assets and minimizes risks from such natural disasters as strong winds, heavy rains, typhoons, etc. Emergency response teams of each business division are organized under the Corporate Disaster Response Head Office. When an incident occurs, these teams take systematic countermeasures according to the different phases of forecasts, warnings, alerts, and clearances.

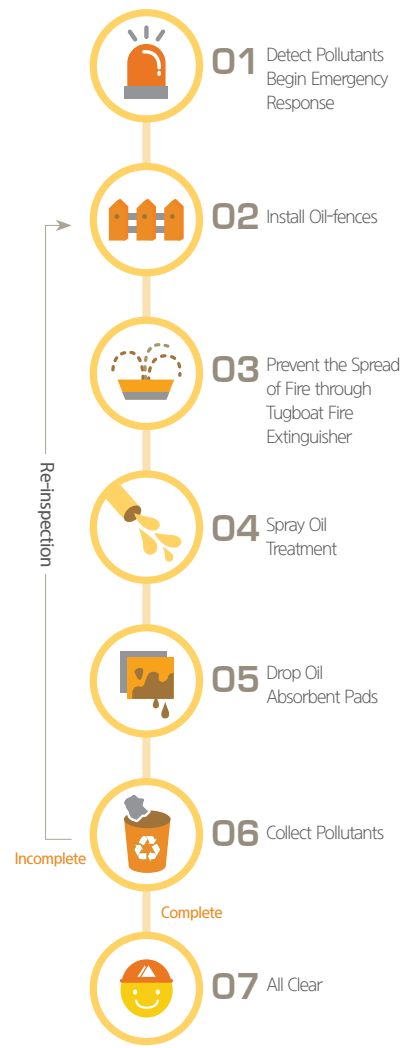


**Emergency Response Drills** ● Our prompt actions to any safety and environmental emergencies in and near the worksites minimize fatalities, ecological damages, and asset losses. We routinely conduct site inspections for preliminary measures and follow-up actions. Each department of HHI operates response drills based on different scenarios including explosions, leaks, and natural disasters. We collect feedbacks on the drills and

incorporate them into the process of improving our emergency response system.

**Marine Pollution Prevention Plan** ● HHI sets and implements a marine pollution prevention plan to prevent any pollution caused by the berthing aid systems, construction docks, ships, and other facilities near the shore. We also have an internal process of operating offshore facilities and ships in order to self-regulate and inspect possible marine pollution. As an immediate countermeasure for offshore pollution, we not only manage a control system, but also encourage prompt treatment and response through regular training.

Marine Pollution Control Training Procedures



We will establish safety culture in field operations

HHI decided to review and supplement risk factors and prevention plans for disasters by establishing a comprehensive improvement strategy for upgrading safety management in May 2014. HHI examined its system through the Korea Occupational Safety and Health Agency (KOSHA), along with the comprehensive improvement strategy that the Hyundai Group invested KRW 300 billion in. Through this process, we came up with three measures: reinforcing safety and health system, extending support for subcontractors' safety activities, and eliminating potential risk factors for disasters. First, in order to enhance the implementation of safety management measures, HHI established a safety environment division directly supervised and managed by its CEO. We also increased our support for subcontractors' safety activities by reinforcing safety officers, operating safety assistant systems, and expanding safety training for them. Furthermore, our activities for safety

management will be fulfilled based on specific plans that involve conducting safety and health inspection by an external agency, running regular patrol inspection teams and incident alert systems, and expanding investment in disaster prevention.

**On-site Risk Assessment System** ● HHI runs a risk assessment system that is necessary for preventing and minimizing incidents at worksites. The purpose of this system is to enforce risk assessment in the overall process, to train and guide on potential risks during the process, and to operate preliminary management on high risk factors.

**Safety Inspection** ● All the workers and managers at worksites participate in the 'One-One-One (111) Campaign'. The campaign promotes the habit of safety check one (1) minute before the start of work, one (1) hour before the job instructions of superiors, and everyday (1). We also hold a Tool

Box Meeting (TBM) to preview the work process and relevant risks, and dispatch TBM officers to subcontractors to create a safe environment.

**Safety Demonstration & Training Center** ● The Safety Demonstration & Training Center of HHI contributes to preventing safety incidents by offering field workers opportunities to experience cases of accidents. The 1,388m<sup>2</sup> center consists of a virtual safety experience hall and a block safety training room. The programs offered at the center are video viewing, scaffolding simulations, manhole simulations and heavy weight transportation simulations, thereby enhancing workers' adaptability in field operations.

**Safety Activities of Subcontractors** ● HHI applies its safety standards to the subcontractors. In 2014, we increased the number of safety officers at our subcontractors' sites from 80 to 220, and also fully bear their wages. The annual safety training sessions for subcontractors are 10 hours for new recruits, 16 hours for managing directors, and 4 hours for all employees (wages are paid). Other training programs include safety qualification for cranes and other equipments, interpretation for foreign employees, and monthly safety sessions. In order to create a voluntary safety culture, we invited our subcontractors to adopt our zero-accident reward program, and in 2013, we provided KRW 270 million to our employees and KRW 900 million to the subcontractors' employees. These joint ventures will continuously create a safer tomorrow.

We act 'Slowly but Surely' to create safety culture at worksites



Corporate Slow City Emblem



Corporate Slow City Campaign

● HHI's Corporate Slow City Campaign aims to organize a relaxed but safe culture in field operations.

The term, 'Slow City' refers to a tranquil city or affluent village that pursues relaxed life in clean nature. We applied this campaign to the traffic safety culture in our worksites and promote activities such as abiding by the speed limit, wearing helmets, and commuting on bikes. We further extended the campaign to 'slowly but surely' achieve the worksite safety culture that includes complying with the safety process and preparing for work more thoroughly.

We create healthy and lively workplaces

HHI provides various medical services for employees' healthcare. These services include not only preventive health check and management programs, but also consulting programs for mental health. We also operate a company-wide health promotion center and site clinics that provide free medical assistance for both our and subcontractors' employees.

**Health Promotion Center** ● In order to offer high quality medical services and immediate treatment to any injuries, the health promotion center is located in the worksite. The center consists of rooms for treatment, health promotion, physical therapy, rehabilitation, and others. About 30 medical professionals at the center conduct precise diagnosis and medical treatment.

**Noise-induced Hearing Loss** ● The earplug fit testing is offered to employees as a preventive measure for hearing losses. We customize earplugs for each person according to the result of the test. We also provide special prevention training for those with higher risks of hearing loss.

**HHI Ergonomics Management Program (HEMP)** ● HHI management and labor union, through their self-developed HEMP, promote stability and ease of work processes for the employees. Along with the program, we also conduct relevant training, promotion, worksite management, and effect analysis/evaluation to maximize the effects, thereby creating safe work habits and culture among the employees.

SUSTAINABILITY REPORT  
CORE ISSUE 2. SAFETY AND HEALTH

**Total Health Promotion (THP)** ● Our THP is a means of health support for the employees who have been diagnosed with three major diseases, high blood pressure, hyperlipidemia, and diabetes that have higher potential to cause brain or cardiovascular disease. We conduct body composition analysis for those identified with the three diseases, then offer them with customized treatments including exercise, dieting, and consulting.

**Counseling Center** ● HHI runs counseling and clinic programs for employees to cope with their mental issues. Employees can receive various services including psychological tests, group counseling, and group psychotherapies by accessing the counseling center online, or by visiting or calling.

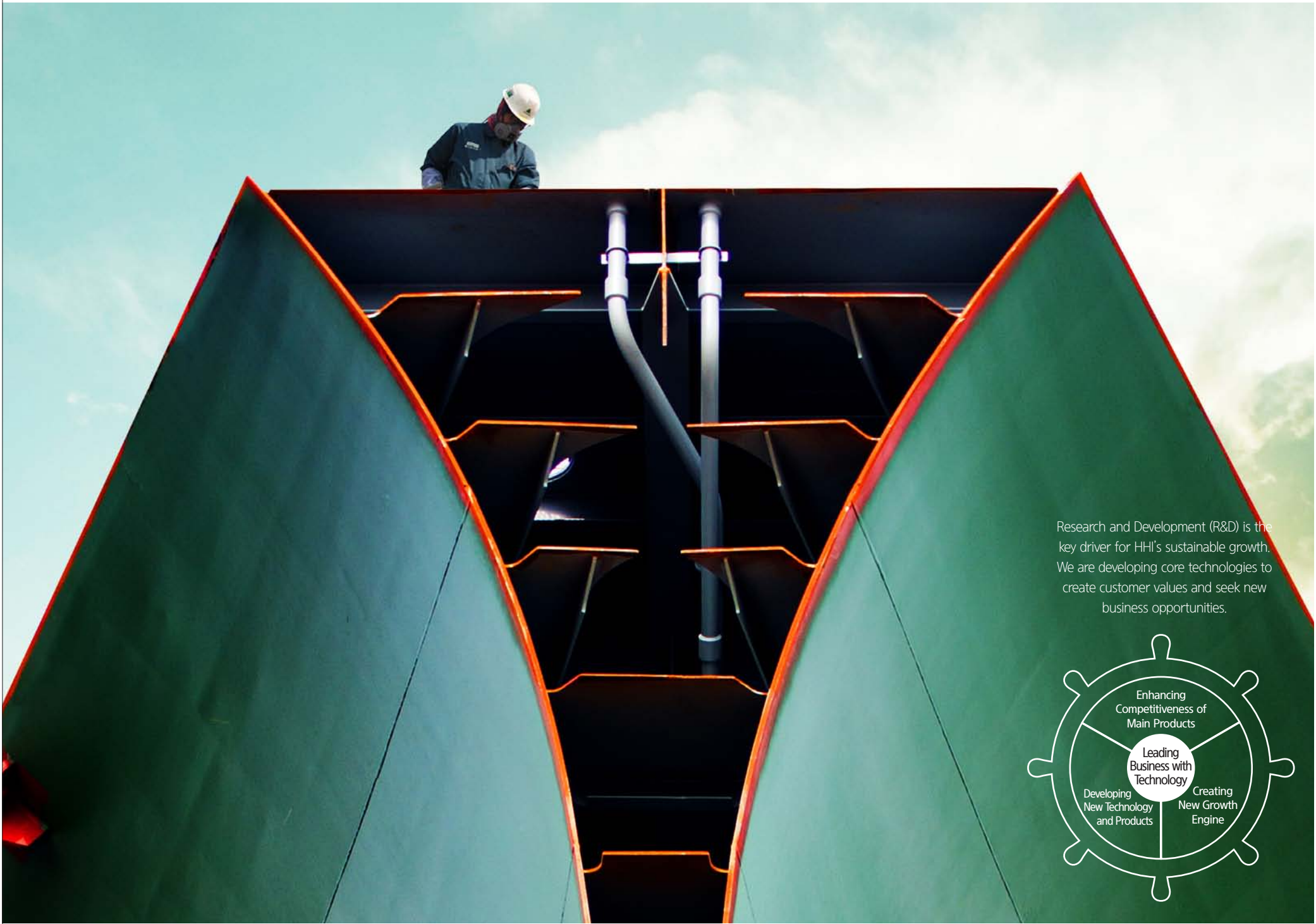
**No Smoking Fund** ● We aid employees who wish to quit smoking by offering them six-month professional counseling, supplements for smoking cessation, etc. Since 2009, employees who are eager to quit smoking have created the No Smoking Fund and have supported the underprivileged class for nine years. In 2013, about 56% of the participants successfully quit smoking and collected over KRW 93 million for the fund.

Cumulative Amount of  
No Smoking Fund  
KRW 93,571,510  
(2005 - 2013)

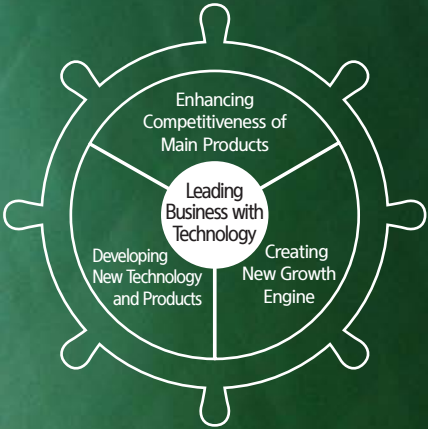
Worksite  
Stretching

HHI first introduced the worksite stretching in 2002, and it was re-designed in 2004. Today, the exercise is executed at all worksites before and after working hours and at 3 pm every day, to improve employees' health conditions and to prevent musculoskeletal diseases and exhaustion. The 3 pm stretching is also aired through the broadcasting system.





Research and Development (R&D) is the key driver for HHI's sustainable growth. We are developing core technologies to create customer values and seek new business opportunities.



Core Issue 3. Research & Development

# Global Technological Competitiveness

## Research and development is the driving force for continuous growth

HHI's R&D organizations are building the foundation of technological leadership to ensure business competitiveness. To maximize R&D performance, we have been developing core technologies by annually reflecting internal and external environmental change. And, strategic R&D fields which need to focus on enhancing core competencies are designated as BT (Breakthrough Technology) 16.

**R&D Institutes** ● R&D organizations consist of the Corporate Technology Institute (three research institutes, one research section, and one technology administration office), five Business Division Research Institutes and two Overseas Research Centers. The Corporate Technology Institute concentrates on developing generic technology and fundamental technology while the Business Division Research Institutes are striving to reinforce competitiveness of flagship products and develop new technology and new products.

**R&D Investment** ● The amount of R&D budget is KRW 228.8 billion and its ratio of the investment is 1.1% (R&D investments/Sales). HHI plans to set the basis for sustainable growth by increasing our investment.

**Core Patents** ● HHI secures its core technologies and product competitiveness through Intellectual Property (IP) management. Our IP management is value-based as we set the IP strategy and discover new patents by linking it with R&D. Moreover, we aim to increase the number of patent issuance in overseas markets, thereby strengthening the competitiveness of our products.

We make the best products with confidence and passion

HHI spurs its research and development of new technology and products to maintain competitiveness in the fast changing world market. These are the research performances of each business division in 2013, which are the future growth engines.

IT-applied Sailing Technology

HHI is in the process of developing the Smart Ship, in response to the new trends including increasing demands of shipping companies for fuel-efficient and eco-friendly vessels and introduction of e-navigation by the International Maritime Organization (IMO). The Smart Ship 2.0, the development of which was completed in 2013, enables remote inspection and control of ship equipment and routes through satellites. It features a Ship Incline Optimization Solution which provides the ship draft information for fuel efficiency and an Economic Sailing Solution, which determines the best route via sailing and weather status. Other measures to guide safe sailing of a ship include the Collision Avoiding Solution that detects risks of collision and suggests detours, and the Movement Monitoring Solution that measures or predicts ship movement and weight.

Fuel Saving and High Efficiency Vessels

We are also developing a vessel equipped with an Energy Saving Device (ESD) which improves the efficiency of propulsion, the ship structure and propeller with less resistance and high propulsion, and the air lubrication system. In 2013, we successfully created the ESD with a horsepower reduction rate from 2.0% to 6.1%, and we further expect to save fuel consumption by 6% or more through our air lubrication system.



Shipbuilding



Offshore & Engineering



Industrial Plant & Engineering

Independent Model of FLNG

HHI received the Approval in Principle (AIP) from the Norwegian Classification Society (DNV GL) for the development of its first model of Floating Liquefied Natural Gas (FLNG). The 'Hyundai FLNG' measures 355m in length, 70m in width, and 35m in height, equivalent to the size of three soccer fields, and it has an annual production capacity of 2.5 million tons and LNG storage capacity of 193,800m<sup>3</sup>. FLNG is composed of the hull that functions as the floating storage and the topside where the overall process is liquefied. HHI is the only company in the world that can build top and bottom side of FLNG by implementing Engineering, Procurement, Construction, and Installation & Commissioning (EPCIC) System.

Onshore Modular LNG Storage Tank

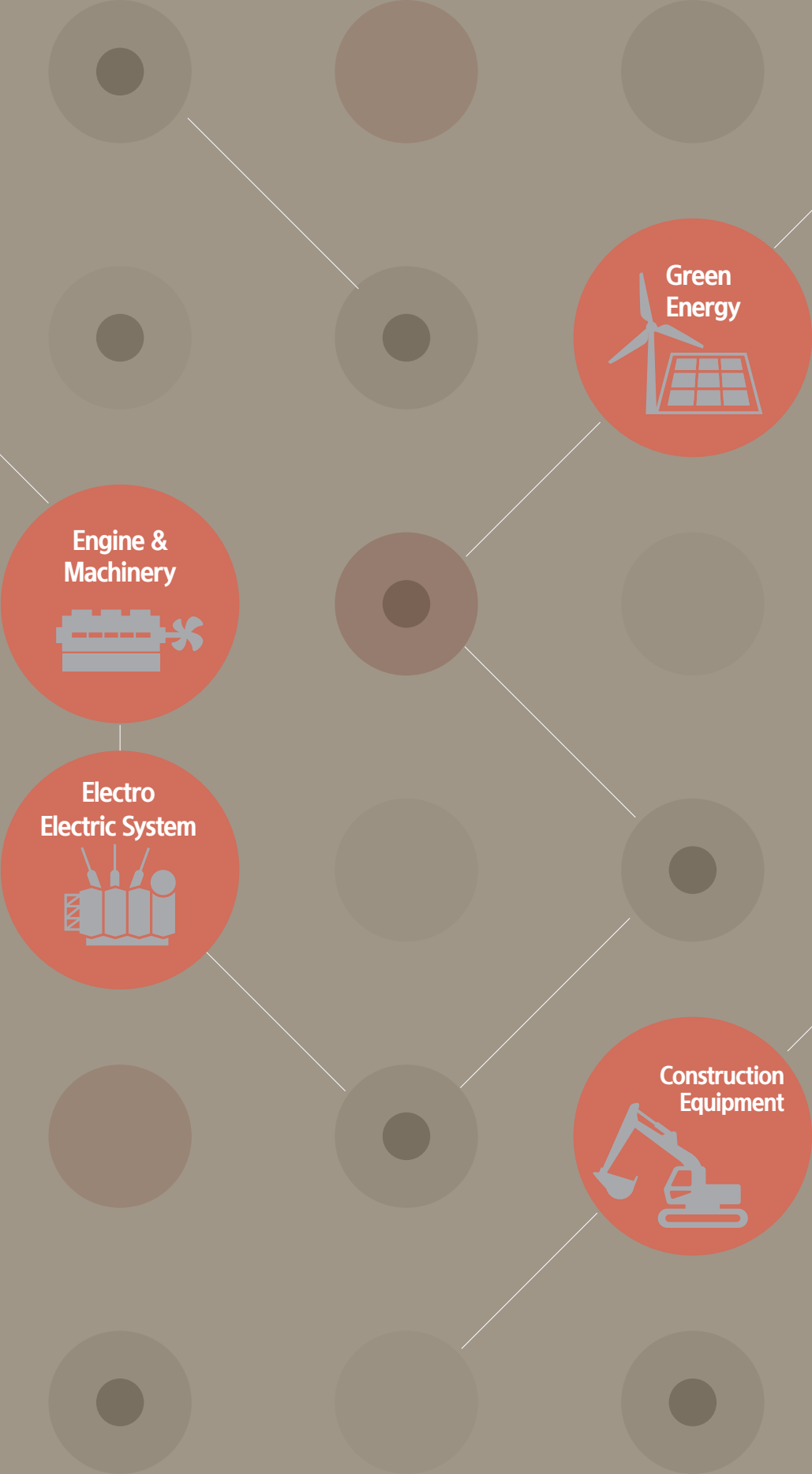
HHI developed the first independent model of onshore modular LNG storage tank in the world and received the AIP from the American Bureau of Shipping (ABS). It was a remarkable breakthrough to replace the concrete structure of the conventional onshore LNG storage outer tank with Sandwich Concrete Plate (SCP). This tank was built by applying the modularization design philosophy to the onshore LNG storage tank containing the full containment system, thereby reducing the EPC cost and construction period in remote locations such as the Arctic zone. The technology was revealed in 'GASTECH 2014,' which received high recognition and generated huge interest.

## Eco-friendly Engine Technology

We focus on developing the technology of high efficiency/output engines including the Green-type (G-type) eco-friendly vessel engine. The 'G-type Engine' is an eco-friendly, high efficiency product, co-developed with Man Diesel & Turbo (MDT). The engine enables 7% increase in fuel efficiency and 7% reduction in hazardous gas emission compared to conventional engines. We expect to save about KRW 80 billion (KRW 3.2 billion annually) during the ship's life-span of 25 years, by installing the engine in the post-Panamax containership (7,500 TEU). We also developed a dual fuel engine, a hybrid engine for selectively using diesel or gas fuels. This eco-friendly, dual fuel engine which performs as efficiently as a diesel engine, can be fitted into any vessel including LNG ships, oil tankers, and containerships.

## Eco-friendly Circuit Breakers

HHI is developing an environmentally friendly circuit breaker that reduces use of SF<sub>6</sub>, one of the major greenhouse gases. We aim to completely replace SF<sub>6</sub> gas by developing compact circuit breakers using less SF<sub>6</sub>, hybrid circuit breakers using both N<sub>2</sub> and SF<sub>6</sub>, and eco-friendly circuit breakers using dry air as a medium for insulation in a vacuum state. In 2013, we successfully invented a feeder unit of extra-high voltage circuit breaker using dry air and a 72.5kV vacuum interrupter.



## High Efficiency Solar Cell

In addition to its technology development of p-type solar cell, HHI recorded the world's top class energy conversion efficiency of over 21% (based on R&D standard) by creating the passivated emitter and rear locally-diffused (PERL) solar cell. Based on our achievement, we completed the development of a 20%-efficient PERL solar cell for mass production and began sales of the product in 2014. Unlike the other high efficiency solar cells, producing PERL solar cell only requires a partial upgrade in p-type production lines. Based on the largest R&D center in Korea, we continually improve our product competitiveness by researching structure and materials of high efficiency solar cells, minimizing risks of modularization, creating highly reliable solar cells, and developing cost reduction technology.

## Energy-efficient and Eco-friendly Construction Equipment

HHI developed high efficiency and environment-friendly products, 21-ton class 'Hi-POSS excavator' and 'hybrid excavator'. Equipped with electro-hydraulic control system and electric power sources, respectively, these excavators can save over 20% of fuel consumption compared to the conventional excavators. We introduced a newly developed, next generation hydraulic system into Hi-POSS, thereby controlling pumps and valves electronically. The electro-hydraulic control system minimizes hydraulic flow loss and reuses wasted energy while operating major parts of the excavator, including boom, arm and bucket. In addition to the existing hydraulic system, an engine-assist motor is installed in the hybrid excavator to increase its fuel efficiency. The electric system saves and reuses inertial energy to improve the fuel efficiency during swing operation.



Core Issue 4. Human Resources

# Nurturing Competent Talents for the Global Market

We foster outstanding human resources with professionalism

HHI directs its employee training toward three criteria: 'Shared Value Based', 'Future Leadership', and 'Expertise', and it creates an environment where employees can display their individual competency.

**Cultivating Talents Based on Shared Value** ● We operate training programs to improve talents based on shared value. Our major training courses such as core value sharing and internalization are targeted at new recruits and promoted employees, and offer opportunities to understand the corporate culture. Additionally, we introduce various types of personnel management and training systems to create a culture of self-learning.

**Fostering Future Leaders** ● We provide specialized training sessions for different positions and areas to discover growth engines or core talents of the next generation. The essential talents of the assistant managers are developed through the junior board, while the managers at the worksite gain competency as field leaders through the master board. We also offer our executives diverse training courses including those at the General Electric (GE) Crotonville Training Center and Hyundai CEO Academy.

**Nurturing Specialists** ● In order to develop experts in each business area, we provide various forms of training by analyzing the demands of site operations. The training programs include worksite voluntary training operated by responsible departments, professional expertise training and after-hour voluntary training conducted by internal/external experts, thereby contributing to improving the job competency of employees.

We increase our future value through systematic training

**HHI MBA Courses** ● HHI MBA, one of the major talent development programs, aims to foster future candidates for heads of departments through systematic education about business management and global competency. The intensive courses of HHI MBA are carried out in collaboration with the University of Ulsan and Brigham Young University in Utah, USA, and more than 400 students have graduated over the past 20 years.

**Junior Board** ● Competent assistant managers with 3 to 4 years of experience can participate in the year-long training sessions through the Junior Board. The Junior Board aims to develop employees' potential and nurture them to become multi-players as well as

future leaders. Its programs focus on subjects such as business overview, organizational revitalization, and core values. During the training, employees can improve their competency by making presentations on developing the existing projects of each business division.

**Master Board** ● HHI annually conducts leadership training for 30 managers at the production sites with the aim of developing strategies for improving business performance. The managers learn problem solving and presentation skills, as well as membership training, and they further conduct presentations for each business division to promote improvements at production sites.

Company Where My Dream Grows

**Training Summary** ● HHI makes vigorous investment in talent cultivation. We intend to enhance the quality of training at the Human Resources Development Institute, rather than renting outside institutes, and plan to expand our investment.

Training hour per persons (2013)

74.7 hours

Training expense per persons (2013)

KRW 344,440

Programs

Classification	Main Programs	
	Executives	Employees
Mandatory Training	Newly Promoted Executives	Positional Promoters Training, New Recruits Introductory Training, etc.
Core Talent Training	GE Crotonville Training Hyundai CEO Academy	Global Manager Courses, HHI MBA Courses, Junior Board, etc.
Globalization Training	Language Training	Expatriate Nurturing Courses, Study Abroad
Vocational Training	Management Strategy Seminars, Reading Academies	Professional Job Training, Voluntary Job Training (Field/Night), Cyber Training, Commissioned Training, etc.
Others	Saturday Special Sessions, Substantial Management Practices, etc.	Cultural Arts Lessons, Talk with Authors, Retirement Plan Training, etc.



SUSTAINABILITY REPORT  
CORE ISSUE 4. CULTIVATING HUMAN RESOURCES

**After-hour Voluntary Training** ● We provide additional sessions after working hours for courses that cannot be self-taught due to issues with participants or instructors. The instructors of the courses are selected after research is conducted on the demands and necessity for the courses. Our after-hour voluntary training draws more attention and participation of employees by covering not only specific, job-related matters such as presentation skills and IT, but also other subjects including humanities.



**Internalizing Core Values** ● Core value internalization training of HHI aims to not only share the business philosophy and Hyundai Spirit, but also create the best DNA by adopting best practices in the past. HHI, therefore, organized programs based on such core values as infinite imagination, vigorous challenges, value creation, commitment to promises, and human respects. The instructors are all in-company personnel and they present various case studies with their vivid field experience, thereby improving the quality of the courses. These courses increased employees' awareness of core values from 78.5% to 98.4%. The awareness of core values improves employees' understanding of corporate philosophy, enhances their devotion to the company, and further creates the unified corporate culture towards common goals.

Rate of Awareness of Core Values

78.5% → 98.4%  
Before Training After Training

## The More Knowledge We Share, the More Competitive We Become

Our Technical Education Institute offers various technology training programs to both HHI's and subcontractors' employees, technical trainees, and vocational high school students so that they can enhance job competency and acquire qualifications.

**HHI Technical College (HHITC)** ● In 2013, HHI founded its Technical College, as a part of the lifelong education system of 'employment first and schooling next', to foster advanced technicians. HHITC contains two majors, 'Naval Architecture and Ocean Engineering' and 'Mechanical and Electrical Engineering', and upon completion of two academic years students are awarded a community college diploma. HHITC, formerly HHI Technical Institute (HHITI), had produced a total of 1,181 graduates until 2012. Along with the foundation of HHITC, we plan to encourage employees to actively participate in the programs.

**Consortium of Small & Medium Enterprises** ●

In order to improve job competency of subcontractors' employees, HHI conducts a consortium business of small and medium-sized enterprises (SMEs) using its internal instructors and facilities. The consortium business nurtures outstanding technicians to enhance competitiveness of subcontractors and further sets the foundation for HHI's growth.

**Share Growth Training for External Subcontractors**

● HHI established an education support center in October 2013, to provide external subcontractors, which have relatively low opportunity for training, with field-oriented programs that can improve the subcontractors' productivity and competency. The center operates cyber learning courses and day/night capacity building courses. These efforts will be continued, to spread a culture of shared growth in HHI and its subcontractors.

**Industry Training** ● Our Industry Training Program offers instructors and students with field-oriented training services. Designated as the training institute for instructors in 2004, the program now conducts industry training for college professors and students as well as students of specialized high schools and Meister high schools. The Industry Training Program enables the trainees to understand characteristics of the industry. A total of 1,131 participants had completed the program from 2005 to 2013.

**Technology Training for North Korean Defectors**

● As a part of our support to the underprivileged class, we train the North Korean defectors with technology enhancement. The program includes technical training, special training at night targeting non-experts and accommodation, all free of charge. We have nurtured 17 technical trainees so far and have further aided their employment by connecting them to our internal subcontractors, and granting them additional points for the recruitment process.

**Future Career Experience Training** ●

HHI through academic-industry collaboration with the Ulsan Metropolitan Office of Education broadens the career path of middle and high school students in Ulsan through industry field trips. Eight different courses are provided under the supervision of our business departments, and in 2013, 677 students participated in the training.

Cumulative Number of Participants in the HHI  
Technical Education Institute

172,944 Trainees  
(1972 - 2013)

## A Young Technician with Endless Effort

"Growing up, I liked playing with machines rather than studying. I attended the Incheon Technical High School, following my father's advice that technicians will be valued more in the near future. I guess the technical blood runs in our family, as both my brother and I have been achieving good results in technical competitions."

One of our employees, Won Hyun-woo became the MVP at the 42<sup>nd</sup> WorldSkills Competition in 2013. He scored 98.94, only 1.06 points lower than the perfect score, in Construction Metal Work. This was the highest score among all 1,027 participants in 46 different divisions and it led Korea to winning the overall championship. Although he once failed to represent Korea for Sheet Metal Technology in 2010 Competition, Won challenged again for Construction Metal Work in 2013. Despite the change in category, Won successfully achieved his goal with his continuous passion and strenuous efforts towards technology.

"I practiced 14 hours a day for two years at the HHI Technical Education Institute. I think the instructors recognized my efforts and they gave me another chance to try out for the domestic competition in Construction Metal Work, which later led me to the WordSkills Competition."

The WorldSkills Competition medalist Won Hyun-woo received both the prize money and annual pension from the government, along with KRW 10 million from HHI. However, Won seeks another dream, rather than being satisfied with the current result.

"I want to work even harder to become a master in technology and a globally recognized technician. I also wish to pass down my skills to others. I see many retirees in the company every year due to the aging phenomenon in our society, but there are not enough young technicians."

He is deeply concerned about the aging population of the industry and he hopes to nurture younger technicians in the future. We expect to witness another challenge of Won Hyun-woo, who has overcome failures with great efforts instead of becoming discouraged.

INTERVIEW



MVP of the 42<sup>nd</sup> WorldSkills Competition, Won Hyun-woo

Core Issue 5. Ethical · Law-abiding Management

Business Ethics Management and Compliance



Like a 'forest,'

We will let the flower of cooperation bloom that pleases all stakeholders with the nourishment of business ethics.

Pursuing Value in Business Ethics Management

HHI employees take responsible (Responsibility) approach to stakeholders, with a fair (Fairness) and ownership (Ownership) mindset. Also, we do our jobs enthusiastically (Enthusiasm) and put in our best efforts to create a safe (Safety) and fruitful workplace. We plan to become a trustworthy (Trust) and respected company by performing transparent (Transparency) management.

 Business Ethics Management System  
[http://ethics.hhi.co.kr/html\\_eng/1\\_company/sub\\_03.htm](http://ethics.hhi.co.kr/html_eng/1_company/sub_03.htm)

We will set the model for business ethics management

In response to the rapidly changing environment of the recent market, we pursue business ethics management to become a more 'trusted and respected corporation'. Since we adopted the purchase ethics regulations in 1994, we have implemented business ethics management through many programs and have further expanded the transparent culture of ethics to our business partners.

Business Ethics Management System

HHI's business ethics management system is based on the practical regulations including the ethics charter, ethical standards, and ethical implementation guidelines. We apply stricter regulations on six functions in business: purchase, human resources, design, finance/accounting, IT, and sales that require advanced professionalism and ethics. Various programs and promotions have been implemented to prevent corruption. Moreover, we operate an independent audit organization, internal audit regulations, reporting channels, as well as compensation programs for the informants. If any violation is found, we take a strict disciplinary action under our internal policies.

Consolidating Business Ethics Management

A corruption scandal occurred in 2013 regarding former and current employees and is under review by the relevant court. The employees involved in the scandal were prosecuted in their individual capacities and received disciplinary actions in accordance with the company's internal rules. In November 2013, HHI promoted the compliance manager to the president level, and also created the compliance team to enhance the employees' attitude toward law-abidance. The law-abiding management was appointed as one of our business policies in 2014, as an effort to become an exemplary company by resolving any misconducts. Other efforts include the group-wide resolution conference where the executives are engaged in, divisional resolution conference, and ethics and compliance training for all employees, along with the research and improvement activities on high ethical risks. Furthermore, we plan to enact the 'Anti-corruption Compliance Guideline', maintain the internal regulation system, and conduct regular monitoring in order to establish the culture of law-abidance.

We will create a transparent corporate culture

**Commitment to Business Ethics Management** ● HHI enforces its employees to submit a pledge of commitment to business ethics management, so as to acknowledge the relevant regulations and promise to abide by corporate policies and guidelines. Our employees engaged in the six business functions, which require specific standards, are enforced to sign additional pledges for stricter ethical obligation.

**Internal Reporting System on Conflict of Interest Matters** ● We intend to establish a relationship of fair trade with our stakeholders. Therefore, the internal reporting system, which prevents any conflict of interest and encourages transparent trade process, is practiced on our or partners' employees whose conduct may be influenced by their ties to their counterpart during a business transaction.

**Internal Reporting System on Unethical Matters** ● We operate a reporting and reward system for any unethical conducts including bribery, unjust enrichment, and abuse of authority. These corruptive actions are reported through phone calls, website, mails, e-mails, and other channels. We ensure the informants feel safe reporting the unethical behaviors by maintaining the confidentiality of the information. We also reward those who contribute to building an ethical corporate culture.

**Business Ethics Management Assessment** ● HHI conducts self-evaluation surveys for employees to check whether they understand and comply with code of ethics. We also included business ethics in the performance evaluation indicators to enhance the employees' awareness of ethics.

**Research Surveys and Interviews about Business Ethics Management** ● As a part of the system improvement process, anonymous surveys are conducted on the employees of HHI and its business partners. We also interview these employees to identify their difficulties, suggestions, or standards of ethical practices, and reflect the results in our management activities.

**Business Ethics Management Training** ● In order to internalize the culture of business ethics management, HHI runs group training and online education. Starting in 2014, we expanded the participants for the compliance training, from new recruits and promoted employees to all employees.

Number of Participants in Business Ethics Management Training

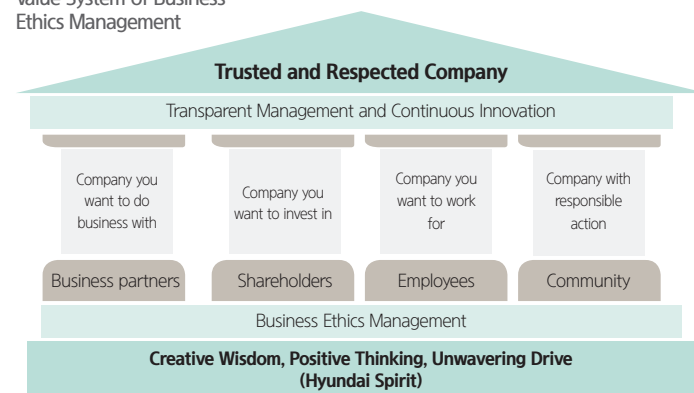
3,115 trainees

Group Training<sup>1)</sup> 2,352 trainees

Online Training<sup>2)</sup> 763 trainees

1) Specialized training for new/experienced recruits, promoted employees, divisions  
2) Total of 14 modules (7.7 hours)

Value System of Business Ethics Management



Cyber Report Homepage  
[http://ethics.hhi.co.kr/html\\_eng/1\\_company/sub\\_02.htm](http://ethics.hhi.co.kr/html_eng/1_company/sub_02.htm)

We will maintain principles of compliance through rigorous monitoring

HHI introduced and has been operating its Fair Trade Compliance Program since 2004. The program focuses on activities such as fair trade education and conducting internal inspections in order to increase and ensure our employees' awareness of fair trade principles. Furthermore, we have gradually extended the scope of our compliance management practices to business partner companies such as subcontractors, agents, vendors, representatives, etc., to ensure shared growth and ethical cooperation.

**Fair Trade Management System**

● In accordance with the guidelines of the Fair Trade Compliance Program, HHI has a Fair Trade Compliance Officer appointed by the Board of Directors and the Compliance Team to manage this Program. The Compliance Team plans and carries out various activities such as training related to fair trade laws, daily legal support, and risk management. The Fair Trade Compliance Officer reports directly to the Board of Directors concerning the status of training sessions and the results of internal fair trade compliance inspections on a semi-annual basis.

**Fair Trade Training** ● We operate an online training course concerning fair trade laws for all employees. To prevent any violation of fair trade laws, we notify the whole company in the event of any major revisions to applicable laws, as well as information on notable violations. In 2013, we conducted two-hour, semi-annual, in-house training sessions for 1,709 employees who have frequent transactions with business partner companies on publicized cases of fair trade laws violations. We also provided additional ethics training for 370 employees in our purchasing and related departments.

**Internal Fair Trade Compliance Inspection**

● We conduct internal inspections of over 70 departments which operate in high-risk areas. Through this internal inspection procedure, we reduce the risk of violations and enhance understanding of applicable fair trade laws. In case any irregularities are found as a result of these inspections, we immediately take such measures as are necessary to resolve any irregularities with the support of the Compliance Team.

**Efforts for Shared Ethical Growth with Business Partner Companies**

● HHI strives to spread the culture of compliance management to our business partner companies. HHI conducts surveys and field interviews with employees of our business partner companies concerning the level of compliance management practice, and applies these results to improve our own compliance system. In 2013, HHI conducted a survey of 3,515 business partner companies of eight affiliates within the Hyundai Heavy Industries Group. The survey covered over 20 items, such as ethical standards in transactions, and ethical standards of employees.

**Reporting System** ● The 'Cyber Reporting' system is a channel for receiving reports on all actions that may violate the company's compliance management practices. Possible reports would include suspected illegal or unethical behavior related to fair trade, and acceptance of improper benefits from internal and external stakeholders related to our business activities. The reporting channel plays a crucial role in ensuring fair trade-related compliance management, both through minimizing risk and facilitating appropriate follow-up where called for. In addition, the identity of the internal whistleblower and contents of the report are kept strictly confidential. Any retaliation or detrimental treatment is completely prohibited.

Fair Trade Education (2013)

177 times

Internal Fair Trade Inspection (2013)

142 times

Core Issue 6. Shared Growth

# Path to Live Together

We pursue shared growth

About 27,000 employees of HHI seek to achieve shared growth with over 435,000 employees of its subcontractors. As a result, HHI received the top grade, 'Excellent', in the 2013 Shared Growth Index Assessment for Conglomerates by the KCCP. We aim to build mutual trust with the partners to achieve harmonious coexistence.



**Core Values of Shared Growth** ● Subcontractors are crucial to the prosperity of HHI. To establish a mutually healthy environment in the industry, HHI set 'righteousness, fairness, and legitimacy' as its core values.

**Shared Growth Policy** ● We are fully committed to building continuous mutual growth by improving internal production system and maintaining competitiveness with our partners. Therefore, we created three essential policies. First, we keep our business portfolio simple by limiting business expansion to unrelated areas, with the aim of reforming irrational systems and establishing a culture of fair trade. Also, we carry out three promotion strategies, which include offering SMEs more business opportunities and developing support system, for mutual improvement. Second, we adopted the four guidelines on contract agreement, subcontractor selection, internal audit committee, and documentation, recommended by the Fair Trade Commission (FTC). Based on the guidelines, we aim to embed fair and rational trade customs, complying with the Fair Subcontract Transactions Act. Third, we provide practical support to the subcontractors in need. Our major activities include increasing sales, training/employment, technical support, and funding. Additionally, we try to adjust supply cost per unit and provide other managerial support, as well as aiding secondary subcontractors.

**Shared Growth Supporting Organization** ● HHI has various communication channels with its business stakeholders. The Group Shared Development Committee makes decisions on standard group-wide policies for shared growth, and it runs the Internal Trade Committee to increase SMEs' business participation in the market and to enhance transparency of internal transactions. Our shared growth promotion system, based on organic communication, is operated through the Shared Growth Council, which is self-organized between the primary and secondary subcontractors, and also through the Shared Growth Organization within the Integrated Purchasing Office.

We perform a variety of partner-oriented activities

**Fair Trade Practice System** ● HHI enforces the ethics charter and the code of ethics and further requires its subcontractors to sign the ethics management pledge. We also aim to create a transparent trade culture through channels such as unfair trade reporting center and online consulting service for subcontractors, to prevent unfair transactions.



Cost Increase Percentage of Transactions with Subcontractors (compared to 2012)

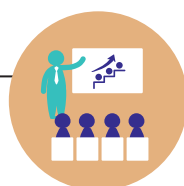
20 %

**Joint Overseas Market Expansion: 19 subcontractors**

**Joint Participation in International Fairs and Exhibitions: 77 subcontractors**

**Sales Increase of Subcontractors** ● In an effort to increase our subcontractors' sales, HHI increased the quantity of supplied goods from the subcontractors and assisted their entry to overseas market via joint market expansion and participation in domestic/overseas exhibitions. In 2013, HHI and its subcontractors attended the Offshore Technology Conference (OTC), where HHI helped expose the subcontractors to foreign companies and generated new business opportunities. Also, through our China Corporation, we started new businesses with our subcontractors.

**Community-based Purchasing** ● We offer our subcontractors fair opportunities for business engagement. When conducting product allocation of unit price contract, we grant additional points to worksites in Busan, Ulsan, Gyeongbuk, Gyeongnam, Gyeongju, Yangsan, and others in Gyeongsang Province, thereby also contributing to community development. As of 2013, we created jobs in local communities through business transactions with 1,248 subcontractors (51%) out of 2,426 in Busan, Ulsan, and Gyeongnam region. Moreover, we helped our subcontractors abide by the deadline for delivery and reduce cost by running the joint shipping center and pipe distribution center in Busan, Ulsan, and Gyeongin region.



Number of Personnel Who Completed Training (2013)

8,727 persons

Number of Quality Instructions (2013)

9,973 times

**Training and Human Resources** ● HHI provides training and human resources to enhance competency of subcontractors' employees. We offer opportunities for subcontractor employees to take 931 different courses online about projects, data processing, languages, and others. In 2013, the Shared Growth Training Center was founded to provide the secondary and tertiary subcontractors with 60 courses in all disciplines and meals for free. HHI also conducts quality instructions for the subcontractors through quality inspection by exclusive units, and extends its services to create jobs for the trainees. In 2013, we led a total of 1,408 trainees of 223 subcontractors to be employed.

**Technical Support** ● HHI provides its subcontractors with support in technology, researchers, equipment, and security, in order to create an environment for technology development. We also set the foundation for subcontractors' development by issuing joint patent for the co-developed new technology. As efforts for strengthening subcontractors' competitiveness and expanding their sales, we take different actions including technology escrow system<sup>1)</sup> to protect the technology of SMEs, new technology transfer, technology license grants<sup>2)</sup>, along with transferring patents of unused technology. Meanwhile, we also hold technology competitions for both HHI's and subcontractors' employees, thereby offering opportunity for overseas education and rewards.



Comprehensive Purchasing Information System

**Global Hyundai Integrated PROcurement system (G-Hipro)** ● G-Hipro is an electronic purchasing system that discloses processes and methods for subcontractor selection and contract agreement. G-Hipro of HHI shares not only the overall process of contracting from subcontractor registration, selection, contract, product distribution to payment, but also the process of subcontractor selection including estimation, technology review, bidding, and internal payment, thereby proving the transparency and fairness.

 Integrated Purchasing Information System, G-Hipro  
<http://hipro.hhi.co.kr>

Payment Due

Within 10 days



Rate of Payment in Cash

100 %

**Payment and Funding** ● In order to ensure the asset liquidity of our subcontractors, we have been providing 100% cash payment since 2011. We also aid asset management of our subcontractors by issuing electronic receipts through our G-Hipro. Moreover, we pay in advance for supplies during the national holidays or vacations. There are other funding programs including aiding interest payment through the shared growth fund worth about KRW 149.2 billion and loaning based on the trade history of subcontractors through the network loan amounting to about KRW 53.65 billion. For the secondary or lower subcontractors in the machinery industry, we founded the Machinery Industry Shared Growth Fund, and further engaged in government-based business about shared growth such as the Industry Innovative Movement 3.0.

**1) Technology Escrow System**

The system to keep core technology data of SMEs in the Foundation for Cooperation of Conglomerates and SMEs

**2) Technology License Grants**

The system to share the license of technology for the subcontractors to use



## Core Issue 7. Social Contribution

# Mutually Harmonized Society

HHI performs a systematic social contribution in accordance with the three guidelines to create shared value in a mutually harmonized society. The Social Contribution Team is composed of charity units in each business division, sector, and department, thereby encouraging voluntary participation of employees. We plan to share our love and communicate with the local community continuously.

## We share love to make everyone content

**Social Contribution Team** ● Established in 2011, the Social Contribution Team of HHI manages the planning, promoting, funding, setting sisterhood relationships, clubs, and charitable activities for social contribution. It serves to further enhance employees' awareness of social contribution and encourages their active participation in activities related to the local community.

**Social Value Creation** ● As part of its social contribution activities, HHI aims to maximize the economic ripple effect in each region. We stimulate local economies by paying KRW 97 billion for local tax, KRW 2 trillion for wage payment, and KRW 11.6 trillion for supplies. Moreover, we created more than 450,000 employment opportunities: about 27,000 for HHI and about 435,000 for the business partners. Some of our other measures such as establishing infrastructure, investing in culture and art, and engaging in welfare business not only contribute to the independence of the city, but also improve the image of Ulsan.

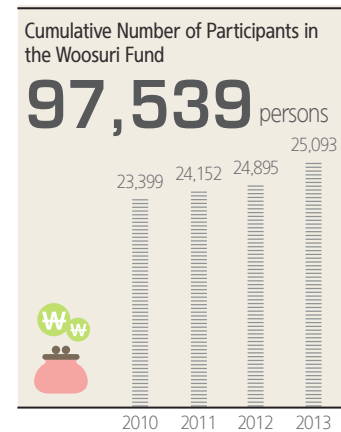
## We will set the basis for the independence of the local community

**Education Infrastructure and Donations** ● As a part of our sharing of education, we now operate five schools (Hyundai Middle/High School, Chungun Middle/High School, Hyundai Technical High School), two universities (University of Ulsan, Ulsan College), and two kindergartens (Dongbu Kindergarten, Seobu Kindergarten). Furthermore, we also contribute to fostering local talents by improving facilities including dormitories and gyms and by running scholarship programs.

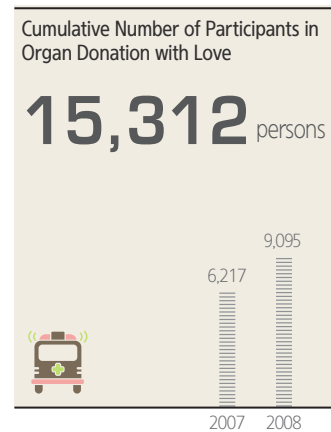
**Community Infrastructure** ● HHI has established core infrastructure for Ulsan residents by constructing Bangeojinsunhwando-ro, Seobu-dong Irwondo-ro and other roads, and also by building Ulsan Dongbu Library, park facilities, neighborhood parks, schoolyards, and lighthouses. For the health and welfare of local residents, we built the Ulsan University Hospital, and in January 2012, we invested a total of KRW 200 billion in founding the Cancer Center in the hospital, thereby providing nation-wide, high quality medical services. The local residents can also experience the comfort of living in employee apartments, outside parking lots, and soccer fields.

Our employees will be at the forefront

**Sharing Salary** ● HHI has the largest cumulative number of participants (about 100,000) in the charitable activity, the Woosuri Fund. 25,000 employees out of a total of 27,000 employees currently donate the woosuri (changes) of their monthly wages. This fund is given to the Community Chest of Ulsan, the Korea Heart Foundation, and the Korean Association of Children with Leukemia and Cancer (KACLO) every year. The accumulated amount of the fund reached KRW 850 million in 2013, and it was used for 84 patients with childhood cancer or heart disease and for 3,000 sick children and families.



**Organ & Blood Donation with Love Campaign** ● As part of our Life Sharing Campaigns for building a beautiful corporate culture, we promote organ and blood donations. The ceremonies for delivering the pledges were held twice on May 7, 2007 and October 17, 2008, and these recorded one of the largest numbers of pledges in the world. After signing an agreement with the Korean Red Cross, we encouraged employees to regularly participate in blood donation during lunch hours in order to create stable supply of blood and to expand the blood donating culture nationwide. As a result, 700 employees in 2010 and 1,200 employees in 2013 actively engaged in donating blood.



We are with the community

**Charitable Sales of Donation with Love** ● Since 1994, HHI has run the Charitable Sales of Donation with Love to create a sharing culture with the community residents, and it reached its 20th anniversary in 2013. The sales event has become one of the local festivals, going beyond being just a simple charitable activity. We sell more than 25,000 goods donated by employees and celebrities every year, and the profit made is used to provide kimchi and scholarships to the underprivileged residents. We also support independence of the immigrants and disabled people in the region by promoting sales of the goods they made. During the event, various cultural performances including orchestra, dance, and musical shows by the disabled, along with knowledge sharing by the company clubs, are presented.

HHI supports expenses for surgeries of children with heart disease or children suffering from cancer through the Korea Heart Foundation and the KACLC.



Traditional Korean Culture Experience of Multicultural Families

**Making Kimchi with Love** ● HHI has been sharing food with neglected neighbors for 23 years through the Making Kimchi with Love event. In 2013, about 500 employees and volunteers made more than 12,000 heads of kimchi. It was a meaningful event as the cabbages were harvested in the Children's Nature Learning School of Hyundai Institute and in the Elderly Farm of Ulsan Dong-gu branch of the Korean Senior Citizens Association.

 More on Kimchi making is continued on page 53.

**Supporting Senior Community Center / Event for the Elderly** ● For the past 20 years, HHI has provided support to the senior community center in Dong-gu, Ulsan, to provide love in the community and enhance the spirit of respecting elders. Since we set up the sisterhood relationship with the Ulsan Dong-gu branch of the Korean Senior Citizens Association, we have provided facility inspections, cleaning sessions, massages, balloon arts, and other services. Also, we deliver rice, snacks, and care packages to 57 senior community centers every month, and in 2013, we donated air conditioners and heated massagers for the elderly. From July 2012, we invited the elders to the company for tours to our worksites and local museums, and also arranged dinners with them. This event has been held 19 times and 865 elders have visited so far.

**Building Ulsan Love House / Supporting 'Oddugi Party'** ● The Ulsan Love House is a welfare facility to provide housing and customized services to those with intellectual disabilities. HHI funded the construction of the Ulsan Love House and also continually offers better living environment through charitable activities and donations of its employees. The 'Oddugi Party', which has been held for 22 years since 1992, is one of the biggest community events in the region that provides entertainment to students, parents, instructors, and volunteers of the Ulsan Special School. In 2013, HHI supplied free passes for an amusement park and 20 large buses in the 22nd Oddugi Party, and employees also participated to prevent any potential safety risks.

**Trips to Jeju Island for Single Parent Families / Tripitaka Koreana Festival**

● HHI offers various activities to the neglected children for their healthy growth. In May 2013, we planned a trip to Jeju Island as a family trip. We also operate experience programs to enhance historical awareness of the children. Moreover, we funded KRW 40 million to the Ulsan branch of the Korea Association of the Community Child Center (KACCC) and enabled 1,400 children to view the 'Tripitaka Koreana Festival'.

**Traditional Culture Experience for Multicultural Families**

● For easier settlement of multicultural families in Korea, we offer them the Korean Culture Experience Program. In November 2013, we held culture events in Gyeongju for 40 married couples from Vietnam, Philippines, France, etc. The events included performing arts and pottery making based on the stories of Silla Kingdom (57 BC - 935 AD).



A View of Hanmaeum (One Heart) Hall

**Happiness comes from sharing culture**

HHI dreams of a mutually harmonized living by sharing culture. Therefore, we run seven cultural centers including the Hyundai Arts Center to improve Ulsan residents' accessibility to culture, as a means of supporting culture and arts. As a result of this effort, we have been awarded the first rank in the corporate sector by the Korea Mecenat Association for seven straight years.

**Hyundai Arts Center**

● The Hyundai Arts Center is a place for culture sharing and communication with the local residents. The center pursues complimentary but high quality performances. The Lobby Concert, which took place in the lobby of the center, allowed professional artists and amateur art organizations to show their skills on 200 occasions. Since 1998, we have promoted culture and art in the region by supporting five amateur art organizations with practice and performance venues along with the expenses for

performing and conducting events. Also, we operate an art museum in the Hyundai Arts Center for planning and holding various genres of exhibitions. The genres include exhibits of outstanding international artists and famous paintings from overseas which received high recognition by the local residents.

**Hanmaeum Center**

● HHI's Hanmaeum Center, which was opened in 1991, was renovated in 2007 with various sports facilities, children's library, culture academy, and gallery. In the center, we provide the local residents with life-long programs including foreign languages, musical instruments, pottery, and sports.

**Visiting Concert** ● HHI aims to expand the cultural bases of the culturally and artistically underprivileged people in the region. Therefore, we held 30 musical performances in Bangeojin Fish Market, Wolbong Market, senior nursing homes, and Ulsan Love House since 2003, as an effort to implement culture sharing.

**Worksite Concert** ● We organize worksite concerts for the production workers who also have fewer chances of accessing cultural events. Since 2002, a total of 57 performances were provided to the employees of Ulsan Head Office, Eumseong Plant, Hyundai Samho Heavy Industries, and Gunsan Shipyard, along with Heunghae Plant in Pohang and Naengcheon Plant in Gyeongju. The worksite concerts are composed of various genres: classical music, jazz, Korean traditional music, and choreography. These performances are vital to the employees' cultural experiences and work spirits.

**Ulsan String Players Chamber Orchestra**

● As part of the corporate Mecenat activities, the Ulsan String Players (USP) Chamber Orchestra was created by HHI and the University of Ulsan in 2007. The USP Chamber Orchestra has become a professional musical organization, performing two regular concerts annually and the memorial concerts for the founder of Hyundai, Chung Ju-yung. We further contribute to job creation and talent cultivation by employing graduates from the College of Music in the University of Ulsan.

**Mecca of Lifelong Learning**

● HHI operates the largest Lifelong Learning Center among Korean companies. Along with the Mipo Center built in 1991, six other centers including Hanmaeum, Dongbu, Seobu, and Daesong offer about 600 programs in the areas of culture, sports, etc. Moreover, we provide cultural activities to the local residents by running lifelong learning programs through the Hanmaeum Chungun College, Children's Library,

and Hanmaeum Kid's Sports Center. During the Lifelong Learning Festival, many students can boast their skills through exhibitions, concerts, and presentations.

**Hanmaeum Chungun College**

● The Hanmaeum Chungun College, founded on May 8, 1992, is the silver college where the local elderly aged from 55 to 70 can receive education. The courses include not only the major courses in culture and history, voluntary charity studies and common courses in mathematics, theater, and traditional culture, but also elective courses in dance, pottery, and yoga. Each year, about 300 senior graduates creates in-college clubs and plans for their post-retirement life.



USP Chamber Orchestra Concert for the New Recruits




Volunteer Group of the Asan Nanum Foundation (Kenya)

### Asan Nanum Foundation

The Asan Nanum Foundation is an organization that the family of Hyundai founder, Chung Ju-yung and Hyundai Heavy Industries Group established. Since 2011 when the Asan Nanum Foundation was built, HHI has provided funds to minimize social polarization and to foster young talents.

The foundation focuses on invigorating youth entrepreneurship and nurturing global leaders, thereby spreading the Asan Spirit, "People, who believe they can do something, can do anything". The Chung Ju-yung Angel Investment Fund is run by the professionals of the Venture Capital / Angel investors and it supports business start-ups. Aiming to root for the dream and challenges of the youth and enhance the spirit of entrepreneurs, we also operate multilateral programs for start-ups: the Chung Ju-yung Start-up Competition, Asan Entrepreneurship Forum, along with mentoring, educational investment, and networking.

In addition, the six-month long, Asan Frontier Program provides around 1,000 future global leaders with the opportunities to gain experience at HHI overseas worksites and international organizations through the UN Internship Program, etc. The Asan Academy, co-founded by the Asan Nanum Foundation and the Asan Institute for Policy Studies, developed a new education program which embedded the conventional humanities studies based on literature, history, and philosophy and the 'Philosophy, Politics, and Economics (PPE)' courses of the University of Oxford. This program is intended to cultivate leaders with knowledge in humanities. Furthermore, we send about 500 young talents to developing countries including Africa and Southeast Asia annually to implement the spirit of sharing by performing charitable activities.

 The Asan Nanum Foundation  
<http://www.asan-nanum.org/eng/index/sian.php>

## Delicious Sharing, Joyful Mutual Being

The Making Kimchi with Love event, which began in 1991, has now become a regional tradition by providing the underprivileged neighbors 133,000 heads of kimchi for 23 years. We interviewed the president of Hyunju University, Kim Ryeong-kyeong, who has been participating in the event for 17 years.

**"Charitable activity is somewhat addictive. Once you help a person (underprivileged), you even find yourself being closer to him/her than to your family. So, I've been enjoying the Making Kimchi with Love event for 17 years."**

Hyunju University is a local community service group which is famous for its tight bond. During the recruitment of members in 2014, 250 participants applied for 200 spots, and it now has about 2,000 active volunteers. The accumulative number of members is about 35,000, and they participate in voluntary activities to help neighbors even after graduation.

**"Making Kimchi with Love is now a community festival in the Dong-gu region. The event is quite scenic as more than 500 volunteers including the members from Hyunju University, HHI Volunteer Group, HHI Mother's Association, and Hyundai Mipo Dockyard Mother's Association, as well as foreign exchange students of Ulsan College. We do seek help during the salting of cabbages, but for the other processes of mixing Kimchi seasoning and distributing, more than 200 volunteers offer a hand willingly."**

At the Making Kimchi with Love in 2013, we prepared about 12,000 heads of Kimchi and gave them to 33 community welfare centers such as the disabled rehabilitation facilities, senior community centers, and food facilities and to about 20,000 households of seniors living alone and children living without parents. In particular, about 5,000 heads of cabbages used were grown in the Children's Nature Learning School of Hyundai Institute and in the Elderly Farm of Ulsan Dong-gu branch of the Korean Senior Citizens Association. HHI hold the event, Making Kimchi with Love, by offering ingredients and spaces needed every year.

**"I hope HHI maintains its position as an exemplary company in the region and shares love with the neglected neighbors through continuous interests and efforts."**

INTERVIEW



Kim Ryeong-kyeong,  
President of Hyunju  
University



2013 Making Kimchi with Love Event



1970

**Founded the University of Ulsan**

HHI founded the Ulsan Institute of Technology (former University of Ulsan) under its visions, 'Development of Global Human Resources' and 'University for Regional Innovation'.



1973

**Founded the Ulsan College**

Ulsan College is a professional institute for technology learning. It has produced about 40,000 technicians with education based on field experience, and open education with the local community.



1977

**Established the Special Education Center**

HHI founded the Special Education Center to support the mentally disabled. In 2006, the Special Education Center was moved to become the Ulsan Love House which enables the disabled children to live a more comfortable life.



1978~84

**Founded Five Middle/High Schools**

HHI constructed educational infrastructure in the local community by building Hyundai Middle School and Hyundai Technical High School in 1978, Hyundai Chungun High School in 1981, and Hyundai Chungun Middle School and Hyundai High School in 1984.



1991

**Began the Making Kimchi with Love**

The Making Kimchi with Love is held annually to provide kimchi to help underprivileged neighbors in community welfare centers.



1992

**Founded Hanmaeum Chungun College**

The Hanmaeum Chungun College, established in 1992, is a senior college which produced a total of 663 graduates in the past 20 years, under the motto of 'Gracious and Respected Adults'. It is the center of the transition based on customized education.



1994

**Began the Charitable Sales of Donation with Love**

The Charitable Sales is a place for community sharing by selling donated goods to employees and local residents, and further by providing expenses for the Making Kimchi with Love and scholarships.



1998

**Opened the Hyundai Arts Center**

Starting with the foundation of the Hanmaeum Center in 1991, HHI built seven culture centers. Then, the Hyundai Arts Center was established as a part of the culture and arts business, thereby improving access of local residents to the cultural activities.

**40 Years of Social Contribution**



2013



**Established the Healing Center for Victims of Japanese Military Sexual Slavery**

HHI, through the Korean Council for Women Drafted for Military Sexual Slavery by Japan, funded KRW 1 billion to the building of 'The House of Peace and Healing' for the victims of military sexual slavery.

2011



**Founded the Asan Nanum Foundation**

The Asan Nanum Foundation was established by the family of Hyundai founder and Hyundai Heavy Industries Group with a budget of about KRW 600 billion. The foundation not only contributes to resolving social polarization through welfare sharing, but also promotes business to enhance the spirit of entrepreneurship.

2010



**Began Woosuri Fund**

Employees collect the change that is lower than KRW 1,000 each month and support surgery costs for patients with Leukemia and childhood cancer, and living expenses for the underprivileged neighbors.

2007



**Conducted Organ Donation with Love Campaign**

6,217 employees participated in organ donation activities contributing to life sharing in 2007. The number of employees who signed agreements for organ donation has now reached 15,315 throughout the Hyundai Heavy Industries Group.

2006



**Held Blood Donation Campaign**

HHI signed an agreement for blood donation with the Korean Red Cross and pursues stable blood collection and spreading a culture of blood donation.

2006



**Operate No Smoking Fund**

HHI collects fund from employees' participation in quitting smoking and it has funded about KRW 79 million to support the underprivileged through the Korean Red Cross, in the past 5 years.

2003



**Began the Visiting Concerts**

HHI conducts visiting concerts to share the life of art and composition with the local residents including the disabled and those living in the welfare centers.

1999



**Founded the Ulsan University Hospital**

The Ulsan University Hospital, which aims to enhance people's health, runs 32 medical departments, 15 professional centers, and 12 special clinics.

PART 3. SUSTAINABILITY PERFORMANCE

# A BETTER TOMORROW

People are at the center of value creation for a sustainable future.  
Considering people as priority is our promise to create a better tomorrow.



# World-Class Korean Products

Hyundai Heavy Industries, as the company with the largest number of World-Class Korean Products maintains its status as a global leader by registering 37 World-Class Korean Products. HHI promises to become a technological leader through its continuous technology development.

## World-Class Korean Products

Since 2011, out of the products with an annual world market size of USD 50 million or export scale of USD 5 million, the Ministry of Trade, Industry, and Energy has been nominating those that

- ranked Top 5 in the global market
- have 5% or more market share in the world

- 01

Merchant Vessels (Bulk Carrier, Container Ship, Tanker)
- 02

2-Stroke Diesel Engine for Vessels
- 03

LNG Carrier
- 04

Excavator
- 05

Crankshaft for 2-Stroke Diesel Engine
- 06

Synchronous Generator for Marine Application
- 07

4-Stroke Diesel Engine
- 08

Fixed Pitch Propellers for Marine Propulsion
- 09

Floating Production Storage & Offloading (FPSO)
- 10

Packaged Power Station
- 11

Large Power Transformer
- 12

Crankshaft for 4-Stroke Diesel Engine
- 13

Marine Switchboard
- 14

LPG Carrier
- 15

Cargo Oil Pump and Water Ballast Pump
- 16

Cylinder Liner for 2-Stroke Diesel Engine
- 17

Very Large Container Carrier
- 18

Large Product Carrier
- 19

Industrial Robot for Manufacture of Car Body
- 20

Fluidized Catalytic Cracking Reactor/Regenerator
- 21

Fixed Oil Production Platform
- 22

Cylinder Frame for 2-Stroke Diesel Engine
- 23

Turbocharger for 2-Stroke Diesel Engine
- 24

High Voltage Motors for Marine Thruster
- 25

Medium Speed Diesel Engine Power Plant
- 26

Propulsion Shaft
- 27

Side Thruster
- 28

Integrated Monitoring & Control System
- 29

Wheel Loader
- 30

145 kV GIS
- 31

Marine Ring Main Unit
- 32

Flameproof Motor
- 33

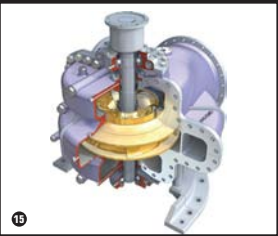
LCD Handling Robot
- 34

Drillship
- 35

Large Forklift Truck
- 36

Shunt Reactor over 345 kV
- 37

Cylindrical FPSO



Economic Performance

Economic Value Creation

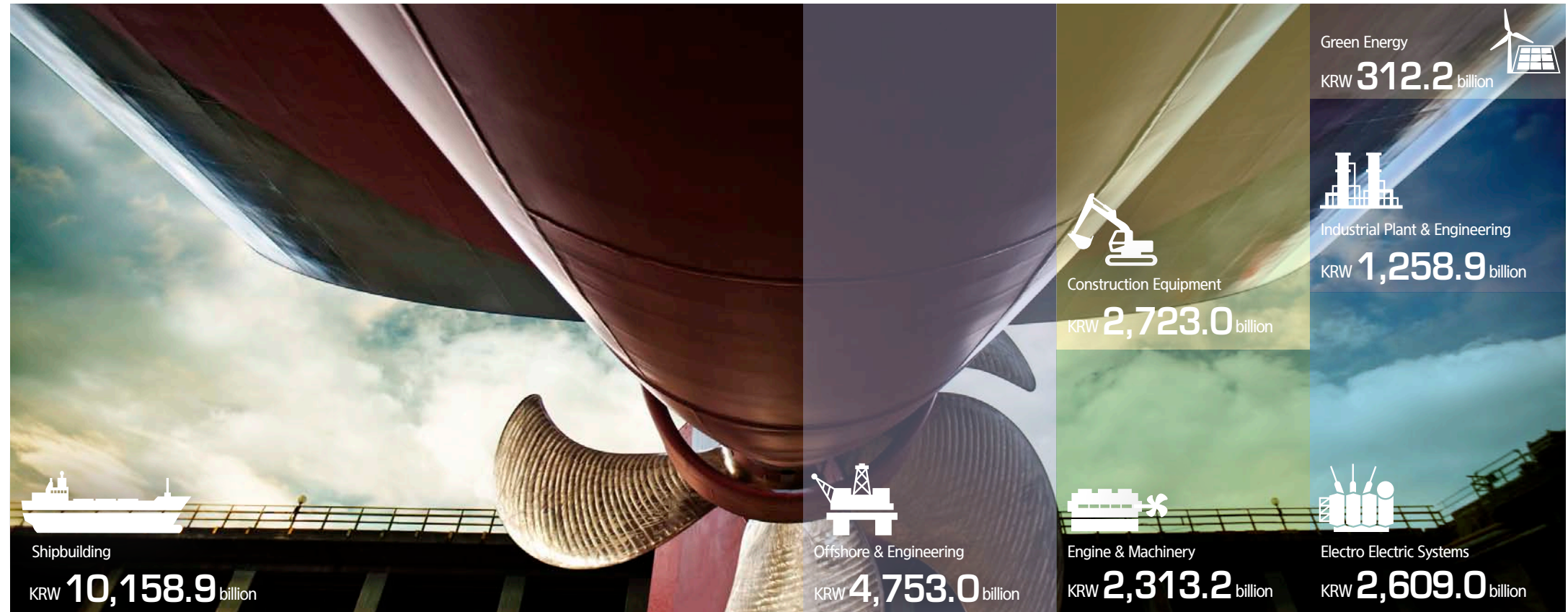
Sustainable Growth Strategies

HHI creates economic values by responding to environmental changes such as threats, opportunities, and diversified demands of the market.

**Shipbuilding Division** ● Our shipbuilding orders have been reduced due to the slowdown in world economic growth and imbalance in the global supply and demand. However, we take this difficult condition as an opportunity. HHI's development of eco-friendly, high efficiency designs created demands for new vessels or replacing old vessels, and its continuous investment in R&D and technology development aids to producing leading products in the world, thereby maintaining its position in the world market. We also put in efforts to maximize sales and profit by reacting to the various needs of ship owners through a close relationship and sales promotions.

**Offshore & Engineering Division** ● We expect to see more investment in the offshore business where we produce and install large facilities to develop and extract oil and gas, as the world oil prices are increasing. Moreover, the offshore business will continue to expand due to increased investment in subsea projects. HHI will strengthen its competitiveness in the world market by exploring new market and developing new products, as well as diversifying product lines including FSRU, FPSO, FSO, and LNG FPSO.

**Industrial Plant & Engineering Division** ● With our accumulated experiences and highly advanced engineering capabilities, we received two mega size orders worth USD 3.2 billion Jeddah South Thermal Power Plant in 2012 and USD 3.3 billion Shuqaiq Steam Power Plant in 2013 both in Saudi Arabia. Moreover, two projects in Kuwait, the Az-Zour North Power & Desalination Plant in 2013 and the KNPC Clean Fuels Project in April 2014, enhanced our status as the EPC Contractor in the Middle East. As the investment of the social overhead capital and development of natural resources continue in Central Asia and South East Asia, we will pursue market diversification, stable growth, and



Total Sales of Each Division in 2013

profit as well through strengthening our technology based marketing and development expertise.

**Engine & Machinery Division** ● Despite the economic uncertainty in the world market, HHI still remains as the leader based on its technology of 2-stroke diesel engine and 4-stroke diesel engine (HiMSEN). HHI not only solidifies its No.1 position in the world with the core technologies of eco-friendly, highly efficient, and gas-fueled engines, but also strengthens its competitiveness by expanding global service through prompt services and by conducting continuous business innovation. We will also offer the total solution for ship equipments (ballast water treatment system, marine pumps, stern posts, etc.) and further expand our business in non-ship equipment including industrial pumps, robots, presses, and conveyor belts, thereby growing into a professional maker of 'Power & Automation' with a stable business portfolio.

**Electro Electric Systems Division** ● The paradigm of the heavy electric equipment market changed from seller's market to buyer's market after the financial crisis. This change caused an unlimited competition among companies, and we are currently threatened by both the top-tier and the third-tier players. However, we will overcome it by strengthening our core competitiveness and internal competency through product innovation (smaller, lighter, and smarter). We also plan to achieve sustainable growth with momentum as R&D and well-planned strategies.

**Green Energy Division** ● The oversupply and price falls in the renewable energy industry has had negative effects on the market environment in recent years. HHI, in a long-term perspective, foresees that the solar energy market will continue to grow in Europe, Asia, and North America. Therefore, we will strengthen our customer response capacity through major market-oriented expansion in Europe, America, and Asia as well as regional business channel expansion, and also set the

foundation for continuous growth by commercializing new products that meet customer needs.

**Construction Equipment Division** ● Construction Equipment Division went through a challenging environment as an economic stagnation in the Chinese and European market persisted. Furthermore, a huge threat arose from Japanese firms' since depreciation of Yen enabled them to offer a competitive price. However, the construction market seems to recover as the growth rate in the North American market is gradually improving and speculations on the hard landing of Chinese economy is diminishing. As a response to such market trend, we are developing customized sales plans for each region, upgrading customer support, and expanding training programs to increase sales. Moreover, we are not only invigorating sales of new models and heavy equipment but also increasing our worldwide market share by implementing sales expansion program in new target markets.

Economic Performance

Governance

Board of Directors

The board of directors (BOD) of HHI has authorization to vote for matters prescribed in the laws and articles of corporation, matters mandated from the shareholders’ meeting, basic principles of corporate operation, and issues with job implementation. The BOD also has rights to nominate the CEO and Chair of the Board and the responsibility to manage the duties of directors and executives. Under the articles of corporation which directs the inclusion of number of outside directors to be more than half of the total number, the BOD of HHI consists of three internal directors and four outside directors to provide a transparent management.

**Operation** ● The regular meeting of the BOD is held in the first month of each quarter and it is valid only if more than half of the directors are present. The decision can be made when more than half of the attending directors are in agreement. If a meeting is necessary, the Chair can announce it or any director can request for one by presenting a subject matter and reason to the person with authority for convening a meeting. For a meeting to be held, the BOD must inform each director the time, place, and subject of the meeting either through a document or in verbal a day before the meeting, however if all of the directors agree, the meeting can be held at anytime without formal procedures. The decisions on any issues corresponding to Article 397,

Board of Directors					
As of March 31, 2014					
Category	Name	Gender	Title	Current Career	Previous Career
Internal Directors (3)	Lee Jai-seong	Male	Chair	Chairman and CEO of HHI Co., Ltd.	Chairman and CEO of HHI Co., Ltd.
	Kim Oi-hyun	Male	Director	Director President and COO of HHI Co., Ltd.	Senior Executive Vice-President and COO of HHI Co., Ltd.
	Kim Jung-rae	Male	Director	COO of HHI Co., Ltd.	President and COO of Hyundai Corp.
Outside Directors (4)	Ju Soon-Sik	Male	Director	Juridical counselor of Yulchon LLC	Standing member of The Fair Trade Commission
	Noh Young-bo	Male	Director	Representative lawyer of Pacific Law Firm	Chief Judge of Seoul High Court
	Lee Jang-yung	Male	Director	Director of Korea Banking Institute	Vice Director of Financial Supervisory
	Kim Jong-Seok	Male	Director	Dean of Business School at Hongik University	President of Korea Economic Institute

Board of Directors Subcommittees			
Category	Composition (internal/outside)	Authority	Responsibility
Audit Committee	0/3	Audit of corporate accounting and operation / Convene of BOD / Approval of outside auditor	Corporate accounting and operation
Outside Director Nomination Committee	1/2	Nomination of candidates for outside director	Recommendation for outside director candidates
Internal Trade Committee	1/3	Approval of mandated matters regarding internal transactions	Establishment of principles for internal trade

SUSTAINABILITY REPORT  
ECONOMIC PERFORMANCE

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Paragraph 2 and Article 398 of the Commercial Act requires attendance of more than two thirds of directors, and any directors who has special interests with the issue loses his/her rights to vote. In 2013, the BOD held eight meetings to decide on 23 items including approvals for business goals and financial statements. During these meetings, the directors recorded 95% attendance rate.

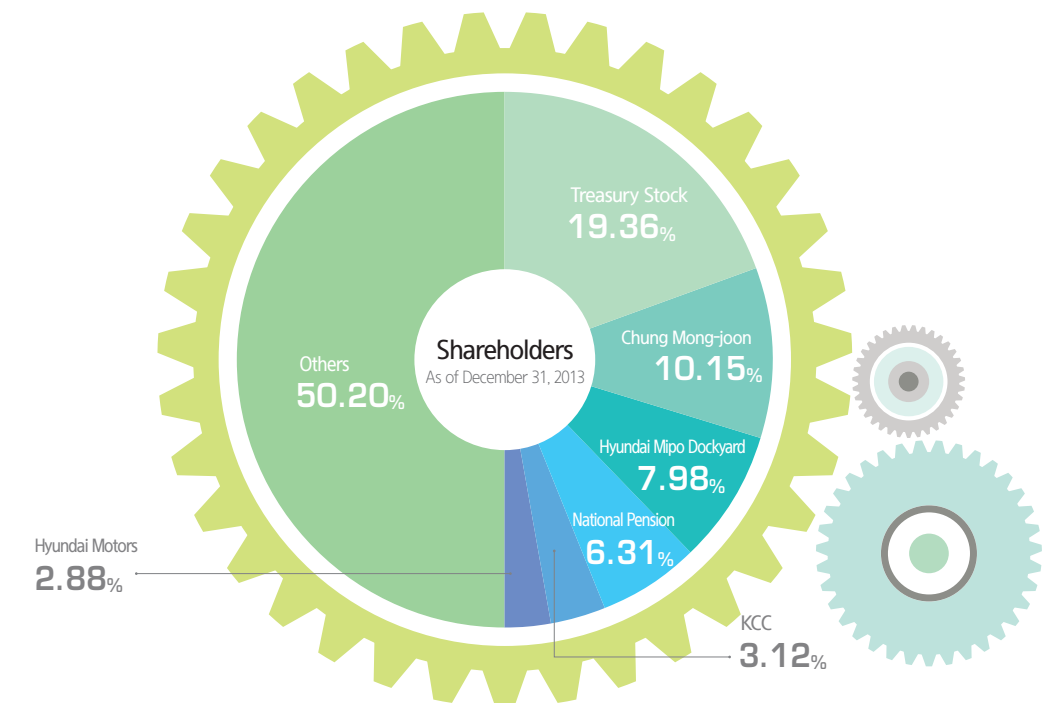
**Rewards System** ● The salaries of the internal/ outside directors are decided within the limits set during the shareholders’ meeting. The directors’ total salary limit in 2013 remained at KRW 4 billion which is the same amount as the year before, and the actual amount provided to the directors was KRW 2.81 billion. The retirement payment of a director is provided in accordance with the Executive Retirement Benefit Policy which was decided at the shareholders’ meeting.

**Independence and Professionalism** ● Before appointing a director, the BOD discloses the candidate’s personal information, nominator, and relationship with the highest shareholder through the convening notice, thereby maintaining its independency. The outside directors are elected by the decisions made at the

shareholders’ meeting after the recommendation of the Outside Director Nomination Committee for the candidates who are competent in economic, social, and environmental areas. The current, four directors are experts in accounting, laws, and business, and they provide opinions on domestic and overseas business, thereby enhancing the professionalism in decisions made regarding policies.

**Shareholder Composition** ● As of December 31, 2013, the total number of HHI’s outstanding stock is 76 million, which includes 61,288,440 shares of the floating stock and 14,711,560 shares of the treasury stock. The highest shareholder, Chung Mong-joon holds 10.15% of the total shares. The minority shareholders retain 41.84% of the total shares and their rights are protected by the Commercial Act and other relevant legislations. Meanwhile, HHI convenes the shareholders’ meeting every year to report the management status and to receive shareholders’ feedback and opinion. More details can be found in the business report on the HHI IR homepage (link below).

Business Report  
<http://www.hhiir.com/en/index.asp>



Environmental Performance

Environmental Management

Environmental Management System

HHI pursues the policy of creating a sustainable society by minimizing environmental pollution and conserving resources and energy.

**Vision and Strategy** ● Our environmental management is targeted at becoming a leader in low carbon emission and green growth and at fulfilling social responsibility and role as the world's leading heavy industries company.

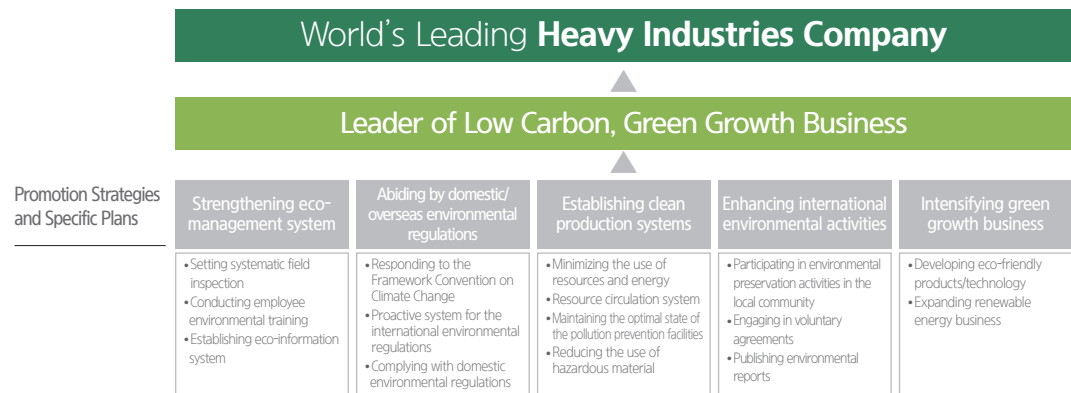
**Management System** ● Since 1997, HHI has set its system of environmental management based on the international standard for environmental system, ISO 14001, and it has maintained the standard to prove its transparency and objectivity in practice. We have also operated the HSE Management System, an integrated system of environmental management, and safety &

**Health, Safety & Environment (HSE) Policy**

Hyundai Heavy Industries Co., Ltd. (HHI) aims to become a world top heavy industries company to embody happy and rich lives of mankind by recognizing health, safety and environment (HSE) as management priority through respect to mankind. We, at HHI, do hereby declare to sustain our performance and development of HSE policies to all parties concerned as follows:

- Achievement of Accident-free Workplace
  - Promotion of safety practice programs to prevent accidents
  - Strict observance of work standards and regulations
- Promotion of All Employees' Health Maintenance
  - Active campaign of health programs against diseases
  - Continuous improvements to create healthy and agreeable working environments
- Positioning of Corporate Identity as Eco-friendly Company
  - Continuous development of environmental pollution prevention and conservation technologies
  - Positive observance of domestic and international laws, conventions and regulations

Environmental Management Vision & Strategy



SUSTAINABILITY REPORT  
ENVIRONMENTAL PERFORMANCE

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health management, after receiving the OHSAS 18001 certification in 2001. As a result of our efforts to aid the government to introduce the certification of green management system, we became the first Korean heavy industries company to acquire the certificate of energy management system, ISO 50001 in 2013.

**HSE Organization Structure** ● HHI runs the HSE Management Organization with each business division, based on the Environment & Safety Plan Committee. We also operate an exclusive unit for safety and environment to encourage cooperation among the divisions, thereby maximizing efficiency in management.

**System Audit** ● We conduct internal audits and take corrective measures on a regular basis, targeting every department, as a measure to confirm the suitability and validity of the Environmental Management System and to prevent potential risks. In order to maintain the ISO 14001 certification, our Environmental Management System is evaluated regularly by a third-party with follow-up assessment and re-certification assessment.

**Green Management Evaluation** ● HHI uses green management performance evaluation to improve its performance continuously and to create an objective verification standard. The green management performance evaluation is composed of 13 management performance indices and 14 operational performance indices that meet the requirements of the Environmental Management System and the Green Management System, and each of the indices is applied by the evaluation scale and annual targets. Each department of HHI performs the aspect evaluation and impact evaluation once a year to minimize environmental impact and enhance performance.

**Environmental Training** ● We continuously conduct training to increase environmental awareness of employees and to nurture environmental experts. Through our website, we offer latest information and educational materials about the environment and provide online lectures on climate change and greenhouse gases (GHG). The environmental experts of HHI also receive education or training through external specialists, seminars, and workshops.

Certificates

Environmental Management System (ISO 14001), 1997, DNV GL

Health and Safety Management System (OHSAS 18001), 2001, DNV GL

Green Management System (KSI 7001, 7002), 2012, DNV GL

Energy Management System (ISO 50001), 2013, DNV GL

**Environmental Investment** ● HHI invests in diverse areas for improving environment. The Environmental Management System is operated effectively through systematic management in accordance with four criteria of expenses: preventing pollution, reducing environmental load, controlling risks, and social matters. In 2013, we spent KRW 25.6 billion for environmental investment, and this is lower than the year before, as our investment in atmospheric facilities was completed in 2012.

**Green Purchasing** ● Green purchasing, which helps local economy and environment to prosper, is essential for sustainable growth. Therefore, HHI signed a voluntary agreement on Green Procurement Principles with the Ministry of Environment. We also enacted the Green Procurement Guideline in April 2006 and we are currently in the process of increasing the number of eco-friendly materials and products purchased.

**Environmental Purification** ● HHI, along with many social clubs and local fraternities, performs environmental purification activities every month. In particular, the HHI Diving Club participates in underwater purification activities and offshore inspections six times every year. The HHI Diving Club is composed of four units and it not only builds fellowship among members, but also works to purify the local environment.

Climate Change Response

Our actions towards preserving the environment comply with relevant regulations for a ship's carbon emission of the International Maritime Organization (IMO), the Framework Act on Low Carbon Green Growth of Korea, and the Greenhouse Gas Target Management System. We also implement the environmental management by taking measures including eco-friendly technology development, energy reduction activities, and renewable energy development and investment.

**Voluntary Agreement** ● HHI reduces GHG emission through the pilot program for the Emission Trading Scheme and the response team for climate change in the shipbuilding industry.

**Through Eco-friendly Technology and Equipment** ● HHI analyzes the potential reduction amount of GHG and sets the reduction target to reduce emission amount. In the heavy industries sector, GHG amount during production is more of an issue than that in the use phase. Therefore, HHI puts in its efforts to reduce the use of fossil fuel from the designing process for our main product, a vessel. We further aim to improve fuel efficiency by conducting researches: model optimization, highly efficient propellers, and eco-friendly propelling/engine system. Also, we consider climate change as a new opportunity rather than a crisis and continuously expand our investment in green growth industry such as renewable energy (solar energy, wind turbines, etc.)

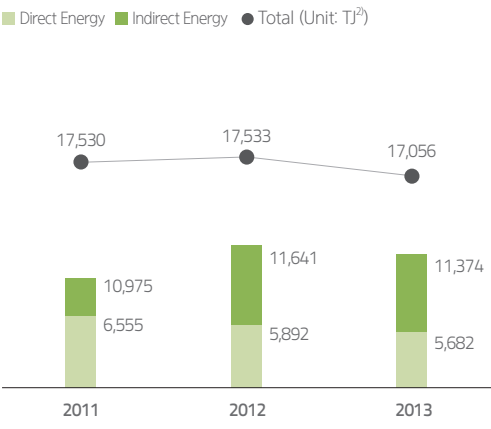


**Greenhouse Gas Inventory** ● The main business of HHI, shipbuilding is a manufacturing industry and its major sources of GHG emission are electricity and transportation equipments. For transparent GHG management, HHI co-developed the method and guidelines for calculating emission that are suitable for the shipbuilding business with other shipbuilding companies, and in 2010, it received the first verification on GHG inventory<sup>1)</sup> in the shipbuilding industry. We also set and manage potential emission reductions, thereby enhancing our status as an environmentally friendly company.

1) Statistical system that identifies GHG emission amount, and calculates and categorizes emission amount for each source.



Direct/Indirect Energy Usage

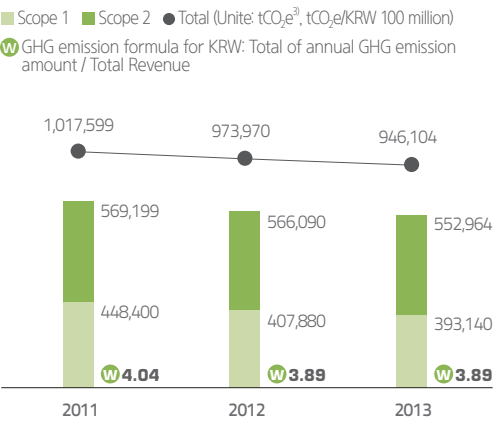


2) TJ: Abbreviation for Terajoule which equals to 1,012 J. Joule (J) is an amount of energy needed to move an object 1 meter (m) with the force of 1 newton (N)

**Energy Conservation** ● HHI aims to save energy by improving or replacing main equipments: substituting bunker C fuel oil and kerosene with LNG for the heating furnaces and boilers, replacing old boilers and air conditioners with new ones, and adjusting or improving efficiency of air-fuel and combustion for burners. These efforts resulted in the emission amount of 946,104 tCO<sub>2</sub>e in 2013, which was reduced by 27,866 tCO<sub>2</sub>e compared to 2012.

**Green Factory** ● HHI created a green factory in worksites with the power generation equipments using renewable energy. These renewable energy power generators, which replace the conventional energy created with fossil fuels, reduce both fossil fuel use and GHG emission. We plan to increase our use of renewable energy by installing solar power generators in each worksite.

Greenhouse Gas Emission



3) tCO<sub>2</sub>e: Converted amount (ton) of six greenhouse gases emissions into CO<sub>2</sub>

Energy Saving Activities

HHI encourages its employees to reduce their use of electricity, which takes up the majority of energy consumption in the workplace.

**Energy Keeper** ● We assigned Energy Keepers to inspect and manage the energy usage in each business division. The Energy Keepers are engaged in energy saving activities such as energy saving campaigns, power control for unused electronics, etc., on a daily basis.

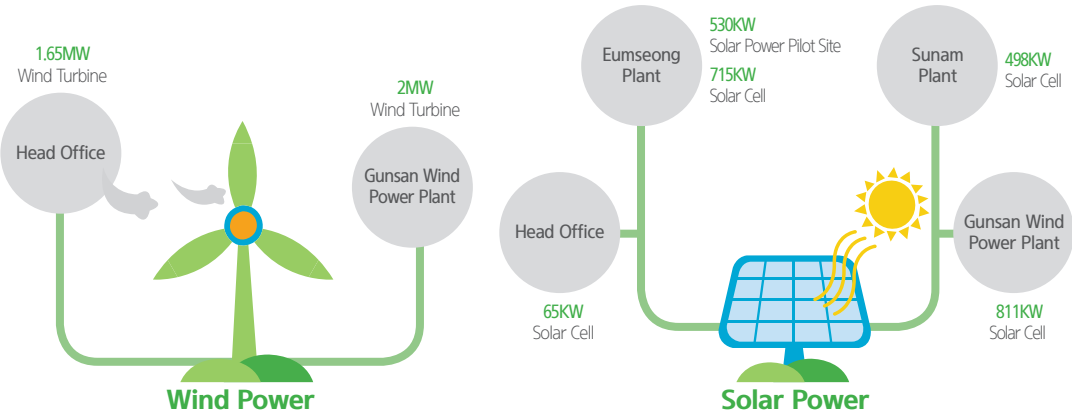
**Energy Saving Campaigns** ● In order to raise employees’ awareness of energy conservation, HHI conducted the ‘Company-wide Energy Saving Campaign’ at nine entrances including the main gate, using banners and signs. Other efforts to reduce energy consumption included minimizing use of electricity during peak hours, turning off the power in each division when unoccupied, maintaining an adequate air temperature, and using stairs for the third floor or lower.

**Replacing LED** ● HHI plans to replace lightings in the offices and worksites with high-efficiency LED lights between 2014 and 2016. We expect to save about KRW 5 billion annually, as the LED lamps last four times longer than the other conventional ones, while also consuming 40% less energy.

Expected Reduced Expense for Electricity due to LED Replacement (Annual)



Renewable Energy Equipment at the Worksites



Eco-friendly Work Environment

**Atmospheric Management** ● Major air pollutants at the HHI worksites are dust and VOCs<sup>1)</sup> that occur during the process of manufacturing (pre-treatment) and painting. In order to minimize air pollutants, HHI not only manages and operates many facilities for preventing air pollution, but also set internal environmental standards that are stricter than the legal standards by 50%. Since the amount of fluorine compounds emission at the Hyundai incineration facility exceeded the Emission Standard for Air Pollutants, we have been strengthening waste management and increasing the amount of chemicals used for wet-type purification apparatus.

Under the ‘Voluntary Agreement on VOCs Reduction in the Shipbuilding Industry’ signed in 2007, we reduced the emission amount of VOCs caused by paint and varnish to guarantee the healthy life and environment of the local residents. During the first agreement period (2007 - 2011), HHI invested KRW 124.7 billion in installation/replacement of air pollutant prevention facilities, foundation of new painting facility, improvement of painting processes, and development of eco-friendly varnish, thereby achieving the target amount of VOCs reduction. As part of our measures towards continually reducing VOCs emission, we signed the second agreement (2012 - 2016) in 2012 and decided to reduce 15% of the amount we achieved in the first agreement period.



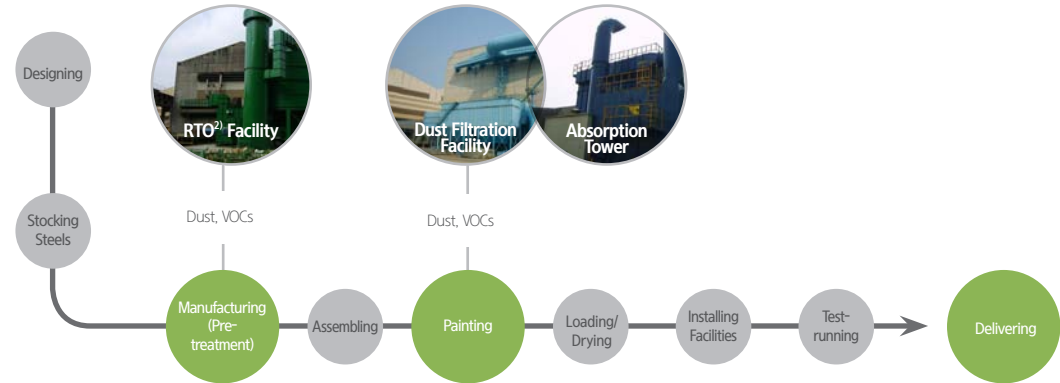
Voluntary Agreement on VOCs Reduction in the Shipbuilding Industry

Air Emission Compounds (Unit: ton)

Type	2011	2012	2013
Dust	109.81	121.22	71.76
SOx	1.78	1.56	1.22
NOx	23.32	18.62	18.35

1) Volatile Organic Compounds  
2) Regenerative Thermal Oxidizer: A facility that oxidizes VOCs into CO<sub>2</sub> and vapor. This has reduced the total emission amount of hydrocarbon with 99% or more of the VOCs removal efficiency, and it also uses the regenerative substances to reuse 95% or more of combustion heat.

Air Pollutant Prevention Facilities in the Manufacturing Process

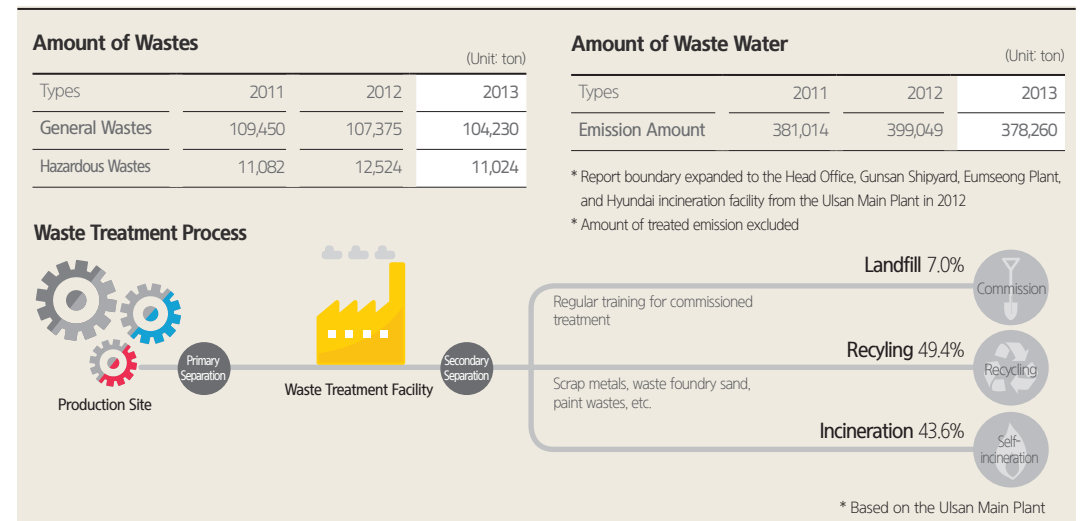


**Waste Management** ● HHI aims to minimize the amount of wastes produced in the manufacturing process, enhance the efficiency of resources through recycling, and treat hazardous substances in accordance with the strict management system. Our wastes are treated through the commissioned company, recycling, and internal facilities that have been operated since 1996. Moreover, we run a legal treatment system from occurrence to post-treatment, for more systematic management.

**Water Quality Control** ● Industrial water and tap water are used in the worksites of HHI's industrial complex. We treat waste water either in our own facility or by commissioning a professional company, and we conduct source-based management to reduce the amount of waste water emission. The waste water treatment facility in the Ulsan Main Plant uses the physicochemical process that is 50% stricter than the legal standard. For the Eumseong Plant, we inspected and repaired the old facilities as the pipelines were damaged and caused leakage. Since the introduction of the vacuum sewage system that uses the QUA-VAC from Holland, we transfer all the sanitary water produced in our facilities to Bangeojin Water Purification Facility in Ulsan for treatment.

**Chemical Substances Control** ● HHI conducts thorough chemical management in all processes from storage to disposal, in order to preserve the environment and create safe workplaces. Regular inspections for the chemical related facilities are conducted and the Material Safety Data Sheet (MSDS) is placed at the worksites.

**Soil Management** ● We exhaustively control any facilities with the potential to cause soil pollution. Not only various measures including prevention tanks, anti-corrosion treatment, and water dischargers are taken to prevent any contamination, but also regular soil pollution inspections are conducted by the external agency.



# The Dangsan Tree which Contains the Soul of Local Residents

The Dangsan Tree, located in front of the main building of the Hyundai Heavy Industries, represents the company's effort to preserve the culture of the local community. The local elderly living in the Youngduk Village has conducted ancestral rituals to the Dangsan Tree for safety and development of the village. Even today, the elderly holds the Dangsan Ritual on March 3 every year. We visited the ritual and interviewed the elderly to hear about the history of the Dangsan Tree.

“Dangsan Tree is like my companion that comforts me when I have difficulties in my life. Since I was 29, we have prayed to the tree whenever there were troubles in the village. I believe our prayers led to the current peacefulness in our village.”  
- Kim Yun-ji (77 years old)

Mr. Kim turned 77 this year and he is one of the people who have been participating in the Dangsan Ritual for the longest time. During the rituals, he thanks the Dangsan Tree, which has protected the village for hundreds of years and also prays for his family's health and safety of the region. HHI, during the construction of the facilities, did not harm the tree, but instead designed the complex around it. Also, HHI supports the expenses for the rituals every year to preserve the community culture.

“I always pray for the safety of HHI's employees whenever I pass by the Dangsan Tree. For no harm this year, for the next year, and even for later.”  
- Lee Jun-woo, Manager of the Corporate Culture & Public Relations Department

One of the HHI employees we met at the Dangsan Ritual has been participating in the event for about 10 years. Upon his close relationship with the elderly of the village, he feels that this region is his second hometown, and he always prays for the safety of the village and HHI employees as well.

“Ever since the beginning of the foundation of HHI, employees have been engaged in the Dangsan Ritual for the peace of the region and safety of the employees. I am confident to say that this custom will be a historic culture in the history of HHI.”  
- Kim Jak-ji (81 years old)

Just as protecting the Dangsan Tree which is very meaningful to the local residents, HHI become a company to realize shared growth by preserving the local environment and traditional culture.



Kim Yun-ji  
(77 years old)



Social Performance

Knowledge Management

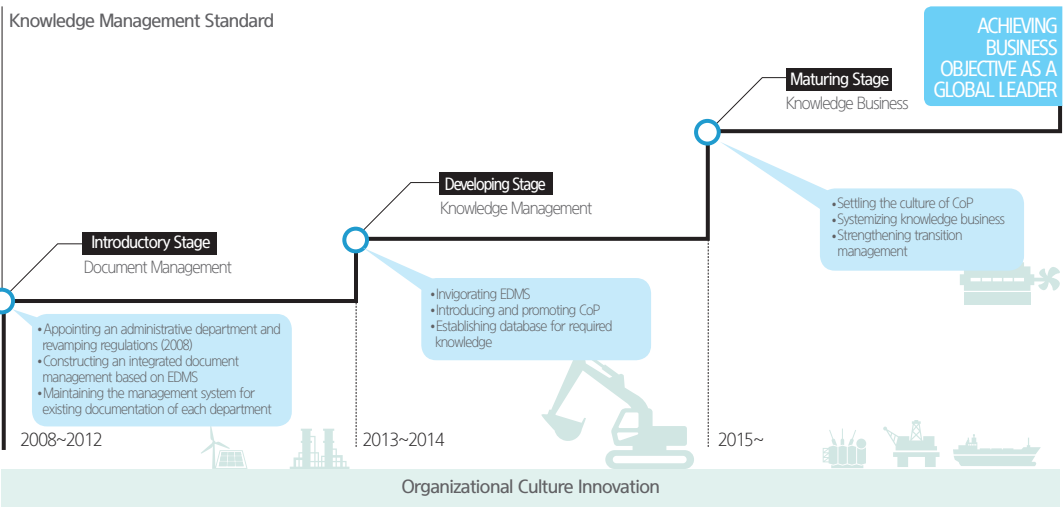
Knowledge Management Reinforcement

HHI creates differentiated knowledge through its 40 years of know-how and technology.

**Enterprise Document Management System** ● The Enterprise Document Management System (EDMS) is an integrated system that manages various types of documentation according to each phase: creation, distribution, storage, and disposal. Since we introduced the EDMS in 2004, we have aimed to establish a suitable system for document management by creating an exclusive department and revamping the process. With the EDMS, HHI was able to prevent any loss of documents due to reorganization or personnel changes as well as minimizing waste of resources by eliminating duplicate documents among different departments.

**Knowledge Asset Accumulation** ● The Skills Transfer System was created in 2012 for capacity building of the new or less experienced employees by learning knowledge or skills from future retirees. HHI plans to invigorate the Community of Practice (CoP) to encourage communication and cooperation among the employees. This program will not only enable our employees to build up experience and know-how but will also be a source of new knowledge asset. We will also focus on researching and analyzing outside knowledge in response to the global market convulsion.

Knowledge Management Promotion Strategy



SUSTAINABILITY REPORT  
SOCIAL PERFORMANCE

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Social Performance

Employees

Recruitment

HHI set the corporate value, 'corporate prosperity through human respect' and employed talented persons to explore the future together. We created 27,246 jobs (as of December 2013) at worksites in Ulsan Main Plant, Seoul, Gunsan, Eumseong, etc.

**Recruitment Policy** ● HHI recruits a consistent number of talents who satisfy our expectation and corporate culture to strengthen the new growth factors. Our recruitment is usually focused on specialists in R&D, engineering, and high-technology.

**Best Company to Work for** ● We are aware that a company with good working environment draws more talents who will contribute to its growth. As a result of our efforts to create a great corporate culture, we were selected as the '2013 Best Company to Work for in Korea' by the Korea Management Association Consulting (KMAC).

**Ideal Talents** ● HHI aims to recruit creative doers. A creative doer is the face of HHI people embodying the Hyundai spirit: creative wisdom, positive thinking, unwavering drive, and the core values: infinite imagination, fierce challenge, value creation, commitment, human respect.

HHI's Ideal Talent

A Creative Doer has:

- Passion to be the best
- Innovative action to change the world
- Trustworthiness with integrity

HHI's Ideal Talent  
<http://english.hhi.co.kr/sustain/human>

**Core Talents** ● In order to ensure the recruitment of talented persons, we conduct many other recruiting programs than the biannual regular recruitment targeting college graduates and frequent recruitments for contractual employees. HHI employs engineers through HHI scholarship programs and recommendation-based internships, while procuring talented researchers through the collaborated recruitment of the industry and academy. We also recruit graduates with doctor's degree from abroad by visiting foreign universities.

**Diversity and No Discrimination** ● HHI operates the preferential recruitment policy for underprivileged people. Every year, we pursue a policy to create a discrimination-free recruitment process by employing women for more than 10% of the total recruitment and by providing additional points for North Korean defectors. Also under the labor laws, child labor and forced labor are strictly prohibited.

Office Job Employment for College Graduates

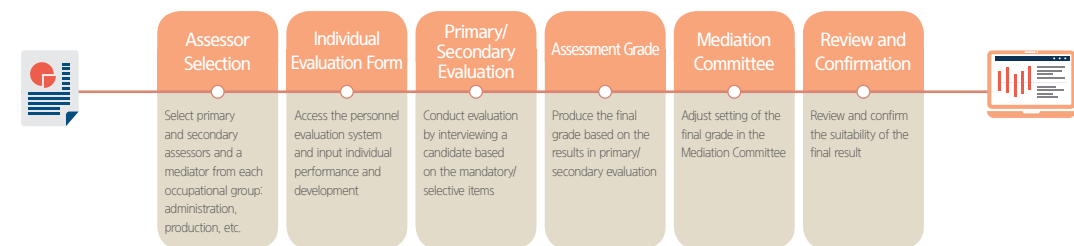
Type	Unit	2011	2012	2013
Number of Recruits	person	408	589	797
Portion of Female Employees	%	7.8	9.2	11.7
Portion of Local University Graduates	%	29.4	45.2	32.1

Production Worker Employment

Type	Unit	2011	2012	2013
Number of Recruits	person	504	787	173

Personnel Evaluation Procedures

※ The integrated personnel evaluation is planned to be divided into performance evaluation and competency evaluation.



Fair Personnel Evaluation

HHI uses the corporate-wide evaluation system to conduct fair personnel evaluations twice a year. The system is used to assess core capacity of the employees, and the results are used as the basis for overall personnel affairs related to promotion, rewards, trainee recruiting, awards, etc.

**Rational Rewards System** ● HHI’s fair and reasonable rewards system creates a motivating and energetic company culture. To create a stable life for the employees, we offer not only continual increase in wages, but also incentives based on annual performance until retirement age (58). Since we need experienced experts in the manufacturing business, we also extend the retirement of those who desire to work longer, by two years, paying them a limited salary.

Personnel Evaluation

Category	Details
Targets for Regular Evaluation	All employees (MBO <sup>1)</sup> considered for the head of department or higher title)
Methods	Relative evaluation with rating system
Period	Biannual (once in the first/second half each)
Actions Taken for Fair Evaluation	Mediator interview, Primary/secondary evaluation, Mediation Committee

1) Management by Objectives

Master of Passion, Persistence, and Patience

The main source that developed HHI to become the world’s first shipbuilding company is workers who strive for quality through continuous technology development. HHI contains the largest number of Masters, 27 in all. We interviewed the production assistant, Jin Yun-guen, who became the youngest Master in 2013 at the age of 42.

“I have worked hard to become the best in one area, following my father’s usual saying, ‘Crops grow better by listening to the voices of the owners’. He also advised me that I could become the best expert if I put all my efforts into one company and one area. I have worked as a technology developer since I began working at HHI when I was 19.”

Mr. Jin (Shipbuilding Quality Management Department) received Korea’s highest honor, ‘Master of Korea’ in the shipbuilding category by the Human Resources Development Service of Korea. He is currently engaged in quality assurance and verification of the vessel structures. However, he did go through many hardships in his life until becoming the youngest Master of Korea. He not only had to support himself for high school education by delivering milk or getting scholarships, but also he failed to be accepted by college. Moreover, he did not qualify to compete in the WorldSkills Competition. However, his passion towards technology has never reduced.

“There is a limit to one’s skills. You need to have a technique to understand the principles beyond skills. My passion for learning has been motivating me to keep studying for 20 years. The more I studied, the more I broadened my vision. And as a result of my efforts, I was able to earn the highest honor as a technician.”

With his continuous passion, he was able to receive the master’s degree in engineering at the University of Ulsan. In 2012, he also acquired a certificate of Professional Welding Engineer, and it was the first case among the technical engineers of HHI. Mr. Jin, who has been teaching at regional specialized high schools and SMEs, said that he wants to transfer his techniques to those with passion and possibility.

“Do not give up before you have tried and stop saying that you can’t do it. You can be an expert in any area if you try your best with passion and dream.”

‘Passion, Persistence, and Patience’ are the most important terms in Jin’s life, and they are also the core factors that he wants to advise to his juniors about. He believes that there will be more Masters if HHI expands its investment in talent cultivation along with their passion, persistence, and patience. We hope to produce more talents through the synergy between efforts to foster technology and talents by increasing support for Masters and strengthening training for production technicians and the passion of workers.



Jin Yun-guen,  
Master of Korea

INTERVIEW



Leisure Activities	Maternity Support	Housing/Living Stabilization	Medical/Health Support	Educational Support	Other Supports
<ul style="list-style-type: none"><li>•Vacation Facilities (condominium/hotel), summer resorts, various in-company clubs</li><li>•120 days or more of paid vacations other than self-development vacation for new promoters</li></ul>	<ul style="list-style-type: none"><li>•Lactation rooms, childcare facilities</li><li>•Revision of maternity-related work regulations</li><li>•Corporate kindergartens</li></ul>	<ul style="list-style-type: none"><li>•Incentives for family events, loan interest support, funding for settlement with families</li></ul>	<ul style="list-style-type: none"><li>•Health inspection (annual)</li><li>•Financial support (medical expenses, outpatient fees)</li></ul>	<ul style="list-style-type: none"><li>•Tuition for children (middle school to college)</li><li>•Study abroad program</li></ul>	<ul style="list-style-type: none"><li>•Discount on culture and art performances at the company-owned art centers</li></ul>

Work-Life Balance

HHI offers various welfare programs to employees to enhance their life quality and work efficiency.

**Welfare Support** ● HHI provides school funding for employees’ children to ease their financial burden (KRW 45 billion in 2013). Moreover, we operate the Health Care System for healthy life of employees and invested KRW 19 billion in supporting medical expenses and maintaining facilities. Other programs: labor welfare fund, corporate stock ownership system, and long-term employee rewards program are also provided selectively.

**Housing Support** ● Since its foundation, HHI has provided around 18,000 housing units to its employees. We also aid new recruits to get used to the company by operating a modern dormitory with 1,800 rooms. Employees who have worked for more than two years at HHI and do not own a house can receive funding from HHI.

**Retirement Pension** ● In order to ensure stable retirement payment, we have initiated the Retirement Pension System since 2011. HHI offers the same amount of severance pay as the conventional amount based on the Defined Benefit (DB) Pension System. As of the end of 2013, we own KRW 937 billion as the accumulated amount of retirement pension.

**Family-friendly Programs** ● There are many different programs to enhance family relationship and raise employees’ morale.

<b>Inviting New Recruits' Parents</b> for company tours and meals	<b>Running Camps for Employees' Children</b> to enhance their socialization and self-reliance
<b>Inviting Family Members of Expatriates</b> to increase their pride and encourage their new life	<b>Operating Weekend Farms</b> to offer healthy leisure activities and contribute to family time

Social Performance

Labor Management Culture

Culture of Mutually Prospering Labor Management

HHI Labor Management has achieved dispute-free agreement for 19 years by establishing the relationship of shared living and cooperation. Labor Management of HHI, based on compliance with the law and principles of mutual understanding and trust, will continue to create the Labor Management culture of mutual prosperity.

**Collective Bargaining and Labor Management Council** ● HHI uses collective bargaining and the Labor Management Council<sup>1)</sup> to improve the working conditions and welfare of employees. The collective bargaining which is conducted biennially and wage agreements which are conducted annually, contribute to the quality of employees’ life through the agreement about wages, welfare, work hours, etc. The Labor Management Council meeting is held quarterly to discuss matters on performance allocation, grievances treatment, work environment improvement, etc. Also under the collective agreement, HHI is obligated to inform the labor union about issues with changes in position or work condition of employees due to any restructure, company separation, or merger.

**Selective Retirement Extension** ● HHI Labor Management introduced the Selective Retirement Extension System for employees who want to delay their retirement to the age of 60. The system enhanced not only the quality of employees’ life, but also their sense of ownership with the company.

**Labor Management Relations** ● HHI conducts training for employees to increase their awareness of the importance of Labor Management and contributes to setting the culture of shared growth.

1) Labor Management Council is composed of nine representatives of each group (as of the first quarter of 2014)

Labor Management Communication

By running the collective bargaining and Labor Management Council, HHI invigorates mutual communication and resolves employees’ grievances through various channels such as the taskforce team (TFT), the Grievance Committee, etc.

**Business Briefing** ● HHI holds business briefings targeting executives of the labor union and employees of each business division. These briefings contribute to building consensus between the Labor and Management by offering employees opportunities to understand the business status of the company.

**Consulting with Love** ● Employee consulting is conducted to improve the working environment and welfare of employees by the heads of departments. We also enhance employees’ satisfaction by reflecting their grievances or opinions.

Percentage of Members in Labor Union

96.2%



Business Briefing

# Appendix

Economic Performance

Environmental Performance

Social Performance

Assurance Statement

GRI Guideline Index & ISO 26000

Awards and Membership

Definition of Terms

## Economic Performance

### Balance Sheet

Classification	Unit	2011		2012		2013	
		Consolidated	Non-consolidated	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Assets							
Current assets	KRW 1,000	23,076,370,100	11,605,944,248	25,278,627,247	13,260,608,268	29,254,183,750	14,815,737,605
Non-current assets	KRW 1,000	25,924,445,998	18,314,553,309	23,994,548,647	17,377,273,449	23,950,787,871	17,315,988,543
Total assets	KRW 1,000	49,000,816,098	29,920,497,557	49,273,175,894	30,637,881,717	53,204,971,621	32,131,726,148
Liabilities							
Current liabilities	KRW 1,000	25,490,750,955	14,029,108,979	22,173,986,922	12,289,390,455	26,516,423,455	13,522,875,048
Non-current liabilities	KRW 1,000	5,333,546,076	1,172,111,889	8,357,837,777	3,158,555,759	7,658,956,409	3,028,539,589
Total Liabilities	KRW 1,000	30,824,297,031	15,201,220,868	30,531,824,699	15,447,946,214	34,175,379,864	16,551,414,637
Equity							
Common stock	KRW 1,000	380,000,000	380,000,000	380,000,000	380,000,000	380,000,000	380,000,000
Capital surplus	KRW 1,000	1,099,792,874	1,044,516,633	1,109,309,014	1,044,516,633	1,109,309,014	1,044,516,633
Other capital components	KRW 1,000	1,296,943,571	852,646,761	1,071,626,631	498,603,452	1,239,973,279	552,205,370
Retained earnings	KRW 1,000	15,399,437,474	13,842,568,242	16,098,025,119	14,667,270,365	16,293,099,047	15,004,044,455
Total capital	KRW 1,000	18,176,519,067	14,719,276,689	18,741,351,195	15,189,935,503	19,029,591,757	15,580,311,511

### Comprehensive Income Statement

Classification	Unit	2011		2012		2013	
		Consolidated	Non-consolidated	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Sales	KRW 1,000	53,711,665,784	25,019,604,058	54,973,701,392	25,055,014,302	54,188,096,316	24,282,737,183
Cost of sales	KRW 1,000	46,773,132,863	21,163,633,237	50,320,497,869	22,236,009,555	50,932,984,966	22,176,255,337
Gross Profit	KRW 1,000	6,938,532,921	3,855,970,821	4,653,203,523	2,819,004,747	3,255,111,350	2,106,481,846
Operating Profit	KRW 1,000	4,574,454,502	2,638,768,043	2,005,530,133	1,292,933,725	801,983,016	734,794,998
Profit before income taxes	KRW 1,000	3,889,712,046	2,540,972,281	1,448,219,956	1,436,128,433	144,293,330	493,768,419
Income taxes	KRW 1,000	1,136,362,378	587,284,842	418,576,998	324,757,228	-2,010,056	42,100,905
Profit for the year	KRW 1,000	2,753,349,668	1,953,687,439	1,029,642,958	1,111,371,205	146,303,386	451,667,514
Other comprehensive income	KRW 1,000	-136,506,393	122,055,144	-294,651,002	395,558,631	286,289,118	91,929,594
Total comprehensive income	KRW 1,000	2,616,843,275	2,075,742,583	734,991,956	715,812,574	432,592,504	543,597,108

### Sales of Each Division

Business Division	Unit	2011	2012	2013
Shipbuilding	KRW 1 billion	9,487.2	9,766.4	10,158.9
Offshore & Engineering	KRW 1 billion	3,729.3	4,372.7	4,753.0
Industrial Plant & Engineering	KRW 1 billion	2,760.9	1,479.7	1,258.9
Engine & Machinery	KRW 1 billion	3,095.7	2,967.4	2,313.2
Electro Electric Systems	KRW 1 billion	2,318.7	2,842.3	2,609.0
Green Energy	KRW 1 billion	398.9	344.2	312.2
Construction Equipment	KRW 1 billion	3,051.4	3,120.2	2,723.0

※ Based on non-consolidated

### Value Allocation for Each Stakeholder

Stakeholders	Details	Unit	2011	2012	2013
Subcontractors	Expenses paid to subcontractors	KRW 1 billion	36,594	38,593	37,087
Employees	Total amount paid to employees	KRW 1 billion	3,275	3,398	3,536
Government	Total tax	KRW 1 billion	1,073	757	253
Local Community	Voluntary contribution and funding (donation) to local community	KRW 1 billion	297	133	45
	Dividend to all shareholders	KRW 1 billion	429	245	153
Cost of Capital	Dividends paid to all stakeholders Interests paid to creditors and lenders	KRW 1 billion	338	421	411

※ Based on consolidated

Environmental Performance

Usage of Raw Materials

Classification	Raw Materials	Unit	2011	2012	2013
Head Office	steel	ton	2,822,909	2,317,022	1,498,116
Gunsan Shipyard	steel	ton	included in Head Office	168,194	109,296
Eumseong Plant	wafer	ton	621	650	685

Water and Waste water

Classification	Unit	2011	2012	2013
Total Water Usage	ton	4,539,429	4,972,456	4,871,780
Head Office	ton	3,065,274	3,564,051	3,443,552
Offshore & Engineering Division	ton	721,257	634,703	520,732
Gunsan Shipyard	ton	300,748	355,754	445,991
Eumseong Plant	ton	452,150	417,948	461,505
Total Waste Water Discharge	ton	381,014	399,049	378,260
Head Office	ton	6,413	8,046	7,922
Gunsan Shipyard	ton	921	1,123	1,347
Eumseong Plant	ton	373,680	389,880	368,991

Emission of Water Pollutants

Classification	Unit	2011	2012	2013
BOD	ton	0.34	0.4	0.49
COD	ton	0.33	0.47	0.51
SS	ton	0.018	0.017	0.029

※ Scope of data collection: Head Office

Emission of Ozone-depleting Substances

Classification	Unit	2011	2012	2013
HCFC	ton	0.589	1.082	0.889

※ Scope of data collection: all worksites

Emission of Air Pollutants

Classification	Unit	2011	2012	2013
NO <sub>x</sub>	ton	23.32	18.62	18.35
SO <sub>x</sub>	ton	1.78	1.56	1.22
Dust	ton	109.813	121.216	71.758

※ Scope of data collection: Ulsan Main Plant, Gunsan Shipyard, Eumseong Plant, Hyundai incineration facility

Cost of Environmental Investments

Classification	Details	Unit	2011	2012	2013
Investment Costs of Environmental Protection	Installation and operation of pollution prevention facilities	KRW 100 million	271	391	256
Green Purchasing Performance	Eco-labeled products, substances for reducing hazardous substances, etc.	KRW 100 million	2,840	1,886	2,199

Social Performance

Employee Status

Classification	Unit	2011	2012	2013
All employees	person	24,943	26,255	27,246
By Employment Status	Regular	person	23,863	25,111
	Contract	person	1,080	1,144
Socially Minority Group	Female	person	1,362	1,424
	Female Employment Ratio	%	5.46	5.42
	Disabled	person	944	852
	Disabled Employment Ratio	%	3.78	3.25
	National Veterans	person	746	849
By Age	younger than 30 years old	person	3,111	3,521
	30-50 years old	person	12,820	13,117
	50 years old or older	person	9,012	9,617

※ Total number of employees is based on business report (executives excluded)

Training Status

Classification	Unit	2011	2012	2013
Training Hours per Person (total training time / total number of employees)	hour	73.3	62.9	74.7
Average Educational Expenses per Person (total educational expenses / total number of employees)	KRW	388,758	400,417	344,440

※ Based on office workers and production workers

Business Ethics Management Training Status

Classification	Unit	2011	2012	2013
Group Training <sup>1)</sup>	person	1,751	2,136	2,352
Cyber Course <sup>2)</sup>	person	1,743	693	763
Total Trainees	person	3,494	2,829	3,115

1) Specialized training for new/experienced recruits, promoted employees, divisions

2) Total of 14 modules (7.7 hours)

Status of Human Rights Training for Security Officers

Classification	Unit	2011	2012	2013
Completion Rate	%	100	100	100

※ We operate an Industrial Security Team for the maintenance of company order and security. We conduct human rights education such as ethical management and prevention of sexual harassment. In addition, 211 members from our department are on friendly service training conducted by professional instructors.

Turnover Rate

Classification	Unit	2011	2012	2013
Male	%	1.1	1.5	1.2
Female	%	1.2	3.4	1.8

Intellectual Property<sup>1)</sup> Application Status

Classification	Unit	2011	2012	2013
Domestic	case	2,107	3,429	3,005
Overseas	case	187	94	302

1) Patents, utility model, design, and trademark included

Human Rights Training Status

Program	Unit	2011	2012	2013
Sexual Harassment Prevention	person	22,968	24,369	24,031
Future Labor Management Culture	person	6,862	3,428	2,638

Fair Trade Voluntary Compliance Status

Classification	Details	Unit	2011	2012	2013
Fair Trade Compliance Program	Legal Education	time	144	152	177
	Internal Inspection	time	143	152	142

Accident Rate

Classification	Unit	2011	2012	2013
Accident rate	%	0.29	0.37	0.37

※ Accident rate = (number of lost-time accidents / average number of employees) × 100  
※ Calculated in accordance with the Established Rule, No. 75 by the Ministry of Employment and Labor

R&D Expense

Classification	Unit	2011	2012	2013
R&D Expense	KRW 1million	188,283	217,654	228,753

# Assurance Statement

## Introduction

DNV GL Business Assurance Korea Ltd. (hereinafter “DNV GL”) is commissioned to carry out the assurance engagement of the 2014 Sustainability Report (hereinafter, “the Report”) of HYUNDAI HEAVY INDUSTRIES CO., LTD. (‘HYUNDAI HEAVY INDUSTRIES’). This engagement focused on the information provided in the Report and the underlying management and reporting processes. HYUNDAI HEAVY INDUSTRIES is responsible for the collection, analysis, aggregation and presentation of all information within the Report. DNV GL’s responsibility in performing the work follows terms of reference and scope of work agreed. The assurance engagement is based on the assumption that the data and information provided to us is complete, sufficient and authentic. HYUNDAI HEAVY INDUSTRIES’ stakeholders are the intended recipients of the assurance statement.

## Scope of Assurance

This Assurance Engagement covered data from the calendar year 2013. The scope of DNV GL’s Assurance Engagement includes only for operations under control in Korea the review and assessment of followings:

- Sustainability policy, initiatives, practices and performance, as described in the Report. These were verified at company level.
- Evaluation of adherence to Accountability principles provided in AA1000 Accountability Principles Standard 2008 with a moderate level of assurance and Type 1 as stated in AA1000 Assurance Standard 2008.
- Review of the extent to which the principles and requirements of the Global Reporting Initiative (GRI) Guidelines for Sustainability Reporting (GRI G3.1) are reflected in the Report.

## Limitation

The engagement excluded the sustainability management, performance and reporting practices of HYUNDAI HEAVY INDUSTRIES’ suppliers, contractors and any third-parties mentioned in the Report. DNV GL did not interview external stakeholders as part of this Assurance Engagement. Any financial information from HYUNDAI HEAVY INDUSTRIES’ annual report and company reporting on operations in 2013 or other sources are not included in the scope of the Assurance. Economic performances based on the financial data were cross-checked with internal documents and the audited financial statements. The aggregation and calculation process for building economic performances is reviewed and tested by the verification team. The baseline data for Environmental and Social performance are not verified, while the aggregated data are used for the verification. DNV GL expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Assurance Statement.

## Verification Methodology

The Assurance Engagement was planned and carried out in accordance with the DNV GL Verification Protocol for Sustainability Reporting (VeriSustain TM)) and AA1000AS (2008). As part of the verification, we challenged the sustainability-related statements and claims made in the Report and assessed the robustness of the underlying data management system, information flow and controls. Verification has conducted in April to May in 2014.

In accordance with the Protocol, the Report was evaluated with regard to the following criteria: DNV GL has examined and reviewed documents, data and other information made available by HYUNDAI HEAVY INDUSTRIES. We acquired the information and technical data from the certified management systems. We performed sample-based audits of:

- The process for determining the materiality of the contents to be included in the Report;
- The process for generating, gathering and managing the quantitative and qualitative data included in the Report.
- The accuracy of data verified.

## Conclusion

In DNV GL’s opinion, the Report provides a reliable and fair representation of HYUNDAI HEAVY INDUSTRIES’ policy, practices and performance in 2013. Based on the work undertaken as part of this Assurance Engagement, DNV GL believes that the Report generally meets the principles, content and quality requirements of GRI G3.1 and the requirement of GRI Application Level ‘A+’. Further conclusions and observations on the Adherence to the principles of Inclusivity, Materiality and Responsiveness, as set forth in the AA1000AS (2008) are made below:

### Inclusivity: Acceptable

HYUNDAI HEAVY INDUSTRIES has engaged with a wide range of stakeholders. Such 6 main stakeholder groups as Employees, Suppliers, Customers, Local community, Industries, and Shareholders and Investors are identified in the Report. In addition, the communication channels and expectations of respective stakeholders are also provided. HYUNDAI HEAVY INDUSTRIES identifies the interest of stakeholders by engaging them with various ways. Stakeholder survey result was reflected into the materiality determination process. In our view, the level at which the Report adheres to the principle of Inclusivity is ‘Acceptable’.

### Materiality: Good

Analysis of media coverage and industry peer group issues are the basis of screening significant issues and external significant issues are also identified by analyzing peer group report and global sustainability standards and by interviewing the stakeholders. HYUNDAI HEAVY INDUSTRIES has mapped out internal and external issues and prioritized sustainability issues that are most material. The output of the process clearly brings out material issues. In our view, the level at which the Report adheres to the principle of Materiality is ‘Good’.

### Responsiveness: Good

Stakeholders’ views, interests and expectations sought from stakeholder engagement are considered in the preparation of the Report. HYUNDAI HEAVY INDUSTRIES has stated sustainability vision and strategy and sustainability governance in the Report. The future response plan against the expectations of respective stakeholders enhances the responsiveness of HYUNDAI HEAVY INDUSTRIES. HYUNDAI HEAVY INDUSTRIES has monitored, measured and reported the indicators associated with the material aspects. In our view, the level at which the Report adheres to the principle of Responsiveness is ‘Good’.

## Opportunities for Improvement

The following is an excerpt from the observations and opportunities reported to HYUNDAI HEAVY INDUSTRIES’ management. However, these do not affect our conclusions on the Report and are provided to encourage continual improvement.

- The improvement plan of accuracy and transparency of data associated with material aspects needs to be considered with the review of data collection and aggregation process.

## Statement of Competence and Independence

DNV GL is a leading provider of sustainability services, including the verification of sustainability reports. Our environmental and social assurance specialists operate in over 100 countries. DNV GL was not involved in the preparation of any statements or data included in the Report except for this Assurance Statement. DNV GL maintains complete impartiality toward stakeholders interviewed during the verification process.

May 2014  
Seoul, Republic of Korea



In-Kyoon Ahn  
 Country Manager

# GRI Guideline Index & ISO 26000

● Fully Reported
 ● Partly Reported
 ○ Not Reported
 N/A Not Applicable

1. Strategy and Analysis		ISO 26000	Level of reporting	Page	Remarks
1.1	Statement from the most senior decision-maker of the organization.	6.2	●	4-5	
1.2	Description of key impacts, risks and opportunities.	6.2	●	4-5	
2. Organizational Profile					
2.1	Name of the organization.		●	7	
2.2	Primary brands, products and/or services.		●	8~9	
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries and joint ventures.	6.2	●	7~9	
2.4	Location of organization's headquarters.		●	7	
2.5	Number of countries where the organization operates and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.		●	6~7	
2.6	Nature of ownership and legal form.		●	7	
2.7	Markets served (including geographic breakdown, sectors served and types of customers/beneficiaries).		●	7~9	
2.8	Scale of the reporting organization.		●	7	
2.9	Significant changes during the reporting period regarding size, structure, or ownership.		●	84	No significant changes
2.10	Awards received in the reporting period.		●	87	
3. Report Parameters					
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.		●	Cover	
3.2	Date of most recent previous report (if any).		●	Cover	
3.3	Reporting cycle (annual, biennial, etc.)		●	Cover	
3.4	Contact point for questions regarding the report or its contents.		●	Cover	
3.5	Process for defining report content.		●	12~13	
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).		●	Cover	
3.7	State any specific limitations on the scope or boundary of the report.		●	Cover	
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations and other entities that can significantly affect comparability from period to period and/or between organizations.		●	7	
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report.		●	Cover	
3.10	Explanation of the effect of any re-statements of information provided in earlier reports and the reasons for such re-statement (e.g.mergers/acquisitions, change of base years/periods, nature of business, measurement methods).		●	84	First published report
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.		●	84	First published report
3.12	Table identifying the location of the Standard Disclosures in the report.		●	84~86	
3.13	Policy and current practice with regard to seeking external assurance for the report.	7.5.3	●	82~83	
4. Governance, Commitments and Engagement					
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.		●	62~63	
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.		●	62~63	
4.3	For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members.		●	62~63	
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.		●	62~63	
4.5	Linkage between compensation for members of the highest governance body, senior managers and executives (including departure arrangements) and the organization's performance (including social and environmental performance).		●	62~63	
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.		⓪	62~63	
4.7	Process for determining the composition, qualifications and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity.		●	62~63	
4.8	Internally developed statements of mission or values, codes of conduct and principles relevant to economic, environmental and social performance and the status of their implementation.	6.2	●	4~5	
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental and social performance, including relevant risks and opportunities and adherence or compliance with internationally agreed standards, codes of conduct and principles.		●	62~63	
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental and social performance.		●	62~63	
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.		●	22,39~41	
4.12	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or endorses.		●	87	
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: * Has positions in governance bodies: * Participates in projects or committees: * Provides substantive funding beyond routine membership dues: or *Views membership as strategic.		●	87	
4.14	List of stakeholder groups engaged by the organization.		●	12~13	
4.15	Basis for identification and selection of stakeholders with whom to engage.		●	12~13	
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.		●	12~13	
4.17	Key topics and concerns that have been raised through stakeholder engagement and how the organization has responded to those key topics and concerns, including through its reporting.		●	12~13	

● Fully Reported
 ● Partly Reported
 ○ Not Reported
 N/A Not Applicable

Disclosure on Management Approach in Economic Category		ISO 26000	Level of reporting	Page	Remarks
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings and payments to capital providers and governments.	6.8, 6.8.3, 6.8.7, 6.8.9	●	60~61, 79	
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	6.5.5	●	5, 22	
EC3	Coverage of the organization's defined benefit plan obligations.		●	76	
EC4	Significant financial assistance received from government.		●	26~31	
EC5	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	6.4.4, 6.8	●	85	Paid higher than the legal minimum wage
EC6	Policy, practices and proportion of spending on locally-based suppliers at significant locations of operation.	6.6.6, 6.8, 6.8.5, 6.8.7	●	44	
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	6.8, 6.8.5, 6.8.7	●	73	
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	6.3.9, 6.8, 6.8.3, 6.8.4, 6.8.5, 6.8.6, 6.8.7, 6.8.9	●	46~55	
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	6.3.9, 6.6.6, 6.6.7, 6.7.8, 6.8, 6.8.5, 6.8.6, 6.8.7, 6.8.9	●	46~55	
Disclosure on Management Approach in Environmental Category					
EN1	Materials used by weight or volume.	6.5, 6.5.4	●	70, 80	
EN2	Percentage of materials used that are recycled input materials.		●	70	
EN3	Direct energy consumption by primary energy source.		●	67	
EN4	Indirect energy consumption by primary source.		●	67	
EN5	Energy saved due to conservation and efficiency improvements.		●	68	
EN6	Initiatives to provide energy-efficient or renewable energy based products and services and reductions in energy requirements as a result of these initiatives.		●	67~68	
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.		○		
EN8	Total water withdrawal by source.		●	70, 80	
EN9	Water sources significantly affected by withdrawal of water.		●	70	
EN10	Percentage and total volume of water recycled and reused.		●	70	
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	6.5, 6.5.6	N/A		
EN12	Description of significant impacts of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.		N/A		
EN13	Habitats protected or restored.		N/A		
EN14	Strategies, current actions and future plans for managing impacts on biodiversity.		N/A		
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	6.5, 6.5.5	N/A		
EN16	Total direct and indirect greenhouse gas emissions by weight.		●	67	
EN17	Other relevant indirect greenhouse gas emissions by weight.		●	67	
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.		●	66~67	
EN19	Emissions of ozone-depleting substances by weight.		●	80	
EN20	NO, SO and other significant air emissions by type and weight.		●	80	
EN21	Total water discharge by quality and destination.		○		
EN22	Total weight of waste by type and disposal method.		●	70	
EN23	Total number and volume of significant spills.		●	85	No significant spills occurred
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III and VIII and percentage of transported waste shipped internationally.		N/A		
EN25	Identity, size, protected status and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	6.5, 6.5.4, 6.5.6	●	70	
EN26	Initiatives to mitigate environmental impacts of products and services and extent of impact mitigation.	6.5, 6.5.4, 6.6.6, 6.7.5	●	26~30	
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	6.5, 6.5.4, 6.7.5	N/A		
EN28	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations.	6.5	●	69~70	
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations and transporting members of the workforce.	6.5, 6.5.4, 6.6.6	○		
EN30	Total environmental protection expenditures and investments by type.	6.5	●	80	
Disclosure on Management Approach in Labor Practice and Decent Work					
LA1	Total workforce by employment type, employment contract and region, broken down by gender.	6.4, 6.4.3	●	81	
LA2	Total number and rate of new employee hires and employee turnover by age group, gender and region.		●	73	
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	6.4, 6.4.3, 6.4.4	●	76	
LA4	Percentage of employees covered by collective bargaining agreements.	6.4, 6.4.3, 6.4.4, 6.4.5, 6.3.10	●	77	

# GRI Guideline Index & ISO 26000

● Fully Reported    ◐ Partly Reported    ○ Not Reported    N/A Not Applicable

Disclosure on Management Approach in Labor Practice and Decent Work		ISO 26000	Level of reporting	Page	Remarks
LA5	Minimum notice period (s) regarding significant operational changes, including whether it is specified in collective agreements.	64, 64.3, 64.4, 64.5	🕒	77	
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	64, 64.6	●	20	
LA7	Rates of injury, occupational diseases, lost days and absenteeism and number of work-related fatalities by region and by gender.		●	81	
LA8	Education, training, counseling, prevention and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	64, 64.6, 6.8, 6.8.3, 6.8.4, 6.8.8	●	24~25	
LA9	Health and safety topics covered in formal agreements with trade unions.	64, 64.6	●	20	
LA10	Average hours of training per year per employee by gender and by employee category.	64, 64.7	●	34	
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	64, 64.7, 6.8.5	●	34	
LA12	Percentage of employees receiving regular performance and career development reviews, by gender.	64, 64.7	●	74	
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership and other indicators of diversity.	6.3.7, 6.3.10, 64, 64.3	●	62, 81	
LA14	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	6.3.7, 6.3.10, 64, 64.3, 64.4	●	86	No discrimination based on gender
LA15	Return to work and retention rates after parental leave, by gender.		🕒	76	
Disclosure on Management Approach in Human Rights Category					
HR1	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening.	6.3, 6.3.3, 6.3.5, 6.6.6	●	41, 44	
HR2	Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening and actions taken.	6.3, 6.3.3, 6.3.5, 64.3, 6.6.6	●	41, 44	
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	6.3, 6.3.5	●	81	
HR4	Total number of incidents of discrimination and corrective actions taken.	6.3, 6.3.6, 6.3.7, 6.3.10, 64.3	●	73	
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk and actions taken to support these rights.	6.3, 6.3.3, 6.3.4, 6.3.5, 6.3.8, 6.3.10, 64.3, 64.5	🕒	77	
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labor and measures taken to contribute to the effective abolition of child labor.	6.3, 6.3.3, 6.3.4, 6.3.5, 6.3.7, 6.3.10	●	73	
HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor and measures to contribute to the elimination of all forms of forced or compulsory labor.		●	73	
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	6.3, 6.3.5, 64.3, 6.6.6	●	81	
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	6.3, 6.3.6, 6.3.7, 6.3.8, 6.6.7	N/A		
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.		🕒	73	
HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.		🕒	18	
Disclosure on Management Approach in Society Category					
SO1	Percentage of operations with implemented local community engagement, impact assessments and development programs.	6.3.9, 6.8, 6.8.5, 6.8.7, 6.6.7	●	46~55	
SO2	Percentage and total number of business units analyzed for risks related to corruption.	6.6, 6.6.3	●	40~41	
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.		●	40, 81	
SO4	Actions taken in response to incidents of corruption.		●	39	
SO5	Public policy positions and participation in public policy development and lobbying.	6.6, 6.6.4, 6.8.3	N/A		
SO6	Total value of financial and in-kind contributions to political parties, politicians and related institutions by country.		N/A		
SO7	Total number of legal actions for anti-competitive behavior, anti-trust and monopoly practices and their outcomes.	6.6, 6.6.5, 6.6.7	●	41	
SO8	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations.	6.6, 6.6.7, 6.8.7	🕒	39	
SO9	Operations with significant potential or actual negative impacts on local communities.		●	69~70	
SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.		🕒	69~70	
Disclosure on Management Approach in Product Responsibility Category					
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement and percentage of significant products and services categories subject to such procedures.	6.3.9, 6.6.6, 6.7, 6.7.4, 6.7.5	●	16~18	
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.		●	86	No violations
PR3	Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements.	6.7, 6.7.3, 6.7.4, 6.7.5, 6.7.6, 6.7.9	●	16	
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.		●	83	No violations
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	6.7, 6.7.4, 6.7.5, 6.7.6, 6.7.8, 6.7.9	●	18	
PR6	Programs for adherence to laws, standards and voluntary codes related to marketing communications, including advertising, promotion and sponsorship.	6.7, 6.7.3, 6.7.6, 6.7.9	●	41	
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship by type of outcomes.		●	86	No violations
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.		6.7, 6.7.7	●	86
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	6.7, 6.7.6	●	86	No violations

## Awards and Membership

### Awards

Name of award	Authority (host)	Date of award
Merit Award on Trading Day, 2013	Korea International Trade Association	Dec. 5, 2013
Merit Award at Republic of Korea Technology Award 2013	Korea Institute for Advancement of Technology	Nov. 12, 2013
Awards on the Naval Architecture and Ocean Day	Korea Offshore & Shipbuilding Association	Sep. 12, 2013
Masters Awards of Korea	Government of the Republic of Korea (Presidential Citation)	Sep. 2, 2013
Labor Day Merit Awards	Ministry of Employment and Labor	May 2, 2013
2013 Science and Technology Merit Awards	Ministry of Education and Science Technology	Apr. 19, 2013
40th Chamber Awards	Ministry of Knowledge Economy	Mar. 20, 2013
Merit Award for Successful Development and Launching of Naro	Ministry of Education and Science Technology	Mar. 20, 2013
Merit Award for World Class Products	Korea Productivity Center	Dec. 10, 2012
Energy Saving Merit Award	Korea Energy Management Corporation	Nov. 23, 2012
Elderly Employment Promotion Merit Award	Ministry of Employment and Labor	Sep. 10, 2012
Small and Medium Business Merit Award	Korea Federation of Small and Medium Business	May. 18, 2012
Plant Exports Merit Award	Korea Plant Industries Association	Feb. 21, 2012
Free Trade Zone Development Merit Award	Ministry of Knowledge Economy	Dec. 30, 2011
Award for Saudi Arabia, Riyadh PP11 by Minister of Land, Transport and Maritime	Ministry of Land, Transport and Maritime Affairs	Sep. 17, 2011
Patriotic Veterans Month Award	Ulsan Branch Offices of Veterans Affairs	Jun. 30, 2011
Merit Award for Completion of Ryu Seong-ryong Aegis Destroyer	Defense Acquisition Program Administration	Mar. 24, 2011

### Memberships

Business sector	Name	Business sector	Name
Common	Korea Employer's Federation(KEF)	Industrial Plant & Engineering	Korea Project Management Association
Common	Ulsan Chamber of Commerce & Industry	Industrial Plant & Engineering	Construction Association of Korea
Common	KEF Corporate Safety and Health Committee	Industrial Plant & Engineering	Korea Construction Engineers Association
Common	The Federation of Korean Industries (FKI)	Engine & Machinery	Korea Association of Robot Industry
Common	Korea Economic Institute	Engine & Machinery	Korea Marine Equipment Association
Common	The Korea Gas Union	Engine & Machinery	Korea Federation of Combustion Engines (KOFCE)
Common	Korea Listed Companies Association	Engine & Machinery	BWMS Association
Common	Ulsan Sports Association	Engine & Machinery/ Electro Electric Systems	Korea Electric Association
Common	Korean Red Cross, Ulsan Branch	Electro Electric Systems	Korea Electrical Manufacturers Association
Shipbuilding	Korea Offshore & Shipbuilding Association	Electro Electric Systems	Korea Smart Grid Association
Shipbuilding	Korea Defense Industry Association	Electro Electric Systems	Consell International des Grands Reseaux Electriques(CIGRE)
Shipbuilding	The Society of Naval Architects of Korea	Electro Electric Systems	Korea Rolling Stock Industries Association
Shipbuilding	Society of CAD/CAM Engineers	Electro Electric Systems	Korea Railway Association
Shipbuilding	International Towing Tank Conference (ITTC)	Green Energy	Korea Photovoltaic Industry Association
Shipbuilding	Korea Towing Tank Conference	Green Energy	PV Cycle
Offshore & Engineering	International Contractors Association of Korea	Green Energy	Korea Wind Energy Industry Association
Offshore & Engineering	Korea Specialty Constructors Association, Ulsan Branch	Green Energy	Korea New & Renewable Energy
Offshore & Engineering	The Korea Society of Ocean Engineers	Green Energy	American Wind Energy Association (AWEA)
Industrial Plant & Engineering	Korea Plant Industries Association	Construction Equipment	Korea Construction Equipment Manufacturers Association
Industrial Plant & Engineering	Korea Carbon Capture and Storage Association (KCCSA)	Construction Equipment	Korea Construction Machinery Research Association

Definition of Terms

Term	Definition
Global Reporting Initiative (GRI)	An independent, nonprofit organization established to promote sustainability management report, it provides the guidelines for drafting a sustainability report. An internationally accepted standard and a representative of sustainability management report.
International Organization for Standardization (ISO) 9001	An international standard on the quality management system. The system certifies whether a service system is meeting the regulated requirements and consistently being maintained and managed.
ISO 14001	It is a part of the ISO 14000 series, which are the international standards for environmental management established by the Technology Committee. It sets up the requirements such as goal, group, procedure, resource allocation etc., which are needed for consistent environmental management activities and it provides a certification to organizations which are qualified with the relevant system.
ISO 26000	An international standard on corporate social responsibility (CSR) presented by ISO, it defines 7 agendas as the issues of social responsibility and it includes the relevant executorial guideline and recommendation.
ISO 50001	Energy management system, a standard effectuated by ISO in 2011 in order to save energy and to improve the efficiency of energy management.
KSI 7001	Green management system, a standard which defines the systemic requirements to consistently improve the performance of green management
KSI 7002	A standard of the green management system which defines the minimum necessary performance index to ensure the improvement of the performance of green management.
Occupational Health & Safety Management System (OHSAS) 18001	A health and safety management system developed by a number of leading trade organizations and international standard and certificate authorities. It is a standard which defines the minimum requirements to prevent industrial disaster by understanding the risk factors and to consistently manage the risk factors.



2014 HHI  
SUSTAINABILITY  
REPORT

Departments Involved in Making the Report

Accounting Department  
Business Ethics Team  
Business Planning Department  
Construction Equipment Division  
Business Planning Department  
Green Energy Division  
Compliance Team  
Contract Management Department  
Shipbuilding Division  
Corporate Culture & Public Relations Department  
Customer Service Department  
Shipbuilding Division  
Environment & Health Department  
Finance Department  
General Affairs Department  
Global Business Management Team  
Human Resources Development Department  
Human Resources Development Institute  
Hyundai Arts Center  
Industrial Relations Department  
Offshore Project & Production Planning Department  
Overseas Public Relations Department  
Planning & Coordination Department  
Procurement Planning Department  
Project & Production Planning Department  
Electro Electric Systems  
Project & Production Planning Department  
Engine & Machinery Division  
Project & Production Planning Department  
Industrial Plant & Engineering Division  
Project & Production Planning Department  
Shipbuilding Division  
Quality Management Department  
Shipbuilding Division  
Quality Management Planning Team  
R&D Planning Department  
Safety Management Department  
Security Management Department  
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