



INTEGRATED
REPORT

HEAD+HEART=IDEAL



Report Outline

This publication, the second Sustainability Report produced by Hyundai Heavy Industries (HHI), introduces and explains the company's activities, achievements, and principles with regard to its economic, environmental, and social responsibilities. Contents regarding HHI’s overall management, which include the business strategies of the company and the direction of its business operations, have been enriched in this report by implementing the Integrated Reporting framework.

Reporting Period and Scope

This report covers HHI’s sustainable management activities and achievements at all of its domestic worksites from January 1 to December 31, 2014. The quantitative data comprise data from the three-year period 2012-2014 to ensure a better understanding of changing trends, although some of the major activities include data for the first half of 2015.

Reporting Principle

This report has been written based on the G4 guidelines of Global Reporting Initiative (GRI) and by referring to the Integrated Reporting Framework of the International Integrated Reporting Council (IIRC). In order to ensure the credibility of this report, a third-party assurance was conducted by DNV GL, an independent assurance agency.

Reader’s Guide

The 2015 HHI Integrated Report is produced in Interactive PDF format and can be downloaded from the HHI website. This PDF file presents further details on HHI’s sustainable management activities as well as outcomes.



Shortcut to Pages



Link to the Relevant Webpage



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01

CREATIVE WISDOM

OVERVIEW

We have secured our leading position with firm conviction to create great outcomes using only a limited amount of resources.
By turning forward-looking ideas and creative wisdom into reality, we will create a better tomorrow.

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CEO MESSAGE

KS Choi

Choi Kil-seon, Chairman & CEO

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

It is my great pleasure to present our second report on our activities
and performances for sustainable growth.

The 2015 HHI Integrated Report combines the annual report and
the sustainability report in response to stakeholders' demand for
information disclosure. Through this report, we hope to provide
more systematic and detailed account of HHI's management
philosophy, future plans, value creation processes, and value
outcomes.

The year 2014 was an eventful year for us. We were ranked in
the "Global 500" compiled by Fortune magazine for the eighth
consecutive year. In addition, we earned recognition and credit
for our technology as a global leading company by successfully

developing the LNG-FSRU (LNG Floating, Storage & Regasification
Unit). Nonetheless, we were unable to avoid a significant drop
in sales and heavy operating losses due to the prolonged global
recession, the downturn in shipping industry, and the closing in of
competitors such as China and Japan.

Thus, we declared 2015 as "a year of reform for a competitive
recovery," and promoted radical changes and innovations including
business restructuring and divisional consolidation.

We integrated the Offshore & Engineering Division and the
Industrial Plant & Engineering Division to maximize our efficiency.
We are also consolidating our overseas branches and affiliates
based on their profitability. Likewise, we initiated a group sales unit
by consolidating the sales organization of our three shipbuilding
entities. We also launched the Group Shipbuilding A/S Center to
deliver better service. Additionally, we merged similar tasks in the

“

The year 2015 is a year of reform
for a competitive recovery

”

Kwon oh gap

Kwon Oh-gap, President & CEO

fields of finance, accounting, IT, and communication to improve
management support efficiency.

We have made various efforts to reinforce our competitiveness,
such as the introduction of performance-based compensation
to encourage internal competition and the reinforcement of
responsibility management led by business representatives who
have substantial authority and responsibility for the organizations.

Moreover, we have been committed to our social responsibilities
and roles despite the difficult business environment. During
2014, we invested KRW 330 billion in initiatives and measures
aimed at raising safety awareness among employees and at
establishing a safer work environment. We also reached out to
socially marginalized neighbors in the communities by carrying out
philanthropic activities such as raising funds through the "Charitable
Bazaar with Love" and the "Making Kimchi with Love" event.



Guided by our conviction that our competitiveness depends on our
subcontractors' competitiveness, we support a variety of shared
growth programs for subcontractors' sales growth and overseas
expansion. We established our own sustainable management
models such as business ethics and compliance management,
complying with international norms and opening transparent
management information.

Based on close communication with stakeholders, we will
continuously endeavor to be a more reliable company. We would
greatly appreciate your attention in our voyage toward becoming
the best. Finally, we look forward to your unwavering interest and
support for HHI's sustainable future.


Thank you.

Direction of the Integrated Report

Publication of the Integrated Report


Our first sustainability report was published in 2014 to present our sustainable activities and achievements and to communicate with the stakeholders. The second report in 2015 presents comprehensive information on HHI's economic activities and social responsibilities from a balanced viewpoint by integrating the annual report and the sustainability report.

2014 Sustainability Report



Report on economic, social, and environmental activities and achievements, with the focus on seven major sustainable management issues

2015 Integrated Report



Through the incorporation of the annual report and the sustainability report, report on HHI's reinforced value creation process by business side

Integrated Report Concept



HEAD + HEART = IDEAL

Rationality and Passion together create Ideal

Composition of Report


The Integrated Report embodies our management philosophy in order to report our commitment to sustainable management and goal-oriented activities. Our various sustainable management activities are divided into five categories: sustainable growth, fair and transparent management, safe and environmentally friendly management, corporate culture of mutual respect and trust, and contribution to social development.


PART 1 OVERVIEW	PART 2 BUSINESS REVIEW	PART 3 SUSTAINABILITY PERFORMANCE	PART 4 APPENDIX
Company introduction and direction of the 2015 Integrated Report	Financial performances and stock information, previously reported in annual reports	Report on sustainable business activities and achievements based on five key elements of management philosophy	Financial Statements, Third-Party Certification Report, GRI G4 guidelines index, etc.

Stakeholder Engagement


Communication with Stakeholders

For effective communication, we categorize our stakeholders into six groups—customers, shareholders/investors, subcontractors, communities, industries, and employees—and manage the communication channels befitting the unique characteristic of each group.




**Customers**


- Warranty & Lifetime Service
- Feedback Service
- Smart Service
- FLiK Magazine

**Shareholders • Investors**


- General Shareholders' Meeting
- IR News
- Annual Report
- IR Meeting
- New Horizons
- Yard Tour

**Subcontractors**


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

**Communities**


- Charitable Bazaar with Love
- Making Kimchi with Love' Event
- Employee Volunteer Activities

**Industries**


- Meeting of Practitioners from the Same Field
- Korea Offshore & Shipbuilding Association Activities

**Employees**


- Collective Bargaining
- Wage Negotiations
- Labor and Management Council
- Consulting with Love (Sarangbang)
- Industrial Health and Safety Committee
- HHI Webzine
- HHI News

**FLiK Magazine**


Published on a Monthly Basis: Business Issues and Events of HHI

**New Horizons**


Published on a Quarterly Basis: Business Activities, News, Investment Information, Status of Technology Development

**Visits to Subcontractors**


Seeking a Mutual Growth Plan with subcontractors on June 25, 2014

**Charitable Bazaar with Love**

Communication through Voluntary Community Activities on November 4, 2014

**Shipbuilding Health and Safety Leaders' Meeting**

Inspecting the Causes of Industrial Accidents and Seeking Safety Plans on June 10, 2014

**HHI Newsletter**

Published on a Monthly Basis: Management Issues, Employee News, and Community Information

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About HHI

Hyundai Heavy Industries Co., Ltd.

We started our shipbuilding business with creative and pioneering spirit and continued to grow steadily as the world’s largest shipbuilder. We have grown into a global integrated heavy industries company by entering the offshore, industrial plant, engine and machinery, electro electric systems, green energy, and construction equipment businesses based on the shipbuilding prowess. We have constructed more ships than any other companies in the world and are ranked No. 1 in the world in shipbuilding and marine engines.

General Information

Based on 2014 Business Report

Name	Hyundai Heavy Industries Co., Ltd.
Date of Establishment	December 28, 1973
CEO	Choi Kil-seon, Kwon Oh-gap
Number of Employees	28,291
Head Office	1000, Bangeojinsunhwandoro, Dong-gu, Ulsan, Korea, 682-792
TEL	+82 52 202 2114
Webpage	english.hhi.co.kr

Business Sectors and Major Affiliates

Hyundai Heavy Industries Co., Ltd.			
Business Division	Shipbuilding	Affiliates	Hyundai Samho Heavy Industries Co., Ltd. 94.92%
	Offshore & Industrial Plant		Hyundai Mipo Dockyard Co., Ltd. 43.51%
	Engine & Machinery		Hyundai Oilbank Co., Ltd. 91.13%
	Electro Electric Systems		HI Investment & Securities Co., Ltd. 83.24%
	Green Energy		Hyundai Cosmo Petrochemical Co., Ltd. 50.00%
	Construction Equipment		Hyundai & Shell Base Oil Co., Ltd. 60.00%
			Hyundai Corporation 22.36%
			Hyundai Material and Service Co., Ltd. 100.00%
			Wartsila-Hyundai Engine Company Ltd. 50.00%
			Hyundai Venture Investment Corporation 68.38%
			Hyundai Finance Corporation 67.49%
			Hyundai Futures Corporation 65.22%

• The percentages refer to the stake in the affiliates.

For further information on HHI's affiliates, please visit the HHI Investor Relations website.
http://www.hhiir.com/EN/company/globalNetwork_01.asp

OVERVIEW

Based on the 2014 Business Report

Unit: KRW million

Total Equity



- Separate
- Consolidated

13,773,205
16,638,576

Sales



- Separate
- Consolidated

23,463,461
52,582,404

Operating Profit



- Separate
- Consolidated

(1,923,251)
(3,249,455)

Credit Rating

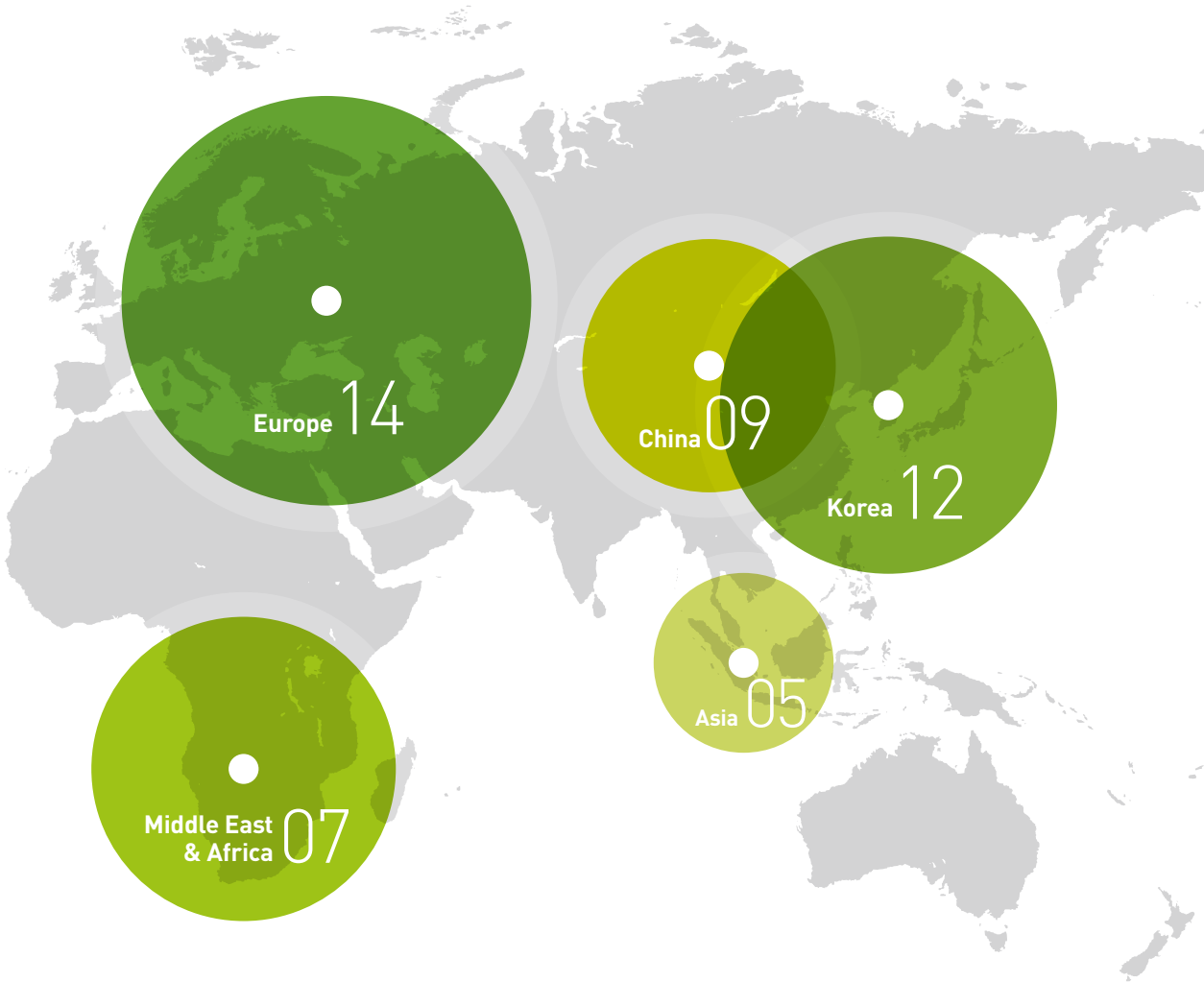


- Corporate bond
- Commercial Paper(CP)

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Worksites Overview

Introduction to the expanding global networks of HHI



OVERVIEW

Domestic Worksites

Ulsan	Gyeongju	Gunsan	Eumseong
Head Office 1000, Bangeojinsunhwando-ro, Dong-gu, Ulsan	Naengcheon Distribution Center 195-17, Naengcheonjenaegongdan-gil, Oedong-eup, Gyeongju-si, Gyeongsangbuk-do	Gunsan Shipyard 625, Seohae-ro, Gunsan-si, Jeollabuk-do	Eumseong Factory 313, Soi-ro, Soi-myeon, Eumseong-gun, Chungcheongbuk-do
Offshore & Engineering Yard 400, Bangeojinsunhwando-ro, Dong-gu, Ulsan	Offshore Pipe Fabrication Shop 50, Yeongji-ro, Oedong-eup, Gyeongju, Gyeongsangbuk-do	Wind Power Production Factory 232, Dongjangan-ro, Gunsan-si, Jeollabuk-do	
Onsan Yard 72, Yeonja-ro, Onsan-eup, Ulju-gun, Ulsan	Offshore Pipe Painting Shop 293-15, Naehi-ro, Oedong-eup, Gyeongju-si, Gyeongsangbuk-do		Seoul
Yongyeon Factory 800, Cheoyong-ro, Nam-gu, Ulsan			Seoul Office Hyundai Building, 75, Yulgok-ro, Jongno-gu, Seoul, Korea
Seonam Factory 223, Sapyeong-ro, Nam-gu, Ulsan			

Overseas Branches

Europe	Americas	Asia	Middle East · Africa
London, UK Oslo, Norway Athens, Greece Rotterdam, Netherlands Madrid, Spain Moscow, Russia Istanbul, Turkey	New Jersey, USA Houston, USA Atlanta, USA	Tokyo, Japan Osaka, Japan Singapore	Dubai, UAE Jebel Ali, UAE Riyadh, KSA Al Khobar, KSA Luanda, Angola

Overseas Corporations

Europe	Americas	China	Asia
Geel, Belgium • HHI Europe N.V.	Atlanta, USA • Hyundai Construction Equipment Americas, Inc.	Beijing • Beijing Hyundai Jingcheng Construction Machinery Co., Ltd.	Pune, India • Hyundai Transformers and Engineering India PVT, Ltd.
Sofia, Bulgaria • HHI Co.-Bulgaria	Ohio, USA • Hyundai Ideal Electric Co.	Changzhou • Hyundai (Jiangsu) Construction Machinery Co., Ltd.	Jakarta, Indonesia • PT. Hyundai Machinery Indonesia
Bochum, Germany • Jahnel-Kestermann Getriebewerke GmbH	Alabama, USA • Hyundai Power Transformers USA, Inc.		
Paris, France • HHI France SAS	Rio De Janeiro, Brazil • HHI Brazil	Taian • Hyundai (Shangdong) Heavy Industries Machinery Co., Ltd.	
Budapest, Hungary • Hyundai Technologies Center Hungary kft.		Yangzhong • HHI China Electric Co., Ltd.	
Primorsky Krai, Russia • Hyundai Electrosystems Co., Ltd. • Hyundai Mikhailovka Agro Ltd. • Hyundai Khorol Agro Ltd.		Yantai • Yantai HHI Co.,Ltd.	
Vladivostok, Russia • Vladivostok Business Center		Shanghai • HHI China Investment Co., Ltd. • Hyundai Financial Leasing Co., Ltd. • HHI (Shanghai) R&D Co., Ltd.	Middle East · Africa
			Lagos, Nigeria • Hyundai West Africa Limited
			Al Khobar, KSA • Hyundai Arabia Co., Ltd.

Shared Values

Hyundai Spirit

The key to the success of HHI lies in the "Hyundai Spirit" created by Hyundai Group founder, Chung Ju-yung. He firmly believed that we could accomplish anything that is thought to be theoretically and scientifically impossible by exploiting our unlimited potential and unwavering drive.

CREATIVE WISDOM



Wisdom to seek novelty and innovation for meeting the needs of customers and the society

POSITIVE THINKING



Attitude to face challenges with a sense of ownership

UNWAVERING DRIVE



Power to achieve goals with a strong spirit and an indomitable will

Management Vision

We aim to become the leading integrated heavy industries company. To achieve success, we have set "Global Leader, Future Builder" as our vision and remain committed to impressing our customers, rewarding our employees, and satisfying our shareholders by improving the corporate value.

GLOBAL LEADER,
FUTURE BUILDER

- Satisfying customers with the best technology and the highest quality
- A workplace that rewards self-achievement
- Increasing corporate value through world-class core business

Management Philosophy

We have established a management philosophy that must be shared and practiced by all employees to fulfill our corporate social responsibility.

Enhancing Corporate Value through Continual Growth	<ul style="list-style-type: none">• Actively seeking out and cultivating business with growth potential• Ensuring core competencies for future growth• Building flexible business management systems• Helping build solid global business organizations
Upholding Fair and Transparent Business Practices	<ul style="list-style-type: none">• Respecting the law and practicing proper business ethics• Supporting open and fair competition• Fostering fair business relationships with suppliers
Pursuing Business Practices that are Safe and Environmentally Friendly	<ul style="list-style-type: none">• Providing pleasant and safe work environments• Preventing accidents through our strong Safety Code• Being proactive in developing and adopting environmentally friendly technologies• Implementing environmentally friendly production activities
Upholding a Labor-Management Culture based on Mutual Respect and Trust	<ul style="list-style-type: none">• Fostering a vibrant organizational culture based on trust and equality• Performing all duties and responsibilities to enhance corporate competitiveness• Striving to improve the quality of life of our employees and encouraging employee self-development
Contributing to the Development of a Society as a Global Corporate Citizen	<ul style="list-style-type: none">• Striving to enhance community culture and welfare• Contributing to national development through job creation and the payment of taxes• Contributing to human prosperity by creating products valued by people throughout the world



Part

02 POSITIVE THINKING

BUSINESS REVIEW

The history of us has been shaped by our ownership and sheer effort. We will always do our best to pursue sustainable development with unwavering drive and positive thinking.

Business Performance Assessment

2014 Financial Highlight

We have maintained a strong market position on the basis of our superior competitiveness in the shipbuilding and offshore sectors. However, as the market began to shrink owing to a protracted decrease in the world trade volume, uncertainties in the global economic recovery, and the Eurozone's financial crisis, our consolidated sales in 2014 dropped by 3% to KRW 52.6 trillion compared to the same period in 2013. In addition, we posted consolidated operating losses of KRW 3.2 trillion due to cost hike from delayed projects, provision for low-priced projects, and unfavorable foreign exchange rates.

2014 Financial Performance (consolidated)			
Unit: KRW billion			
	2012	2013	2014
Sales	54,973.7	54,188.1	52,582.4
Gross profit	4,653.2	3,255.1	- 717.0
Operating profit	2,005.5	802.0	- 3,249.5
Net income	1,029.6	146.3	- 2,206.1
Total assets	49,273.2	53,205.0	53,384.4
Total liabilities	30,531.8	34,175.4	36,745.8
Total equity	18,741.4	19,029.6	16,638.6
Liabilities-to-Equity	162.9%	179.6%	220.8%
Debt-to-Equity	79.1%	83.3%	99.4%
EPS (Unit: KRW)	17,974	5,047	- 32,049
EBITDA	3,000.9	1,783.1	- 2,231.3
ROA	2.1%	0.3%	- 4.1%
ROE	5.6%	0.8%	- 12.4%

* Note: EBITDA = Operating profit + Depreciation + Amortization
* Note: ROA is calculated as the average of assets for the last two years (net profit / assets); ROE is calculated as the average of Equity for the last two years (net profit / equity).

2014 Overview and 2015 Outlook

Even though we had taken precautions against year 2014, it was not enough to weather the tough year. As a result, we were unable to cope with the losses incurred by many projects, which led to a huge operating loss. Furthermore, the market environment in 2015 is likely to be unfavorable for HHI. Nonetheless, we declared 2015 “the year of reform for competitive recovery,” and will continuously pursue major changes and innovations. To that end, we have introduced a performance-based compensation system, integrated divisions to maximize efficiency, and reformed the HR system to create more dynamic corporate culture. We will re-emerge as one of the most respected and trusted companies by pursuing sustainability management, including business ethics, HSE management, and shared growth with our partners.

2015 Management Objectives	Changes
• The year of reform for competitive recovery	• Reform of HR system • Launch of a "representative" system in business sections
Innovation	Sustainable Management
• Introduction of performance-based compensation system • Organizational efficiency	• Business ethics , HSE management, value creation through social contribution activities

Stock Information

Domestic Market Shares in 2014

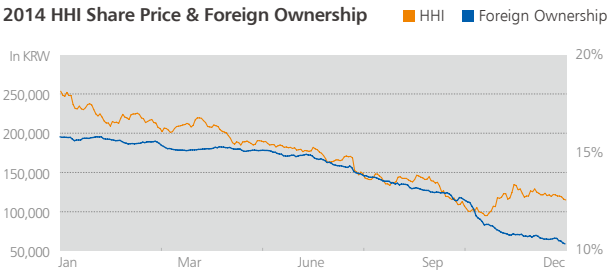
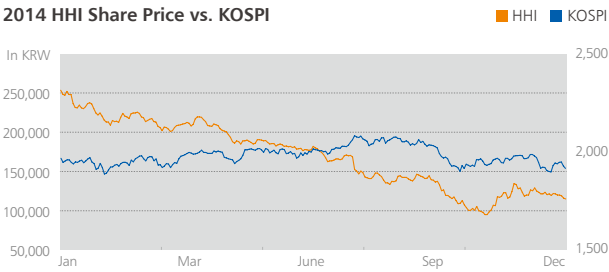
The KOSPI remained range-bound for a year, from a low of 1,900 points to a high of 2,100 points. Despite showing a decline in the first quarter, the KOSPI rebounded to 2,100 points in the third quarter, riding on the hopes for the government’s new economic policy. Nonetheless, it recorded a downturn in the fourth quarter due to potential interest hikes in the US leading to a strong USD and looming recession in emerging markets. The major causes of the sluggish domestic market in 2014, compared to other countries such as the US and Japan, were the decrease in major companies' profits and the slump in the shipbuilding and petrochemical industries.

Lowest of the year
▼ 1,886.85

Highest of the year
▲ 2,082.61

2014 HHI Share Price Performance

The slump in the shipbuilding industry has persisted ever since the start of the global crisis in 2008. We recorded a consolidated operating loss of KRW 3.2 trillion in 2014 due to lower oil prices, the lower value of JPY, and increased competition with Chinese shipyards. Consequently, our share price declined drastically compared to one year ago, recording the lowest price of KRW 95,100 on November 5, 2014 and ending the year at KRW 115,000.



HHI Stock Information

	Unit	2012	2013	2014
Face Value	KRW	5,000	5,000	5,000
Number of Shares Issued	Shares	76,000,000	76,000,000	76,000,000
Market Cap.	KRW billion	18,392	19,532	8,740
Share Price				
•Highest Price	KRW	345,000	288,500	253,500
•Lowest Price	KRW	195,500	176,000	95,100
•Closing Price	KRW	242,000	257,000	115,000
Foreign	%	19.3	18.2	12.1
Ownership DPS	KRW	2,500	2,000	-
Payout Ratio	%	13.8	27.1	-

Business Overview

Business Sectors

HHI is a global leading company with a diversified business portfolio: Shipbuilding, Offshore & Industrial Plant, Engine & Machinery, Electro Electric Systems, Green Energy and Construction Equipment. As a global leader, HHI is ranked No. 1 in the shipbuilding and two-stroke marine engine industry. In particular, We are consolidating our leading position in the shipbuilding industry with our affiliates, Hyundai Mipo Dockyard (HMD) and Hyundai Samho Heavy Industries (HSHI). We expand our business fields continuously through our affiliates such as Hyundai Oilbank, HI Investment & Securities, and HI Asset Management.



Shipbuilding

The Shipbuilding Division provides total shipbuilding services from contract to delivery, based on over 40 years’ experience as well as outstanding technology and productivity. We, together with our shipbuilding affiliates, have delivered 3,314 vessels to date as of December 2014 and continue to enhance our competitiveness through continuous innovation.

Key Products • tankers, container ships, bulk carriers, LNG and LPG carriers, product/chemical tankers (PC tanker)



Offshore & Industrial Plant

The Offshore & Industrial Plant Division handles offshore & onshore projects on a turnkey basis, undertaking every part of the construction including engineering, procurement, construction, installation, and commissioning en bloc. We satisfy customers with our advanced engineering technology and capacity to perform integrated construction on- and offshore.

Key products • fixed and floating oil and gas production facilities, pipelines and subsea facilities installation, power plants, process plants



Engine & Machinery

The Engine & Machinery Division enjoys a 36% market share in the two-stroke engine market. We retain our position as the world’s best comprehensive machinery manufacturer based on our integrated production system including forging, casting, precision processing, assembling, and test-working.

Key products • two-stroke & four-stroke marine engines, propellers, marine machinery, engine power plants, industrial machinery, robot automation



Electro Electric Systems

The Electro Electric Systems Division supplies transformers, GIS, switchgears, circuit breakers, motors, generators, integrated control & monitoring system, and power electronics around the world. We also provide a total solution for the electro electric sector from residential electricity to advanced industrial fields through the development of environmentally friendly products and smart grid technology.

Key products • electrical equipment (transformers, GIS), rotating machinery (motors, generators), power distribution equipment (distribution transformers, power electronics)



Green Energy

The Green Energy Division, with capacity of 600 MW solar modules, has achieved significant outcomes through consistent research and product innovation. We held on to our position as a global energy company by successfully managing large projects and by supplying products to leading countries in renewable energy such as the US, Europe, and Japan.

Key Products • solar modules , wind power systems



Construction Equipment

The Construction Equipment Division has an annual production capacity of 86,000 units and actively expands business through 540 dealerships in 140 countries and affiliates in the US, Europe, China, India, Brazil, and Indonesia. We create customer value based on excellent quality and innovative marketing strategies, including prompt customer support service and diversification of brand advertisement.

Key products • excavators, wheel loaders, backhoe loaders, skid steer loaders, road equipment, forklifts



Oil Refining

Hyundai Oilbank boasts daily refining capacity of 390,000 barrels with industry-leading upgrading ratio and operates a total of 10 oil reservoirs and 11 consignment places nationwide. In addition, we break into base oil market and expand 1.6 million ton of BTX refineries.

Key products • gasoline, diesel, kerosene, fuel oil, BTX, LPG, jet fuel, lubricants



Financial Services

HHI's financial services provide sensible solutions to customers on the basis of 20 years’ experience in asset management as well as the best research capability in the industry.

Business sectors • security brokerage, corporate finance, ship funds, pension/trust/wrap account service



Divisional Business Performance •

SHIPBUILDING



2014 Market Overview

The global shipbuilding market was sluggish in 2014 due to the falling global crude oil price and economic recession in Europe and emerging countries. World newbuilding orders in 2014 decreased to 1,970 vessels, 78.9 million GT (Gross Tonnage) compared to 2013's 3,030 vessels, 117.1 million GT as the recovery of global economy was delayed and the global oil price plunged. Japanese shipbuilders, which regained their competitiveness with JPY depreciation, and Chinese shipbuilders enjoying full government support intensified the market competition. On the other hand, orders for medium and large oil tankers and LNG carriers have maintained a steady flow despite sluggish demand in the overall market. The seaborne trade volume of crude oil increased as some Asian countries boosted oil reserves on the back of lower oil prices, leading to an order increase for tankers. In addition, as North America began its production and exports of shale gas, orders for LNG carriers stayed firm.

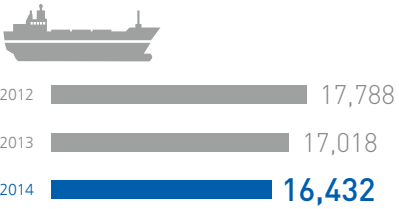
World Newbuilding Order Trend

		2010	2011	2012	2013	2014
Contracts	Number of Ships	2,775	1,828	1,523	3,030	1,970
	Mil GT	95.9	62.8	41.3	117.1	78.9

Source: Clarkson Research Services

Sales by Year

Unit: KRW billion



Portion of 2014 Sales



2014 Business Review

HHI and the shipbuilding affiliates won contracts for 133 vessels (USD 10.7 billion) and recorded total sales of KRW 16.4 trillion. Thanks to the rise in shale gas production and LPG export in North America, orders for LPG carriers increased. Similarly, orders for oil tankers increased in

accordance with the changing pattern of oil trade and increased volume of oil reserves in Asian countries. On the other hand, orders for drillships and semi-submersible drilling rigs were not up to par due to the slump in the offshore industry on the back of the plunged oil prices.

2014 Contracts



USD 6.2 billion



USD 1.8 billion



USD 2.7 billion

TOTAL

USD 10.7 billion

2015 Outlook

We expect global newbuilding orders to be weak in 2015, mainly due to slowing economic growth in Europe and some emerging countries, persistent imbalance in supply and demand, and weaker freight rates. However, demand for mega container ships, LNG carriers, and medium to large tankers is expected to increase.

In the case of the containership market in particular, shipping companies formed an alliance and competitively make orders for mega container ships to achieve economies of scale, creating a positive order sentiment. The US LNG export project will also lead to orders for LNG carriers. In

addition, the demand for medium to large-sized tankers is expected to increase as the seaborne trade volume of crude oil grows due to the lower oil prices. HHI and the shipbuilding affiliates have set the order target of USD 15.2 billion in 2015. To achieve the goal, we plan to focus our sales resources on mega containers, LNG carriers, and medium to large-sized tankers and to ensure competitive price through cost reduction. We will maintain our position as a leading company by securing the necessary capacity to satisfy customers' needs.

Divisional Business Performance •

OFFSHORE & ENGINEERING

2014 Market Overview

Global major oil players stuck to their wait-and-see attitude on their CAPEX plan, which in turn caused the offshore market to shrink. Orders for floaters, including floating liquefied natural gas (FLNG) and floating production, storage & offloading (FPSO) units, were delayed or pending and some low-margin projects were even reconsidered. Nonetheless, global oil majors continued to make selective orders for some lucrative projects including FLNGs and fixed platforms in Southeast Asia.

2014 Business Review

The Offshore & Engineering Division won orders worth USD 6 billion and recorded sales of KRW 4.7 trillion despite the sluggish global offshore plant market. In Southeast Asia in particular, we received most of the projects ordered in 2014, including four fixed and floating production facilities and pipeline installation. We also signed contracts to build fixed platforms to be located in the Middle East and onshore plant modules in Russia. In addition, we completed many projects on schedule, including the Odoptu onshore module construction in Russia, Delta House Floating Production Unit (FPU) in the Gulf of Mexico, and the DSO platform in Nigeria. We also performed accident-free construction work for over 10 million hours successfully.

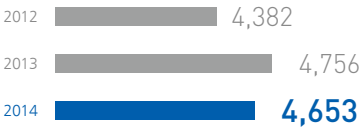
2015 Outlook

The global oil price in 2015 is expected to be volatile due to the increased production of shale gas and sand oil in North America and slowing growth in emerging markets such as China and India. The number of offshore plant orders is expected to decrease significantly since global oil majors plan to reduce their capex. Despite the low oil prices, there will be orders for offshore plants in Africa and Southeast Asia, thereby intensifying the competition of the global offshore industry. We integrated the Offshore & Engineering Division with the Industrial Plant & Engineering Division to improve profitability and efficiency. In 2015, the Offshore & Industrial Plant Division set new order target of USD 5.3 billion and sales target of KRW 4.9 trillion in the offshore plant business.

We plan to focus our sale resources on large offshore production units, FLNG, onshore module construction, and pipeline installation in West Africa, Southeast Asia, Middle East, and US. In particular, we plan to foster FLNG as one of our core businesses by developing independent technology and construction capabilities. In March 2015, we completed a 10,000-ton floating crane, the nation's largest shear-leg type crane, enhancing our competitiveness and productivity.

Sales by Year

Unit: KRW billion



Portion of 2014 Sales

8.8%



Divisional Business Performance •

INDUSTRIAL PLANT & ENGINEERING

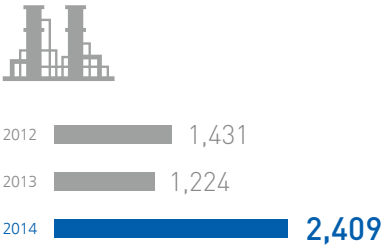
2014 Market Overview

HHI went through a number of difficulties in 2014, including the sharp decrease in global oil price, political unrest in the Middle East, and tough challenges from European competitors. Nonetheless, Korean EPC contractors obtained new orders worth USD 66 billion from international buyers, the second largest annual order ever won following USD 71.6 billion in 2010. Although the aftermaths of lackluster performance persisted in the overseas construction market, the market seems to be recovering compared to 2013. In the process plant market, as orders from Asia, Americas, and Russia increased, the heavy dependency on the Middle East was lowered. In addition, equipment and projects are scaling up in general. The boiler industry showed steady growth thanks to the continuous orders for coal-fired boilers from Korea and Southeast Asia with their growing demand for steam and electricity.



Sales by Year

Unit: KRW billion



Portion of 2014 Sales



2014 Business Review

The Industrial Plant & Engineering Division received new orders worth USD 1.3 billion and recorded total revenue of KRW 2.4 trillion. In the power and process plant market, we selectively participated in the bidding for a few lucrative projects in order to focus more on the large-scale projects we currently implement in Saudi Arabia. In the industrial equipment market, we received orders for two coal-fired circulating fluidized bed combustion (CFBC) boilers from Pakistan.

2015 Outlook

The global industrial plant market is likely to slow down in 2015 due to the reduced fiscal spending in the Middle East region. In Saudi Arabia, the largest plant market, the current large-scale project is about to be completed, and an order for a new project is expected to be rescheduled since the global oil price has experienced a sharp decline recently. On the other hand, there have been positive signs such as Saudi Aramco’s plan to invest USD 40 billion per annum for the next 10 years to expand the capacity of oil and gas production. In the power plant sector, steady investment is expected in the future as most of the Middle Eastern countries are prioritizing the diversification of industries, construction of infrastructure, and creation of high-quality jobs for long-term economic development.

The recent global plant market is tending toward avoiding low-priced orders, causing a moderate increase in contract value. We set our division’s new order target of USD 1.7 billion and sales target of KRW 3.3 trillion in the industrial plant sector. In the process plant sector, we will minimize the risk factors by participating in the project as part of a joint venture company established with partners. We also plan to select our projects carefully focusing on profitability in the combined cycle power generation and cogeneration sectors. Furthermore, we will continue to expand our business in Southeast Asia where steady demand is expected. There is a continued order flow for plant equipment from Southeast Central Asia, and domestic projects. We are also expecting a specialized equipment orders for the space rocket launch pad of Korea.

Divisional Business Performance •

ENGINE & MACHINERY

2014 Market Overview

Orders for global marine engine decreased in 2014 compared to 2013 as the shipbuilding industry remained sluggish. The decreased market demand caused fierce competition among global engine producers and pushed the engine price lower. Demand for diesel and gas power plant also declined as the slow recovery of the world economy delayed a number of power plant projects.

The machinery market was sluggish overall, but the demand for some equipment such as compressors and large industrial pumps showed steady flow. Furthermore, as automakers expanded investment in their facilities, demand for robotic systems such as industrial robots, press, and conveyors increased.

2014 Business Review

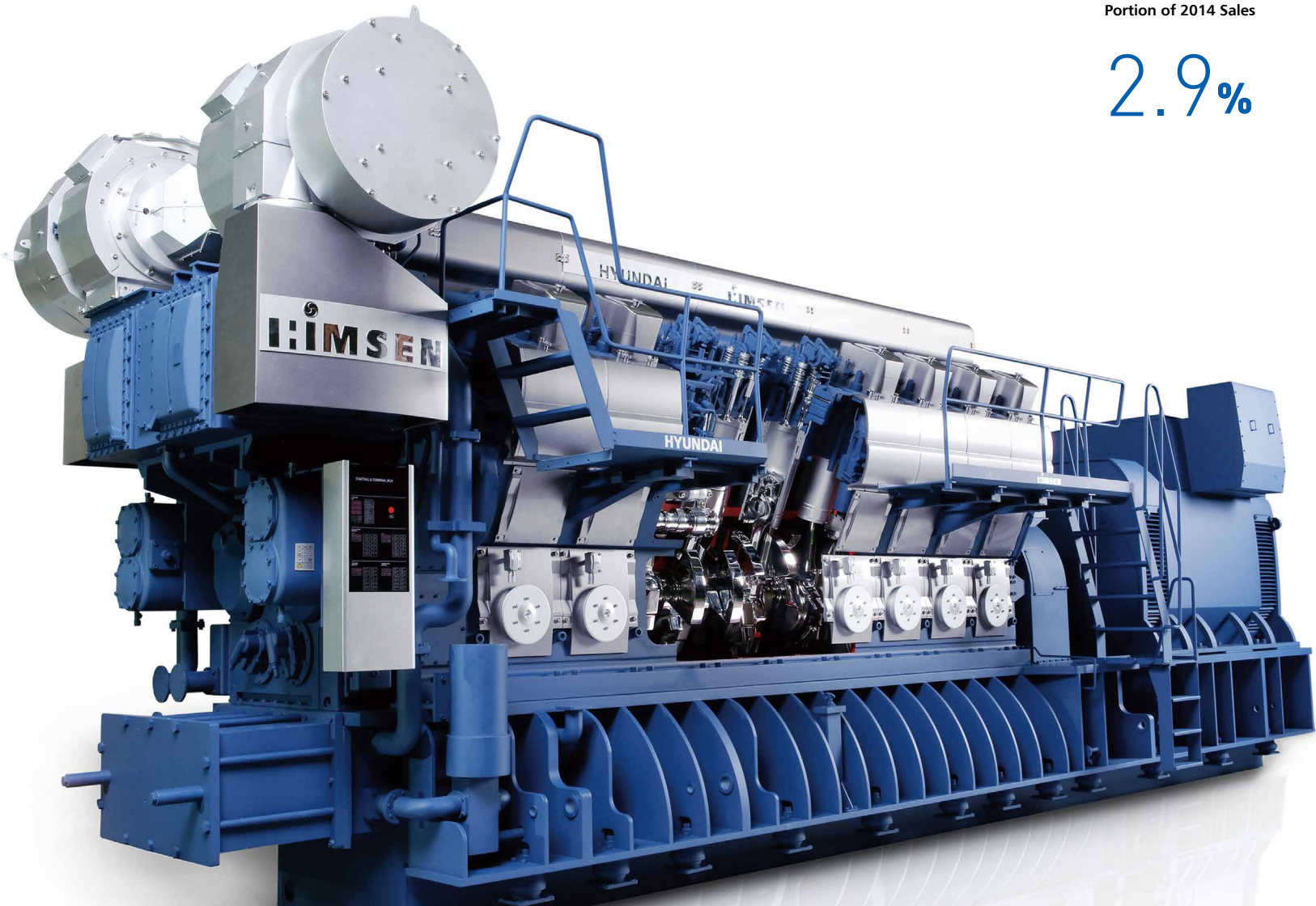
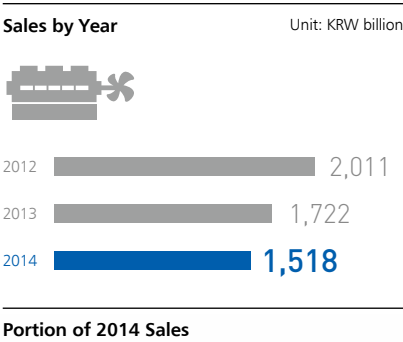
The Engine & Machinery Division won contracts worth USD 2 billion and recorded sales of KRW 1.5 trillion. In marine engines, we won contracts worth USD 1.6 billion. Nonetheless, we achieved only 69% of the target sales of USD 2.9 billion due to the downturn in diesel and gas power engines and hydraulic machinery.

In the two-stroke marine engine field, we continue to lead the market with a 36% market share. We produced 9.57 million bhp this year and achieved a new world record, a cumulative production of 140 million bhp. We have established a leading position in the market by producing 4,721 units of industrial robots and 8,870 units of “HiMSEN” four-stroke engines, a domestic independent model.

2015 Outlook

Marine engine orders are expected to focus on dual fuel engines in environmentally friendly and high-efficiency vessels, such as LNG carriers and mega containers. With Chinese shipbuilders offering lower prices and enhanced quality, however, competition in the industry could be intensified. In addition, the trend to consume local engines in China can lead to HHI’s poor performance in the Chinese market. Orders for HiMSEN engines might decrease because of the low demand for offshore plants such as drill ships and low oil prices. Still, the expansion of power plants will increase the number of orders for IPP (Independent Power Produce) projects due to the increased demand for electricity. Demand for industrial machinery, such as compressors or machinery robots, will also increase.

The Engine & Machinery Division is targeting new orders of USD 2.6 billion and sales of KRW 2.4 trillion in 2015. We aim to produce 327 two-stroke marine engines (10.3 million bhp), 990 HiMSEN four-stroke marine engines, and 5,000 industrial robots. In the four-stroke marine engine market, we seek to maintain at least 35% global market share by securing stable backlog stretching up to 2016 newbuilding volume intakes. In addition, we will continue to focus on our core businesses, two-stroke engines, dual-fuel engines, and diesel and gas power engines for power plants, in a bid to maintain our dominating market position. We also plan to concentrate sales resources on environmentally friendly dual-fuel engine package featuring ME-GI two-stroke engines, HiMSEN DF (Dual Fuel) engines, and Hi-GAS FGSS (Fuel Gas Supply System). The Engine & Machinery Division is scheduled to an A/S (after-sales) service center to closely communicate with overseas customers through the Global Service Network. In the machinery field, we will also focus on orders for industrial robots in the Chinese market, and expand our businesses into oil pressure pumps, air and gas compressors, and BWTS (Ballast Water Treatment System). Finally, we plan to exert our best efforts to secure price, delivery, and quality advantage by our integrated production capabilities.

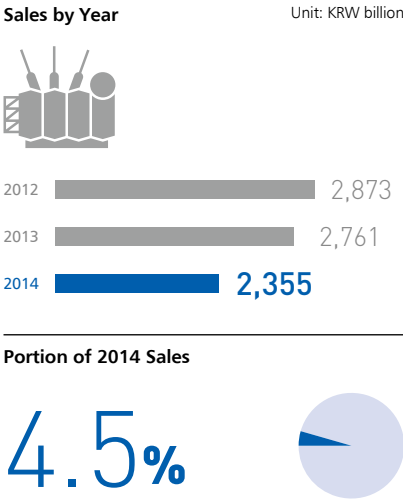


Divisional Business Performance •

ELECTRO ELECTRIC SYSTEMS

2014 Market Overview

As the profitability of the oil and gas industry declined due to the drop in oil prices in 2014, many new projects were canceled or put on hold. The decline in sales revenue of crude oil from major oil-producing countries also had a negative impact on investment in power infrastructure. Even though the huge market growth was initially expected in North America on the back of the replacement demand and new investment in new energy sources such as shale gas and sand oil, many projects are facing the risk of shutdown or drop in utilization rate due to weakened business profitability driven by the sharp decrease in oil prices. In Europe, power equipment investment weakened as economic recovery remains stagnant. Governments in the Middle East region are having difficulties in gathering resources to carry out infrastructure investment plans, as the decrease in oil prices translates into diminishing sales of crude oil, the key income source of the region. In Asia, infrastructure investment is growing in response to the increasing power demand driven by the growing population and improving economy. Market competition, however, has intensified, as the Chinese and Indian competitors with price competitiveness continued to enter the market. Despite the high growth potential, the African market experienced lower-than-expected growth due to unstable politics and economic constraints.



2014 Business Review

In 2014, the Electro Electric Systems Division recorded KRW 2.4 trillion in sales , despite the uneasy market situation – for example, lagging economic recovery of major export partners and intensifying market competition – , HHI recorded a 16% sales growth in power equipment business group and a 9% sales growth in power distribution equipment business group. Orders in 2014 also increased by 10.2% year-on-year to USD 2 billion.

2015 Outlook

While replacement demand for power equipment in existing power plants is likely to continue in North America, newbuilding investment will slow down due to the sharp drop in oil prices and energy demand. New investment in shale gas infrastructure, which was initially expected to grow based on the rising oil prices, will fall due to the sudden decrease in oil prices and its profitability. Except for Russia, which faces an economic crisis caused by economic sanctions from Western countries, most European countries will continue the investment in replacing old facilities. The Middle East will have difficulty in financing crude oil production and power infrastructure projects. Chinese and Indian companies with price competitiveness will continue to dominate the Asian market. Due to the political, economic, and social unrest as well as the weak investment environment, it will be difficult to invest actively in the African market even as the region has great growth potential with low power penetration rate.

The Electro Electric Systems Division has set its 2015 goal: USD 2.5 billion in orders and KRW 2.5 trillion in sales. For the North American market, we will make efforts to extend current long-term supply contracts of power equipment and attract new customers in the rotating machinery and distribution equipment market. For the European market, while promoting long-term supply contracts with National Grid in the UK, we will also work together with EPC contractors to expand orders in existing markets and promote entry into new markets such as Eastern Europe. In the case of the Middle East, we will expand orders by obtaining the qualification to bid new power products (PQ, Pre-Qualification) and find new country-specific strategic global partners to pursue new projects. For the Asian and African market, we plan to focus on creating new customers such as key EPC companies and Electricity Generation Boards.



Divisional Business Performance •

GREEN ENERGY

2014 Market Overview

The restructuring of the industry and government support mitigated the order imbalance and partially increased the profitability of renewable energy globally. The solar market maintained modest growth based on the support of the national governments and the decline of leveled cost of energy (LCOE). The industry was driven by strong growth in the US and Asia, while the growth in Europe continues to slump. An increasing number of companies began to turn around, as the improved supply-demand balance limited further decline in product prices. For the global wind market, demand for installation has recovered mainly in China and Europe. Due to the global economic downturn, the demand for wind power shrank, and the utilization rate of some companies that had expanded their production capacity fell sharply to 40% in 2013. Beginning last year, however, oversupply has eased due to closure or restructuring of old production facilities. The profitability of leading companies has been improved, but technologically inferior companies are still in the red; thus widening the gap between industry players.

2014 Business Review

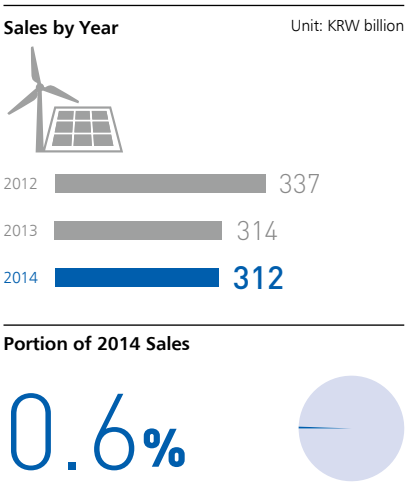
The Green Energy Division recorded sales of KRW 312 billion and orders of USD 308 million, which represent a 30% increase compared to 2013. We focused on earnings improvement by strengthening risk management and expanding sales. Due to the anti-dumping duties imposed on Chinese solar products in the US, sales of our products have increased significantly. We focused on marketing campaigns in the US and Japan. We also began to produce "PERL-type solar cells," which are

2015 Outlook

The market demand for renewable energy will expand steadily in 2015 due to the worldwide growth of renewable energy supply. The PV market is expected to grow at 10% CAGR and reach grid-parity in areas across the globe continuously. Market diversification will accelerate as emerging markets continue to grow, although non-European countries such as the US, Japan, and China account for a large proportion of the market. The overall profitability of the industry is expected to rise, but structural adjustment will continue as profits are most likely to be polarized in favor of leading companies that have attained cost or technological advantages.

used in high-power solar modules, for our technology competitiveness. We also laid the foundation to expand our export with recognition as a designated international module testing lab by international certification organizations UL and VDE. We concentrated on the contracts and operations of wind plant projects and generated revenue from operational maintenance as well as wind turbine deliveries.

The Green Energy Division will focus on the solar power business by establishing a revenue plan of USD 340 million in orders and USD 354 billion in sales. To achieve our goal, we will strengthen customer management to ensure stable orders and expand the sales channels. We also plan to increase the number of new clients in the US as the market share expands due to the anti-dumping duties imposed on Chinese and Taiwanese products. In addition, we will expand the proportion of high-efficiency and high-reliability products to meet the needs of clients in key markets and develop installation-friendly products to thrive in the residential photovoltaic market.





Divisional Business Performance •

CONSTRUCTION EQUIPMENT

2014 Market Overview

The construction equipment market has rallied from the second half of 2014 especially in North America and Western Europe. Emerging markets, however, turned weak in general due to the political unrest and austerity measures in Russia, Africa, and Asia. The demand for construction equipment continues to decrease in Russia and its neighboring countries in particular. In China, the demand for construction equipment declined as well due to the recession of the real estate industry and lack of stimulus measures. In addition, the market competition has intensified as Japanese companies, including Komatsu and Hitachi, aggressively expanded their operations in overseas markets based on the lower value of JPY. The market competition in Brazil is also becoming fiercer due to the increasing number of new entrants and the reduced market demand following the domestic recession.

2014 Business Review

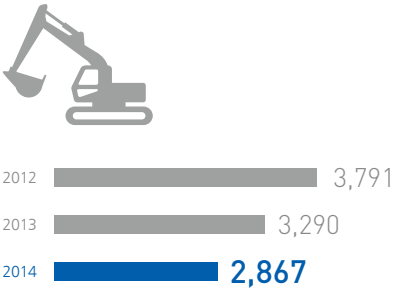
The Construction Equipment Division recorded sales of KRW 2.9 trillion in 2014, a 10% decrease from that of 2013 due to the global recession, intensified price competition with Japanese companies given the lower value of JPY, and plummeting demand in the Chinese market. We focused on expanding the market share by sales promotion and cost reduction in order to compete with the lower value of JPY-backed Japanese companies. In addition, we was ranked No.1 in terms of excavator market share in 13 countries, including the Middle East, Africa, CIS, Asia, and Latin America, by providing customer-oriented service and developing specialized equipment.

2015 Outlook

China, the main construction equipment market, will see its market demand shrink due to the idle equipment increase and the economic restructuring. On the other hand, the US market is expected to grow owing to an improving labor market, an easing monetary policy, and increased investment in housing construction. In Europe, there is an expectation that the market will recover gradually led by the UK. However, there is a concern that the recession in Russia and neighboring countries, caused by falling oil prices and the economic sanctions, can halt the recovery. Emerging markets are likely to be squeezed

due to the drop in raw material prices, unfavorable exchange rates, tightening policies, and unstable political situation. In addition, the price competition with Chinese and Japanese companies should intensify. The Construction Equipment Division is targeting USD 2.3 billion orders and KRW 2.4 trillion in sales in 2015. We will focus on risk management by improving dealership performance to cope with the increased management risk and the decreased market demand. We also plan to strengthen product support by improving A/S (after-sales) services and product quality, and by training dealers.

Sales by Year Unit: KRW billion



Portion of 2014 Sales



Divisional Business Performance •

OIL REFINING

2014 Market Overview

The global oil price in 2014 dropped significantly compared to 2013 due to an increase in oil supply from the Middle East and production of shale gas in North America. In the first half of 2014, disruption in crude oil production in Libya, conflicts between Russia and the West over the crisis in Ukraine, and signs of a civil war in Iraq resulted in oil price hikes. In the second half of 2014, however, the global oil price plunged due to mitigation of geopolitical risks, supply glut, and the stronger dollar. The global demand for chemical products decreased in 2014 due to the slow market recovery and the East Asian financial crisis. However, the supply of chemical products increased as China and the Middle East added new refineries.

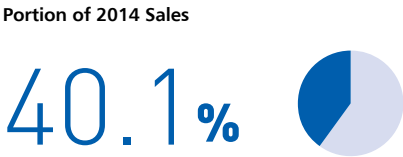
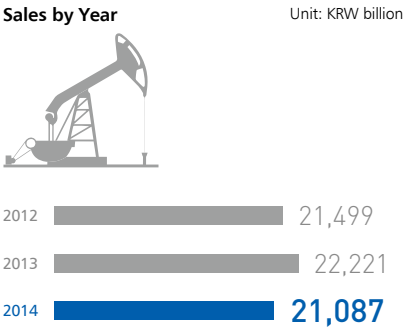


2014 Business Review

The Oil Refining recorded sales of KRW 21.1 trillion in 2014, slightly down from the previous year. Operating profit in 2014 shrank by 43.5 % to KRW 228.5 billion compared to 2013 due to the refining margin reduction and inventory-related losses. Still, we minimized the refining margin losses by flexibly adjusting capacity utilization and cutting costs through the diversification of crude oil import sources. We also minimized inventory losses through effective inventory management.

2015 Outlook

The global oil price in the first half of 2015 will face continued downward pressure due to oversupply and a strong USD. However, there is a possibility that the mitigation of geopolitical risks stemming from Iran’s nuclear negotiations and the Islamic State (IS), and a decrease in shale oil extraction can spark a rally in global oil price. Even though refining margins are likely to remain steady due to increasing crude oil premium and growing supply from new refining facilities, the margins may possibly improve if the oil prices rebound. Stagnant demand and tougher domestic price competition caused by discount fuel retailers and e-commerce expansion might sustain the downward pressure on sales margins. With the global oil price in 2015 expected to stay low, sales in oil refining are expected to slightly decrease compared to 2014. Despite market uncertainties caused by low oil prices and slow economic recovery, Hyundai Oilbank will promote price competitiveness through the diversification of crude oil sources and improve the operating profit through prompt responses to market changes, such as oil prices and exchange rates, and stable operation of our upgrading facilities. In particular, Hyundai Oilbank will enhance profitability and competitiveness in new businesses instead of increasing new investment because of the uncertainty of the external environment, such as oil prices, interest rates, and exchange rates. Hyundai Oilbank will promote new business opportunities and make selective investments to sustain a stable growth trajectory.



Divisional Business Performance •

FINANCIAL SERVICES

2014 Market Overview

The Korean stock market remained range-bound, moving from 1,900 points to 2,100 points despite the Chinese economic slowdown, recession in Europe, and strong KRW. The Korean stock market declined in the first quarter due to the global economic slowdown, only to rise to 2,100 points in the third quarter with policy expectations for the new economic team. Nonetheless, it fell again in the fourth quarter and closed the year 2014 at 1,915 points due to concerns of emerging economic crisis and rise in interest rates.

2014 Business Review

HI Investment & Securities • HI Investment & Securities recorded consolidated net profit of KRW 22.7 billion(separate KRW 18.7 billion) and successfully turned around in 2014 thanks to increased income from sales and bond management following interest rate cuts. In addition, we were named the best fund distributor of the year by the Korea Financial Investor Protection Foundation in recognition of our efforts for investor protection and customer confidence.

HI Asset Management • HI Asset Management posted operating assets of KRW 10 trillion – a 24% increase compared to a year ago – by implementing goal-oriented sales activities and providing optimized products to meet customers' needs despite the fluctuating market environment. Due to the increased return from fund management and principal investment, we recorded pretax profit of KRW 8.6 billion, KRW 3.1 billion higher than our previous target profit. HI Asset Management was awarded the Best Bond Fund by Morningstar and the Best Hedge Fund Award by the Korea Herald Business.

2015 Outlook

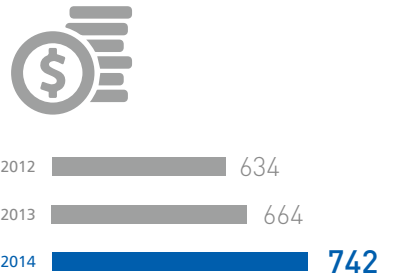
The Korean stock market should remain unstable in 2015 due to external factors: US quantitative easing, European economic uncertainties, slow economic growth of China, and the currency war. Nonetheless, the global economic stimulus package, increased earnings of domestic companies, and stock price momentum due to abundant liquidity with low interest rates should work as positive factors.

HI Investment & Securities • HI Investment & Securities will maintain high sales growth by expanding the PB operation and targeting the retirement market, enhancing efficiency of capital use, strengthening proprietary trading operation, and promoting FICC operation and overseas business. In particular, we will enhance our market competitiveness by expanding infrastructure investment, risk management activities, and online & mobile business.

HI Asset Management • HI Asset Management will attract long-term capital by improving the performance of institutional capital delegated from pension funds, and increase assets under management by attracting more capital inflow to equity, hybrid funds, and discretionary investments. In addition, we will attract long-term capital from retail investors with stable performance and marketing through customers' risk-reward profile analysis, in order to offset the profit decline of high-fee funds. We will also secure flexibility to deliver goods based on global market analysis in a timely manner.

Sales by Year

Unit: KRW billion



Portion of 2014 Sales



Part

03

SUSTAINABILITY
PERFORMANCE

UNWAVERING DRIVE

We boast of a proud history and our experience of successfully accomplishing daunting tasks, which were deemed unfeasible by many, with our unwavering drive and spirit. We will continue to challenge our limits and make the impossible, possible.



Sustainable Management Operation Systems

Sustainable Management

There are various requirements for sustainable management, including staffs' attention, the management's commitment, and the budget. HHI has been operating an efficient sustainable management system by appointing professionals and departments in every sector so that all employees can agree on and participate in. The departments perform comprehensive management such as planning, execution, and performance assessment, and participate in enterprise-wide strategic planning for sustainable management. Those activities and performances are utilized in new activity planning and publishing of integrated reports.

Sustainable Management Operation Processes



Timeline for Sustainable Management

HHI's sustainable management operates for a one-year period. The departments in every sector assess and evaluate their sustainable management performances and future plans on a quarterly basis, and the result is reported to the management.



Sustainable Management Policy

We transparently disclose our sustainable management activities and performances, and improve our systems through periodic performance assessment.



Transparent Disclosure

HHI reports sustainable activities and performances to stakeholders through various communication channels. We provide detailed information through individual websites of each sector, as well as the company website and the integrated report.



For more information, see "Enhancing Transparency" on page 65.



Systematic Performance Management

To reflect the sustainable management principles and strategies, we manage our performances by classifying areas based on five management philosophies. Each performance has been collected regularly for integrated reporting and strategic planning.



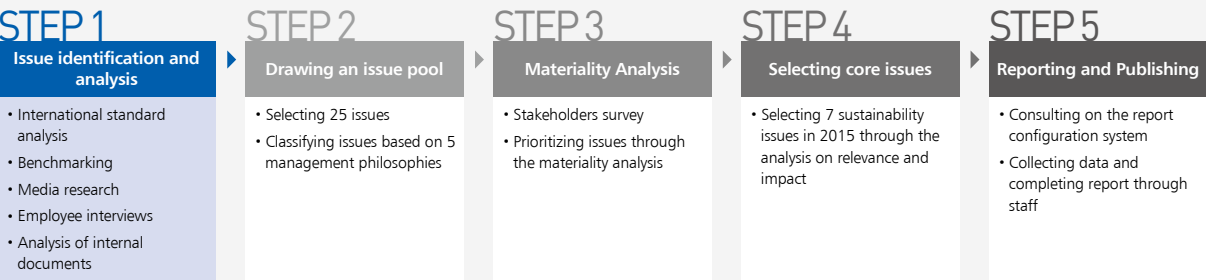
Continuous Improvement

HHI's sustainable management planning starts from evaluating and analyzing. We find our operational directions by evaluating our activities and performances multilaterally and improve operating systems continuously.

Materiality Analysis

Materiality Analysis Process

HHI implemented materiality analysis to select core issues for the 2015 Integrated Report. It identified issues through the review on international standards regarding corporate social responsibility (CSR), media research, benchmarking, and employee interview. Issue pools have been utilized for the surveys among stakeholders. Through the materiality analysis, seven core issues on sustainable management have been selected.



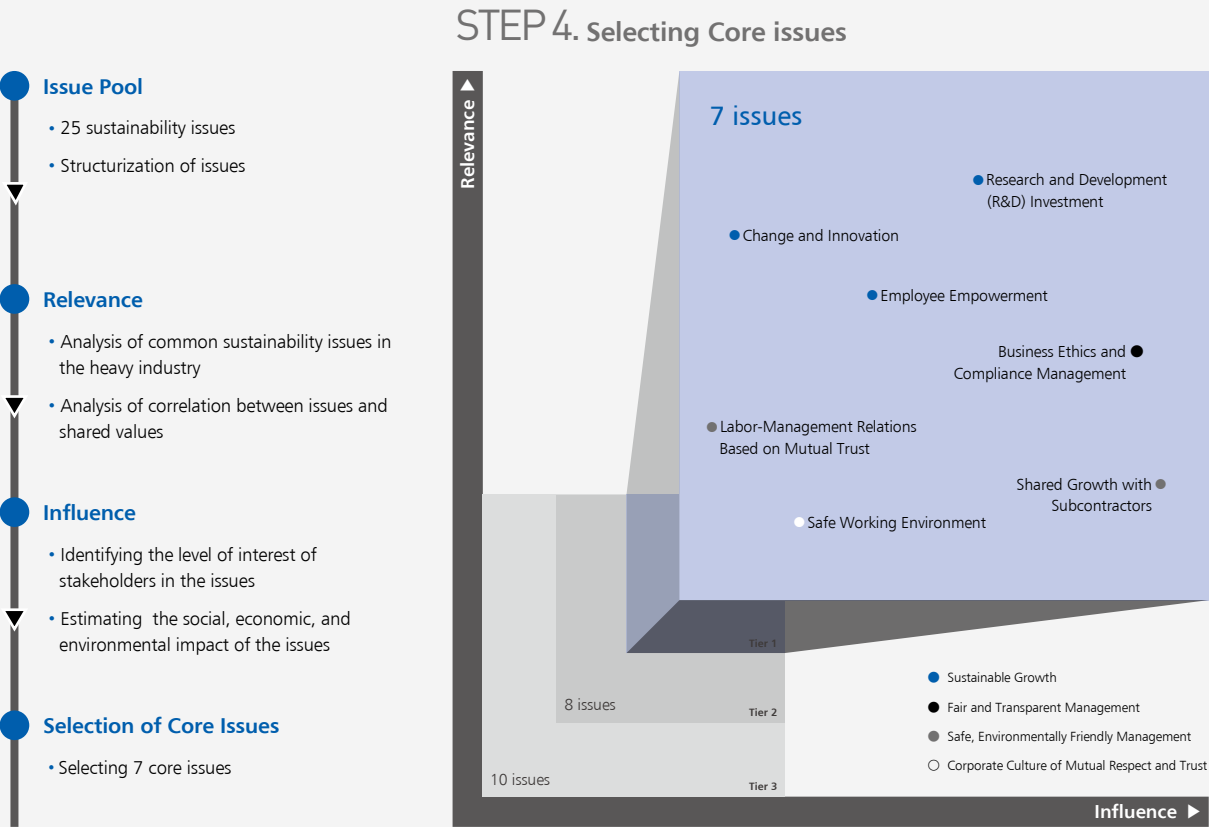
STEP 2. Drawing an issue pool

25 issues are categorized into 5 sections based on HHI's management philosophy. We seek to report efficiently through systematic classification and management.

 <div>Sustainable Growth</div> <div><ul style="list-style-type: none">• Change and innovation• R&D investment• Employee empowerment• Competitive advantage through customer satisfaction• Market dominance</div>	 <div>Fair and Transparent Management</div> <div><ul style="list-style-type: none">• Prevention of unfair competition• Business ethics and compliance management• Fair trade with subcontractors• Equitable distribution of economic performance• Governance integrity improvement</div>	 <div>Safe, Environmentally Friendly Management</div> <div><ul style="list-style-type: none">• Safe working environment• Safety management training and enhanced operating systems• Environmentally friendly technology• Enhanced environmental operating system (resource recirculation, recycling, pollution)• Investment in environmental protection and conservation</div>	 <div>Corporate Culture of Mutual Respect and Trust</div> <div><ul style="list-style-type: none">• Labor-management relations based on mutual trust• Improving the quality of employees' lives• Employee communication• Respect for human rights and labor rights of employees of subcontractors• Shared growth with subcontractors</div>	 <div>Contribution to Social Development</div> <div><ul style="list-style-type: none">• Increasing community competitiveness• Social contribution activities reflecting industry characteristics• Diversify communication channels with the community• Social development investments• Global social contribution activities</div>
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STEP 3. Materiality Analysis

HHI adopted the materiality analysis process of the International Integrated Reporting Committee (IIRC) for the 2015 Integrated Report. We identified the relevance between our management activities and the issues drawn based on international standard analysis, benchmarking, and media research and analyzed the influence on stakeholders.



We realize sustainable growth through change and innovation

With regard to the shipbuilding, offshore & industrial plant, engine & machinery, electro electric systems, construction equipment, and green energy division, HHI has led drastic changes and innovations based on a flexible management system. We are currently concentrating efforts on discovering promising businesses and fostering them to secure their core competence.



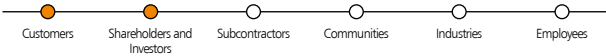
Increase the Corporate Value through Sustainable Growth

HHI has grown through continuous change and innovation. We established a reputation in shipbuilding, offshore & industrial plant, engine & machinery, electro electric systems, green energy, and construction equipment based on the world-class technology and quality. Refusing to rest on our laurels, we will do our best to create greater values.

Corporate Value Enhancement Policy

Companies that are afraid of change and innovation will fall behind the competition. Accordingly, we identify and improve existing activities and policies that are not suitable for the current management environment. We will prepare core competencies and flexible management systems to soar to new heights.

Change and Innovation

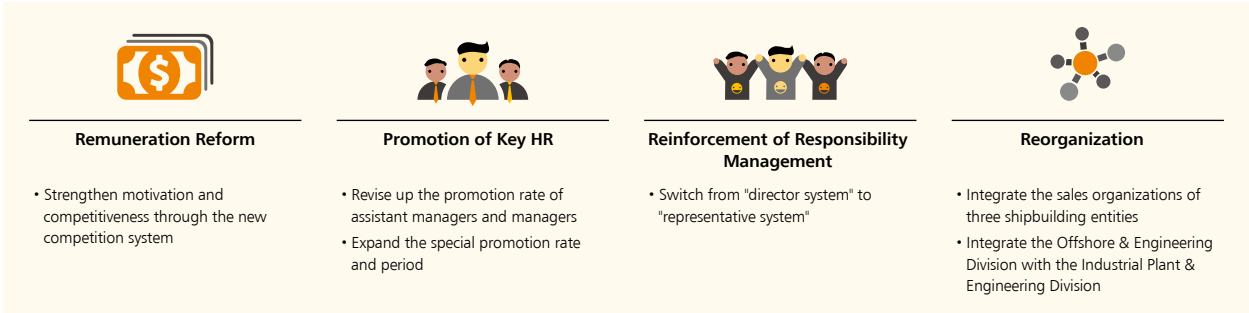


Background

2014 was a tough year for HHI due to the deepening global recession, falling crude oil prices, and intensified competition with industry peers. We pursue bold change and innovation to overcome these difficulties. Innovation activities based on the mutual idea that a dynamic corporate

culture would dramatically transform employees by providing new motivation and responsibility, acting as the driving force for us to perform as a global leader.

Key Innovation Areas



Reform

Performance-based Compensation • HHI introduced the performance-based compensation system in November 2014. The new compensation system was designed to provide reasonable reward for the efforts of our employees by increasing the total compensation gap to ± 35%. Such gap is expected to provide differentiated rewards based on individual performance, thereby encouraging a healthy competition within the company. An evaluation index for assessing business profit, revenue, and safety of each division was newly devised to accommodate the implementation of this system. Moreover, we decided to implement measures to evaluate comprehensively long-term performances of 3 to 5 years and give the corresponding compensation to employees so that they do not always stick to short-term goals. The introduction of the new compensation system will bring greater vitality to us through objective and accurate performance assessment.

Dynamic Corporate Culture • In order to select talents and nurture them into the core manpower of the company, we increased the promotion rate of assistant managers and managers to 20%, the special promotion rate, from 8% to 10%, and the special promotion period, from a year to two years. We also set up a special promotion system for the production department for the first time.

Representative System • In order to improve the tendency to focus on short-term performance through the selection and concentration strateg y, we have changed the title of heads of each division to "representatives." Accordingly, the representatives will have substantial authority and responsibility for the organizations and focus on strengthening the core capabilities, including improving the corporate culture and price competitiveness and seeking new growth engines by allowing the vice-heads of divisions more discretion.

Organization Efficiency • Reforming organization efficiently, we made efforts to restructure under-performing businesses and improve the working environment. The company downsized departments from 432 to 406 for operational efficiency, established the "Group Ship Sales Division" by integrating the sales organizations of HHI, HMD, and HSHI, and launched the "Offshore & Industrial Plant Division" by integrating the Offshore & Engineering Division and Industrial Plant & Engineering Division. In addition, we will enhance our competitiveness by downsizing or consolidating poor-performing overseas subsidiaries.

Main Activities in 2014

Crisis Management • A total of 130 executives attended the “Resolution Conference to Overcome the Management Crisis,” a rally for crisis management, on June 21, 2014. There, they vowed to take the initiative by adopting a resolution for cost savings, finishing projects on time, securing safety, and resolving crises.

TF for System Improvement • HHI operated the CEO-directed TF team from October 15, 2014 to February 15, 2015 to actively reflect the employees' opinions. The TF team for System Improvement identified employees' recommendations by installing the "suggestion box" at 105 places and improved 284 cases.



Emergency Management System • In order to overcome the management crisis efficiently, we decided to implement the emergency management system and intense self-rescue measures, which include enhancing the business structure and reorganizing our manpower, organization, and system. We distributed the statement of emergency management systems filled with the stable labor-management relationship, profitability, delayed process recovery, austerity management plan etc. to draw the attention and participation of employees.

Innovative Ideas • We set up the "Innovative Market" and "TRIZ Institute" bulletin boards on intranet to share the ideas and know-how of our employees. When employees raise questions or meet with difficulties on their works, they can get effective answers from other employees on the "Innovative Market" page. On the other hand, the "TRIZ Institute" page offers the opportunity to learn "TRIZ" and discuss how to apply it to cooperative work.

Plans for 2015

The market environment in 2015 will be no better than that of 2014 due to the persistent global economic recession, intensified competition with Japanese and Chinese companies, and a further slide in oil prices. We declared 2015 as "a year of reform for competitive recovery" in order to recover our competitiveness through change and innovation.

Management Objectives for 2015

- Strengthen Cost Competitiveness for Business Goals
 - Strengthen competitiveness by implementing responsibility management system and special committees
- Build a Safe, Structured Production Site
 - Enhance product competitiveness through the removal of unnecessary waste and systematic field operations
- Create a New Corporate Culture of Harmony and Innovation
 - Sharpen competitive edge by establishing dynamic corporate culture



Employee Empowerment



Nurturing Employees

HHI's educational philosophy is to foster future creators. Accordingly, we work to build an environment where employees can develop their talents and feel proud of their works.

Our various educational programs – including HHI MBA, specialized job training, and benchmarking of global leading companies – help employees to grow into the world's top talents.

SUSTAINABILITY PERFORMANCE

Human Resources Development Strategy



Main Activities in 2014

HHI MBA • The University of Ulsan offered the HHI MBA program in conjunction with Brigham Young University (BYU) to 22 next-generation leaders in 2014. HHI MBA provides an opportunity for employees to learn the latest management theories and practices.

Job Training • HHI offers work-site and night job training in response to the various needs from a wide range of businesses. A total of 6,169 employees completed the job training, including word processing, IT, humanities, and job-related classes, with their constant attention and interest.

Master Board • Master Board, a curriculum for field leaders, provides problem solving techniques, presentation skills, and membership training. A total of 32 managers at the production sites completed this course.

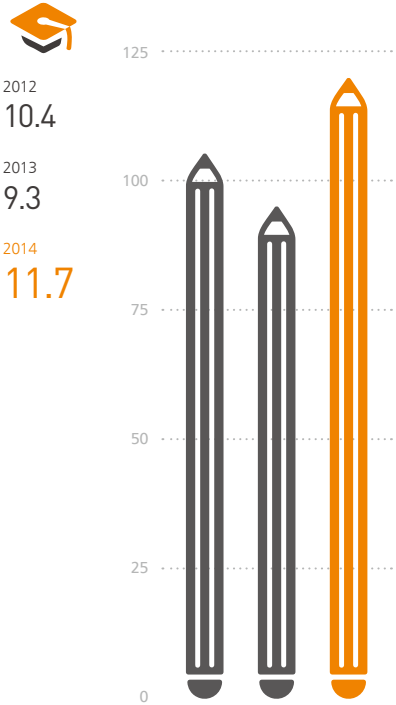
Key Programs by Curriculum		● Executives	● Employees
Mandatory Training	Newly Promoted Executives	●	
	Positional Promoters' Training, New Recruits Introductory Training, etc.		●
Core Talent Training	GE Crotonville Training, Hyundai CEO Academy	●	
	Global Manager Courses, HHI MBA Courses, Junior Board,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

Education Performances in 2014

We continue to increase our investment in employees' education based on the conviction that employees' competence is the company's competitiveness. The Human Resources Development Institute and Technology Development Institute develop educational programs that provide practical skills to employees and improve the programs through the trainees' evaluation after the training. We invested KRW 11.7 billion in the educational programs in 2014, increasing 26.8% compared to 2013.

Investment in Education

Unit: KRW billion



Number of Trainees in Programs in 2014 (cumulative)



Total Education Costs in 2014



Training Hours per Person in 2014



Training Expense per Person in 2014



Main Achievements in 2014

Leadership Program Development • HHI developed a 16-hour leadership program to hone the leadership skills of the new department heads and team leaders. The program utilizes not only theories on leadership but also various teaching methods, such as case studies and simulations, for the efficient work performances of department heads and team leaders.

Department Heads

Presentation of Vision • Goal Management • Decision Making • Human Resource Development

Team Leaders

Leading Innovation • Goal Management • Human Resources Management • Communication and Solicitude

Rebuilding the Cyber Education System • HHI has reorganized the existing cyber education systems into "HI e-Campus." HHI reformed the UI of the website and integrated the study-related information for employees' convenience. We also added the functions of giving suggestions to the trainees in accordance with the competence assessments, and changing the order of group trainings.



Global Leader Refresher Camp • Approximately 6,000 employees who have worked for less than 10 years participated in the Global Leader Refresher Camp, which was designed to provide a positive corporate culture as well as to instill pride in their work to employees. The camps at the Dhamul Lifelong Education Center in Jirisan National park provide employees an opportunity to escape from their daily routines.

Senior Foreman · Foreman Leadership Program • Senior foremen and foremen, as leaders in production sites, had a leadership training at Hotel Hyundai in Gyeongju for two nights and three days. Trainees gave positive responses to the program, which was carried out for leadership development through intergenerational understanding. According to the participants, the program was very helpful in communicating with younger employees. A total of 1,400 senior foremen and foremen completed the program for 14 times.

EPC PM Professional Course • The new job training course was set up for better performance in the EPC projects. This 165-hour course includes problem-solving and project management skills with some examples in EPC projects.

Business Plan for 2015

Organizational Activation Program for Production Workers • The Organizational Activation Program will be launched to encourage employees in production sites to communicate and cooperate with each other more efficiently under a positive atmosphere. About 15,000 production workers will participate in the program so that they can share candid thoughts with their coworkers.

Hyundai Spirit Education Program Development • HHI will offer opportunities for employees to be fully aware of the Hyundai Spirit. We will develop programs that reflect the trend of safety, environmentally friendly, and business ethics based on our credo such as Creative Wisdom, Positive Thinking, and Unwavering Drive and the company motto including diligence, frugality, and camaraderie. In addition, sharing best practices of the Hyundai Spirit will encourage employees to have active will and strong power to survive in any business environment.

New Foreman Training • This training program is designed to enhance the performance and leadership of foremen who play a pivotal role in production, which is expected to prevent difficulties caused by role change and provide opportunities for new foremen to perform their duties effectively.

Technology Empowerment

Our technology to design, produce, install, and construct various products, including shipbuilding, offshore & industrial plant, engine & machinery, electro electric system, green energy, and construction equipment, is the source of our competitiveness. We have been operating various programs to enhance employees' technological capacities at the Technical Education Institute since 1972, the year when the groundbreaking ceremony for our first dockyard was held.

Main Activities in 2014

Instruction in Core Technology • The System of Instructing in Core Technology, designed to maintain the core technologies retained by highly skilled workers, contributes to enhancing quality competitiveness. We selected 191 core technologies and connected them with our HR system to pass them down efficiently.

Meister School • HHI supports the curriculum assessment, curriculum development, and teaching material development of Hyundai Technical High School, which changed to a Meister School of shipbuilding and offshore plant in 2015. We also plan to initiate Mentor-Mentee Program linked to club activities for students.

Vision and Strategy of the Technology Education Institute

Vision

The World's Top Training Institute for Professionals to Lead HHI's Technological Competitiveness

Strategic Directions

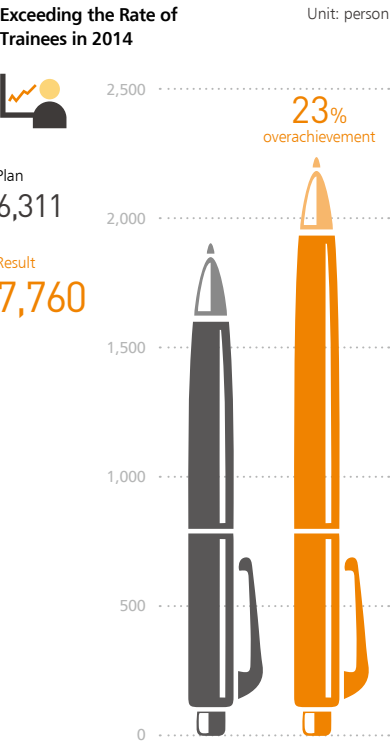
Customized Technical Training Support for Field Work

Maintaining Core Production HR

Enhancing the Prestige of Technology Internally and Externally

Technology Education in 2014

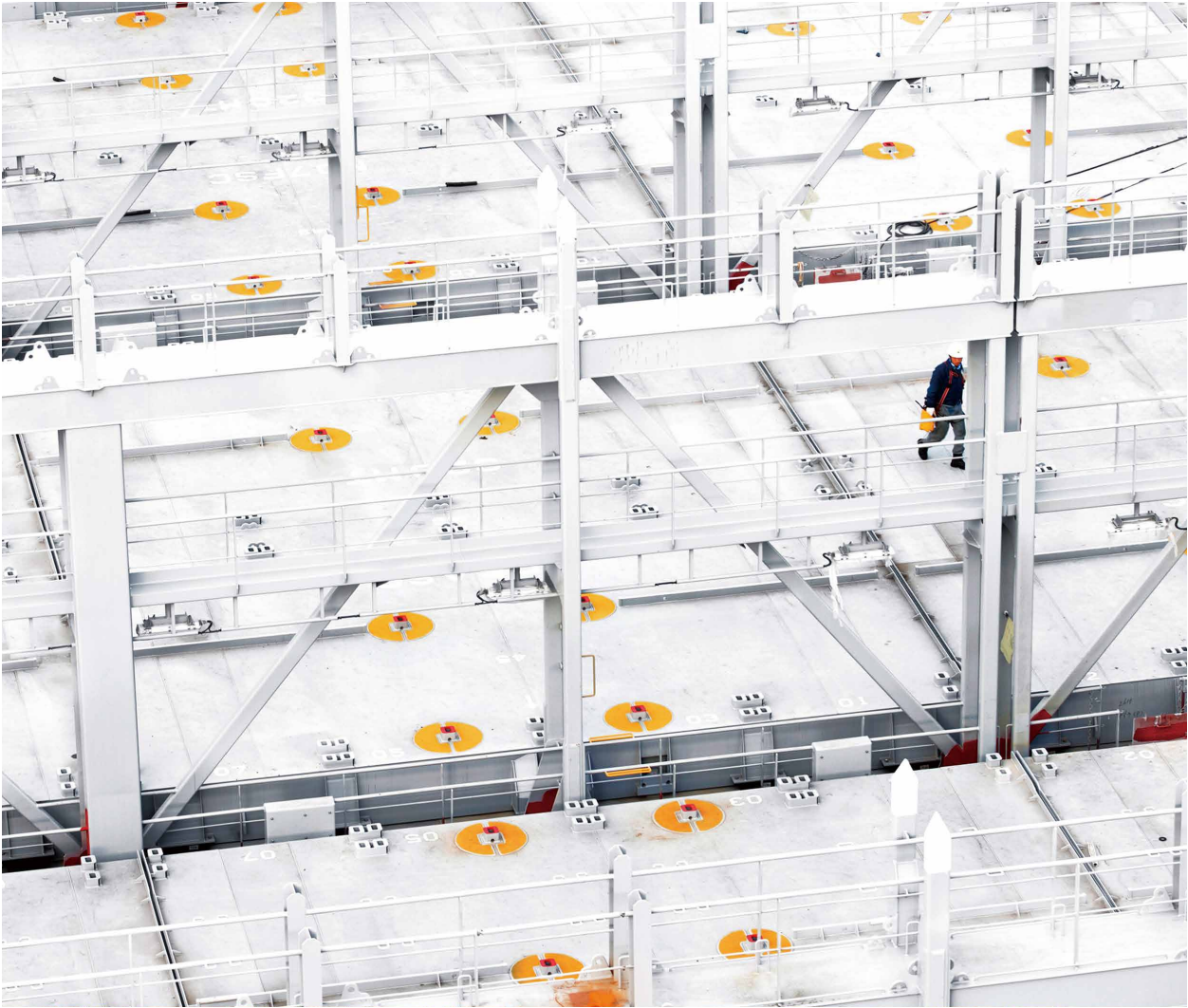
A total of 7,760 employees completed the training courses at the Technical Education Institute; this represents a 23% overachievement compared to the planned number of employees of 6,311. We will develop core technical professionals through systematic curriculums.



Plans for 2015

Technicians CDP • HHI plans to establish the Career Development Program (CDP) to check the level of technicians' production skills and to develop a roadmap for future education. We will also prepare a technical training roadmap for each division and process, and design the curriculums as well as the curriculum materials.

The WorldSkills Competition in Brazil • Six employees of HHI will participate in the 43rd WorldSkills Competition in August 2015 in Brazil. HHI will support the participants in the welding, plumbing and heating, construction metal work, sheet metal technology, electrical installations, and CNC turning sectors to enhance national prestige as well as to showcase our advanced technologies.



Research and Development

Research & Development Goals

HHI has developed with extraordinary passion and aggressive investment in research and development. In addition, we have continuously striven to enhance the competitiveness of our flagship products and create new values by developing new technologies and products.



Research and Development Strategy

We have devoted our resources to developing three kinds of technologies: differentiated technology for enhancing sales competitiveness, future technology for sophisticated designs, and strong technology for production efficiency. In addition, we focus on the development of new products and technologies as new growth engines, and source technologies for competitiveness.

Operating Systems

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. They maximize R&D performances through well-defined roles and responsibilities as well as collaboration.

Organization	Main Tasks
Corporate Technology Institute	Developing company-wide technology and base technology for the new growth engine
Business Division Research Institutes	Developing new technology, new products, and flagship products to enhance competitiveness
Overseas Research Centers	Identifying the global R&D trend in collaboration with foreign institutes

Main Performances in 2014

Business and Academic Cooperation • HHI concluded an agreement with the Engineering College of Seoul National University (SNU) for business and academic cooperation on March 28, 2014. Accordingly, we have done - in collaboration with the Engineering College of SNU-joint seminars and R&D tasks on shipbuilding engineering, mechanical engineering, electrical engineering, computer engineering, chemical engineering, materials engineering, and industrial engineering.

Technology Development MOU • The Engine & Machinery Division signed a Memorandum of Understanding (MOU) on technology development with Korea Gas Corporation on December 9, 2014. We work on the development of LNG bunkering and urban natural gas and diesel multi-fuel generating technologies.

LNG Storage Tank • HHI developed the first independent model of onshore modular LNG storage tank in the world and received AIP from the American Bureau of Shipping (ABS). The LNG storage tank boasts of a full containment system, thereby reducing the cost and construction period of EPC projects in remote locations.

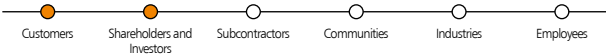
Collision Avoidance Support System (HiCASS) • HHI developed HiCASS, a system that provides the best route for ships to avoid dangers such as reefs detected within 50 km. The technology, once deployed on a commercial scale in 2016, is expected to contribute to safe ship navigation.

R&D Investment

HHI invested KRW 276.6 billion in R&D for new products, flagship products, new technology, and source technology. We will provide the best products to customers through continuous support and investment in R&D.



Quality Management



Quality Management Policy

In order to satisfy the various quality requirements of customers, HHI's quality management process is based on ISO 9001, a globally recognized standard. To provide the highest-quality products, we conduct thorough quality inspections over the whole process from processing and assembling to performance tests with international classification societies and authorized inspection agencies.

Main Activities and Performances in 2014

Quality Management Systems (H-OMS) • HHI established company-wide quality management systems, H-OMS for integrated quality management in May 2014. Through computerized systems based on ISO 9001, we check the processes and manage the quality status and performances of all departments systematically.

Quality Campaign • In order to enhance competitiveness and customer satisfaction, HHI waged a quality campaign in May 2014. The Quality Management Planning Team and Hyundai Marine Service Center stressed the importance of quality through the "A/S Claim Prevention Exhibition" and "Quality Campaign."

Hyundai Marine Service Center • For better customer service, we launched the HHI group ship A/S center named "Hyundai Marine Service Center" in collaboration with HMD and HSHI on January 19, 2015. We will improve customer satisfaction by offering one-stop A/S services to accommodate to clients.

Company-wide Quality Divisional Contests • Divisional contests have been held since 2012 in order to encourage quality improvement by division and enhance quality by finding best practices. A total of 8 teams participated in the contest held on March 14, 2014 to share the best quality improvement cases.



Quality Management System Certificate (ISO 9001)
DNV GL

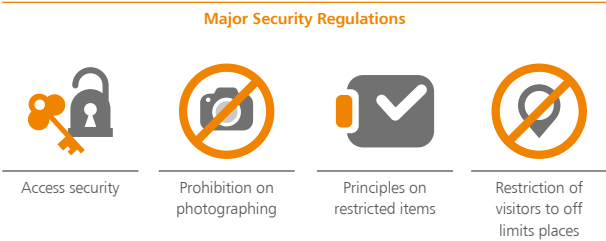


Hyundai Marine Service Center

Customer Information Protection

Customer Information Protection Principles

We comply with industry security regulations in order to protect the core technologies for our competitiveness. In addition, we protect customer information pursuant to the information security policies. Internal information security officers are required to complete information protection training courses annually.



Disclosure on Management Approach

We shape a better future through fair and transparent management.

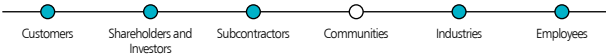
Business Ethics is necessary for companies to gain trust and respect. HHI fosters a transparent corporate culture through business ethics.



Business Ethics and Compliance Management of HHI

Management transparency became an important criterion for evaluating companies. The global market requires corporations' fair management and transparent reporting as a corporate social responsibility. We highlight business ethics and compliance management to respond actively to such a business environment.

Business Ethics



Value Structure

Like a “forest” that contributes to the coexistence of all surrounding lives, we will foster an environment for all stakeholders' growth and development by ensuring fairness, ownership, responsibility, enthusiasm, safety, transparency and trust.

Direction

Through business ethics based on fairness, ownership, responsibility, enthusiasm, safety, transparency and trust, we will fulfill our social responsibility and become a company with which customers and subcontractors wish to do business, a company worth investing in for investors, and a company admired by our employees.

Business Ethics Management

FOREST

Fairness

Ownership

Responsibility

Enthusiasm

Safety

Transparency & Trust

Fairness

Ownership

Responsibility

Enthusiasm

Safety

Transparency & trust

Pursuing Value in Business Ethics

HHI employees take a 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.

SUSTAINABILITY PERFORMANCE

Business Ethics System

HHI’s business ethics system is based on practical regulations including the Charter of Ethics, Code of Conduct, and Business Ethics Guidelines for the company’s fair and transparent management. In addition, we operate it systematically and practically through training, promotions and various practice programs. For purchase, human resources, design, finance/accounting, IT, and sales, which require stricter awareness of ethics, we have implemented additional regulations specified for each job.

Regulations

Charter of Ethics	Code of Conduct	Special Code of Conduct	Business Ethics Guidelines	Code of Conduct for Business Partners
Declaration of HHI's management philosophies based on business ethics	Ethical standards embodied in the Charter of Ethics by sector	Standards for employees engaged in business functions, which require specific standards, to be enforced to sign additional pledges for stricter ethical obligation	Detailed job Guidelines for the implementation of business ethics at work place	Ethical standards for shared growth with partners through transparency and fairness in business

Business Ethics Action Program

Commitment to Business Ethics Management	Reporting Conflicts of Interests	Clean National Holidays Campaign	Self Test of Ethics Level	Education and Public Relations
Submission of a pledge of commitment to business ethics management, so as to acknowledge the relevant regulations and promise to abide by corporate policies and guidelines	Prevention of any conflict of interest and promotion of transparent trade process through the internal reporting system	Operation of the clean notice system intended for employees and partners when national holidays come up	Enhancing understanding of the relevant regulations and finding solutions through the self-evaluation of compliance with business ethics	Practice and promotion of business ethics among employees

Charter of Ethics

Since adopting the purchase ethics regulations in 1994, we have practiced business ethics management by establishing ethics regulations, offering online courses, and running a website through which employees can voice their complaints. We also declared in October 2005 a "Charter of Ethics" that shows our management philosophies based on business ethics.

HHI's Charter of Ethics

Our company is rooted in the Hyundai Spirit, which is comprised of "Creative Wisdom", "Positive Thinking", and "Unwavering Drive." We pursue to be a respected, trusted company that positively contributes to its customers, shareholders, and society with the Hyundai Spirit. To achieve this goal, we hereby establish this Charter of Ethics, which defines our standards of conduct to follow in accomplishing faithfully our original role and social responsibilities as a corporate entity, and we declare to comply with this Charter of Ethics as follows:

01

We shall be an ethical company that abides by all domestic and international laws and regulations through fair and transparent management practices.

02

We shall achieve customer satisfaction by meeting customers’ needs and expectations.

03

We shall pursue to maximize shareholder’s value through fair and efficient management.

04

We shall work to fulfill our social responsibilities and duties as a member of our community and contribute to the development of our nation and society.

05

We shall work to create a transparent and clean corporate culture through fair competition and trading practices.

06

We shall pursue to be a company with the highest-quality human resources and which offers equal opportunities to our employees in a safe and comfortable working environment.

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Specifying Business Ethics

HHI gives shapes to “Charter of Ethics” by each job and enacts or revises “Code of Conduct,” the benchmark for business and “Business Ethics Guidelines”. In addition, we enhance our effectiveness by regularly making revisions that reflect social demands on ethical management and amending ethics regulations in tandem with the statutory laws and regulations such as Prevention of Corruption Act, etc. We revised the "Code of Conduct," "Business Ethics for Partners,“ and "Business Ethics Guidelines" in 2014.

Charter of Ethics			
Code of Conduct	Special Code of Conduct	Business Ethics Guidelines	Code of Conduct for Business Partners
Enforced on October 4, 2005	Enforced on May 2, 2007	Enforced on January 1, 2002	Enforced on October 4, 2005
Criterion for action and valuation	Additional duties of employees engaged in six special positions that require high morality and integrity (purchasing, human resources, sales, finance/ accounting, design, IT)	Business process standards for understanding and practicing business ethics policies	Partners' duties when trading with HHI
July 25, 2014 First revision		July 25, 2014 Sixth revision	July 25, 2014 First revision

Business Ethics Action Programs

Commitment to Business Ethics Management

• HHI employees are required to submit a pledge of commitment to business ethics, so as to understand the relevant regulations and promise to abide by corporate policies and guidelines. Our employees engaged in the six special jobs, requiring high morality, are mandated to sign additional pledges for stricter ethical obligation.

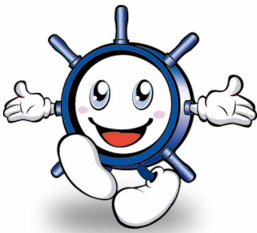
Reporting Conflicts of Interests • The internal reporting system, which prevents any conflict of interest and encourages transparent trade process, is practiced on our or partners’ employees whose conduct may be influenced by their ties to their counterpart during a business transaction.

Clean Notice System • This system helps our employees return the pay-off received by stakeholders, if any, to its source. When employees report any case of receiving gifts to the Business Ethics Team or support departments in each division, we help return or donate them to charity.

Clean National Holidays Campaign • Prior to major national holidays, such as the Lunar New Year and Chuseok (Korean Thanksgiving Day), HHI promotes a "Clean National Holidays Campaign" unto all employees and partners. We send off letters to approximately 3,000 partners to encourage them to refrain from providing any source of gift. They also provide guidelines for reporting cases of bribery to the Business Ethics Team.

Self Test of Ethics Level • HHI's employees seek improvements and enhance understanding of the compliance regulations by completing a questionnaire on business ethics and evaluating it for themselves.

Create the Character of Business Ethics • HHI promotes the practice and dissemination of business ethics by creating the character of business ethics "Giljabi (guide)." Embodied the form of a rudder, “Giljabi” symbolizes that it helps employees lay the course on how they should deal with various ethical issues at work.



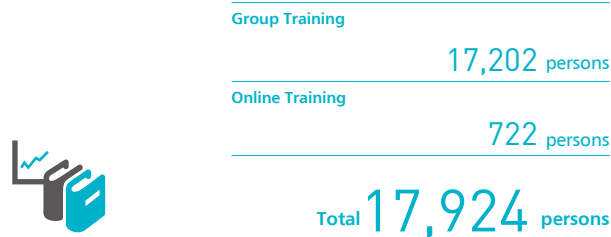
Character of Business Ethics "Giljabi"

Survey and Ombudsman System on Business Ethics • HHI conducts surveys among employees regarding their level of satisfaction, the compliance efforts of stakeholders, and the improvement requirements. We also conduct a survey among partners on the ethical level of our employees and business satisfaction. In addition, we hold an annual meeting to listen to the opinions of employees and partners.

Main Activities in 2014

Business Ethics Action Rally • Approximately 150 CEOs and executives of HHI Group's affiliates adopted on January 11, 2014 a resolution stating that they will neither engage in nor be involved in accepting, requesting, and pressing for bribes. We will continue to foster a fair management environment where irregularities and corruption are not acceptable.

Number of Participants in Training for Business Ethics in 2014



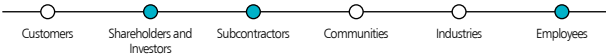
Education and Public Relations of Business Ethics • HHI helps employees internalize business ethics by providing group and online training. Moreover, we produce the images, messages, and cartoons of the business ethics regulations and utilize them to enhance understanding of and compliance with the regulations through various media, including in-house broadcasting and in-house newsletters.

Commitment to Business Ethics Management and Conflicts of Interest Report • HHI's office workers, production managers, and subcontractors submitted written Commitment to Business Ethics from February to April 2014. Executives, employees with specific duties, and subcontractors submitted the conflicts of interest report.

Survey and Ombudsman System on Business Ethics • In 2014, there was a survey on 3,000 partners and a field study on 10% of all departments and randomly selected partners.

Education (Training) for Business Ethics • HHI has greatly expanded the target for business ethics group training, which used to be limited to new employees and promoted employees. Accordingly, we conduct on-the-job training for executives, office workers, and production managers.

Compliance Management



Compliance Management Operating Systems

In November 2013, HHI established the Compliance Department with a mission of promoting and ensuring employees’ compliance with relevant laws in effect. The Compliance Department is responsible for the planning of the compliance training programs, advising on related legal issues, and regular monitoring of overall compliance programs of the

company under the guidance and supervision of the Chief Compliance Officer (CCO), who is appointed by the company’s Board of Directors in accordance with the requirements of the Korean Commercial Act and reports directly to the Board of Directors.

Fair Trade Compliance Programs

Fair Trade Training • HHI operates an online training course concerning fair trade and competition laws for all employees. Compliance Department notifies the whole company regarding any major developments in applicable laws as well as notable court cases. In 2014, HHI conducted a two-hour customized training session for employees who particularly have frequent transactions with outside business partners, focusing on recent cases of violations of fair trade and competition laws.

2014 Fair Trade Education Performance (cumulative)



Internal Fair Trade Compliance Inspection • HHI regularly conducts internal inspections over various departments that operate in high-risk areas such as, for example, sales and purchase. HHI performed inspections two times in 2014 to make sure applicable fair trade and competition laws are being fully complied with. If irregularities are found as a result of these inspections, we immediately take remedial and disciplinary measures as necessary to resolve the irregularities with the support of relevant departments such as the Compliance Department, Legal Department and Human Resources.

2014 Fair Trade Inspection Performance (cumulative)



Fair Trade Compliance Handbook • HHI published a fair trade compliance handbook following our implementation of the fair trade compliance management system in 2014. This handbook provides easy explanation of the Fair Trade and competition Act in detail and is particularly helpful for employees in the field of sales and purchase to better understand of the applicable legislations and regulations.

Anti-corruption Programs

Anti-corruption Training • To prevent corruptive actions by and/or towards HHI employees, HHI conducts regular training for the employees, especially for ones serving in relatively high exposure areas, such as for example sales, procurement and project management, and the ones involved in internal control such as budget control and accounting. The Compliance Department also issues and posts “compliance news” on the intranet, by which it regularly informs employees about the global anti-corruption enforcement trends.

Anti-corruption Inspection and Monitoring • HHI prevents the corruption by conducting due diligence on business partners in high risk countries and work areas. Also, HHI has a system of mandatory reporting in relation to interaction with governmental employees. In addition, on-site inspections are carried out to check the actual implementation of the anti-corruption compliance programs.

Anti-corruption Consulting • The Compliance Department provides employees with the consulting on how to comply with anti-corruption laws and regulations. Through this consulting, employees are informed of domestic and foreign anti-corruption laws as well as our compliance procedures and standards. In addition, the Compliance Department has been a reliable source for HHI’s customers and investors in case they carry out the compliance due diligence on HHI.

Trade Compliance Management Programs

Trade Sanctions Compliance • HHI also has a robust trade sanctions compliance system. The Compliance Department is responsible for the trade sanctions compliance and set up and implements the company’s policy regarding business transactions with countries subject to international sanctions, including Iran and Russia.

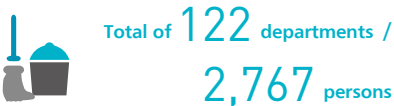
Main Activities in 2014

Anti-corruption Training • We carried out the anti-corruption training of employees in sales, project management, purchase, and finance departments for 3 months from August to October 2014. Main issues for the training consisted of global anti-corruption trends and structure of anti-corruption regulations as well as introducing our guidelines for compliance with anti-corruption laws.

Revision of Fair Trade Compliance Handbook • We published a handbook for the fair trade compliance, detailing the procedures and standards for deals with business partners. This handbook contains not only the latest amendment of the relevant laws but also business precautions and case studies.

Proclamation of Compliance Management Practice • We invited more than 310 business partners to a proclamation ceremony of compliance management practice on January 16, 2014. Our executives issued a compliance management proclamation with the business partners and pledged to establish a clean corporate culture through mutual trust and compliance.

2014 Anti-corruption Training Performance



HR Evaluation

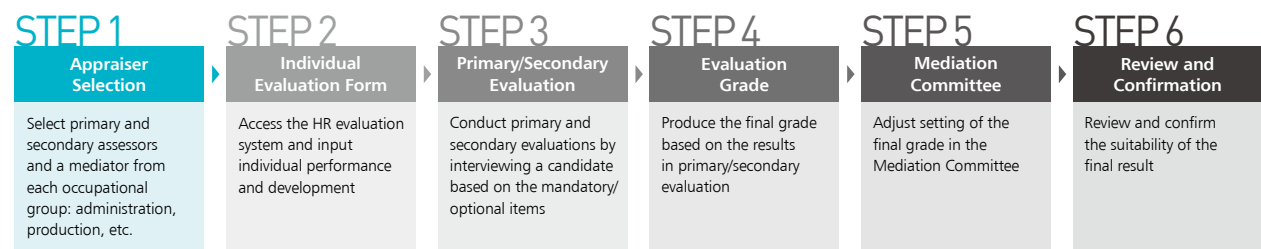


Fair HR Evaluation

To ensure a fair evaluation of the employees' performances with regard to management goals, we established our own evaluation system. We carried out performance evaluations in the first and the second half, applying the same evaluation system to every department.

In 2014, we improved the accuracy of evaluation system by dividing it into performance evaluation and competence evaluation. The result of the performance evaluation is utilized for overall HR data, including promotion, compensation, selection of trainees, and prizes.

HR Evaluation Procedures

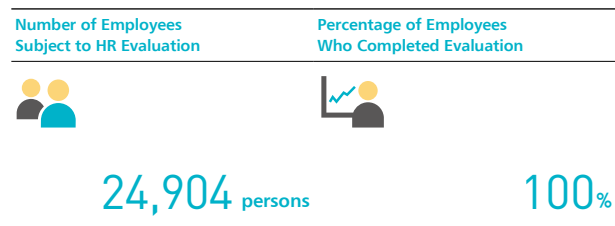


Performance Evaluation

Category	Details
Targets for Evaluation	All employees (MBO ¹⁾ considered for the team leaders 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

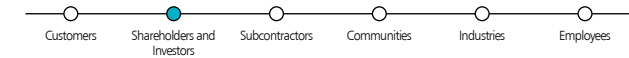
HR Evaluation in 2014



Reward System

HHI inspires employees to work harder with reasonable compensation in accordance with fair assessment and fosters a sound corporate culture. We reflect the inflation on wages and performance-based bonuses for employees to enjoy financial stability until the retirement age of 58. When employees wish to work beyond the retirement age, we help them do so until the age of 60, considering the fact that it is essential for manufacturing businesses to secure skilled technicians.

Integrity of Governance



Board of Directors

As of March 2015, the board of directors (BOD) of HHI consists of 3 internal directors and 4 outside directors. The BOD has the authority 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 business execution. The BOD also has rights to nominate the CEO and Chairman of the Board as well as the responsibility to manage the duties of directors and executives.

HHI's BOD faithfully abides by the articles of association, which stipulate that more than half of the BOD members must consist of outside directors to ensure a fair decision-making process. We also implement the Audit Committee, the Outside Director Nomination Committee, and the Internal Trade Committee to strengthen corporate transparency and establish a rational management structure.

Board of Directors

As of March 31, 2015

	Name	Gender	Title	Current Career	Previous Career
Internal Directors	Choi Kil-seon	Male	Chair	Chairman and CEO of HHI Co., Ltd.	President and CEO of HHI Co., Ltd.
	Kwon Oh-gap	Male	Director	President and CEO of HHI Co., Ltd.	President and CEO of Hyundai Oilbank Co., Ltd.
	Ka Sam-hyun	Male	Director	Senior Executive Vice President of HHI Co., Ltd.	Executive Vice President of HHI Co., Ltd.
Outside Directors	Noh Young-bo	Male	Director	Representative lawyer of Bae, Kim & Lee	Chief Judge of Seoul High Court
	Lee Jang-young	Male	Director	Director of Korea Banking Institute	Vice Governor of Financial Supervisory Service
	Kim Jong-seok	Male	Director	Dean of Business School at Hongik University	President of Korea Economic Research Institute
	Yoo Kook-hyun	Male	Director	Kim & Chang (Attorney)	Deputy Chief Prosecutor of the Suwon District

Board of Directors Subcommittees

Name of Committee	Previous Career
Audit Committee	Audit corporate accounting and operation / Access authority to material and information for audit
Outside Director Nomination Committee	Candidates nomination for outside director
Internal Trade Committee	Establishment of basic policies on internal transaction / Inspection of counterparty selection standards and operation status

Status of Committee Directors

	Name	Audit Committee	Outside Director Nomination Committee	Internal Trade Committee
Internal Directors	Choi Kil-seon			
	Kwon Oh-gap		○	
	Ka Sam-hyun			○
Outside Directors	Noh Young-bo	○	○	○
	Lee Jang-young	○		○
	Kim Jong-seok		○	
	Yoo Kook-hyun	○		○

Professionalism and Independence

Before appointing a director, the BOD discloses the candidate’s personal information, nominator, and relationship with the majority shareholder through a notice of convocation, thereby maintaining its independence. The outside directors are elected by the decisions made at the shareholders’ meeting based on the recommendation of the Outside Director Nomination Committee as to select candidates who can contribute to our management goals. The current four outside directors are experts in business administration, economy and law to ensure rational decision making of economic, environmental and social issues, thus enhancing professionalism in the way the company is managed.

Operation

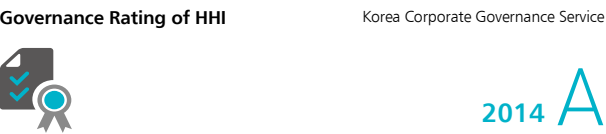
The board of directors holds an ordinary meeting in the first month of each quarter and an extraordinary meeting if necessary. For operational efficiency, it is stipulated that all or some directors can participate in meetings via telecommunication devices when they cannot attend the meetings in person. The board of directors held 9 meetings to make 24 resolutions, including management goal approval and appointment of CEOs. The attendance rate of outside directors was 86.1% in 2014.

Remuneration

The remuneration of internal and outside directors is based on Article 388 of the Commercial Act and Article 41 of the articles of incorporation. The board of directors has the authority to set the limit of remuneration and severance pay.

Governance Rating

HHI was rated A in terms of corporate governance in "2014 ESG Evaluation" conducted by the Korea Corporate Governance Service. We will continue our effort for transparent and rational operation of the board of directors, placing the highest priority on trust.



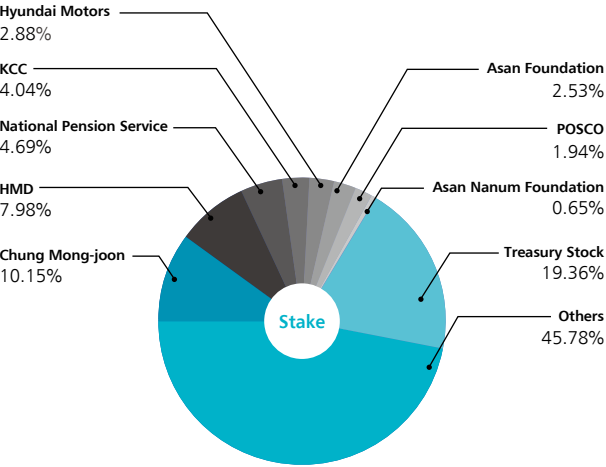
Shareholders

As of December 31, 2013, HHI’s outstanding shares are 76 million in total; this includes 61,288,440 shares of free float and 14,711,560 shares of treasury stock. The minority shareholders are protected by the Commercial Act and other relevant regulations. Meanwhile, we convene the shareholders’ meeting every year to report the management status and to receive shareholders’ feedback and opinions. We also disclose our business status transparently by operating IR website, monthly IR news, and IR meetings. More details can be found in the business report on our IR webpage, monthly IR news, and IR meetings.

General Meeting of Shareholders

	Date	Agenda
41st General Meeting of Shareholders	March 27, 2015	<ul style="list-style-type: none">• Approval of 41st Financial statements• Appointment of Audit Committee Members• Appointment of Director• Approval of directors' remuneration ceiling
Extraordinary General Meeting of Shareholders	October 31, 2014	<ul style="list-style-type: none">• Appointment of Director
40th General Meeting of Shareholders	March 21, 2014	<ul style="list-style-type: none">• Approval of 40th Financial Statements• Appointment of Audit Committee Members• Appointment of Director(s)• Approval of directors' remuneration ceiling

HHI’s Shareholders As of December 31, 2014



Enhancing Transparency



Management Information Disclosure

We disclose details of our business environment, activities, and achievements to various stakeholders to improve business transparency and responsibility. We publish not only business reports that domestic listed companies are obliged to publish, but also integrated reports and newsletters on business activities. We will continue to disclose our activities and achievements for transparent management.

Status of Management Information Disclosure

HHI Website • HHI's website provides information on the overall management activities as well as the company’s history, business principles, philosophy, business model, and social contribution activities. In addition, we provide links to investor relations, business ethics, and affiliates’ website for convenience.


Integrated Report • The report contains the results and efforts for the sustainable development of the company. We disclose our economic, social, and environmental activities and achievements to meet the demand of various stakeholders.

Investor Relations Website • We operate our investor relations website to detail our management environment and accomplishments. The website makes it easy to grasp our governance structure, financial information, and stock information.

HHI Webzine • Our monthly webzine discloses the management activities as well as community news to serve as a channel of communication between the community and HHI.

Business Ethics Website • HHI operates a business ethics website to strengthen the relationship with stakeholders. The website introduces the direction, structure, and practice of business ethics and receives reports of unethical business activities to practice fair and transparent management.

New Horizons • As a quarterly English magazine published by HHI, New Horizons reports our business activities, investment information, and interviews with management on our English website for better communication with foreign clients and foreign investment institutions.

Link to the Relevant Websites

HHI Website

HHI English Website

Investor Relations Website

Business Ethics Website

New Horizons

www.hhi.co.kr

english.hhi.co.kr

www.hhiir.com/en

ethics.hhi.co.kr/html_eng

english.hhi.co.kr/others/magazine



Disclosure on Management Approach

We pursue safe and environmentally friendly management.

HHI is fully aware of the importance of Health, Safety, and Environment. Accordingly, we will continue our efforts to improve those sectors by establishing a HSE management policy.



HSE (Health, Safety, Environment) Policy

Firmly acknowledging health, safety, and environment as the top priorities of business management and realizing the ideology of human respect, we promise to grow into the world's top heavy industry company that brings satisfaction and ensure quality of life for mankind. To realize our vision, we assure our stakeholders that we will abide by the following rules of conduct and work in our performance:

Making Accident-free Workplace	Promoting All Employees' Health	Establishing Environmentally Friendly Corporate Status
<ul style="list-style-type: none">· Promotion of safety practice activities to prevent accidents· Compliance with working standards and regulations	<ul style="list-style-type: none">· Development of health activities to prevent diseases· Improvement for a pleasant working environment	<ul style="list-style-type: none">· Prevention of environmental pollution and continuous development of environmentally friendly technologies· Compliance with domestic and international laws, conventions, and regulations

HSE Operating Systems

HHI runs the HSE Management Organization with each business division based on the Environment & Safety Plan Committee. The Committee maximizes efficiency in management to enhance our safety, health, and environment in cooperation with the Environment & Safety Division and the HSE Management Organization.

SUSTAINABILITY PERFORMANCE

Safety Management

Objectives and Strategy

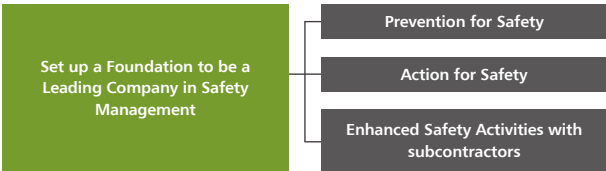
HHI has a number of high-risk workplaces due to the nature of the business, which constructs ships, and produces and installs production equipment. We have set a goal of "setting up a foundation for advanced safety company" and have carried out safety management activities to reduce the risk of accidents in the workplace.

Safety Management Operating Systems

To plan safety management activities effectively, we operate the Safety Management Department. In addition, six divisions have its respective safety departments to enhance safety management. In 2014, the head of the safety sector was appointed senior executive vice president for strengthening the status of the safety organization.



Safety Management Goal 2014



Before the Reform



After the Reform



Safety Management Investment Status in 2014

HHI spent KRW 333.4 billion on the safety management sector. We will continue to invest in the realization of safety management. Our efforts to support safety management will not be limited to enlarging the investment but will also include promoting efficient management activities.

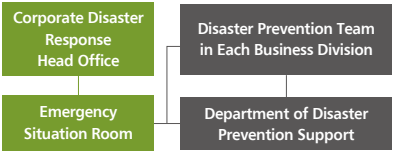
Major Investment Projects

Unit: KRW billion



Safety Management Operation System

Corporate-wide Disaster Prevention System • HHI operates a corporate-wide disaster prevention system to protect assets and minimize risks from natural disasters such 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 • HHI operates emergency response drills to minimize property damage, injuries, and casualty by effectively responding to emergency situations that may occur at the workplace and in the periphery areas. Through regular site inspections, we check the readiness and improve follow-up measures. We also plan and conduct emergency response drills by department by creating possible scenarios such as explosion and fire. In 2014 in particular, we further improved the responsiveness by conducting random emergency drills and blackout emergency drills that could happen in real situations.

Number of Emergency Response Drills in 2014



Special Rescue Team • HHI put together a special rescue team to save lives quickly in case of fire on the ship or in the building and disasters on the sea. The special rescue team consists of lifesaving experts and conducts regular drills by creating possible scenarios such as drowning and ship fires.

Safety Management Activities in 2014

Corporate “Slow City” Movement • HHI is the first company in Korea to combine “Slow City” movement and disaster prevention activities, and this created a fresh buzz in the industry. The term “Slow City” refers to a serene city or an affluent village. It was introduced to our safety measures, and a slogan, “Breadth of Mind, Enhanced Safety” was created. In 2014 when the Slow City Movement 2 was launched, HHI mainly focused on strengthening the safety of bicycle users and pedestrians in the yard.



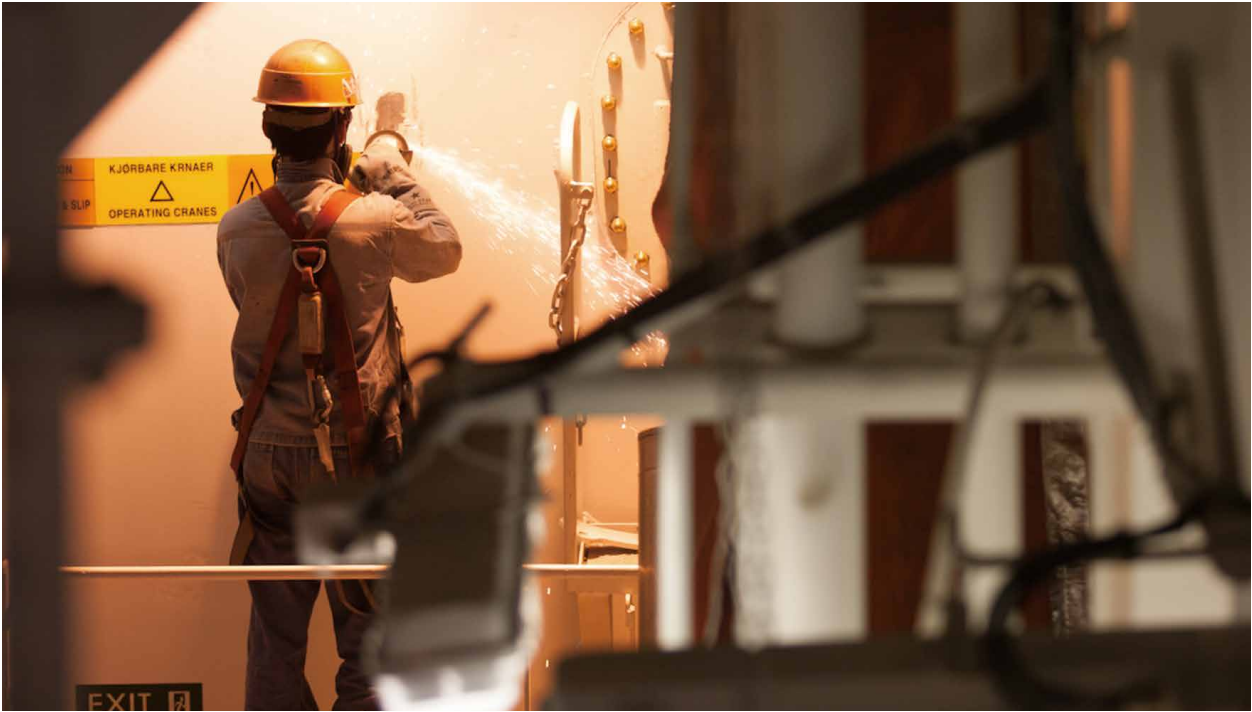
Emblem of Corporate Slow City

Hyundai Heavy Industries' Slow City Movement • Traffic Safety				
2013 Motorcycle Safety Measures			2014 Settlement of Traffic Safety Cultures of Bicycles and Pedestrians	• The number of motorcycle accidents decreased
				• The number of traffic offenders decreased
				• Bikers use hand signals
				• Appropriate smartphone use

Comprehensive Safety Management Measures • On May 13, 2014, HHI’s board of directors and 20 executives of affiliates established comprehensive improvement measures for safety management. About KRW 333.3 billion was added to the budget in 2014, for strengthening the safety environment, supporting the safety activities of subsidiaries, and improving potential disaster factors.

Safety Campaign • On May 21, 2014, the Ulsan branch of the Ministry of Employment and Labor and Instructors of Ulsan branch of Korea Occupational Safety and Health Agency joined our “Industrial Accident Eradication Campaign” for executives and staff members. By focusing on advertising safety rules and making safety rules a habit, the importance of safety management was underscored, and the need for safety culture was cited. In the Offshore & Engineering Division, the 3G (Good Morning/Traffic, Good Day/Safe operations, Good Time/Punctuality) campaign was waged, and 12,820 risk factors were detected and resolved.

Holding a Safety Resolution Meeting • The “Safety Resolution Meeting for Workers” was held on May 12 to prevent major disasters and draw attention to safety measures. HHI staff members and 4,000 staff from subcontractors gathered in this meeting and shared the 2014 Safety Management goals of “ZERO severe hazards and 50% reduction of hazards” and detailed implementation plans.



Safety Training Center • The Safety Training Center of HHI contributes to preventing safety incidents by offering field workers, new employees, and staff of subcontractors the opportunity to experience cases of accidents. The 1,388-square-meter center consists of a virtual safety experience hall and a block safety training room. Programs offered at the center include video viewing, scaffolding simulations, fall-in-manhole simulations, and confined-space simulations designed to enhance workers’ adaptability in field operations. In 2014, five new programs were created for more diversified training, such as noise experience and effects of drinking experience.

Creating a Safe Work Environment • HHI analyzes the causes of safety accidents in the past, establishes preventive measures, and regularly finds problems to take measures for them. In May 2014, HHI built safety fences around the 18 inner walls of the yard and installed 136 rescue ropes and life rings to prevent drowning. In addition, rescue ladders were installed at each service tower around the quays for effective lifesaving in case of accident.

Safety Inspection • All workers and managers at HHI worksites participate in the “One-One-One (111) Campaign,” which promotes safety habits. This campaign stipulates that managers must notify workers of the dangerous factors within the worksite at least one (1) hour prior to beginning any operation, that workers must check for any danger for one (1) minute before starting work, and that this mutual practice of checking danger must be done on a (1) daily basis. This campaign simplifies many standards and principles to make practicing safety habits easier. We hold a Tool Box Meeting (TBM) to preview the work process and relevant risks and dispatches TBM officers to subcontractors to create a safe environment. The “One Minute Meditation” time aimed at active TBM, along with the 111 Campaign, brought synergy effect to preventing disasters at the workplace.

Holding Joint Safety Meeting with Ship owners • For a safe workplace, the shipbuilding department exchanged ideas on preventing safety accidents with 12 ship owners including BGC and Chevron, and safety personnel of four classification societies on June 30, 2014.

Safety Forum • HHI holds a biannual safety forum with executives, staff members, ordering organizations, subcontractors, and companies in the industry. Through this forum, we share advanced cases and find improvements to current problems to foster a safer workplace.

Safety Pictograms • HHI made and distributed a safety regulation guidebook. This guidebook used pictures to describe all the processes so that anyone can easily understand. It contributes considerably to preventing accidents caused by unskilled works and lack of information since workers can easily understand frequent safety malpractices and the standard work procedures.







Safety Management Plans for 2015

Safety management is not a task limited to the safety-related departments; rather, it is critical for the survival of a company. To spread the notion that safety management is a duty to be fulfilled by all employees, HHI conducts safety activities that require the participation of all departments and subcontractors.

Details of Safety Management Enforcement for 2015

Tasks	Key Details
Following Basics and Principles	Basic Safety Rules Arranging the workplace and wearing safety gears Necessary Principles Following standard rules and major safety rules
Strengthening the Safety Inspection System	Comprehensive Safety and Health Audit Comprehensive implementation of safety and health management system, assessment of shipbuilding safety and health management, and inspection of subcontractors' safety and health management system
Strengthening Safety Training	Implementation of Field-tailored Safety Training for Managers Allocating eight hours of safety management training Strengthening Self-safety Training Utilizing the nighttime voluntary training system , expanding opportunities to participate in safety training
Improving Safety Management System	Creating an IT-Based Safety System Improving the safety website and implementing IoT-based safety management system

Divisional Safety Management Policies for 2015

Shipbuilding Division  <ul style="list-style-type: none">• Practicing safety habits• Strengthening preventive systems• Improving safety management• Establishment of proactive preventive measures by ship owners	Offshore & Industrial Plant Division  <ul style="list-style-type: none">• Improving the safe service culture• Effective safety inspection• Strengthening the risk factor assessment system• Strengthening the subsidiaries' safety management
Engine & Machinery Division  <ul style="list-style-type: none">• Effective safety measures• Systematic disaster prevention activities• Raising awareness of safety measures• Strengthening the precautionary measures and responsibilities of subcontractors	Electro Electric Systems Division  <ul style="list-style-type: none">• Customized safety management training• Institutionalization of safety culture• Specialization of safety management• Strengthening Zero disaster activity, fire prevention activities
Green Energy Division  <ul style="list-style-type: none">• Achieving zero industrial accidents• Uncovering hidden disaster factors• Preventing harmful chemical accidents by improving the safety in processes	Construction Equipment Division  <ul style="list-style-type: none">• Following the basic rules• Strengthening safety inspection• Strengthening safety training• Institutionalizing the self-directed safety culture

Environmental • Health Management





Operation Policies and Direction

HHI seeks to minimize impact on the environment and foster a healthy working environment for our employees.

Vision	Goals	Main Focus
<ul style="list-style-type: none">• Building the foundation of environmentally friendly business• Maintaining and promoting the health of all staff members	<ul style="list-style-type: none">• Establishing a low-carbon, green business culture• Fostering a healthy working environment	<ul style="list-style-type: none">• Continuous maintenance and management of a clean production system• Improving health management programs for staff members• Enhancing the company's value by following environment• health laws• Strengthening the work environment assessment capacities

Operation System for Environmental • Health Management

HHI has an environment and health department that specializes in promoting the efficiency of environment protection and health management. We divided the environment- and health-related works into environment, health, management, and assessment for systematic management. We also provide high-quality medical service to staff members through medical experts working in the in-house health promotion centers.

Environmental & Health Department			
 Environment <ul style="list-style-type: none">• Licensing environmental facilities• Response to environmental regulations• Managing environmental complaints• Air water contamination control• Waste management• Greenhouse gases energy control• Marine pollution control• Land pollution control	 Health <ul style="list-style-type: none">• Health checkup follow-up management• Musculoskeletal cardiovascular disease control• Assessment and improvement of the work environment• Managing safety gears• Material Safety Data Sheet (MSDS)	 Management <ul style="list-style-type: none">• Managing emergency vehicles• Managing investment in safe environment infrastructure• Planning the budget and events of the environment & safety sector	 Assessment <ul style="list-style-type: none">• Assessment and improvement of the work environment• Assessment of hazardous factors and exposure level• Maintaining the national certification of environmental safety• Investigation of indoor environment

Acquiring and Maintaining the Certification

For effective environment and health management, we have prepared to acquire international certification of environmental management since 1996. HHI acquired ISO 14001 in 1997 and OHSAS 18001 in 2001, maintaining the standards until today.



Vision and Goals

To minimize the environmental impacts, we are pursuing environmental management by setting goals and strategies befitting our vision of “a leading low-carbon, green growth company.”



Environmental Management Evaluation

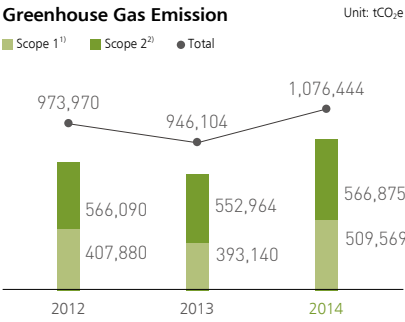
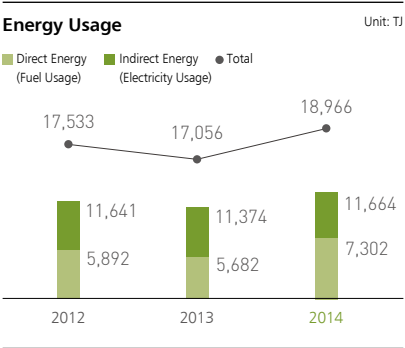
Through the evaluations of compliance in the Environmental Management System Audit and the Green Management Evaluation, we inspect our environmental management activities and achievements to secure objectivity. Based on ISO 14001 Standards, we inspect the suitability and effectiveness of our environmental management system. We also conduct annual facet effect assessment and impact assessment based on the Green Management Evaluation, which consists of 13 environmental management performance indices and 14 operation achievement indices.

Climate Change Response

Developing Environmentally Friendly Technology • Aware of the fact that more greenhouse gases are emitted during operation than in production, HHI is concentrating on developing environmentally friendly technologies. We make efforts to reduce the use of fossil fuel in ship design and conduct active research on designing a fuel-efficient structure for vessels, developing an environmentally friendly ship propulsion system, and developing environmentally friendly engines. Furthermore, we are actively pursuing photovoltaic businesses to turn climate change into opportunities.

Reducing Energy Usage • HHI seeks to save energy by improving or replacing the main equipment, substituting bunker C fuel oil and kerosene with LNG for the heating furnaces and boilers, and replacing old boilers and air conditioners with new ones. We are also planning to reduce energy by replacing the lightings at offices and worksites with LED lights by 2016.

Emission Trading Scheme • HHI has been fully preparing to respond to the Emission Trading Scheme, which took effect in 2015. For the first time in the shipbuilding industry, the greenhouse gas inventory was approved. We secured a greenhouse gas data management system and established calculation measures and guidelines for the appropriate amount of emissions for shipbuilding industries. We aim to become an environmentally friendly company through the transparent implementation of the emission trading scheme and by realizing greenhouse gas reductions.



1) Direct Emission Amount: Greenhouse gas emissions directly from operations (oil, gas combustion, etc.)

2) Indirect Emission Amount: Emissions not from operations but from the equivalent amount of energy usage (electricity usage, etc.)

Energy Management Activities

Green Factory • HHI is pursuing the green factory movement to reduce the amount of fossil fuel usage and greenhouse gases emission by using electricity produced with renewable energy plants rather than fossil fuel-based electricity.

Energy Campaign • In order to raise employees’ awareness of energy conservation, HHI waged the “Company-wide Energy Saving Campaign” at nine entrances including the main gate. We promote employees’ participation by introducing various ways of energy conservation: minimizing the use of electricity during peak hours, turning off power in each division when unoccupied, maintaining an adequate air temperature, and recommending staffs to use stairs for the fourth floor or lower.

Current Green Factory Operation

<div>Wind Power</div> <div></div> <div>Head Office<ul style="list-style-type: none">•1.65MW Wind TurbineGunsan Wind Power Plant<ul style="list-style-type: none">•2MW Solar Cell Wind Turbine</div>	<div>Solar Power</div> <div></div> <div>Head Office<ul style="list-style-type: none">•65kW Solar CellEumseong Plant<ul style="list-style-type: none">•531kW Solar Power Pilot Site•715kW Solar CellSunam Plant<ul style="list-style-type: none">•598kW 2MW Solar CellGunsan Wind Power Plant<ul style="list-style-type: none">•811kW Solar Cell</div>
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Air Pollutant Emission Management


Air Emission Management • The major air pollutants at the HHI worksites are dust and VOCs¹⁾, and they occur during the process of manufacturing (pre-treatment) and painting. In order to minimize air pollutants, we not only manage and operate many facilities for preventing air pollution but also set internal environmental standards that are stricter than the legal standards by 50%. As part of our measures for continually reducing VOCs emission, we signed the second agreement (2012 - 2016) in 2012 and decided to reduce by 15% the amount we set in the first agreement period.


Waste Management • At our yard, wastes are sorted into general waste and special waste. And then the wastes are handled by commissioned companies for recycling or at the internal incineration facilities. Moreover, we run a legal treatment system to monitor the entire treatment process in real time for systematic management.

Wastewater Management • We treat wastewater either in our own facility or by commissioning a professional company; we also conduct source-based management to reduce the amount of wastewater emission. The wastewater treatment facility in the Ulsan Main Plant uses a physicochemical process that is 50% stricter than the legal standard.

Chemical Substances Control • For the health and safety of HHI employees, subcontractors, customers, and members of the community, we are strictly controlling the entire process of chemical substances usage. Regular inspections and training sessions on chemical-related facilities are conducted, and Material Safety Data Sheets (MSDS) are placed at the worksites.

Air Emission Compounds					Unit: ton
	Type	2012	2013	2014	
	Dust	121.22	71.76	68.92	
	SOx ²⁾	1.78	1.56	1.31	
	NOx ³⁾	23.32	18.62	20.42	

Amount of Wastes					Unit: ton
	Type	2012	2013	2014	
	General Wastes	107,375	104,230	113,242	
	Hazardous Wastes	12,524	11,024	11,181	

Amount of Wastewater					Unit: ton
		2012	2013	2014	
		399,049	378,260	448,945	

- 1) Volatile Organic Compounds
- 2) Sulfur Oxides
- 3) Nitrogen Oxides

Environmental Management Investment and Activities

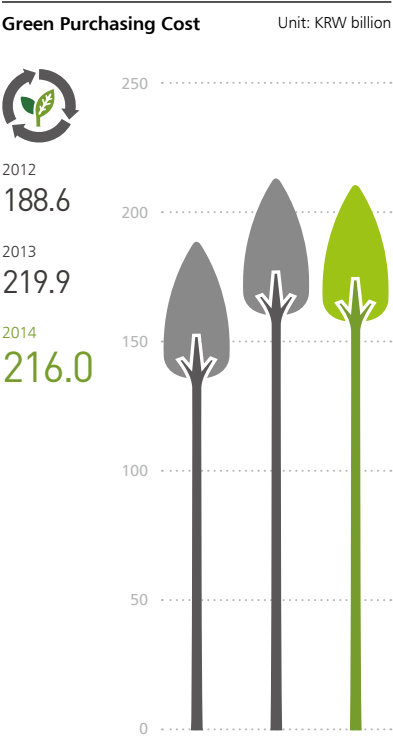
Environmental Investment • The Environmental Management System is operated effectively through systematic management in accordance with four criteria for expenses: preventing pollution, reducing environmental load, controlling risks, and social matters. In 2014, we spent KRW 33.5 billion for environmental investment.

Green Purchasing • HHI signed a voluntary agreement on Green Purchasing Principles with the Ministry of Environment in 2006. We are purchasing environmentally friendly products and promoting the importance of environment preservation. In 2014, a total of KRW 216 billion was spent on the green purchasing program.

Green Environment Class • Hyundai Foreign School run by HHI held a Green Environment Class for 20 foreign students and parents on March 17 ~ 21, 2014, promoting the importance of nature and need for environment protection.



Green Environment Class



Environmental Management Plan for 2015

Our environmental management targets the establishment of our identity as an environmentally friendly company in 2015. HHI plans to institutionalize and expand the low-carbon, green corporate culture in continuation of our 2014 efforts. To this end, we will focus on the following: complying with environmental laws and regulations, establishing an institutional framework foundation for green management, conducting preventive activities for environmental pollution, and promoting environmentally friendly activities.

Environmental Management Policies for 2015

Goal	Management Plan				
					
Establishment of Environmentally Friendly Corporate Identity	Response to Environmental Laws and Regulations	Systematic Foundation for Green Management	Prevention of Environmental Pollution	Promotion of Environmentally Friendly Activities	

Environmental Management Plan for Individual Sectors in 2015

Sector	Item	Background	Plan
Compliance with Environmental Laws and Regulations	Compliance with Environmental Laws and Regulations	The Act on the Assessment and Registration of Chemical Substances and Act on the Management of Toxic Chemical Substances took effect in January 2015. Accordingly, we will reflect the new laws in our internal policies.	<ul style="list-style-type: none">Establishment of response system for chemical substance regulationsEnhancement of operational capabilityManagement improvement of facilities with chemical substances
	Greenhouse gas regulations	We plan to develop an electronic system for greenhouse gas and energy management to respond to the emission trading scheme effectively.	<ul style="list-style-type: none">Establishment of response system for greenhouse gas regulationsEnhancement of operational capabilityProcurement of means of greenhouse gas reduction
Institutional Framework for Green Management	Establishment of Green Management System (GMS)	We plan to expand GMS and provide educational programs to increase the effectiveness of environmental management.	<ul style="list-style-type: none">Educational programs for GMS managersEstablishments of GMS standards
	Environmental information management and report	We will strengthen the environmental information management and reporting system to provide valuable information and data for stakeholders.	<ul style="list-style-type: none">Establishment and management of environmental information systemSupport for the publishing of integrated reports
Pollution Prevention Activities	Establishment of inspection system	We will inspect the current operation and improve the system to enhance the effectiveness of pollution prevention activities.	<ul style="list-style-type: none">Rearrangement of emergency contact networksQuarterly comprehensive inspection for all sectors
	Preventive discipline for environmental pollution	We will provide an educational program for employees who work in environment-related departments to raise their awareness of the environment.	<ul style="list-style-type: none">Group training sessions for operators and managers in environment-related facilitiesGroup training sessions to prevent marine pollution
Promotion of Environmentally Friendly Activities	Participation in the local community's Go Clean activities	We will raise employees' awareness of the environment and induce participation in activities for a clean community to help address the environmental problems in the community.	<ul style="list-style-type: none">Regular participation in the community clean-up activitiesParticipation in and support for local environmental events
	Voluntary agreement management	We will comply with the voluntary agreement on green purchasing, which can realize shared growth of local businesses and environment.	<ul style="list-style-type: none">Compliance with the green purchasing systemPromotion of the green purchasing system

Health Management

HHI provides regular medical checkup for employees and special medical checkup for those with new job duties or diseases. Comprehensive and complete medical checkups are offered for long-term employees and elderly employees. We also have a financial support system for those with incurable diseases and other programs to manage our employees' health.

 Health Management Support System	 Financial Support System	 Health Promotion Center
We provide general medical checkup for employees and special medical checkup for employees who work with dust, noise, harmful rays, or organic compounds. Comprehensive and complete medical checkups are offered for elderly employees.	We provide financial support for the cardiac surgeries and cancer or leukemia treatment of employees and their families. Employees with occupational illness benefit from various medical treatment programs including financial support, sick leave, and hearing aid.	We run on-site health promotion centers in the worksites to enhance employees' health and provide prompt treatment for the injured. Equipped with clinics and facilities for health promotion, physical therapy, and rehabilitation treatment, the Health Promotion Centers provide high-quality medical care.

Notable Programs for Health Improvement

Disease Prevention Program • HHI operates various programs to prevent noise-induced hearing loss and musculoskeletal diseases that can be caused by the nature of the worksite. In addition, we offer consultation on exercise, diet, and health for employees who have been diagnosed with either one of three major diseases – high blood pressure, hyperlipidemia, or diabetes – which are more likely to lead to brain or cardiovascular disease. In 2014, we operated two protection programs for hearing, two for respiratory system, one for musculoskeletal disease, and one for cardiovascular disease.

Counseling Center • HHI runs a counseling center for employees' stress management and mental well-being. Employees can receive various services including psychological tests, group counseling, and group psychotherapies to cope with stress caused by the workplace as well as personal issues. Employees can also have one-on-one sessions with a counselor by accessing the counseling center via telephone, online platform or by visiting in person.

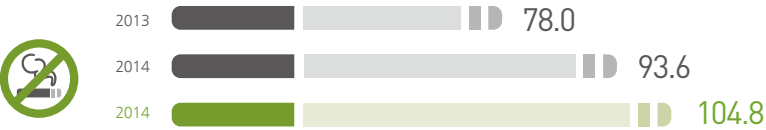
The Number of Counseling Sessions in 2014



Tobacco Cessation Program • HHI runs a tobacco cessation program to help employees who wish to quit smoking. Employees also established the No Smoking Fund to support the underprivileged. In 2014, 249 employees participated in the counseling program, and 137 successfully quit smoking.

Cumulative Amount of the No Smoking Fund

Unit: KRW million



We realize a corporate culture of mutual respect and trust.

Through solid trust between labor and management based on dialogue and belief, trust among employees with communication and respect, and a virtuous cycle of partnership with subcontractors, we are establishing a dynamic corporate culture, contributing to a healthier ecosystem in the industry.

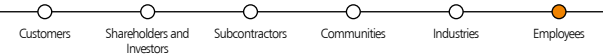


Corporate Culture of Respect and Trust

Mutual respect and trust are imperative in achieving the management goal of HHI, where numerous employees, departments, and subcontractors have organic and cooperative relations. We are vigorously communicating with employees and subcontractors to foster a better corporate culture and product quality.

Goal	Management Plan			
	Employees			Subcontractors
	Establishment of Healthy Labor-Management Relations	Promotion of Internal Communication	Improvement of the Quality of Employees' Lives	Shared Growth

Labor-Management Culture



Policy on Labor-Management Culture

HHI is dedicated to boosting employees' happiness and fostering an enthusiastic workplace based on mutual respect and trust. Based on compliance with the law and principles of mutual understanding and trust, we will continue to create a labor-management culture of mutual prosperity.

Labor-Management Relations Improvement Activities

Collective Bargaining and Labor-Management Council • HHI uses collective bargaining as well as the Labor-Management Council to improve the working conditions and welfare of employees. The collective bargaining carried out biennially and wage agreements concluded annually contribute to improving the quality of employees' lives through the agreement on 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. In addition, under the collective agreement, we are obligated to inform the labor union of issues with changes in the position or work condition of employees due to restructuring, spin-offs, or merger.

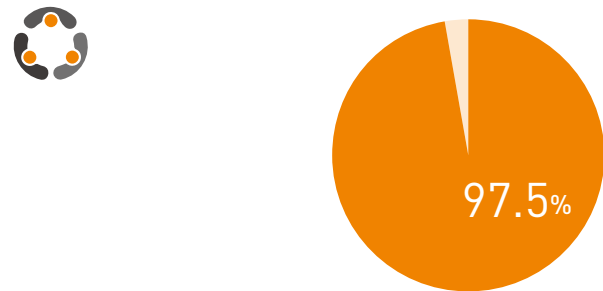
Labor-Management Relations • HHI provides educational programs for employees to increase their awareness of the importance and influence of Labor-Management relations and to establish a culture of mutual respect and trust. In 2014, seven educational programs were successfully operated to establish healthy labor-management relations.

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


Assessment of Labor-Management Relations in 2014

Labor disputes arose in some of HHI's worksites in November 2014, putting an end to our 19-year dispute-free history. Thanks to sincere communication and mutual trust, however, wage and collective bargaining agreements were concluded on February 17, 2015, overcoming the crisis through collective effort. We will spare no effort to achieve the management goals and present the best practice in the industry based on cooperative labor-management relations.

Percentage of Members in the Labor Union in 2014



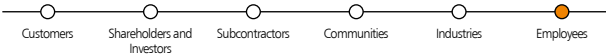
Trainings for Labor-Management Relations

- 
- Trainings for New Employees
 - Trainings for Managers
 - Trainings for Individual Levels
 - Trainings for Executives
 - Trainings for Junior Board
 - Trainings for Master Board
 - Substantial Management Practices



2014 Wage and Collective Agreement Signing Ceremony

Inter-Employee Communication



Programs for Enhancing Labor-Management Communication

Consulting with Love (Sarangbang) • Employee consulting is conducted every month by the heads of departments to improve the working environment and welfare of employees. These efforts contribute to establishing a culture of trust and enhancing employees’ satisfaction by reflecting employees’ complaints or suggestions.

Communication with COO of Business Divisions • To enhance communication between COO of business divisions and employees, regular meetings are held to foster a communication-based culture. These meetings are held in various forms such as company outings and hiking events. Through these meetings, COOs can listen to the opinions of young employees and share their opinions as well as the company vision.

Mentor · Mentee Program • The Mentor · Mentee program was implemented for three months from April to June 2014 to help early adaptation of the new recruits. Through this program, which was participated by 600 new recruits and other employees this year, new hires had the opportunity to expand their networking and learn and experience the communication-based culture of HHI.

Main Performances in 2014

20th Anniversary of Company Broadcasting System HHBS • Launched on February 15, 1994, HHBS (Hyundai Heavy Industries Broadcasting System) has been playing the role of connecting employees. 2014 marks the 20th anniversary of HHBS, which has become a foundation of communication by producing programs that all employees can relate to.



HHBS (Hyundai Heavy Industries Broadcasting System)

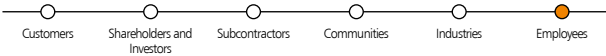
40th Anniversary of Company Magazine • HHI’s monthly magazine celebrated the 40th anniversary with the 2014 June edition. Since its first edition has been published on June 10, 1974, the magazine has been reporting small and big news on the business activities of HHI and improving safety and environment awareness among employees through a variety of campaigns. The magazine acted as a messenger fulfilling various roles, enhanced communication among employees, and contributed to fostering a better company culture.



40th Anniversary of Company Magazine

Expansion of Pedestrian Roads Near the Front Gate • The pedestrian road in front of the front gate was expanded based on the many suggestions of employees to the TF team, which was established to invigorate communication and improve existing systems. As a result, the discomfort during commutes due to the narrow pedestrian roads has been resolved, and employees can enjoy a safer environment.

Employee Welfare



Welfare Programs

HHI’s welfare support system is operated under the principle of supporting the practical needs of employees; we have been helping employees considerably in balancing work and life and enhancing the satisfaction level of employees. For one, we provide school funding for employees’ children. Moreover, we operate the Health Care System for employees’ health, and have invested KRW 55.5 billion to cover medical expenses and maintain facilities. Labor welfare fund, corporate stock ownership system, and long-term employee reward program are also provided.

Support for Leisure Activities	Maternity Support	Housing/Living Stabilization	Medical/Health Support	Educational Support	Other Supports
<ul style="list-style-type: none">• Vacation Facilities (condominium hotel), Summer resorts• Various kinds of in-company club support	<ul style="list-style-type: none">• Breastfeeding rooms, childcare facilities• Corporate kindergartens	<ul style="list-style-type: none">• Incentives for family events• Loan interest support	<ul style="list-style-type: none">• Financial support (medical expenses, outpatient fees)	<ul style="list-style-type: none">• Tuition for children (middle school to college)• Study abroad program	<ul style="list-style-type: none">• Discount on culture and art performances at the company- owned art centers

Retirement Pension

In order to ensure stable retirement payment, we have initiated the Retirement Pension System in 2011. We pursue stability and profitability by hiring a pension fund management company that uses the Defined Benefit (DB) Pension System with unquestionable credibility and high solvency. As of the end of 2014, the accumulated amount of retirement pension stands at KRW 908.5 billion.

Main Activities in 2014

Inviting New Recruits’ Parents • Since 2011, we have invited new recruits’ parents and provided tours for families around the worksite to boost employees’ morale and foster a sense of familial bond with HHI. A total of 1,400 parents of new recruits and employees working in offices and at production sites have participated in the 10 visiting events held from December 22, 2014 to March 2015.



New Recruits’ Parents Invitation Event

Opening of the First Corporate Kindergarten in Gunsan • HHI opened the first corporate kindergarten in Gunsan in HHI’s shipbuilding facility on March 3, 2014. The 288 square meter-wide kindergarten, built within the Gunsan Technology Education Center, can accommodate 49 children.

Retirement Plan Training • We have held ten education sessions for employees on retirement life planning in April 2014 and July 2014. We were the first among major corporations in Korea to provide such education. Since 2013, around 1,000 employees planning to retire have been provided with professional education on retirement planning and finances.

Family Event Vehicle Support • To make special moments more special, we have provided wedding cars for employees since 2013. We also provide cars for the funerals of employees’ spouses or parents.



Shared Growth



Operational Policy

We support the growth and development of subcontractors by setting the core value of "Just, Fair, And Legitimate Performance," guided by the belief that "the competitiveness of subcontractors is the competitiveness of us."

SUSTAINABILITY PERFORMANCE

Core Value	"Just, Fair, Legitimate Performance"		
Key Policy	Continuous System Improvement	Establishment of Fair Trade Practices	Enhancing Competitiveness of Subcontractors
	Practice of three shared growth strategies to restrain business entry to unrelated sectors, to enhance the participation of small and medium enterprises, and to establish an institutional support system	Compliance with the four guidelines of the Fair Trade Commission, better communication with subcontractors	Support for subcontractors' sales, training, employment, technology, finance, and delivery prices
Support Organization	Group Shared Development Committee	Shared Growth Diffusion Council	Shared Growth Organization
	Company-wide coherent policy, activity plan, and consultation for shared growth	Subcontractors organization for shared growth and cooperation with our primary and secondary subcontractors	Implementation of shared growth policy and activities and continuous revision of activities

Subcontractors

As of 2014, there are more than 400,000 employees in 2,316 subcontractors of HHI. For shared growth, we conduct a regular assessment on quality, delivery, and A/S to award excellent subcontractors and to help poor-performing subcontractors. In addition, We are concentrating efforts on establishing a fair trade business environment by requiring subcontractors to submit a written pledge of ethics management. We have also won the trust of our subcontractors by successfully managing various channels, such as the Unfair Trade Reporting Center and the Online Grievance Counseling Platform, which are operated for the prevention of unfair trade.

Shared Growth Index in 2014

HHI has established a trust relationship with subcontractors based on effective shared growth activities. For the second consecutive year, we were ranked "Excellent" in the 2014 Shared Growth Index Evaluation conducted by the Korean Commission for Corporate Partnership (KCCP).

Main Programs

Support for Sales Expansion • HHI assists the subcontractors in their sales expansion through the promotion of subcontractors' technology among potential customers. As part of our efforts to help subcontractors build overseas markets and to fulfill the need to strengthen competitiveness for global market entry, we not only accompany our subcontractors to a couple of business trips every year but also provide them with opportunities to participate in various business exhibitions both domestically and abroad.

Promoting Local Purchase • HHI gives priorities to subcontractors in Gyeongsang Province, including Busan, Ulsan, Gyeongbuk, Gyeongnam, Gyeongju, and Yangsan, to invigorate the local economy.

Number of Subcontractors in 2014



Shared Growth Index in 2014 KCCP



Provision of Training and Human Resources • HHI provides education and human resources to the employees of subcontractors to enhance their competitiveness. We established the Shared Growth Training Center in 2013 to offer 60 courses to secondary and tertiary subcontractors. At present, we offer 931 online courses of data processing, languages, and related jobs. In addition, we enhance subcontractors' quality management by providing human resources for product quality inspections.

Technical Support • HHI helps subcontractors develop their technology, human resources, facilities, and security management. In addition, our various supporting systems, including technology license grant, unused patent technology transfer, and joint patent application with subcontractors, enable them to create R&D environment and strengthen their technology competitiveness.

Technology License Grant	Unused Patent Technology Transfer
System to open some of its licensed technologies to subcontractors	System to transfer unused patents to subcontractors for commercialization

Global Hyundai Integrated PRO curement system (G-Hipro) • G-Hipro is an electronic bidding system to disclose the information on the methods and procedures for the selection of subcontractors and contract with subcontractors. We disclose information on not only the contract process with subcontractors – including registration, selection, contract, delivery, transaction receipt, and payment of price – but also the selection process of subcontractors, including estimates, technology review, and bidding.

Purchase Payment • HHI has paid cash for all material purchases from Small and Medium-sized Enterprises (SMEs) since 2011. We make the best efforts for subcontractors' capital liquidity by paying within 10 days of issuing the electronic transaction details through G-Hipro and paying earlier around holidays or vacation seasons.

Main Activities and Performances in 2014

Offshore Technology Conference Participation Support • HHI, along with 14 subcontractors, attended the Offshore Technology Conference (OTC) held in Houston in May 2014. OTC is the world's largest conference with offshore equipment exhibition to accommodate approximately 90,000 people from 2,500 companies in 50 countries around the world. The subcontractors grasped the latest trends and future prospects of the offshore plant industry for market expansion at home and abroad.

Participants in Education and Training from Subcontractors in 2014



Quality Control Instructions for Subcontractors in 2014

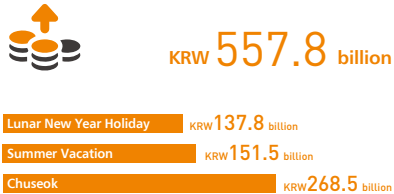


Payment Due for SMEs



Funding for Subcontractors • HHI contributed KRW 149.2 billion to the Shared Growth with Subcontractors Fund for the subcontractors' loan interest. We also pay for the purchased materials earlier around holidays and summer vacations to contribute to the subcontractors' capital liquidity. We paid KRW 137.8 billion to 1,386 subcontractors prior to the Lunar New Year holiday in January 2014, KRW 151.5 billion to 1,483 subcontractors before the summer vacation in August 2014, and KRW 268.5 billion to 2,008 subcontractors before Chuseok or Korean Thanksgiving Day in September 2014.

Early Payment of Materials Cost for Subcontractors in 2014



Safety Guard for Subcontractors • The Shipbuilding Division held the “Starting Ceremony of Safety Guard for Subcontractors” on June 17, 2014. We assigned 140 safety guards to the Ulsan headquarters and Gunsan shipyard subcontractors to establish a safety-oriented culture. We also strive to deliver a safe work environment to subcontractors by operating cluster education and field training regarding safety guards.



The Starting Ceremony of Safety Guard for Subcontractors

Supporting Secondary and Tertiary Subcontractors • HHI visited one of our secondary subcontractors, HL Tech, with KCCP officials to seek shared growth plans. We exchanged opinions on the policies and activities for shared growth to reflect them on our system. In addition, we support the secondary subcontractors in improving their productivity by participating in the Industry Innovation Movement and funding for the "Machinery Industry Shared Growth Promoting Foundation."



Visit to Secondary subcontractors

Shared Growth Plan for 2015

The shared growth policies in 2015 focus on spreading our effective shared growth activities to subcontractors to enhance their competitiveness instead of developing new shared growth activities. We will continue to pursue the existing activities for shared growth and support subcontractors in enhancing their competitiveness by performing improvement work through communication with them.

We contribute to social development through sharing.

Envisioning a society of shared growth and prosperity, we have developed various social contribution activities. From managing hospitals, schools, and philanthropic foundations to extending support for the disadvantaged and expanding opportunities to enjoy culture & arts, we at HHI will continue our endeavor to create a better community.



Social
Contribution



Culture
& Arts

Social Contribution Philosophy

Mission	"Create Shared Value through the Realization of a Happy Society with Others"		
Core Values	Love	Sharing	Happiness
Execution Plan	Establish the Foundation of a Self-reliant Local Communitie	Preserve and Spread Culture & Arts	Establish a System for Employees' Active Participation

Social Contribution



Dissemination of a Culture of Sharing

We seek to instill a culture of sharing and compassion. Our social contribution team in the general affairs department is responsible for planning voluntary programs, sisterhood relations, and business fund to encourage employees' voluntary participation.

Main Activities and Performance in 2014

Supporting Relief Assistance in Ferry Accident • We dispatched 200 delegates of the service corps, including divers and engineers, to the scene of the Sewol Ferry accident in 2014. We participated in projects to search the missing and salvage the sunken vessel. In addition, we donated KRW 4 billion to the Community Chest of Korea for the victims and national safety infrastructure.

No-smoking Fund • We donated KRW 11.3 million to the Ulsan branch of the Red Cross in November 2014. Our no-smoking fund is intended to promote employees' health and help the underprivileged. Since 2005, it has raised KRW 104.8 million, which has been used for underfed children and the elderly living alone.

Walking Event for the Community • A Red Dress Run event was held by classification supervisors and their families -- numbering 160 people -- at the Ulsan Grand Park on May 11, 2014. "Red Dress Run," which originated in 1988 in San Diego, US, is a charity event wherein participants form a fellowship by wearing red clothes and march together to support local communities in need. We donated KRW 2 million from the participation fees and donations during this event to "Nanumteo," a nursery facility for the disabled.

Donations • We held various activities to raise funds for the underprivileged despite the poor business performance in 2014. Donations were made to Community Chest of Korea, ChildFund Korea, Ulsan Metropolitan City Dong-gu Office, Eumseong County Office, and Eumseong Community Rehabilitation Center.

January 12
Community Chest of Korea, Ulsan
Social Contribution Fund
Donated KRW 1.1 billion

January 16
**Ulsan Metropolitan City
Dong-gu office**
Sent KRW 150 million worth of
Onnuri vouchers

February 4
Eumseong County Office
Contributed KRW 48 million to
Social Contribution Fund

December 24
ChildFund Korea
House of True Love in Ulsan
Donated KRW 4 million



Support for Underfed Children • Since 2005, HHI has been operating a program that subsidizes the meal costs of elementary, middle, and high school students from low-income families who cannot afford to pay for their school meals in Ulsan. The company supported a total of 339 students who were carefully selected, with KRW 174.1 million in 2014.

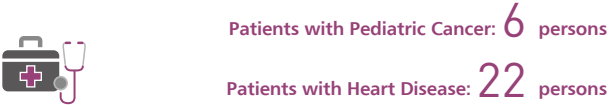
Support for Underfed Children (cumulative)



One-Day Charity Bar • This meaningful event has helped local teenagers since 2003 through employees' participation. Proceeds from the event, which is held on Thursdays from July to August in Hanmaeum Center Square, have been donated to a scholarship fund for students in Ulsan.

Sharing Salary • Employees currently donate the woosuri (changes) of their monthly wages. This fund is given to the Community Chest of Korea Ulsan Branch, the Korea Heart Foundation, and the Korean Association of Children with Leukemia and Cancer (KACLC) every year. A total of 25,884 employees, or 92% of all employees, participated in the Woosuri Movement, which raised a total of KRW 254.5 million in 2014.

Subsidizing the Costs of Operation of Juvenile Cancer and Cardiac Patients (cumulative)



Charitable Bazaar with Love • Since 1994, HHI has run the Charitable Bazaar with Love to create a culture of sharing with the community residents; we celebrated the 21st anniversary in 2014. For 3 days from November 4 to 6, 2014, more than 21,000 goods, including 12,000 clothes, 6,000 books, and home appliances, were donated by employees and celebrities. Ulsan Hyundai FC and our ship classification supervisors also donated their cherished possessions. The profit generated is used to provide kimchi and scholarships to underprivileged residents.

Making Kimchi with Love • On November 27, 2014, HHI delivered the kimchi they made to 64 welfare facilities and 1,300 underprivileged households. The company has been sharing food with the needy for 24 years through the Making Kimchi with Love event. In 2014, approximately 400 employees and volunteers made more than 12,000 heads of kimchi. It was a meaningful event since the organic cabbages were harvested in the Children's Nature Learning School of Hyundai Institute.

Happy Cultural Tour • HHI holds tour events to motivate people with disabilities in Ulsan in their social activities through cultural experiences. For 9 months from April 2014 to December 2014, more than 620 people, including people with disabilities, teachers, and volunteers, took part in 14 events.



Charitable Bazaar with Love



Making Kimchi with Love

Education

We continue to expand our investment in education to support the Korean youth in fulfilling their dreams as they face various challenges. In particular, we support the operation of the University of Ulsan, Ulsan College, and Dongbu & Seobu Kindergartens, along with the five schools affiliated with the Hyundai School: Hyundai Middle & High School, Chung-un Middle & High School, and Hyundai Technical High School. In addition, Asan Nanum Foundation gives the youth opportunities to grow as global leaders.

Main Activities and Performance in 2014

Scholarship Sponsor • HHI's Eumseong Factory awarded scholarships to eight students in Eumseong High School and Maegoe High School in March 2014. In addition, the HHI Mothers' Association donated KRW 20 million worth of scholarships to students in Ulsan. The donation came from HHI's various charity events in 2013, such as One-Day Charity Bar, Charitable Bazaar with Love, and vending machine sales in HHI's dormitories.

Asan Nanum Foundation • The Asan Nanum Foundation is an organization established by the family of Hyundai's founder Chung Ju-yung and Hyundai Heavy Industries Group. Since 2011 when the Asan Nanum Foundation was built, we have provided funds to promote startups and to foster young talents. We make multi-faceted efforts to help the youth realize the dreams and unleash the potential in conjunction with the Asan Nanum Foundation.

HHI Mothers' Association Scholarship (cumulative)



Asan Nanum Foundation	
Program	Details
Asan Frontier Academy	The Asan Frontier Academy was built to foster a generation of talents in the non-profit sector. Through the development of leadership skills and innovative thinking, along with the training of professionals, the academy contributes to strengthening the domestic foundation for non-commercial sectors.
Asan Frontier Fellowship	The Asan Frontier Fellowship Program is designed to send domestic fellows to NPOs, NGOs, and advanced foreign agencies related to venture and impact investment in order to foster new leaders who can contribute to national development.
Global Internship Program	The Global Internship Program offers opportunities for individuals, regardless of their background, age, or gender, to grow into global leaders through domestic education and working experiences abroad.
Asan Institute for Policy Studies	The Asan Institute for Policy Studies benchmarks the "Philosophy, Politics, and Economics (PPE)" curriculum at the University of Oxford and provides profound humanities education that covers subjects such as literature, history, economics, and philosophy.



Asan Nanum Foundation's Global Internship Program

Culture & Arts



Cultural Arts

HHI built seven culture centers, thereby improving the access of local residents to cultural activities. We will promote cultural communication with local residents by providing excellent programs based on facilities optimized for performances, exhibition, movies, cultural experiences, and sports activities.

HHI Cultural Facilities

Facilities	Construction Year	About the Facilities
Hyundai Arts Center	1998	The largest cultural center complex in Ulsan with high-class venues, art gallery, cinemas, and sports facilities
Hanmaeum Center	1991	Sports facilities, theaters, galleries, and cultural academy, children's library to provide local residents with a wide range of lifelong learning programs
Dongbu Center	1994	Gym, swimming pool, and aerobics facilities for the healthy life of local residents
Seobu Center	1995	Swimming pool, gym, multi-purpose classrooms for the fitness and recreation of local residents
Mipo Center	1991	Professional courses with practice and theory aimed at certification and business startup
Dongbu 2nd Center	1994	Programs for local children and housewives, including English, ballet, arts, music, and makeup
Daesong Center	1997	Specialized programs in dance and music aimed at local children and housewives

Hyundai Arts Center

The Hyundai Arts Center contributes to the improvement of the cultural level of the community by attracting a wide range of exhibitions and performances to introduce excellent cultural artworks at home and abroad to Ulsan residents. In addition, we continuously provide "on-site concerts" to production workers and "concert tours" to the local underprivileged in arts.

The Hyundai Arts Center has a concert hall and a chamber performance hall that can accommodate 962 and 220 guests, respectively. We also boast of two cinemas, an art gallery, a bowling alley, a racquetball court, a table tennis room, etc. In addition, the 33,000 square meter area, which consists of 3 floors underground and 4 floors aboveground, satisfies guests with its excellently managed facilities.

Mission

Optimum Cultural Environment for Local Residents and Families of Employees

Operating Direction

Customizing Programs to Meet Customer Expectations

Providing Cultural Services for Everyday Life

Improving the Operational Efficiency of Facilities

Community Development

HHI is actively involved in activities to improve the quality of rural life: construction of libraries, playgrounds and roads, activation of traditional markets, and the One-Company-to-One-Village Movement.

Main Activities and Performance in 2014

Support for Farmhouse Affected by Avian Influenza (AI) • HHI increased the expenditure on poultry products, such as ducks and chickens, to support the farmhouse affected by the AI that broke out in January 2014 in Ulsan. Moreover, we increased the variety of poultry-related menus in our dining hall to increase consumption. After purchasing 30,000 units of chicken and duck meat in March 2014, we further helped local farmers recover by consuming an additional 20,000 units every month.

Sisterhood Relations with Local Senior Citizen Centers • On January 5, 2014, HHI held an event to celebrate the sisterhood relations with the Ulsan Dong-gu branch of the Korean Senior Citizens’ Association. We have forged relations with 57 senior citizen centers and conducted volunteer activities such as delivering 2,000kg of rice every month and cleaning and repairing facilities.

The One-Company-to-One-Village Movement

• HHI has forged sisterhood relations with four rural villages in Miryang (Sannae-myeon), Ulsan (Jujeon-dong), Ulju (Eonyang-eup), and Gyeongju (Jilli Village) since 1992 to help farmers around farming seasons. We visited Sangbuk-myeon in Ulsan and Dongmyeong village in Miryang to help in farming. We have developed close relations with the villagers for over 10 years by helping them in activities such as planting rice, harvesting apples, and participating in village ceremonies.

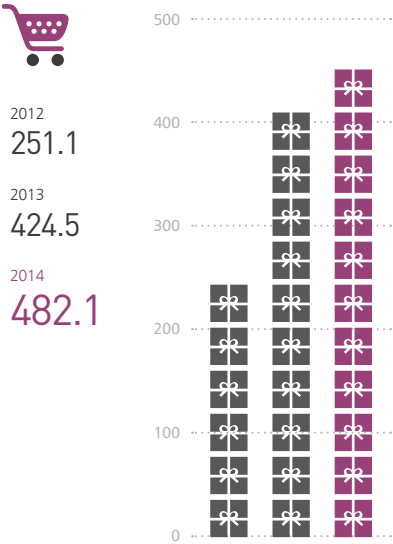


Voluntary Activities in Sister Villages

Traditional Market Activation • To encourage employees to use traditional markets, HHI purchased KRW 480 million worth of Onnuri gift certificates, which can only be used at traditional open-air markets, and provided them to employees as well as the underprivileged and social welfare facilities.

Purchase of Onnuri Vouchers for Traditional Markets

Unit: KRW million



Certified Authority of Educational Donation for Career Experience • HHI's Technical Education Institute was selected as a "Certified Authority of Educational Donation" by the Ulsan Metropolitan Office of Education in 2014. We have launched a variety of activities to help middle & high school students in Ulsan make better career choices.

Hyundai Arts Center’s Main Performances in 2014



Zubin Mehta and the Israel Philharmonic Orchestra Performance • A performance of the Israel Philharmonic Orchestra, led by Maestro Zubin Mehta, one of the world's top conductors, was held on October 22, 2014. This exclusive performance gave a valuable experience to Ulsan residents. The performance was very meaningful because it was expected to be the last concert in Korea led by the 78-year-old Maestro.



Cats the Musical in Korea • As one of the four best musicals in the world together with The Phantom of the Opera, Les Miserables, and Miss Saigon, Cats the Musical was performed from September 26 to September 28, 2014 for a total of five times. The performances, produced by original creative teams and Joan Robinson who has directed "Cats the Musical" for more than 30 years, gave an opportunity to enjoy the original performance without the need to go to New York or London.



Musical Salieri • The musical "Salieri," which sheds a new light on Salieri's life and music, was performed for 3 days from December 11, 2014. Talented actors and creative music to revive the 18th century fascinated local residents as well as musical lovers.

Fusion Music Sugungga • The admission fee of fusion music "Sugungga," which was held on July 29, 2014, was only KRW 1,000 to provide an opportunity to enjoy cultural arts at affordable prices. The Sugungga performances, organized as part of the Mecenat program "Cheonwon Haengbok (happiness with KRW 1,000)," were reinterpreted in a creative and modern way. Local residents along with 200 employees in social welfare facilities in Dong-gu were fascinated by the Korean traditional music.

Pyongyang Art Group Performances • A performance was presented by the Pyongyang Art Group, which was composed of former North Korean defector artists, on November 4, 2014 at the Hyundai Arts Center. Local residents were able to enjoy the performance for only KRW 10 thousand. The performance offered unusual experience to the audience, such as North Korea's pop songs "Bangapseumnida (Nice to meet you)," "Hwiparam (whistling)," accordion playing, sword dances, and puppet shows.

Play "Dongchimi" • The play "Dongchimi," which portrays the love-and-conflict relations between husbands and wives as well as parents and children, was performed on the Concert Hall stage in the Hyundai Arts Center for two days from July 22 to July 23, 2014. The play earned raves from the audience: "well-made play," "acclaimed play with moved story," etc.

Hyundai Arts Center
Mecenat Programs

The Hyundai Art Center operates various Mecenat programs to offer a wide range of cultural arts experiences to the local community. The "Visiting Concert" and "On-site Concert," which are signature events of the program, were conceived in 2000 and 2002, respectively, to provide new cultural experiences to the underprivileged. Moreover, the center supports amateur musicians in the Ulsan region by providing them with an opportunity to perform in the "Lobby Concert."

Social Contribution in
Culture and Arts

As part of efforts to provide cultural opportunities to the underprivileged, we have been actively utilizing the Hyundai Arts Center as a platform for sharing cultural arts experiences. In 2014, a total of 1,026 people consisting of members of multicultural families, children from the local children's center, senior citizens, and residents from regions with lower socio-economic backgrounds were invited to the center to enjoy a variety of performances, musicals, and movies.

SUSTAINABILITY PERFORMANCE

Main Mecenat Programs in 2014		
Visiting Concert	Worksite Concert	Lobby Concert
On June 28, 2014, a concert tour was held at the Ilsan Beach to share with the community the music conducted by HHI's Philharmonic Orchestra, the Orchestra of Traditional Music, and the USP Chamber Orchestra. It was meaningful to hold the concert on the 8th Ulsan Shipbuilding & Offshore Day.	An on-site concert was held at a vest-pocket park in front of the Offshore & Industrial Plant Division on June 27, 2014. The USP Chamber Orchestra played beautiful pieces of music, such as that of Mozart and Johann Strauss, as well as the tracks from Cats the Musical and the original sound tracks from the movie Scent of a Woman.	Since 2001, the "Lobby Concert," performed on the 2nd and 4th Fridays of each month, has been providing venues, piano, acoustics, lighting, and other equipment to enable local musicians to improve their musical skills.

Sharing of Cultural Arts

Participants	Number of Guests	Date	Event Information
Multicultural families	160	April 2014	Musical <The Moon Embracing the Sun>
Youth in the Regional Children's Center	300	July & August 2014	Hip-hop concert <Amper Show> movie <Ninja Turtle>
Local seniors	200	November 2014	Pyongyang Art Company performances
Low-income families	366	November & December 2014	Musical <Salieri>



Operation of Cultural Facilities in 2014

HHI seeks to foster cultural and artistic literacy in the local community, along with the participation of local residents. As of 2014, more than 2,200,000 people have visited the Hyundai Art Center as well as its 7 other cultural facilities. Moreover, there are more than 700 culture and sports education programs currently in operation.

Status of Culture & Arts Facility Operation

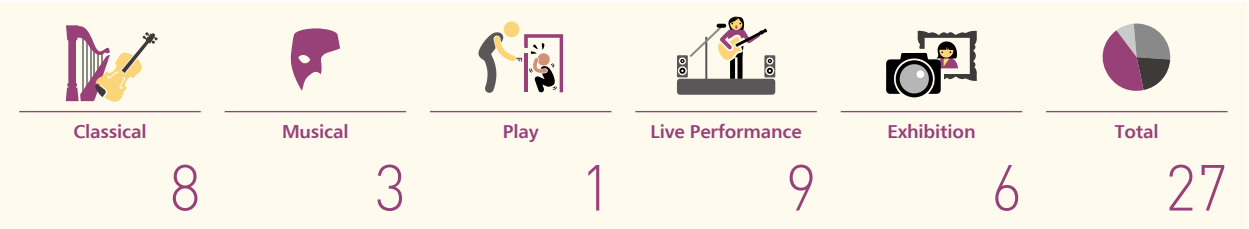
Hyundai Arts Center					
Concert Hall	Chamber Hall	Cinemas	Art Gallery		
<ul style="list-style-type: none">• 22 planned performances• 12 venue performances• Audience share: 86%• 38,000 visitors	<ul style="list-style-type: none">• 6 planned performances• 1 venue performance• Audience share: 86%• 18,000 Visitors	<ul style="list-style-type: none">• 125 screenings• 247,000 visitors	<ul style="list-style-type: none">• 6 exhibitions• 19,000 visitors		
Hanmaeum Center	Mipo Center	Dongbu Center	Seobu Center	Daesong Center	Dongbu 2nd Center
<ul style="list-style-type: none">• 194 cultural courses• 112 sports courses	<ul style="list-style-type: none">• 45 cultural courses• 4 sports courses	<ul style="list-style-type: none">• 7 cultural courses• 54 sports courses	<ul style="list-style-type: none">• 34 cultural courses• 47 sports courses	<ul style="list-style-type: none">• 104 cultural courses	<ul style="list-style-type: none">• 64 cultural courses

Plan to Support Cultural Arts in 2015

We will expand our support for Ulsan so that it can emerge as the center of cultural arts. We are planning facility maintenance, performance planning with quality, Mecenat program implementation, and high-quality lifelong program development. In addition, we will support residents in their cultural arts activities by introducing various marketing strategies.

Performances and Exhibitions in the Hyundai Arts Center for 2015

Unit: Number of works



Part 04 APPENDIX

Financial Statement
Audit Reports of an Independent Auditor
Review of Internal Accounting Control System
Third-Party Certification Report
GRI G4 Guidelines Index & ISO 26000
Membership Status

Financial Statement

Statements of financial position

Unit: KRW 1,000

	2012		2013		2014	
	Consolidated	Separate	Consolidated	Separate	Consolidated	Separate
Assets						
Current assets	25,278,627,247	13,260,608,268	29,254,183,750	14,815,737,605	29,871,608,665	14,778,729,467
Cash and cash equivalents	1,107,690,153	522,916,854	1,336,613,209	730,673,768	3,229,315,488	1,407,943,949
Short-term financial assets	2,512,370,330	140,025,992	4,692,328,819	155,426,784	4,742,522,625	149,731,816
Trade and other receivables	6,798,105,217	3,415,103,505	7,053,564,787	3,646,761,996	5,734,112,198	2,965,451,971
Due from customers for contract work	4,967,727,757	3,571,761,440	6,675,111,932	5,129,773,456	7,154,045,476	4,706,154,739
Inventories	6,191,140,271	2,886,179,999	6,129,287,249	2,584,221,399	5,822,203,196	3,111,765,221
Derivative assets	444,343,127	352,707,880	512,917,626	352,985,099	127,428,741	101,394,184
Firm commitment assets	78,871,247	68,950,598	10,463,993	5,205,454	102,390,560	59,425,040
Prepaid income taxes	28,491,109	-	63,631,292	-	63,330,607	-
Other current assets	3,149,888,036	2,302,962,000	2,780,264,843	2,210,689,649	2,896,259,774	2,276,862,547
Non-current assets	23,994,548,647	17,377,273,449	23,950,787,871	17,315,988,543	23,512,809,176	17,220,629,398
Investments in associates and joint ventures	851,041,163	6,848,089,108	661,663,685	6,777,957,105	554,290,606	6,315,714,090
Long-term financial assets	3,062,837,772	1,113,004,649	3,322,603,688	1,145,948,843	2,496,029,851	1,052,224,824
Long-term trade and other receivables	1,375,259,690	317,859,592	1,088,685,374	292,512,483	930,131,965	294,797,046
Investment property	322,681,120	313,069,349	433,616,630	439,997,862	393,474,781	410,791,189
Property, plant and equipment	15,556,464,149	8,145,864,317	15,712,997,462	8,062,509,717	16,060,222,102	8,255,085,223
Intangible assets	2,297,410,938	373,753,496	2,285,648,835	395,809,501	2,211,628,038	365,622,486
Derivative assets	171,213,578	113,495,722	254,532,450	200,579,565	19,375,757	16,383,248
Firm commitment assets	1,986,905	1,682,828	1,176,419	673,467	153,874,765	85,793,200
Deferred tax assets	71,525,459	-	82,951,542	-	629,359,589	424,218,092
Other non-current assets	284,127,873	150,454,388	106,911,786	-	64,421,722	-
Total assets	49,273,175,894	30,637,881,717	53,204,971,621	32,131,726,148	53,384,417,841	31,999,358,865
Liabilities						
Current liabilities	22,173,986,922	12,289,390,455	26,516,423,455	13,522,875,048	27,702,671,033	13,554,099,295
Short-term financial liabilities	8,998,435,509	4,282,108,440	12,199,921,487	5,363,664,718	12,129,708,393	3,643,119,149
Trade and other payables	5,788,038,173	2,299,628,573	6,354,333,209	2,701,363,787	6,362,168,342	3,686,939,733
Advances from customers	899,696,291	908,391,816	819,346,091	772,614,459	705,470,656	756,823,764
Due to customers from contract work	5,735,064,891	4,202,825,488	6,661,170,259	4,365,624,000	8,140,673,917	5,257,296,786
Derivative liabilities	43,582,929	43,042,776	74,481,517	65,584,053	204,790,242	145,513,550
Firm commitment liabilities	275,635,986	217,691,944	291,110,146	202,711,015	78,981,745	63,740,551
Income tax payable	387,210,785	335,701,418	93,547,287	51,313,016	42,905,141	665,762
Other current liabilities	46,322,358	-	22,513,459	-	37,972,597	-

APPENDIX

Unit: KRW 1,000

	2012		2013		2014	
	Consolidated	Separate	Consolidated	Separate	Consolidated	Separate
Non-current liabilities	8,357,837,777	3,158,555,759	7,658,956,409	3,028,539,589	9,043,171,146	4,672,054,756
Long-term financial liabilities	6,301,794,319	2,260,223,050	5,602,537,611	2,034,144,291	7,440,036,077	3,657,384,068
Long-term trade and other payables	195,824,540	12,234,593	134,150,430	11,557,764	104,396,800	11,581,151
Liability for defined benefit plans	250,179,553	172,672,817	163,952,708	120,454,843	551,233,374	442,146,969
Long-term provisions	395,047,136	252,506,544	552,916,916	381,386,859	502,372,244	460,316,383
Derivative liabilities	26,913,284	20,668,394	31,377,799	26,847,146	162,567,299	90,070,108
Firm commitment liabilities	163,719,454	113,376,015	241,105,773	187,152,888	13,059,104	10,556,077
Deferred tax liabilities	978,566,475	326,874,346	888,794,126	266,995,798	235,878,849	-
Other non-current liabilities	45,793,016	-	44,121,046	-	33,627,399	-
Total liabilities	30,531,824,699	15,447,946,214	34,175,379,864	16,551,414,637	36,745,842,179	18,226,154,051
Equity						
Paid-in capital	380,000,000	380,000,000	380,000,000	380,000,000	380,000,000	380,000,000
Common stock	380,000,000	380,000,000	380,000,000	380,000,000	380,000,000	380,000,000
Capital surplus	1,109,309,014	1,044,516,633	1,109,309,014	1,044,516,633	1,109,309,014	1,044,516,633
Hybrid securities	-	-	-	-	428,589,000	428,589,000
Capital adjustments	(1,778,129,902)	(1,400,454,947)	(1,772,782,730)	(1,400,454,947)	(1,762,535,173)	(1,400,454,947)
Accumulated other comprehensive income	1,071,626,631	498,603,452	1,239,973,279	552,205,370	746,492,455	306,094,650
Retained earnings	16,098,025,119	14,667,270,365	16,293,099,047	15,004,044,455	14,271,926,021	13,014,459,478
Non-controlling interests	1,860,520,333		1,779,993,147		1,464,794,345	
Total Equity	18,741,351,195	15,189,935,503	19,029,591,757	15,580,311,511	16,638,575,662	13,773,204,814
Total liabilities and equity	49,273,175,894	30,637,881,717	53,204,971,621	32,131,726,148	53,384,417,841	31,999,358,865

Statements of Comprehensive Income

Unit: KRW 1,000

	2012		2013		2014	
	Consolidated	Separate	Consolidated	Separate	Consolidated	Separate
Sales	54,973,701,392	25,055,014,302	54,188,096,316	24,282,737,183	52,582,404,205	23,463,461,064
Cost of sales	50,320,497,869	22,236,009,555	50,932,984,966	22,176,255,337	53,299,441,785	24,053,489,027
Gross profit	4,653,203,523	2,819,004,747	3,255,111,350	2,106,481,846	(717,037,580)	(590,027,963)
Selling, general and administrative expenses	2,647,673,390	1,526,071,022	2,453,128,334	1,371,686,848	2,532,417,385	1,333,222,550
Operating profit	2,005,530,133	1,292,933,725	801,983,016	734,794,998	(3,249,454,965)	(1,923,250,513)
Financial income	2,744,384,316	1,884,727,871	1,857,474,471	1,126,586,428	1,611,112,500	827,640,101
Financial expenses	1,745,961,743	649,272,491	1,692,710,450	766,893,914	1,938,268,861	1,242,257,519
Other non-operating income	219,190,566	117,963,323	405,200,018	266,037,091	970,726,316	425,642,895
Other non-operating expenses	1,405,591,284	1,210,223,995	1,038,459,020	866,756,184	462,059,802	424,926,390
Equity method profit and loss	(369,332,032)		(189,194,705)		(37,100,275)	
Profit before income taxes	1,448,219,956	1,436,128,433	144,293,330	493,768,419	(3,105,045,087)	(2,337,151,426)
Income taxes	418,576,998	324,757,228	(2,010,056)	42,100,905	(898,980,392)	(582,474,217)
Net profit	1,029,642,958	1,111,371,205	146,303,386	451,667,514	(2,206,064,695)	(1,754,677,209)
Other comprehensive income	(294,651,002)	(395,558,631)	286,289,118	91,929,594	(643,455,207)	(357,734,141)
Items that are or may be reclassified subsequently to profit or loss	(231,540,456)	(354,043,309)	219,245,406	53,601,918	(502,267,360)	(246,110,720)
Changes in fair value of available-for-sale financial assets	(162,921,977)	(342,902,312)	262,687,801	61,601,033	(495,770,561)	(216,563,440)
Changes in fair value of cash flow hedge derivatives	11,102,231	(11,140,997)	(12,103,449)	(7,999,115)	(26,888,716)	(29,547,280)
Exchange differences on translating foreign operation	(91,840,279)		(11,389,648)		(35,333,047)	
Changes in equity of equity method investments	12,119,569		(19,949,298)		55,724,964	
Items that will not be reclassified subsequently to profit or loss	(63,110,546)	(41,515,322)	67,043,712	38,327,676	(141,187,847)	(111,623,421)
Actuarial gains and losses	(60,540,104)	(41,515,322)	65,605,512	38,327,676	(149,579,380)	(111,623,421)
Changes in retained earnings of equity method investments	(2,570,442)		1,438,200		8,391,533	
Total comprehensive income	734,991,956	715,812,574	432,592,504	543,597,108	(2,849,519,902)	(2,112,411,350)
Net profit attributable to:						
Owners of the parent company	992,606,160		278,705,518		(1,769,214,511)	
Non-controlling interests	37,036,798		(132,402,132)		(436,850,184)	
Total comprehensive income attributable to:						
Owners of the parent company	707,618,066		509,889,250		(2,396,682,367)	
Non-controlling interests	27,373,890		(77,296,746)		(452,837,535)	
Earnings per share						
Basic earnings per share (Unit: KRW)	17,974	18,133	5,047	7,370	(32,049)	(28,641)

Consolidated Statements of Changes in Equity

Unit: KRW 1,000

		Equity							
		Equity attributable to owners of the parent company						Non-controlling interests	Total
		Common stock	Capital surplus	Hybrid securities	Capital adjustment	Accumulated other comprehensive income	Retained earnings	Total	
Balance at January 1, 2012		380,000,000	1,099,792,874		(1,797,036,283)	1,296,943,571	15,399,437,474	16,379,137,636	1,797,381,431 18,176,519,067
Changes in equity	Net profit						992,606,160	992,606,160	37,036,798 1,029,642,958
	Changes in fair value of available-for-sale financial assets					(179,754,834)		(179,754,834)	16,832,857 (162,921,977)
	Changes in fair value of cash flow hedge derivatives					12,634,720		12,634,720	(1,532,489) 11,102,231
	Exchange differences on translating foreign operation					(70,099,321)		(70,099,321)	(21,740,958) (91,840,279)
	Changes in equity of equity method investments					11,902,495		11,902,495	217,074 12,119,569
	Changes in retained earnings of equity method investments						(2,528,715)	(2,528,715)	(41,727) (2,570,442)
	Actuarial gains and losses						(57,142,439)	(57,142,439)	(3,397,665) (60,540,104)
	Total comprehensive income					(225,316,940)	932,935,006	707,618,066	27,373,890 734,991,956
	Dividend						(234,347,361)	(234,347,361)	(15,447,957) (249,795,318)
	Issuance of hybrid securities								
Interest of hybrid securities									
Others			9,516,140		18,906,381			28,422,521	51,212,969 79,635,490
Total changes in equity			9,516,140		18,906,381	(225,316,940)	698,587,645	501,693,226	63,138,902 564,832,128
Balance at December 31, 2012		380,000,000	1,109,309,014		(1,778,129,902)	1,071,626,631	16,098,025,119	16,880,830,862	1,860,520,333 18,741,351,195
Balance at January 1, 2013		380,000,000	1,109,309,014		(1,778,129,902)	1,071,626,631	16,098,025,119	16,880,830,862	1,860,520,333 18,741,351,195
Changes in equity	Net profit						278,705,518	278,705,518	(132,402,132) 146,303,386
	Changes in fair value of available-for-sale financial assets					214,010,305		214,010,305	48,677,496 262,687,801
	Changes in fair value of cash flow hedge derivatives					(12,117,611)		(12,117,611)	14,162 (12,103,449)
	Exchange differences on translating foreign operation					(13,752,484)		(13,752,484)	2,362,836 (11,389,648)
	Changes in equity of equity method investments					(19,793,562)		(19,793,562)	(155,736) (19,949,298)
	Changes in retained earnings of equity method investments						1,473,548	1,473,548	(35,348) 1,438,200

Unit: KRW 1,000

			Capital								
			Equity attributable to owners of the parent company						Non-controlling interests	Total	
Common stock	Capital surplus	Hybrid securities	Capital adjustment	Accumulated other comprehensive income	Retained earnings	Total					
Changes in equity	Comprehensive income	Actuarial income				61,363,536	61,363,536	4,241,976	65,605,512		
		Total comprehensive income				168,346,648	341,542,602	509,889,250	(77,296,746)	432,592,504	
	Dividend					(146,468,674)	(146,468,674)	(9,465,912)	(155,934,586)		
	Issuance of hybrid securities										
	Interest of hybrid securities										
	Others			5,347,172			5,347,172	6,235,472	11,582,644		
	Total changes in equity			5,347,172	168,346,648	195,073,928	368,767,748	(80,527,186)	288,240,562		
Balance at December 31, 2013			380,000,000	1,109,309,014	(1,772,782,730)	1,239,973,279	16,293,099,047	17,249,598,610	1,779,993,147	19,029,591,757	
Balance at January 1, 2014			380,000,000	1,109,309,014	(1,772,782,730)	1,239,973,279	16,293,099,047	17,249,598,610	1,779,993,147	19,029,591,757	
Changes in equity	Comprehensive income	Net profit					(1,769,214,511)	(1,769,214,511)	(436,850,184)	(2,206,064,695)	
		Changes in fair value of available-for-sale financial assets				(484,097,563)		(484,097,563)	(11,672,998)	(495,770,561)	
		Changes in fair value of cash flow hedge derivatives				(26,989,061)		(26,989,061)	100,345	(26,888,716)	
		Exchange differences on translating foreign operation				(37,677,622)		(37,677,622)	2,344,575	(35,333,047)	
		Changes in equity of equity method investments				55,283,422		55,283,422	441,542	55,724,964	
		Changes in retained earnings of equity method investments					8,266,264	8,266,264	125,269	8,391,533	
		Actuarial gains and losses					(142,253,296)	(142,253,296)	(7,326,084)	(149,579,380)	
	Net profit				(493,480,824)	(1,903,201,543)	(2,396,682,367)	(452,837,535)	(2,849,519,902)		
	Dividend					(117,264,016)	(117,264,016)	(5,988,909)	(123,252,925)		
	Issuance of hybrid securities			428,589,000				428,589,000		428,589,000	
	Interest of hybrid securities					(707,467)	(707,467)		(707,467)		
	Others				10,247,557			10,247,557	143,627,642	153,875,199	
	Total changes in equity			428,589,000	10,247,557	(493,480,824)	(2,021,173,026)	(2,075,817,293)	(315,198,802)	(2,391,016,095)	
Balance at December 31, 2014			380,000,000	1,109,309,014	428,589,000	(1,762,535,173)	746,492,455	14,271,926,021	15,173,781,317	1,464,794,345	16,638,575,662

Unit: KRW 1,000

Consolidated Statements of Cash Flows

	2012	2013	2014
Cash flow from operating activities	(3,459,075,408)	492,799,486	1,506,674,748
Net profit	1,029,642,958	146,303,386	(2,206,064,695)
Adjustments	(3,496,438,648)	1,028,888,599	3,846,015,292
Interest received	385,506,984	320,455,093	305,835,273
Interest paid	(504,180,991)	(443,489,722)	(410,302,676)
Dividends received	56,100,614	52,965,217	92,296,690
Income tax paid	(929,706,325)	(612,323,087)	(121,105,136)
Cash flow from investment activities	(809,287,176)	(1,263,400,135)	(591,478,174)
Disposal of short-term financial assets	229,519,157	563,361,007	281,966,263
Disposal of other receivables	347,754	8,110,000	9,489,599
Disposal of investments in associates	490,807	5,090,313	7,934,700
Disposal of investments in joint ventures	27,725,094	68,456,425	105,916,775
Disposal of investments in subsidiaries	947,186,881	398,583,959	1,259,339,673
Disposal of long-term financial assets	17,580,620	185,967,101	70,034,423
Disposal of other long-term receivables		3,666,402	15,236,500
Disposal of property, plant and equipment	42,408,096	85,864,801	127,075,010
Disposal of intangible assets	4,629,691	4,221,360	5,843,993
Receipt of government subsidies	1,455,839	1,702,339	5,782,891
Disposal of other non-current assets	426,576		669,690
Acquisition of short-term financial assets	(411,822,011)	(587,595,177)	(289,406,901)
Acquisition of other receivables	(6,020,000)	(2,312,377)	(25,089)
Acquisition of investments in associates	(213,608,446)	(31,346,858)	(20,133,500)
Acquisition of investments in joint ventures		(2,000,000)	
Acquisition of investments in subsidiaries	(216,789,770)	(461,385,620)	(561,192,828)
Acquisition of long-term financial assets	(34,333,795)	(89,996,020)	(58,065,178)
Acquisition of investment property	(664,383)	(60,744)	(402)
Acquisition of property, plant and equipment	(1,095,371,977)	(1,303,510,909)	(1,487,037,877)
Acquisition of intangible assets	(81,790,855)	(99,310,726)	(64,899,898)
Acquisition of other non-current assets	(20,656,454)	(10,905,411)	(6,018)

Unit: KRW 1,000			
	2012	2013	2014
Cash flow from financing activities	3,774,048,823	1,001,729,973	986,238,059
Increase in short-term financial liabilities	26,389,375,077	28,384,487,181	24,492,641,246
Increase in long-term financial liabilities	4,624,950,579	1,920,632,273	4,062,670,622
Increase in non-controlling interests	85,666,448	43,966,037	106,683,433
Repayment of short-term financial liabilities	(27,066,247,362)	(28,488,829,701)	(27,583,833,012)
Repayment of long-term financial liabilities	(3,916,617)	(701,872,731)	(399,299,658)
Issuance of hybrid securities			428,589,000
Dividends paid	(234,347,360)	(146,468,674)	(117,264,016)
Decrease in non-controlling interests	(21,431,942)	(10,184,412)	(3,949,556)
Effect of exchange rate changes on cash and cash equivalents	(7,975,539)	(2,206,268)	(8,732,354)
Net increase (decrease) in cash and cash equivalents	(502,289,300)	228,923,056	1,892,702,279
Cash and cash equivalents at January 1	1,609,979,453	1,107,690,153	1,336,613,209
Cash and cash equivalents at December 31	1,107,690,153	1,336,613,209	3,229,315,488

Separate Statements of Changes in Equity

Unit: KRW 1,000

		Equity							
		Common stock	Capital surplus	Hybrid securities	Capital adjustments	Income of available-for-sale financial assets	Gains on valuation of derivatives	Retained earnings	Total equity
Balance at January 1, 2012		380,000,000	1,044,516,633		(1,400,454,947)	862,950,681	(10,303,920)	13,842,568,242	14,719,276,689
Changes in equity	Net profit							1,111,371,205	1,111,371,205
	Changes in fair value of available-for-sale financial assets					(342,902,312)			(342,902,312)
	Changes in fair value of cash flow hedge derivatives						(11,140,997)		(11,140,997)
	Actuarial gains and losses							(41,515,322)	(41,515,322)
	Total comprehensive income					(342,902,312)	(11,140,997)	1,069,855,883	715,812,574
	Dividend							(245,153,760)	(245,153,760)
	Issuance of hybrid securities								
	Interest of hybrid securities								
	Total changes in equity					(342,902,312)	(11,140,997)	824,702,123	470,658,814
Balance at December 31, 2012		380,000,000	1,044,516,633		(1,400,454,947)	520,048,369	(21,444,917)	14,667,270,365	15,189,935,503
Balance at January 1, 2013		380,000,000	1,044,516,633		(1,400,454,947)	520,048,369	(21,444,917)	14,667,270,365	15,189,935,503
Changes in equity	Net profit							451,667,514	451,667,514
	Changes in fair value of available-for-sale financial assets					61,601,033			61,601,033
	Changes in fair value of cash flow hedge derivatives						(7,999,115)		(7,999,115)
	Actuarial gains and losses							38,327,676	38,327,676
	Total comprehensive income					61,601,033	(7,999,115)	489,995,190	543,597,108
	Dividend							(153,221,100)	(153,221,100)
	Issuance of hybrid securities								
	Interest of hybrid securities								
	Total changes in equity					61,601,033	(7,999,115)	336,774,090	390,376,008
Balance at December 31, 2013		380,000,000	1,044,516,633		(1,400,454,947)	581,649,402	(29,444,032)	15,004,044,455	15,580,311,511
Balance at January 1, 2014		380,000,000	1,044,516,633		(1,400,454,947)	581,649,402	(29,444,032)	15,004,044,455	15,580,311,511
Changes in equity	Net profit							(1,754,677,209)	(1,754,677,209)
	Changes in fair value of available-for-sale financial assets					(216,563,440)			(216,563,440)
	Changes in fair value of cash flow hedge derivatives						(29,547,280)		(29,547,280)
	Actuarial gains and losses							(111,623,421)	(111,623,421)
	Total comprehensive income					(216,563,440)	(29,547,280)	(1,866,300,630)	(2,112,411,350)
	Dividend							(122,576,880)	(122,576,880)
	Issuance of hybrid securities			428,589,000					428,589,000
	Interest of hybrid securities							(707,467)	(707,467)
	Total changes in equity			428,589,000		(216,563,440)	(29,547,280)	(1,989,584,977)	(1,807,106,697)
Balance at December 31, 2014		380,000,000	1,044,516,633	428,589,000	(1,400,454,947)	365,085,962	(58,991,312)	13,014,459,478	13,773,204,814

Audit Report of an Independent Auditor

Separate Statements of Cash Flows

Unit: KRW 1,000

	2012	2013	2014
Cash flow from operating activities	(2,180,227,635)	47,989,559	1,271,995,306
Net profit	1,111,371,205	451,667,514	(1,754,677,209)
Adjustments	(2,729,702,562)	193,176,263	3,150,554,707
Interest received	114,816,268	52,516,341	41,524,469
Interest paid	(173,923,508)	(190,313,949)	(185,979,594)
Dividends received	57,966,431	37,415,696	89,440,674
Income tax paid	(560,755,469)	(496,472,306)	(68,867,741)
Cash flow from investment activities	(293,045,771)	(609,871,199)	(703,462,577)
Disposal of short-term financial assets	17,059,369	130,500,000	161,855,224
Disposal of other receivables		4,300,000	
Disposal of investments in associates	51,665,836	18,847,943	105,878,509
Disposal of long-term financial assets	706,510,852	1,724,821	17,670,003
Disposal of other long-term receivables	2,260,917	5,913,002	5,287,635
Disposal of property, plant and equipment	9,081,306	16,526,207	3,011,854
Disposal of intangible assets	634,025	2,620,909	3,894,285
Disposal of assets held for sale		88,530,394	
Disposal of other non-current assets		2,794	
Acquisition of short-term financial assets	(135,500,000)	(149,700,000)	(161,855,224)
Acquisition of other receivables	(2,000,000)	(2,300,000)	
Acquisition of investments in associates	(269,622,882)	(91,924,421)	(134,229,857)
Acquisition of long-term financial assets	(7,884,410)	(5,325,317)	(959,220)
Acquisition of other long-term receivables	(2,056,861)	(2,956,508)	(3,826,020)
Acquisition of property, plant and equipment	(572,677,398)	(529,638,630)	(641,461,840)
Acquisition of intangible assets	(69,860,071)	(86,086,982)	(58,727,926)
Acquisition of other non-current assets	(20,656,454)	(10,905,411)	
Cash flow from financing activities	2,388,991,007	771,332,880	107,730,504
Increase in short-term financial liabilities	11,598,086,227	10,787,673,723	8,452,148,034
Increase in long-term financial liabilities	2,258,146,200	1,655,179,220	2,768,632,800
Repayment of short-term financial liabilities	(11,222,087,660)	(10,945,994,963)	(11,419,060,981)
Repayment of long-term financial liabilities		(572,304,000)	(1,469)
Issuance of hybrid securities			428,589,000
Dividends paid	(245,153,760)	(153,221,100)	(122,576,880)
Effect of exchange rate changes on cash and cash equivalents	(1,106,492)	(1,694,326)	1,006,948
Net increase(decrease) in cash and cash equivalents	(85,388,891)	207,756,914	677,270,181
Cash and cash equivalents at January 1	608,305,745	522,916,854	730,673,768
Cash and cash equivalents at December 31	522,916,854	730,673,768	1,407,943,949

Dear Shareholders and Board of Directors of
Hyundai Heavy Industries Co., Ltd.

We have audited the attached financial statements of Hyundai Heavy Industries, which include the statement of financial position as of 31 December 2014 and 31 December 2013, the statement of comprehensive income for the year ended 31 December 2014 and 31 December 2013, the statement of changes in equity, the statement of cash flow, and the summary of major accounting policies and other explanatory data.

Management's Responsibility for Financial Statements

The management is responsible for preparing the financial statement in accordance with the International Financial Reporting Standards of Korea (K-IFRS). It is also responsible for internal controls deemed necessary to prepare the financial statements without material misstatement due to fraud or error.

Responsibility of Auditors

Our responsibility is to express an opinion on those financial statements based on the audit we have performed. We have conducted the audit in accordance with K-IFRS. K-IFRS requires us to comply with ethical requirements and to plan and perform the audit without material misstatements. An audit includes the performance of procedures to obtain audit evidence regarding the amounts and disclosures in the financial statements. The choice of procedure depends on the judgment of auditors, including the assessment of material misstatement risks in financial statements due to fraud or error. In order to design audit procedures appropriate for the situation, auditors consider internal controls related to the company's fair financial statements when evaluating those risks. Note, however, that this is not intended to express an opinion on the effectiveness of internal controls. The audit includes an assessment of the management's accounting estimates as well as the overall financial statement. We believe that the audit evidence we have obtained is suitable as basis for our audit opinion.

Audit Opinion

In our opinion, the company's financial statement fairly presents the statement of financial position as of 31 December 2014 and 31 December 2013, the statement of comprehensive income for the year ended 31 December 2014 and 31 December 2013, and the statement of cash flow in accordance with K-IFRS.

Others

We have audited the financial statements as of the end of 31 December 2013 of Hyundai Heavy Industries Co., in accordance with the previous auditing standards.

March 19, 2015

Samjong KPMG
CEO **Kim, Kyo Tae**



The audit report is effective as of 19 March, 2015 Therefore, subsequent events that could significantly affect the company's financial statements after the initial audit date can occur, which will cause the audit report to be modified.

Review of Internal Accounting Control System

Dear CEO of
Hyundai Heavy Industries Co., Ltd.:

We reviewed the attached operational assessment report on the internal accounting control system as of 31 December 2014. Hyundai Heavy Industries is responsible for designing and operating the internal accounting control system and preparing the operational assessment report; we are responsible for reviewing the report and reporting the result of the review. The management states -- in the operational assessment report on the Internal Accounting Control System (IACS) -- that the company's internal accounting control system is effectively designed and operated based on IACS best practices as of 31 December 2014.

We conducted our review in accordance with the IACS review standards. Such standards require that we plan and perform the review of the report with lower assurance than the audit. The review includes the procedures for understanding the company's IACS and inspecting the relevant documents if necessary.

The company's IACS refers to the regulations to give assurance that the financial statement is reliable based on K-IFRS and operation and management of the regulations. Note, however, that IACS may not prevent or detect misstatements because of its inherent limitations. In addition, evaluating the future contents on the basis of this report would not be appropriate if the company does not comply with the procedures and policies properly.

Our review of the management's operational assessment report on IACS confirms that the report was written in accordance with IACS best practices.

We conducted the review on IACS as of 31 December 2014, not since then. Therefore, this review report might not be appropriate for other purposes or for other users since it is written based on the acts on the external audit of the corporation.

March 19, 2015

Samjong KPMG
CEO **Kim, Kyo Tae**



Third-Party Certification Report

Introduction

DNV GL Business Assurance Korea Ltd. (hereinafter “DNV GL”) was commissioned to carry out the assurance engagement of the 2015 Integrated 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 lies in performing the work based on the terms of reference and the agreed-upon scope of work. The assurance engagement is based on the assumption that the data and information provided to DNV GL are complete, sufficient, and authentic. HYUNDAI HEAVY INDUSTRIES’ stakeholders are the intended recipients of the assurance statement.

Scope of Assurance

The scope of DNV GL’s Assurance Engagement, limited to the 2015 HHI Integrated Report, is as follows:

- Evaluation of the Social Responsibility Report and quality principles in accordance with GRI G4.0
- Evaluation of adherence to the Accountability principles set forth in the AA1000 Accountability Principles Standard 2008 with moderate assurance
- Review of GRI G4.0 disclosure option
- Assurance engagement through the visit to the HHI headquarters in April 2015

Limitation

The engagement excluded the sustainability management, performance, and reporting practices of HYUNDAI HEAVY INDUSTRIES’ suppliers and contractors as well as any third party 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 is not included in the scope of the Assurance. Economic performances based on the financial data were cross-checked with internal documents and audited financial statements. The aggregation and calculation process for building economic performances was reviewed and tested by the verification team. The baseline data for Environmental and Social performance were not verified, but the aggregated data were used for the verification. DNV GL expressly disclaims any liability or co-responsibility for any decision that 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 DNV GL’s Verification Protocol for Sustainability Reporting (VeriSustain TM)) and AA1000AS (2008). As part of the verification, we investigated 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 was conducted in April ~ May 2014. In accordance with the Protocol, the Report was evaluated with regard to the criteria below. DNV GL has examined and reviewed documents, data, and other information made available by HYUNDAI HEAVY INDUSTRIES. We performed sample-based audits of the following:.

- Process for determining the materiality of the contents to be included in the Report
- Process for generating, gathering, and managing the quantitative and qualitative data included in the Report
- Accuracy of data verified
- AA1000 Accountability Principles Standard (2008)'s comprehensive, responsive, and materiality principles
- GRI G4.0 Disclosure option

Third-Party Certification Report

Conclusion

In DNV GL’s opinion, the Report provides a reliable and fair representation of HYUNDAI HEAVY INDUSTRIES’ policy, practices, and performance in 2014. The report submitted by the company shows whether disclosure items are verified in accordance with the Core options of GRI G4.0 Further conclusions and observations on the Adherence to the principles of Inclusivity, Materiality, and Responsiveness as set forth in AA1000AS (2008) are made below.

Inclusivity | HYUNDAI HEAVY INDUSTRIES comprehends the sustainability issues from customers, employees, suppliers, community, shareholders and investors, and government. The report clearly presents the process to derive the information from the internal and external stakeholders and key issues relevant to each stakeholder group.

Materiality | HYUNDAI HEAVY INDUSTRIES comprehends the sustainability issues through benchmarking, media search, and consultation with stakeholders. It ranked priorities by combining the importance of sustainability and its influence on stakeholders. It clearly drew the key issues from the process of the materiality assessment.

Responsiveness | The report shows that HYUNDAI HEAVY INDUSTRIES monitors and measures the accomplishments with regard to the priority issues based on the materiality assessment. The report presents the vision and strategy for sustainability management as well as financial performance and non-financial performance.

Opportunities for Improvement

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

- HYUNDAI HEAVY INDUSTRIES' Integrated Report presents the goals and achievements with regard to the sustainability issues. Note, however, that the goals or targets should be more specific and measurable so that stakeholders can compare the accomplishments with the goals.

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 statement or data included in the Report except for this Assurance Statement. DNV GL maintained complete impartiality toward the stakeholders interviewed during the verification process. The verification was carried out by a team of qualified professionals with sufficient experience.

June 2015
Seoul, Republic of Korea


In-Kyun Ahn
Country Manager
DNV GL Business Assurance Korea



GRI G4 Guidelines Index & ISO 26000

General Standard Disclosures				
Strategy and Analysis		ISO 26000	External Verification	Page
G4-1	Statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and the organization’s strategy for addressing sustainability	6.2	●	4, 5
Organizational Profile				
G4-3	Name of the organization		●	8
G4-4	Primary brands, products, and services		●	18, 19
G4-5	Location of the organization’s headquarters		●	8
G4-6	Number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report		●	10, 11
G4-7	Nature of ownership and legal form		●	8
G4-8	Markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)		●	10, 11
G4-9	Scale of the organization		●	8
G4-10	Total number of employees by employment contract and gender		●	8
G4-11	Percentage of total employees covered by collective bargaining agreements		●	79
G4-12	Organization’s supply chain		●	83
G4-13	Significant changes during the reporting period regarding the organization’s size, structure, ownership, or its supply chain		●	No significant changes during the reporting period
G4-14	Precautionary approach or principle is addressed by the organization		●	57, 60
G4-15	Economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses		●	112
G4-16	Memberships of associations (such as industry associations) and national or international advocacy organizations		●	112
Identified Material Aspects and Boundaries				
G4-17	Organization’s consolidated financial statements or the list of all the subjects contained in the equivalent documents		●	96
G4-18	Process for defining the report content and the aspect boundaries		●	6, 43
G4-19	Material aspects identified in the process for defining report content		●	42
G4-20	Aspect boundary within the organization		●	7
G4-21	Aspect boundary outside the organization		●	
G4-22	Effect of any restatements of information provided in previous reports, and the reasons for such restatements		●	6
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries		●	6
Stakeholder Engagement				
G4-24	Stakeholder groups engaged by the organization.		●	7
G4-25	Identification and selection of stakeholders with whom to engage.		●	7
G4-26	Organization’s approach to stakeholder engagement		●	7
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns,		●	7
Report Profile				
G4-28	Reporting period (such as fiscal or calendar year) for information provided		●	Reporting Period and Scope
G4-29	Date of most recent previous report		●	
G4-30	Reporting cycle (such as annual, biennial)		●	
G4-31	Contact point for questions regarding the report or its contents		●	113
G4-32	‘in accordance’ option the organization has chosen and GRI Content Index for the chosen option		●	109~111
G4-33	Organization’s policy and current practice with regard to seeking external assurance for the report	7.5.3	●	Reporting Principles
Governance			Level of Disclosure	Page
G4-34	Governance structure of the organization, including committees of the highest governance body	6.2	●	62
Ethics and Integrity				
G4-56	Organization’s values, principles, standards and norms of behavior such as codes of conduct and codes of ethics		●	56, 57

Specific Standard Disclosures					
Aspect	Index	Content	ISO 26000	External Verification	Page
Economic					
Economic Performance	G4-DMA	Disclosures on Management Approach		●	16
	G4-EC1	Direct economic value generated and distributed	6.8, 6.8.3, 6.8.7, 6.8.9	●	16
	G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to Climate Change	6.5.5	●	73
	G4-EC3	Coverage of the organization's defined benefit plan obligations		●	81
Indirect Economic Impacts	G4-DMA	Disclosures on Management Approach		●	86
	G4-EC7	Development and impact of infrastructure investments and services supported	6.3.9, 6.8, 6.8.3, 6.8.4, 6.8.5, 6.8.6, 6.8.7, 6.8.9	●	91, 92
	G4-EC8	Significant indirect economic 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	●	86~90
Procurement Practices	G4-DMA	Disclosures on Management Approach		●	82
	G4-EC9	Spending on local suppliers at significant locations of operation		●	84
Environmental					
Energy	G4-DMA	Disclosures on Management Approach		●	66, 72
	G4-EN3	Energy Consumption within the organization		●	73
	G4-EN4	Energy consumption outside of the organization	6.5, 6.5.5	●	73
	G4-EN6	Reduction of energy consumption		●	73
	G4-EN7	Reduction in energy requirements of products and services		●	73
Emissions	G4-DMA	Disclosures on Management Approach		●	66, 72
	G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)		●	73
	G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	6.5, 6.5.5	●	73
	G4-EN19	Reduction of greenhouse gas (GHG) emissions		●	73
	G4-EN 21	NOx, SOx, and other significant air emissions		●	74
Effluents and Waste	G4-DMA	Disclosures on Management Approach		●	66
	G4-EN22	Total water discharge by quality and destination		●	74
	G4-EN23	Total weight of waste by type and disposal method		●	74
	G4-EN24	Total number and volume of significant spills		●	No record of spills
Products and Services	G4-DMA	Disclosures on Management Approach		●	66
	G4-EN27	Extent of impact mitigation of environmental impacts of products and services	6.5, 6.5.4, 6.6.6, 6.7.5	●	73
Compliance	G4-DMA	Disclosures on Management Approach		●	66
	G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	6.5	●	No case of non-compliance
Environmental Grievance Mechanisms	G4-DMA	Disclosures on Management Approach		●	66
	G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms		●	No grievance about environmental impacts filed
Social					
Employment	G4-DMA	Disclosures on Management Approach		●	78
	G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	6.4, 6.4.3, 6.4.4	●	81
Occupational Health and Safety	G4-DMA	Disclosures on Management Approach		●	66
	G4-LA7	Workers with high incidence or high risk of diseases related to their occupation		●	77
	G4-LA8	Health and safety topics covered in formal agreements with trade unions	6.4, 6.4.6	●	79
	G4-DMA	Disclosures on Management Approach		●	48
Training and Education	G4-LA9	Average training hours per worker per year	6.4, 6.4.7	●	49
	G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	6.4, 6.4.7, 6.8.8	●	81
	G4-LA11	Percentage of employees receiving regular performance and career development reviews,	6.4, 6.4.7	●	62

Specific Standard Disclosures					
Aspect	Index	Content	ISO 26000	External Verification	Page
Labor Practices Grievance Mechanisms	G4-DMA	Disclosures on Management Approach		●	44
	G4-LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms		●	46
Human Rights					
Non-discrimination	G4-DMA	Disclosures on Management Approach		●	55
	G4-HR3	Total number of incidents of discrimination and corrective actions taken	6.3, 6.3.6, 6.3.7, 6.3.10, 6.4.3	●	No case of notable discrimination
Child Labor	G4-DMA	Disclosures on Management Approach		●	55
	G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor	6.3, 6.3.3, 6.3.4, 6.3.5, 6.3.7, 6.3.10	●	No existing child labor
Forced or Compulsory Labor	G4-DMA	Disclosures on Management Approach		●	55
	G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor		●	No existing forced or compulsory labor
Indigenous Rights	G4-DMA	Disclosures on Management Approach		●	55
	G4-HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken	6.3, 6.3.6, 6.3.7, 6.3.8, 6.6.7	●	No case of violations involving rights
Society					
Local Communities	G4-DMA	Disclosures on Management Approach		●	86
	G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	6.6, 6.6.3	●	87~94
Anti-corruption	G4-DMA	Disclosures on Management Approach		●	55
	G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified		●	60
	G4-SO4	Communication and education on anti-corruption policies and procedures		●	60~61
Anti-competitive Behavior	G4-DMA	Disclosures on Management Approach		●	55
	G4-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	●	No case of anti-competitive behavior or monopoly
Compliance	G4-DMA	Disclosures on Management Approach		●	55
	G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	6.6, 6.6.7, 6.8.7	●	No case of non-compliance
Product Responsibility					
Customer Health and Safety	G4-DMA	Disclosures on Management Approach		●	66
	G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes		●	No violations
Product and Service Labeling	G4-DMA	Disclosures on Management Approach		●	44
	G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes		●	No violations
Marketing Communications	G4-DMA	Disclosures on Management Approach		●	55
	G4-PR6	Sale of banned or disputed products		●	No banned or disputed product
	G4-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	6.7, 6.7.3, 6.7.6, 6.7.9	●	No case of non-compliance
Customer Privacy	G4-DMA	Disclosures on Management Approach		●	44
	G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	6.7, 6.7.7	●	No complaints regarding customer information
	G4-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	●	No case of non-compliance

Membership Status

Division	Name
Shipbuilding	Korea Offshore & Shipbuilding Association, Korea Defense Industry Association, Korea Association for Radiation Application, The Society of Naval Architects of Korea, Society of CAD/CAM Engineers, International Towing Tank Conference (ITTC), Korea Towing Tank Conference, The Korean Society for Nondestructive Testing, Royal Institution of Naval Architects, The Korea Gas Union, Korean LNG Bunkering Association
Offshore & Industrial Plant	International Contractors Association of Korea, Korea Specialty Contractors Association (Ulsan), The Korean Society of Ocean Engineers, Korea Plant Industries Association, Korea Project Management Association, Construction Association of Korea, Korea Construction Engineers Association, Korea Engineering & Consulting Association
Engine & Machinery	Korea Machine Tool Manufacturers' Association (KOMMA), Korea Federation of Combustion Engines (KOFCE), Korea Marine Equipment Association, Korea Association of Ballast Water Management System, Korea Association of Robot Industry, Institute of Control, Robotics, and Systems (ICROS)
Electro Electric Systems	Korea Electric Association, Korea Electrical Manufacturers Association, Korea Smart Grid Association, Conseil International des Grands Reseaux Electriques (CIGRE), Study Committee of High Voltage Switchgear, Korea Electrical Contractors Association, SEGA KOREA, Korea Software Industry Association, The Korean Institute of Electrical Engineers (Gyeongnam), Power Transformer Working Group, Korea Electrical Engineering & Science Research Institute
Green Energy	Korea Photovoltaic Industry Association, Korea New & Renewable Energy Association, The PV CYCLE Association, Korea Electric Engineers Association, Korea Wind Energy Industry Association, Korea Power Exchange
Construction Equipment	Korea Construction Equipment Manufacturers Association, Gear and Power Transmission Research Laboratory of Ohio State University
Corporate Technology Institute	Consortium of Korea Invention Promotion Association, Korea Intellectual Property Association (KINPA), Korea Industrial Technology Association (KOITA), The Federation of Korean Information Industries, KOITA Exchange Meeting of Technology Management Heads, Korea Electric Engineers Association, The Korean Society of Mechanical Engineers, The Korean Welding and Joining Society, Korean Institute of Industrial Engineers, The Korean Institute of Metals and Materials



Departments Involved in Making the Report

- Accounting Department
- Business Ethics Team
- Business Management Team, Offshore & Industrial Plant Division
- Compliance Department
- Corporate Culture & Public Relations Department
- Environment & Health Department
- Finance Department
- General Affairs Department
- Green Energy Business Planning Department, Green Energy Division
- Human Resources Development Department
- Human Resources Development Institute
- Human Resources Planning Department
- Hyundai Arts Center
- Hyundai Marine Service Center
- Industrial Relations Department
- Marine Engine & Machinery Sales Department, Engine & Machinery Division
- Market Research & Planning Department, Group Ship Sales Division
- Marketing & Planning Department, Construction Equipment Division
- Marketing Strategy and Promotion Department, Electro Electric Systems Division
- Offshore Marketing Department, Offshore & Industrial Plant Division
- Overseas Public Relations Department
- Procurement Planning Department
- Safety Management Department
- Technical Education Institute
- Technology Planning Department

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