

HHI

INTEGRATED
REPORT

HEAD+HEART=IDEAL



2016 Integrated Report Outline

Part. 1 Overview	Part. 2 Business Review	Part. 3 Sustainability Performance	Part. 4 Appendix
Overview and introductions for HHI's business, governance, global network and shared value	Stock information and financial performance	Sustainable business activities and achievements reporting based on management philosophy	Financial statements, GRI G4 Guidelines index and other supplementary information

Report Profile

This report introduces Hyundai Heavy Industries' (HHI) pursuits for sustainable development. To provide relevant information to stakeholders, this report mainly provides information about core issues derived from materiality assessment, and strived to maintain the balance between financial and non-financial information.

Reporting Period and Scope

Reporting period of this report is from January 1 to December 31, 2015, with the last three years' key performance indicators provided to ensure a better understanding of changing trends. Recent business information by April 2016 has also been partially covered for the sake of providing timely information. This report is based on HHI's activities in Korea.

Reporting Principle

This report is prepared in accordance with GRI (Global Reporting Initiative) G4 Guidelines' Core option, and with reference to the Integrated Reporting Framework of the International Integrated Reporting Council. To ensure objectivity, fairness and credibility, a third party assurance was conducted by Lloyd's Register Quality Assurance Ltd., an independent assurance agency.

Reader's Guide

The 2016 Hyundai Heavy Industries Integrated Report can be downloaded from the company website (www.hyundaiheavy.com), and it is posted in an interactive PDF format for the reader's convenience.

HHI

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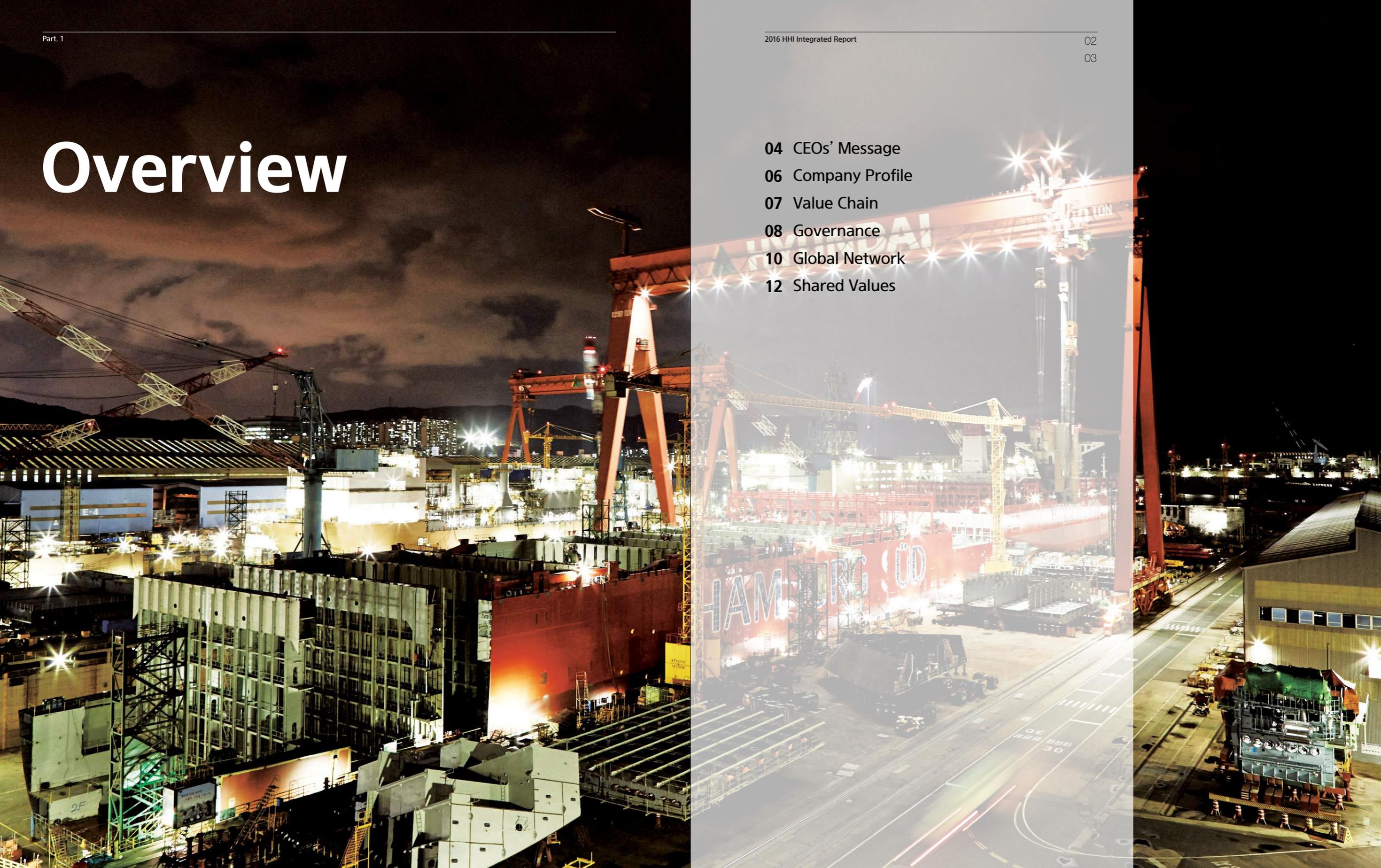
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HHI Program

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Overview

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CEOs' Message



Change Together!

Chairman & CEO
Choi Kil-seon

Dear stakeholders,

With the global economic slump and low oil prices, 2015 was a very challenging year for the global shipbuilding industry. Declining new building orders, delayed delivery of offshore plant projects and cancellation of contracts all weighed down on our profits and order intake. Against this bleak background, many stakeholders, including investors, who have placed trust in Hyundai Heavy Industries (HHI) as the global No. 1 shipbuilder, saw disappointing results.

In such an adverse environment, HHI strives to regain our position as a leading global company. We are particularly focused on strengthening fundamentals and competitiveness through unceasing management rationalization.

In 2016, we are firmly committed to achieving our business goals in pursuit of change and innovation under the slogan "Change Together." To initiate sustainable growth, we aim to implement basic workplace safety measures, return to profitability by fostering change and innovation, establish a responsibility management system for each business division, and rebuild passion and trust among all our stakeholders. Additionally, we are enhancing our quality management and technological capabilities to more flexibly respond to internal and external uncertainties.

In particular, we have laid the groundwork for total responsibility management, thus driving each division to create future growth and become a leader in their market. To instill a culture of cooperation, we are ensuring that our



Business Guidelines for 2016

With the motto "Change Together", HHI aims to:

- 1 Create safety disciplines at workplace firmly grounded in basics and principles;
- 2 Return to profitability by fostering change and innovation;
- 3 Establish total responsibility management in each business division; and
- 4 Rekindle passion and rebuild trust among all its stakeholders.

President & CEO
Kwon Oh-gap

vision and goals are shared by all our people, from new employees to senior management.

We are confident that with our inherent passion and willingness to tide over challenges, we can regain our position as a market leader on the basis of change and innovation.

In the midst of uncertainties in the volatile business environment, HHI remains committed to its roles and responsibilities as a corporate citizen. On this footing, we will achieve shared growth with our subcontractors and partners, and ensure a safe and healthy work environment for all the people in our workplaces. Moreover, we are performing all our business in compliance with laws

and ethical standards. We strive to maintain a fair and transparent corporate culture and actively engage in supporting local communities.

Throughout our long history, HHI has turned numerous difficulties into opportunities and has emerged much stronger. Going forward, we seek to contribute to creating a better world. We will accomplish the goal as we utilize our improved mindset and actions to overcome current challenges and formulate new social and environmental values on the back of our solid performance.

As we move forward, we ask for your continued support and encouragement.

Company Profile

General Information

Company Name	Hyundai Heavy Industries Co., Ltd.
Date of Establishment	December 28, 1973
CEO	Choi Kil-seon, Kwon Oh-gap
Number of Employees	25,236 (based on permanent positions / as of December 31, 2015)
Head Office	1000, Bangeojinsunhwandoro, Dong-gu, Ulsan, Republic of Korea, 44032
Telephone	+82-2-746-4703
Website	www.hyundaiheavy.com

Business Sectors and Major Affiliates

Business Sectors

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

Affiliates

Hyundai Samho Heavy Industries Co., Ltd.	94.92%
Hyundai Mipo Dockyard Co., Ltd.	43.51%
Hyundai E&T Co., Ltd.	100.00%
HI Investment & Securities Co., Ltd.	85.32%
HI ASSET Management Co., Ltd.	92.41%
Hyundai Oilbank Co., Ltd.	91.13%
Hyundai Cosmo Petrochemical Co., Ltd.	50.00%
Hyundai & Shell Base Oil Co., Ltd.	60.00%
Hyundai Material and Service Co., Ltd.	100.00%
Wartsila-Hyundai Engine Co., Ltd.	50.00%

- The percentages refer to Hyundai Heavy Industries' stake in the affiliates.
- For further information on Hyundai Heavy Industries' affiliates, please visit the HHI Investor Relations website.
- www.hhiir.com/EN/company/globalNetwork_01.asp

As of December 31, 2015

Total Equity

Unit: mil. KRW

(Separate) **12,371,789**

(Consolidated) **15,498,962**

Sales

Unit: mil. KRW

(Separate) **24,472,344**

(Consolidated) **46,231,714**

Operating Profit

Unit: mil. KRW

(Separate) **(1,676,389)**

(Consolidated) **(1,540,131)**

Credit Rating

(Corporate Bond) **A+**

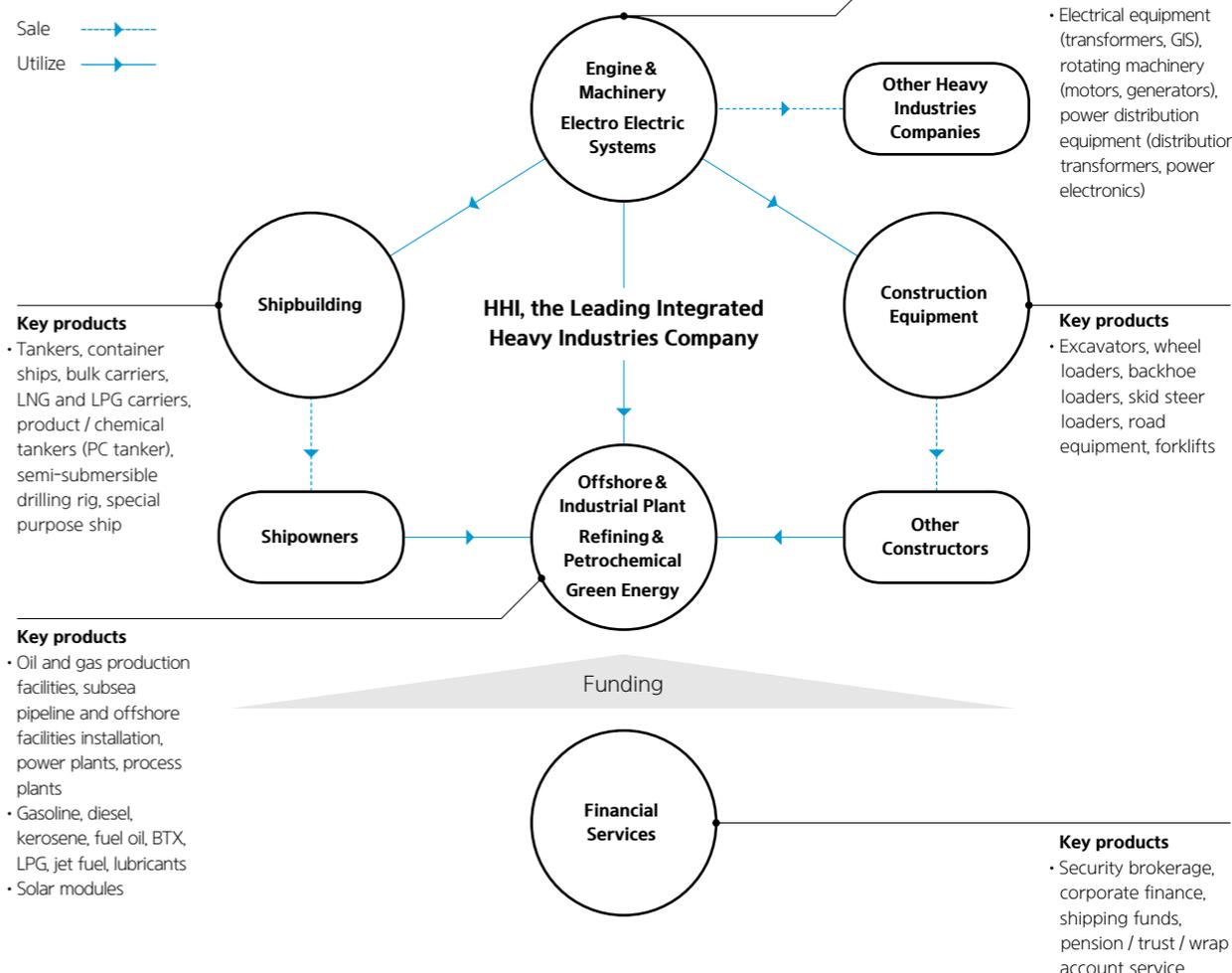
(Commercial Paper) **A2+**

Value Chain

Business Sectors

HHI is a global leading heavy industries company, which operates shipbuilding, offshore & industrial plant, engine & machinery, electro electric systems, green energy and construction equipment businesses. Particularly, we are positioned as the world's No. 1 shipbuilder together with our shipbuilding affiliates HMD and HSHI. We offer full-package shipbuilding services based on rich experience and advanced technology. Furthermore, we have been expanding into fields of refinery and financial services.

Sale →
Utilize →



Governance

Board of Directors

As of March 2016, HHI's Board of Directors (BoD) consists of three internal directors and four outside directors, with three subcommittees.

To ensure transparent corporate governance, HHI abides by the regulations that require more than half of BoD members to be outside directors. The BoD has authority to vote for matters mandated from the shareholders' meeting and basic principles of corporate operation. The directors also have rights to appoint CEO and Chairman of the Board as well as responsibility to oversee the duties of directors and executives.

Current Directors As of March 31, 2016

Internal Directors		
Choi Kil-seon (Male)	Experience	Chairman & CEO of HHI (Present) President & CEO of HHI
	Appointed Date	October 31, 2014
Kwon Oh-gap (Male)	Experience	President & CEO of HHI (Present) President & CEO of Hyundai Oilbank
	Appointed Date	October 31, 2014
Ka Sam-hyun (Male)	Experience	Senior Executive Vice President of HHI (Present) Executive Vice President of HHI
	Appointed Date	March 27, 2015
Outside Directors		
Lee Jang-young (Male)	Experience	Director of KBI (Present) Vice Governor of Financial Supervisory Service
	Appointed Date	March 21, 2014
Yoo Kook-hyun (Male)	Experience	Attorney at Kim & Chang (Present) Deputy Chief Prosecutor of the Suwon District
	Appointed Date	March 27, 2015
Hong Kee-hyun (Male)	Experience	Professor of Economics, Seoul National University (Present) Head of Academic Affairs at Seoul National University
	Appointed Date	March 25, 2016
Kim Seok-dong (Male)	Experience	Chairman, JIPYONG Institute of Humanities and Society (Present) Chairman of Financial Services Commission
	Appointed Date	March 25, 2016

Board of Directors Subcommittees

Name of Committee	Objective and Authority
Audit Committee	Audit duties of directors, access authority to material and information required for audit
Outside Director Recommendation Committee	Recommendation of suitable candidates for outside directors
Internal Trade Committee	Establishment of basic policies on internal transactions, inspection of counterparty selection standards and operation status

Status of Committee Directors

Name	Audit Committee	Outside Director Recommendation	Internal Trade Committee
Internal Directors			
Choi Kil-seon			
Kwon Oh-gap		○	
Ka Sam-hyun			○
Outside Directors			
Lee Jang-young	○		○
Yoo Kook-hyun	○	○	○
Hong Kee-hyun	○		○
Kim Seok-dong		○	

Key Decisions Made in 2015

Date of BoD Meeting	Key Agenda Item
February 12, 2015	• Approval of 41st financial statements
March 27, 2015	• Appointment of board chairman and decision on order of acting as a proxy in case of chairman's absence • Appointment of Internal Trade Committee directors
April 28, 2015	• Approval of corporate bond issuance
September 18, 2015	• Appointment of Compliance Officer • Appointment of Outside Director • Recommendation Committee directors
December 18, 2015	• Approval of disposal of Hyundai Corporation and Hyundai C&F stocks • Approval of 2016 Management Plan

Professionalism and Independence

Before appointing an outside director, the BoD discloses the candidate's personal information, his or her nominator and his or her relationship with the majority shareholder through a General Shareholders' Meeting notice, thereby maintaining its independence. The outside directors are screened to ensure that the candidates have the expertise to contribute to our management goals. The current four outside directors are experts in business administration, economics and law to ensure rational decision making, thus enhancing professionalism in the way the company is managed.

Operation

The regular BoD meeting is held during the first month of each quarter. If necessary, a special meeting can be convened. For operational efficiency, it is stipulated that all or some directors can participate in meetings via telecommunication devices when they cannot afford to attend the meetings in person. The board of directors held 14 meetings in 2015 to make 28 resolutions, including approvals on management objective and disposal of treasury stock. The attendance rate of outside directors was 89.6% in 2015.

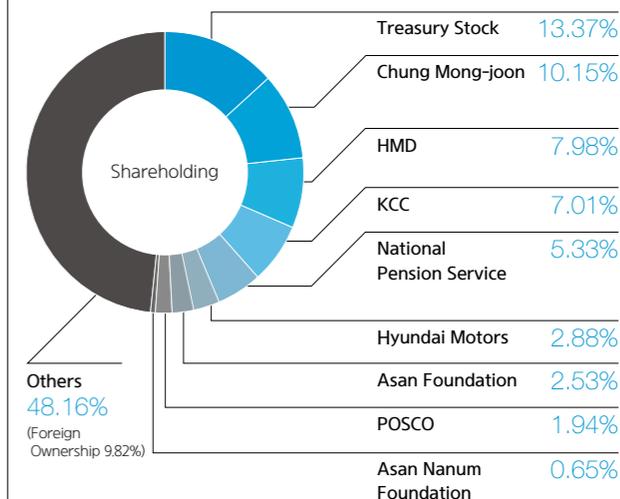
Remuneration

The remuneration of internal and outside directors is decided in accordance with Article 388 of the Commercial Act and Article 41 of HHI's Articles of Incorporation. The remuneration is paid within the director pay limits approved at the General Shareholder's Meeting, and the retirement package is paid in accordance with the executive severance pay regulations approved at the General Shareholders' Meeting.

Shareholders

As of December 31, 2015, HHI's outstanding shares are 76 million in total; this includes 65,842,523 shares of free float and 10,157,477 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.

Shareholder Composition



Global Network

Hyundai Heavy Industries has 12 work sites in five cities across Korea, and have a global network of 16 branches and 25 corporations.

Europe

Branches

- London, UK
- Oslo, Norway
- Athens, Greece
- Moscow, Russia

Corporations

Offshore Plant

- HHI France SAS (Neully-sur-Seine, France)

Engine & Machinery

- Hyundai Hi-Power Service Europe B.V. (Rotterdam, the Netherlands)

Electro Electric Systems

- HHI Co. - Bulgaria (Sofia, Bulgaria)
- Hyundai Electrosystems Co., Ltd. (Primorskiy Krai, Russia)
- Hyundai Technologies Center Hungary Ltd. (Budapest, Hungary)

Construction Equipment

- HHI Europe N.V. (Geel, Belgium)

Agriculture

- Hyundai Mikhailovka Agro Ltd. (Primorskiy Krai, Russia)
- Hyundai Khorol Agro Ltd. (Primorskiy Krai, Russia)

Middle East · Africa

Branches

- Dubai, UAE
- Jebel Ali, UAE
- Riyadh, Saudi Arabia
- Al Khobar, Saudi Arabia
- Luanda, Angola

Corporations

Offshore & Industrial Plant

- HHI Co., Nigeria Ltd. (Lagos, Nigeria)
- Hyundai Arabia Co., Ltd. (Al Khobar, Saudi Arabia)

Asia

Branches

- Tokyo, Japan
- Osaka, Japan
- Singapore

Corporations

Construction Equipment

- Hyundai Construction Equipment India Pvt. Ltd. (Pune, India)
- Pt. Hyundai Machinery Indonesia (Jakarta, Indonesia)

China

Corporations

Plant

- Yantai Hyundai Heavy Industries Co., Ltd. (Yantai)

Electro Electric Systems

- HHI (China) Electric Co., Ltd. (Yangzhong)
- Hyundai Heavy Industries (Shanghai) R&D Co., Ltd. (Shanghai)

Construction Equipment

- Beijing Hyundai Jingcheng Construction Machinery Co., Ltd. (Beijing)
- Changzhou Hyundai Hydraulic Machinery Co., Ltd. (Changzhou)
- Hyundai (Jiang Su) Construction Machinery Co., Ltd. (Changzhou)
- HHI (Shandong) Machinery Co., Ltd. (Taian)

Finance & Other Support Offices

- HHI China Investment Co., Ltd. (Shanghai)
- Hyundai Financial Leasing Co., Ltd. (Shanghai)

- Branches
- Overseas Corporation
- Domestic Locations

Americas

Branches

- New Jersey, US
- Houston, US
- Atlanta, US
- Mexico

Corporations

Electro Electric Systems

- Hyundai Ideal Electric Co. (Mansfield, OH, US)
- Hyundai Power Transformers USA, Inc. (Montgomery, AL, US)

Construction equipment

- Hyundai Construction Equipment Americas, Inc. (Atlanta, GA, US)
- HHI Brasil (Rio De Janeiro, Brazil)

Domestic Locations

Ulsan

Head Office

- 1000, Bangeojin Sunhwando-ro, Dong-gu, Ulsan

Offshore & Engineering Yard

- 400, Bangeojin Sunhwando-ro, Dong-gu, Ulsan

Yongyeon Factory

- 800, Cheoyong-ro, Nam-gu, Ulsan

Seonam Factory

- 223, Sapyeong-ro, Nam-gu, Ulsan

Onsan Yard

- 72, Yeonja-ro, Onsan-eup, Ulju-gun, Ulsan

Gyeongju

Naengcheon Distribution Center

- 195-17 Naengcheonjenaegongdan-gil, Oedong-eup, Gyeongju-si, Gyeongsangbuk-do

Offshore Pipe Fabrication Shop

- 50, Yeongji-ro, Oedong-eup, Gyeongju-si, Gyeongsangbuk-do

Offshore Pipe Painting Shop

- 293-15, Naeoi-ro, Oedong-eup, Gyeongju-si, Gyeongsangbuk-do

Gunsan

Gunsan Shipyard

- 625 Seohaero-ro, Gunsan-si, Jeollabuk-do

Wind Power Production Factory

- 232 Dongjangan-ro, Gunsan-si, Jeollabuk-do

Eumseong

Eumseong Factory

- 313, Soi-ro, Soi-myeon, Eumseong-gun, Chungcheongbuk-do

Seoul

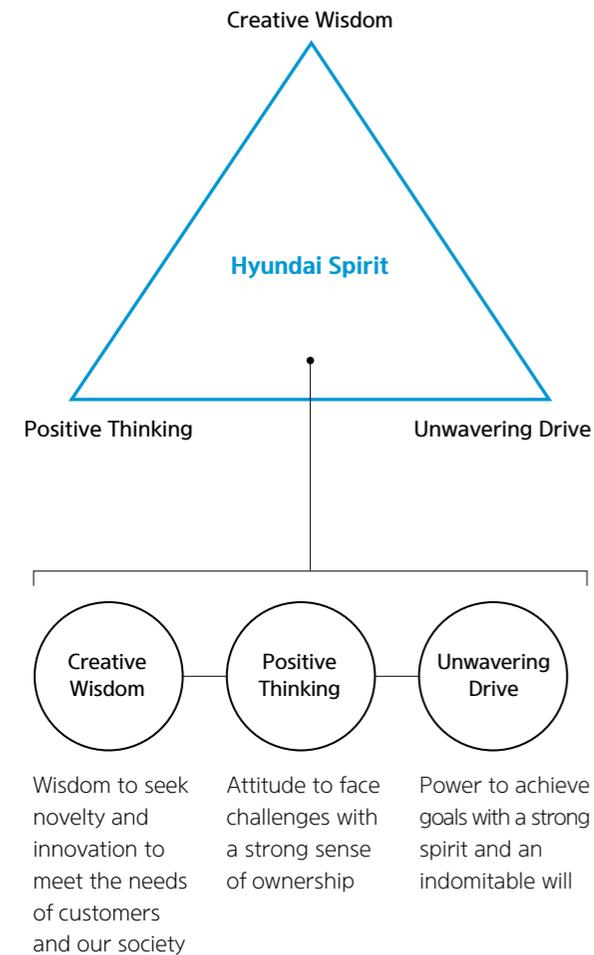
Seoul Office

- Hyundai Building, 75, Yulgok-ro, Jongno-gu, Seoul

Shared Values

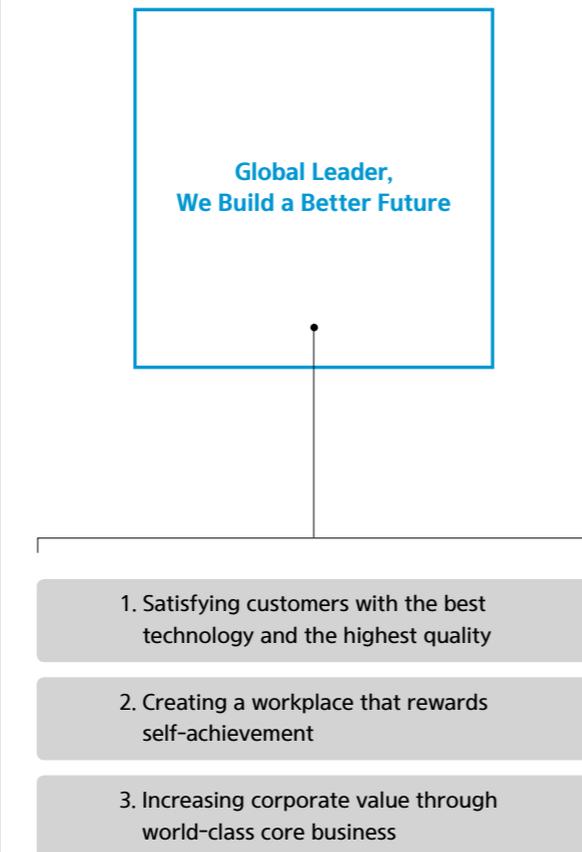
Hyundai Spirit

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 can accomplish anything that is thought to be theoretically and scientifically impossible by exploiting our unlimited potential and unwavering drive.



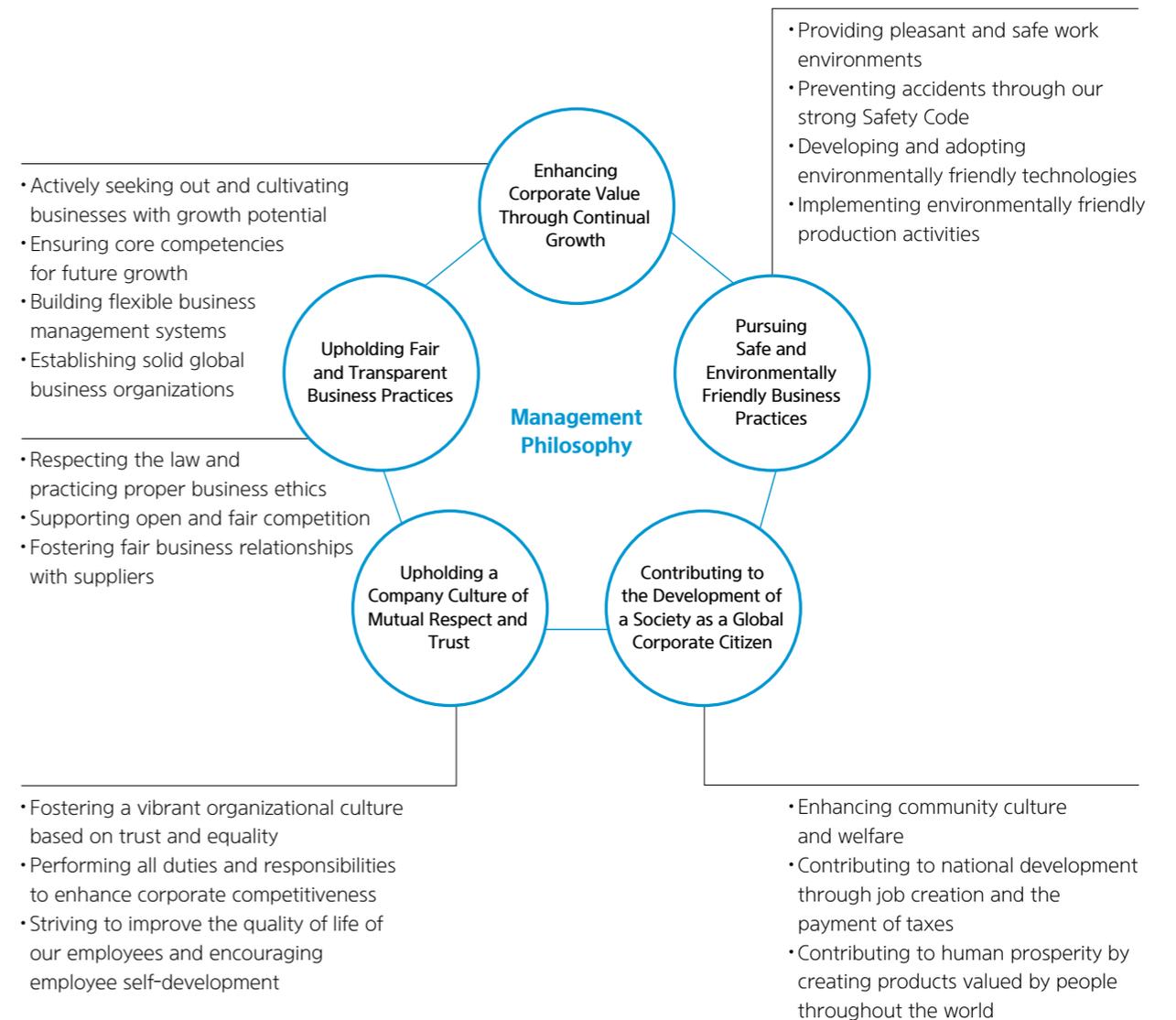
Management Vision

We aim to become the top global leading integrated heavy industries company, pursuing our goal of achieving our vision "Global Leader, We Build a Better Future." We are committed to impressing our customers, rewarding our employees and satisfying our shareholders by improving corporate value.



Management Philosophy

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



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Stock Information

Domestic Stock Market Review

2015 was a year of heightened volatility for the KOSPI compared to the previous year, showing 20.3% of stock price fluctuation. In 1Q, the KOSPI climbed to 2,173 points in response to the interest rate at 1% range for the first time in history. From 2Q, various internal and external factors including the MERS outbreak, Greece's default fears, China's slowdown, and US rate hike pushed the KOSPI down. In 3Q, the Shanghai market and global oil prices plummeted, dragging the KOSPI down to 1,829 points. Despite external concerns and negative issues, KOSPI hit the highest level in eight years, and the market cap exceeded KRW 200 trillion.

2015 KOSPI

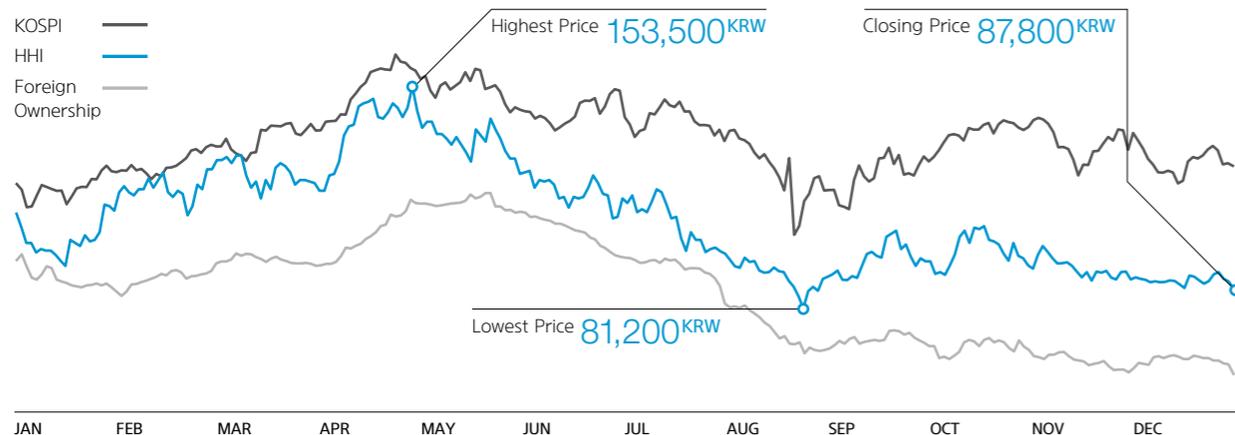
Yearly Peak

2,173.41

Yearly Trough

1,829.81

2015 HHI Stock Price, KOSPI, Foreign Ownership



HHI Stock Price Performance

In 2015, HHI suffered from cancellations in shipbuilding orders due to continued global economic downturn and low oil prices, as well as increased man hours and delayed delivery due to multiple design changes in the offshore projects. We recorded a consolidated operating loss of KRW 1.54 trillion due to oversupply of ships and increased competition from Chinese and Japanese companies. Our stock price drastically declined (KRW 81,200 on Aug. 24) and slightly rebounded, ending 2015 at KRW 87,800.

	Unit	2013	2014	2015
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	bn. KRW	19,532	8,740	6,672
Stock Price				
Highest Price		288,500	253,500	153,500
Lowest Price	KRW	176,000	95,100	81,200
Closing Price		257,000	115,000	87,800
Foreign Ownership	%	18.2	12.1	9.8
Dividend Per Share	KRW	2,000	-	-
Dividend Payout Ratio	%	27.1	-	-

Business Overview

Shipbuilding

2015 Key Achievements

- 160 new ships, USD 12.4 billion in orders, KRW 16,673 billion in sales (Sum of HHI's three shipbuilding affiliates)
- Backlog of 396 ships worth USD 32.4 billion as of December 31, 2015
- Became the first shipyard to deliver 2,000 ships

2016 Management Goals

- 176 new ships, USD 15.5 billion in contracts, delivery of 204 ships (Sum of HHI's three shipbuilding affiliates)
- KRW 16,190 billion in sales

Sales of recent three years

2013	17,018
2014	16,432
2015	16,673

Engine & Machinery

2015 Key Achievements

- USD 1.9 billion in contracts, KRW 1,777 billion in sales
- Cumulative production of over 10,000 units of HIMSEN engines

2016 Management Goals

- USD 2.4 billion in contracts, KRW 2,573 billion in revenues
- Produce 288 large engines, 872 medium HIMSEN engine

Sales of recent three years

2013	1,722
2014	1,518
2015	1,777

Green Energy

2015 Key Achievements

- USD 300 million in orders, KRW 330 billion in sales
- Expanded production of high efficiency solar power battery

2016 Management Goals

- USD 320 million in orders, KRW 351 billion in sales
- Minimize risks caused by changes in market condition

Sales of recent three years

2013	314
2014	312
2015	330

Oil Refining & Petrochemical

2015 Key Achievements

- KRW 12,832 billion in sales, KRW 629 billion in operating profits
- Highest upgrading ratio in Korea (39.1%)

2016 Management Goals

- Maintain 22~22.5% domestic market share in light crude oil
- Realize upgrading ratio of 44% and newly establish SDA process

Sales of recent three years

2013	22,221
2014	21,087
2015	12,832

Unit: bn. KRW / Consolidated Sales

Offshore & Industrial Plant

2015 Key Achievements

- Offshore: USD 1.6 billion in orders, KRW 4,466 billion in sales
- Offshore: Completed and delivered world's largest cylindrical FPSO
- Industrial Plant: USD 1.3 billion in orders, KRW 4,186 billion in sales

2016 Management Goals

- Offshore: USD 3.2 billion in orders, KRW 3,303 billion in revenues
- Industrial Plant: USD 1 billion in contracts, KRW 2,417 billion in sales

Sales of recent three years

2013	5,980
2014	7,063
2015	8,652

Electro Electric Systems

2015 Key Achievements

- USD 1.9 billion in contracts, KRW 2,507 billion in sales
- Launched HG-Series Low / Medium Voltage Circuit Breakers

2016 Management Goals

- USD 2.3 billion in contracts, KRW 2,475 billion in revenues
- Win large scale project contracts and strengthen global EPC sales competitiveness

Sales of recent three years

2013	2,761
2014	2,355
2015	2,507

Construction Equipment

2015 Key Achievements

- USD 1.7 billion in orders, KRW 2,225 billion in sales
- Exceeded 500,000 units in productions of construction equipment

2016 Management Goals

- USD 1.8 billion in orders, KRW 2,007 billion in sales
- Increase sales of highly functioning and economically competitive large-scale equipment

Sales of recent three years

2013	3,290
2014	2,867
2015	2,225

Financial Services

2015 Key Achievements

- HI Investment & Securities: KRW 31.2 billion in net income (37% up over previous year)
- HI Asset Management: KRW 12,600 billion in AUM (26% up over previous year)

2016 Management Goals

- Expand counterparties with pension funds and other large investors

Sales of recent three years

2013	664
2014	742
2015	1,039

* Figures in each '2016 Management Goals' are based on separate sales.

Shipbuilding

2015 Market Review

In 2015, the global economy grew 3.1% thanks to the US' robust performance against the backdrop of a full-fledged recession. Shipbuilding orders fell by 14.7% compared to 2014, due to the fall in oil prices in 2H of 2014.

Though China's declined raw material imports affected the bulk carrier market, orders for oil tankers increased due to continued low oil prices and stricter regulations expected in 2016. The competition within the shipping alliance also helped increase the orders for mega containerships.

2015 Performance Review

In 2015, the Shipbuilding Division won orders for 160 ships (USD 12.4 billion), and recorded KRW 16.7 trillion in revenues. As of end 2015, we have a backlog of 396 ships (USD 32.4 billion), equivalent to nearly two years' work.

Orders for oil tankers increased for oil reserve imports of Asian countries and response to stricter international environmental regulations, which took up 42% of all orders. LNG FSRU and large-sized LPG carriers also led orders on the back of our market dominance.

2016 Outlook

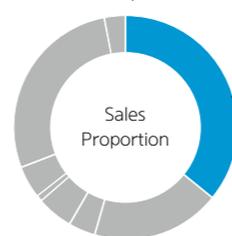
In 2016, we expect newbuilding orders will be under pressure against the backdrop of oversupply in the shipping industry, decrease in transporting commodities by Chinese economic slowdown and reduced liquidity by the US interest rate hike. However, we expect some orders for oil tankers and LPG carriers due to higher demand for oil and the elimination of Iran's economic sanctions. We will also look to orders of LNG carriers for LNG export projects in US and orders for mega containerships from the shipping alliances.

The 2016 target for the Shipbuilding Division is 176 ships (USD 15.5 billion) in orders, delivery of 204 ships and KRW 16.2 trillion in revenues. We will focus on orders for LNG carriers, tankers and mega containerships—markets where demand, albeit limited, is expected—and continue to increase market share in LNG FSRU and large sized LPG carriers based on our dominant strength. We will create an optimal portfolio of product mix for market recovery and reduce costs to strengthen our price competitiveness.

2015 Sales

Unit: bn. KRW

(Consolidated performance for 2015)



16,673

36.1%

LNG FSRU
LNG Carrier



Offshore & Industrial Plant

2015 Market Review

The energy industry underwent structural changes as low oil prices caused global energy companies to significantly cut down investment and operating costs, leading to review, delay or cancellation of offshore oil and gas projects.

In response to these changes, oil majors, classification societies and shipbuilders launched the 'Standardization Unified Joint Industry Project' to set industry standards for materials and engineering. In onshore plant projects, EPC contractors that suffered losses due to over-competition focused more on risk management.

2015 Performance Review

In 2015, the Offshore & Engineering Division achieved USD 1.6 billion in orders and KRW 4.5 trillion in sales from change orders and additional work on existing construction projects. The Industrial Plant Division recorded USD 1.3 billion in orders and KRW 4.2 trillion in sales by focusing on profitable projects in partnership with leading companies.

We won contracts for key process equipment including residual fluid catalytic crackers (RFCC) and reactors for refinery plants at home and abroad. We also completed the world's largest cylindrical Goliat FPSO in February 2015.

2016 Outlook

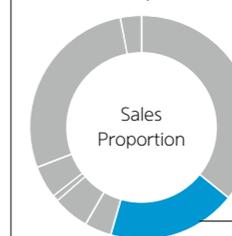
We expect that offshore and industrial plant market will be stagnant from the global economic slowdown and geopolitical risks in the Middle East. Oversupply of oil and strong dollar will hold back oil price rebound. However, we will explore new opportunities for infrastructure projects in Iran after the lifting of sanctions and in the Asia-Pacific regions after launching of the Asian Infrastructure Investment Bank. We also expect old fixed platform replacement projects in the Gulf of Mexico and the North Sea.

In 2016, the Offshore & Engineering Division plans to achieve USD 3.2 billion in orders and KRW 3.3 trillion in sales. The Industrial Plant Division will target USD 1.0 billion in orders and KRW 2.4 trillion in sales. We will initiate optimized workforce management, production improvements, design standardization, efficient project management and material localization, thereby regaining cost competitiveness and clients' trust in the offshore and power plant projects.

2015 Sales

Unit: bn. KRW

(Consolidated performance for 2015)



8,652

18.7%

Cylindrical FPSO
Cogeneration Plant



Engine & Machinery

2015 Market Review

Demand and orders for marine engines decreased as the shipbuilding industry remained sluggish and over-competition stalled the recovery of engine prices. However, amid an international agreement on climate change, orders for eco-friendly dual fuel engines became more active. In the power plant engine market, orders continued to be reduced or delayed. Japanese engine makers, which recovered price competitiveness on the strength of the weak yen, continued to encroach upon the domestic market, while Chinese rivals also strengthened the competition with increased product quality.

2015 Performance Review

In 2015, the Engine & Machinery Division posted USD 1.9 billion in orders and KRW 1.8 trillion in sales due to the increased demand for dual fuel ME-GI and DF engines and marine machinery.

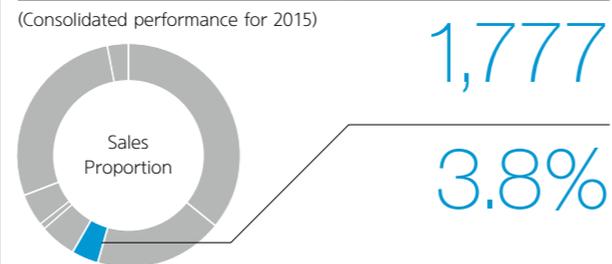
Taking up 36% of the global market share, we produced 297 units (9.6 million bhp) of two-stroke engines in 2015. We are solidifying our position as a marine technology supplier by achieving a production milestone of 10,000th "HiMSEN" engine in 15 years after HHI independently developed it in 2001. We also produced 323 marine propellers for domestic and overseas shipyards.

2016 Outlook

Despite shrinking newbuilding orders, demand for LNG carriers and mega size containership engines is expected to stay. Particularly, demand for eco-friendly dual fuel engines and equipment will prevail in the market. We expect new orders of engine power plants from independent power producers and gas engine power plants in Iran.

The 2016 targets for Engine & Machinery Division are USD 2.4 billion in orders and KRW 2.6 trillion in sales. The division plans to produce 288 two-stroke engines (8.6 million bhp), 872 four-stroke HiMSEN engines (2.2 million bhp) and 258 marine propellers, thus maintaining the global market share of over 35%. We will focus our sales efforts on dual fuel ME-GI and DF engines and eco-friendly equipment packages such as gas supply systems and SCR to rise to the challenge set by the new environmental regulations.

2015 Sales Unit: bn. KRW



"HiMSEN" Engine
 Marine Propeller



Electro Electric Systems

2015 Market Review

Electric power systems market was depressed as the profitability of the energy industry worsened by low oil prices. The Middle East saw delays and reductions in power infrastructure investment following the deteriorating fiscal status. Meanwhile, the American region was relatively stable because of the demand for replacement of decrepit equipment.

While the market shrank, the competition grew fiercer. European and Japanese companies had increased price competitiveness based on the exchange rates, while the Chinese and Indian latecomers expanded their target markets to the North America and Middle Eastern regions.

2015 Performance Review

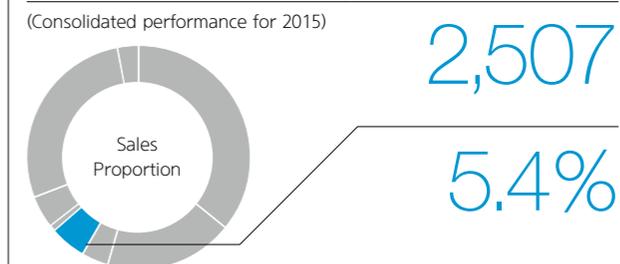
In 2015, the Electro Electric Systems Division recorded USD 1.9 billion in orders and KRW 2.5 trillion in sales. We won orders of KRW 1.01 trillion for power equipment, KRW 385.6 billion for rotating machinery equipment and KRW 510.2 billion for power distribution equipment. HHI's flagship electric transformers were well positioned in the market and new HG series low / medium voltage circuit breakers have been successfully launched.

2016 Outlook

Although the global economy is still sluggish, new orders will be made domestically (Korea Electric's expansion) and by overseas (power facility replacement in the US and Europe). Nevertheless new orders are expected from KEPCO's power expansion and replacement of power facilities in the US and European markets. We also expect orders from Iran, while other Middle East countries will reduce investment because of deteriorating fiscal situation. Industrialization and urbanization in the Southeast Asia will provide opportunities for power equipment.

The Division set 2016 targets as USD 2.3 billion in orders and KRW 2.5 trillion in sales. We plan to focus on large scale projects from state-run power companies from the Middle East and upgrading projects for power grids in North America. We will reinforce overseas sales activities and enter the substation market in cooperation with local EPC companies in Southeast Asia, Iran and Iraq.

2015 Sales Unit: bn. KRW



Shunt Reactor



Green Energy

2015 Market Review

In 2015, the global renewable energy market has improved because of increases in governments' subsidies and solar energy demand. New markets were created in addition to China and US, which allows green energy markets to be much diversified and prices to be stabilized. Amid concerns about shrinking demand caused by low oil prices, solar demand increased 24% compared to the previous year.

Investment in the solar power industry in 2015 increased by 12.3% to USD 156.5 billion, a record high, and power installation recorded 57 GW. The solar industry return to profit and continued to expand their productivity and increase market share.

2015 Performance Review

The Green Energy Division made a significant increase in sales of HHI's solar modules due to the anti-dumping duties imposed on Chinese solar products in the US. Focusing on developing small- to mid-sized clients, the division achieved orders of USD 300 million and KRW 330.3 billion in sales. We have steadily increased high-efficiency products by expanding the sales of PERL type solar cells with 5% more power generation capacity.

2016 Outlook

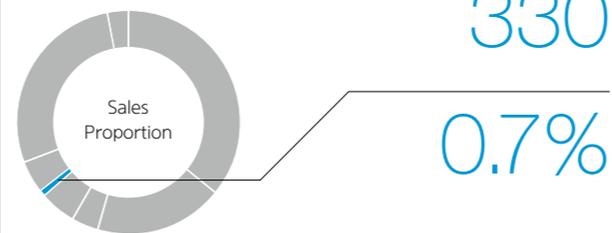
Demand for renewables in 2016 is expected to increase as the global communities agreed to reduce greenhouse gas emissions in Paris in 2015. The solar power market is projected to grow about 15% and reach a production capacity of 69 GW due to new growth in emerging markets and stable demand in major markets. The extension of the US Investment Tax Credit (ITC) will lead the steady growth, and the supply and demand in the global market will remain balanced.

The 2016 targets for Green Energy Division are USD 320 million in orders and KRW 351 billion in sales. We plan to strengthen customer management and develop new clients in our key markets, and minimize risk from changing market environments by securing long-term supply contracts.

2015 Sales

Unit: bn. KRW

(Consolidated performance for 2015)



Solar Farm



Construction Equipment

2015 Market Review

The construction equipment market in North America and Europe saw an increase in demand, as housing and real estate markets rebounded because of low oil prices and low interest rates. Meanwhile, the demand from China and emerging markets decreased because of the increase in idle equipment, oversupply and a slump in the real estate market.

2015 Performance Review

The Construction Equipment Division posted USD 1.7 billion in orders and KRW 2.2 trillion in sales in 2015. The division reached a major milestone of total production of 500,000 units in 28 years. The division also opened the new office and factory in Tessenderlo in Belgium to strengthen the supply of products and parts services. At the 2015 Intermat, the division showcased 29 types of eco-friendly and high-efficiency machines including six Tier 4-Final HX series excavators and two HL wheel loaders.

2016 Outlook

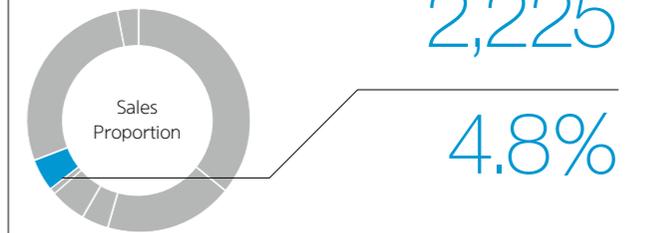
In 2016, we expect that the construction equipment market is marked with recovery in developed markets and slump in emerging markets. In North America, we expect stable growth but the demand is limited by troubled energy market. The European markets are projected to see rebound in demand. On the other hand, demand is projected to fall in the emerging markets, particularly in commodity exporters such as Middle East and Latin America. In the Chinese market, the persistent economic slowdown will limit growth.

The 2016 Construction Equipment Division targets are USD 1.8 billion in orders and KRW 2 trillion in revenues. We will establish a customized sales strategy considering the regional market situation and increase our sales of large-sized equipment with outstanding functionality and price competitiveness. We will also focus on risk management by improving dealership and revamp our dealer network in each region to enhance supply services in product quality and dealers' training.

2015 Sales

Unit: bn. KRW

(Consolidated performance for 2015)



Excavator



Oil Refining & Petrochemical

2015 Market Review

In 2015, the oil prices fluctuated due to geopolitical risks and oversupply of oil. However, supply and demand for refining facilities remained balanced in the market. Demand for oil products increased due to low oil prices, thus creating a positive market environment, while petrochemical products stayed weak due to headwinds from China's economic slowdown.

2015 Performance Review

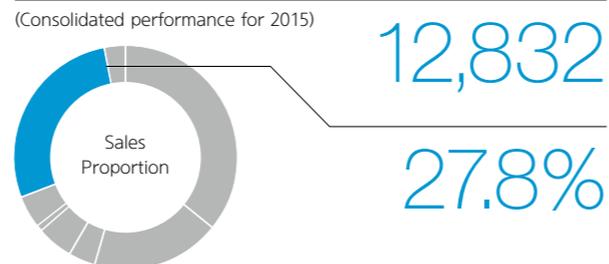
In 2015, Hyundai Oilbank, HHI's refinery affiliate, recorded sales of KRW 12.8 trillion, a 39% decrease from the previous year due to the fall in oil prices, yet refining margins increased due to the higher demand for products. We posted operating profit of KRW 628.6 billion by production of high-value-added oil products based on the highest upgrading ratio (39.1%), reducing costs by diversifying sources of crude oil and minimizing inventory losses by effectively managing inventory.

2016 Outlook

We expect oil prices will stay low since oversupply will continue. However, refining margin is expected to stay due to high demand for oil products. In case demand from major countries shrinks and Chinese refineries scale up its production, the refining margin can be damaged. The profitability of gasoline is projected to be favorable, aided by recovery of the US economy and growing demand from India, but diesel and kerosene exports will deteriorate as weak demand from China and refining expansion in the Middle East countries.

In 2016, we plan to maintain our domestic market share of 22.5% by increasing unit sales per privately owned gas station. We also plan to expand our export in strategic partnership with oil suppliers for mining companies in Oceania and refining companies in Southeast Asia. Furthermore, we will invest in upgrading processes such as HCR and RFCC facilities by 2018 to realize an upgrading ratio of 44%, and create new revenues through new businesses including establishing a solvent deasphalting (SDA) process.

2015 Sales Unit: bn. KRW



Hyundai Oilbank Gas Station



Financial Services

2015 Market Review

In 1H 2015, ECB's quantitative easing and abundance of global liquidity helped increase KOSPI. But in 2H, it reverted to the beginning level due to the US rate hike and China's economic crisis.

As concerns of hard landing in China and other emerging countries of Asia and Latin America deepened, emerging markets went through corrections. Demand for dollar assets remained high across all markets.

2015 Performance Review

In 2015, the income of HI Investment & Securities increased thanks to increased commissions and decreased interest rates. With the growth in real estate-related corporate finance, the consolidated net income grew by 37% (KRW 31.2 bil.) and pre-tax profits increased by 30% (KRW 31.7 bil.). The company expanded the capital through a KRW 100 billion rights issue for the stricter capital adequacy requirement, and laid the foundation for synergy creation thanks to incorporation of Hyundai Futures as an affiliate. HI Asset Management expanded the balanced fixed income fund lineup and achieved a 26% AUM growth by attracting capital from institutional investors (KRW 12,600 bill. in AUM).

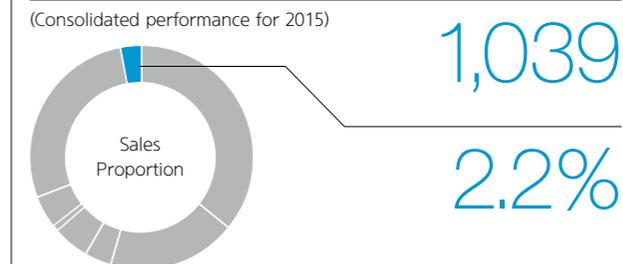
2016 Outlook

In 2016, the global financial environment will face growing uncertainties with oil price volatility, weakness in the Chinese economy and the US rate hike. The domestic economy will recover modestly as private consumption picks up, but exchange rate volatility can stall earning growth.

HI Investment & Securities will make a solid growth based on the right issue. We plan to identify new investment opportunities, and achieve a balanced portfolio between equities and asset management sales. (e.g. ISA, tax-exempt overseas equity funds)

HI Asset Management will attain more stable assets by expanding client bases to large investors and focus on maximizing operating profits by marketing hedge funds and tax-benefit products. In addition, we will strengthen the brand power of its balanced funds.

2015 Sales Unit: bn. KRW



HI Investment & Securities' Head Office



Sustainability Performance

- 28 Sustainability Management System**
- 29 Materiality Assessment**
- 30 Enhancing Corporate Value Through Continual Growth**
(Research & Development / Technology Empowerment / Quality Management / Change and Innovation)
- 38 Upholding Fair and Transparent Business Practices**
(Compliance Management / Business Ethics / Enhancement of Transparency)
- 47 Pursuing Safe and Environmentally Friendly Business Practices**
(Safety Management / Environmental Management / Health Management)
- 56 Upholding a Company Culture of Mutual Respect and Trust**
(Shared Growth / Employee Competency / Employees' Quality of Life / Industrial Relations Culture)
- 65 Contributing to the Development of A Society as a Global Corporate Citizen**
(Social Contribution / Educational Support for Future Generations / Culture and Arts)

Sustainability Management System

Operating Principles and Process

HHI operates an efficient and sustainable management system by assigning professionals and departments for each sustainability initiative. Relevant departments perform comprehensive management for planning, execution and assessment and company-wide strategic planning. Shared Information is utilized to plan and execute new sustainability initiatives. It is also used for integrated report.

Sustainability Management Policy



Transparent Disclosure

- Communication channels customized to different groups of stakeholders
- Transparent disclosure to stakeholders on sustainability management



Systematic Performance Management

- Sustainability management activities and performance by classifying sustainability management areas based on the five management philosophies



Continuous Improvement

- Multi-dimensional analysis of sustainability management activities and performance
- Overcoming weaknesses and enhancing strengths

Stakeholder Engagement

Customers, shareholders and investors, subcontractors, communities, industries and employees are our key stakeholders. HHI operates various communication channels for stakeholders' participation in sustainable development.



Customers

- Purchase / use of HHI products and services, and feedback
- Build strong trusting relationships to ensure HHI's continued growth

Key Communication

Warranty & lifetime service, feedback service, smart service, FLiK magazine, etc.



Shareholders / Investors

- Source of financing for management
- Obligation of transparency in disclosing
- Consensus for vision and future growth

Key Communication

Shareholders' meeting, IR news, IR meeting, New Horizons, conference call, etc.



Subcontractors

- Providers of production facilities, manpower and technology
- Shared growth for sustainable growth of companies and industries

Key Communication

Group Shared Development Committee, Shared Growth Expansion Council, conferences for subcontractors, etc.



Communities

- All subjects interested in HHI including residents in the surrounding areas of worksites
- Support necessary to overcome difficulties and grow

Key Communication

Charitable Bazaar with Love, Making Kimchi with Love, employees' volunteer activities, etc.



Industries

- Industry associations and institutions in the same industry
- Partners for competitiveness of industry by good-faith competition

Key Communication

Korea Offshore & Shipbuilding Association, meetings of practitioners from the same industries, etc.



Employees

- Key stakeholders responsible for HHI's business activities
- Relationship of trust for the company to be sustainable

Key Communication

Collective bargaining, wage negotiations, Labor Management Council, Industrial Health & Safety Committee, HHI webzine & blog, etc.

Materiality Assessment

Materiality Assessment Process and Results

To select the core issues of the 2016 HHI Integrated Report, we conducted a materiality assessment defined by the International Integrated Reporting Council (IIRC). The assessment identified a pool of 26 issues by analyzing international standards, media research, benchmarks and employee interviews. The final six core issues were selected according to importance and relevance.

Issue Reporting Principles

The 2016 HHI Integrated Report discusses HHI's management approach and key performance of core issues. Key activities and achievements on general issues have been disclosed if deemed necessary for continuity with past reports and for complete disclosure of information regarding value creation.

Materiality Assessment Results

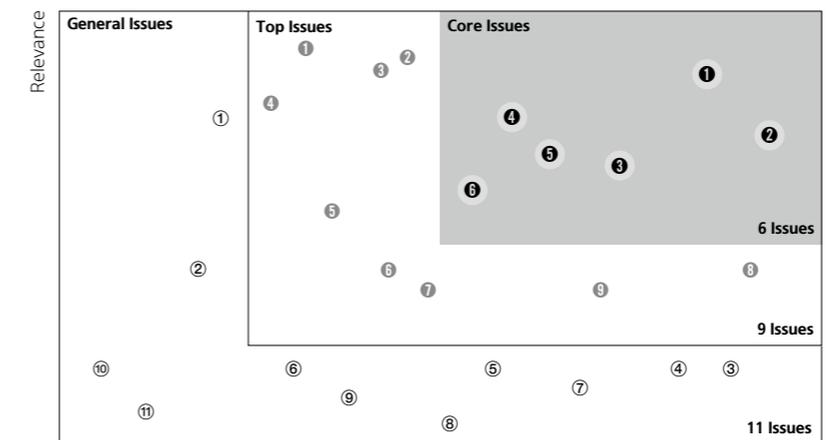
5 Key Management Philosophies	Core Issues	
1 Enhancing corporate value through continual growth	1 Developing new technology through R&D	p.31
2 Upholding fair and transparent business practices	6 Preventing unfair trading	p.39
3 Pursuing safe and environmentally friendly business practices	2 Creating safe working environments	p.48
4 Upholding a company culture of mutual respect and trust	4 Pursuing shared growth with partner companies	p.57
	5 Employee competency development	p.60
5 Contributing to the development of a society as a global corporate citizen	4 Practicing strategic social contribution activities suited to the industry's characteristics	p.66

Top Issues

- 1 Increasing market dominance
- 2 Developing new businesses and diversifying businesses
- 3 Fair distribution of economic performance
- 4 Enhancing employees' quality of life
- 5 Respecting employee diversity and guaranteeing fair opportunities
- 6 Increasing investment in environmental protection / conservation
- 7 Increasing community competitiveness
- 8 Enhancing management transparency
- 9 Enhancing productivity and cost competitiveness

General Issues

- 1 Achieving customer satisfaction
- 2 Ensuring integrity of governance
- 3 Operating integrated risk management system
- 4 Respecting employees' human rights and the labor rights of subcontractors
- 5 Strengthening fair trade
- 6 Establishing and operating resource circulation, recycling / reusing framework
- 7 Ensuring safety management training and related systems
- 8 Expanding communication channels with communities
- 9 Carrying out global social support activities
- 10 Reducing environmental impact of subcontractors
- 11 Expanding investment for social development



Influence

Enhancing Corporate Value Through Continual Growth

HHI embraces change without fear or hesitation; we continue to pursue innovation, even in difficult market environments.

Reporting Issue for “Enhancing Corporate Value Through Continual Growth”

Core Issues		General Issues	
① Research & Development	p.31	1 Technology Empowerment	p.33
		2 Quality Management	p.35
		3 Change and Innovation	p.37

Importance

Continued R&D for technological competence and independence is crucial to strengthen the company’s competitiveness and create new growth engines. HHI invests in R&D to lead the global heavy industries market in the evolving market environment.

Objective and Strategy

Our objectives are to develop differentiated technology in order to enhance sales competitiveness, fulfill higher technology requirements and develop sophisticated designs. We will improve cost competitiveness through effective, safe and low-cost technology. Furthermore, we will focus on the development of new products and technologies as new sources of growth and obtain source technologies to strengthen our competitiveness.

Operation System

HHI carries out R&D activities through three research centers within the Corporate Technology Institute, five divisional research centers and two overseas research centers. We maximize R&D performance with well-defined roles and responsibilities as well as seamless collaboration.

Research & Development (R&D)

R&D Goals

HHI’s goal is to enhance competitiveness as a global leading company by developing advanced technology to provide the highest quality products to our customers. We have established three key tasks to achieve this goal : strengthening sales, technology and cost competitiveness. We are also focusing on retaining differentiated technology, advanced technology and robust technology.

R&D Organization

Corporate Research Center	Developing company-wide general and core technologies and proprietary technologies for new growth engines
Business Division Research Centers	Developing new technologies and products, and focusing on flagship products to enhance competitiveness
Overseas Research Centers	Identifying global R&D trends and collaborating with overseas institutes

R&D Policy

Vision



*SPECS
Shipbuilding,
Offshore &
Plant, Engine &
Machinery, Electro
Electric Systems,
Construction
Equipment,
Solar Power System

Slogan



Strategic Direction



Goal

- | | | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> • Develop products technology and its applications with high energy efficiency that can maximize customer convenience • Differentiated technology development and fast application to strengthen sales competitiveness | <ul style="list-style-type: none"> • Develop technology and products that meet international regulations on environment and social impact • Preemptively respond to customer requests and upgrade design technology to maximize customer satisfaction | <ul style="list-style-type: none"> • Localize production facilities and develop optimal processes for competitive advantage, productivity and profitability • Develop on-field technology to realize safe and efficient production while reducing cost |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

Key Achievements in 2015

1 Eco-Friendly Gas Turbine-Based LNG Carrier | HHI developed an LNG carrier that satisfies IMO Tier III standard without using separate emission equipment, in the joint project with GE. The gas turbine-powered engine is 60% lighter, which helps the ship to lower operating costs, reduce maintenance expenses for durables and erase needs for lighting fuel. The installation of this gas turbine engine on a 174,000m³ LNG carrier can save an operating cost of around KRW 20 billion over 20 years.

2 CLEAN* HiMSEN Engine | HHI developed the CLEAN HiMSEN engine that meets the IMO Tier III standards by increasing power output by 20% as well as reducing emissions and fuel consumption. Combustion design increased fuel efficiency and reduced Nox emissions. Timing design lowered load and enhanced ignition / accelerating functions, and combustion chamber cooling design was applied to consider the increased thermal load. Type approval was completed by eight classification societies in August 2015.

***CLEAN** Customer, Reliability, Environment, Acceptable technology, No defect

3 New Technology for Aluminum Spherical Cargo Tank | To improve the productivity of aluminum spherical LNG cargo tanks, we applied hot forming technology and developed an aluminum mold, the curvature of which can be modified by heat even after enlarging the plate by welding. Application of the mold increased the size of plate and reduced cooling hours, which improved productivity by over twofold. Despite changes in the diameter of the tank, additional molds are not required since curved panes of various sizes can be created with just one mold. This also reduced costs by over 50%.

R&D Investments

In 2015, R&D expenditure recorded KRW 229 billion, a slight fall from the previous year. While the total R&D expenditure decreased due to a drop in the cost of raw materials, the proportion of the R&D expenditure to the sales remained steady.

Plans for 2016

We will differentiate our products by developing advanced technology. To this end, we will fulfill technology development tasks cooperating with leading companies and universities, and apply new technologies into our products to enhance sales competitiveness. We will also improve our design quality by developing standard / integrated designs for complex projects. Lastly, we are developing smart factories—featuring process improvements and automation—to improve the manufacturing efficiency.

Total Amount of R&D	Unit: bn. KRW
2013	260
2014	277
2015	229

Technology Empowerment

Training High-Skilled Technicians

The main sources of our technological capacities which enable us to design, produce and install products in a wide range of fields comes from the infrastructure dedicated to technical education and training. Since 1972, HHI has been nurturing technical professionals through Technical Education Institute under the vision of “Perform Technology Education that Benefits Management”.

Vision and Strategy of the Technology Education Institute

Roles

“Strengthening worker’s competency with a systematic training framework, and contributing to the advancement of the company’s technical competitiveness”

Vision



Objectives

- Customized technical training support for production workers
- Education focused on field work and performance
- Supporting solutions to work-site problems
- Developing competency of the company and employees

Recognition in the 43rd WorldSkills Competition in Brazil



Key Achievements in 2015

1 Recognition in the 43rd WorldSkills Competition in Brazil | Five HHI employees were awarded at the 43rd WorldSkills Competition held in Sao Paulo, Brazil in August 2015. The HHI participants won awards in five sectors including one gold medal in metal installation, one silver medal in sheet metal technology and three participation awards in welding, the CNC turning and plumbing. The HHI team led Korea’s victory for five consecutive years, proving the company’s outstanding technological competence.

2 First Graduates From HHI Technical College | The HHI Technical College, in-house college granting bachelor degrees certified by the Ministry of Education, opened in March 2013 to provide a lifetime education based on the idea of “Get a job first and study later” and foster high technicians. The college held its first graduation ceremony on February 26, 2015. A total of 56 students—30 from the Naval Architecture & Ocean Engineering and 26 from the Electromechanical Engineering—graduated and are expected to work as core talents in the work field.

3 “Working and Learning Program” for Employees | We have introduced the “Working and Learning Program” sponsored by the Ministry of Employment and Labor to help employees with high school diploma from specialized / meister high schools to work and study after their employment. Participants receive three months of skills training in welding, machinery and electricity, and nine months of on-the-job training.

4 Core Skill Transfer System | HHI has designed the Core Skill Transfer System to enhance technological competitiveness. We selected 129 core skills from business divisions for highly skilled workers to pass on. In 2015, we established close cooperation with the human resource, business planning and other work-site departments in each business division to successfully implement the system and transferred core skills by matching 125 mentors and 156 mentees.

Plans for 2016

To develop the technological competence and strengthen the production quality and technical competitiveness of workers, we are planning to increase the number of certification types and the amount of qualification allowance applicable for the “In-house Qualification System”. Furthermore, we plan to expand the system to our subcontractors for mutual growth. HHI Group’s three shipbuilding affiliates plan to recruit youths who completed on-the-job training and internships after finishing regular courses in Technology Education Institute. This program is expected to provide youths with an opportunity to work by enhancing their working capability. In 2016, HHI will employ more than 2,000 trainees and foster them as high-skilled workforce in line with the ‘Employment Step Stone Program’ sponsored by the Ministry of Employment and Labor.

The first graduation ceremony of the HHI Technical College



Participants of 2015 “Working and learning system”

148 People

Quality Management

Quality Management Policy

HHI has established a quality management (QM) policy for all processes to provide high quality products and services, and earn customers’ trust. We will eliminate any unnecessary steps to reduce material cost, optimize production processes to gain competitive edge and strengthen the QM process based on the an innovative and and cooperative communication and harmonious relationship.

Quality Management Policy

Mission **Enhance HHI’s Competitiveness Through Quality Improvement Planning and Innovation**

Vision



Slogan



Strategic

- | | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Quality Planning</p> <ul style="list-style-type: none"> • Upgrade QM process based on ISO 9001 QM system • Minimize quality failure costs by revamping the QM system • Strengthen QM by implementing quality audit guidelines | <p>Quality Innovation</p> <ul style="list-style-type: none"> • Improve design and production process by monitoring vulnerable processes. • Reliable supply through efficient procurement, modularization and localization of materials and parts | <p>Company-Wide Improvements</p> <ul style="list-style-type: none"> • Establish quality teams for company-wide quality improvement activities and conduct team-level actions • Improve current systems to encourage employees’ participation |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

International Certification



QM System (ISO 9001) DNV GL

International Certification Status

HHI introduced the Quality Management System (ISO 9001) for the quality management process in order to provide products and services in accordance with international quality standards. We conduct thorough quality inspections over the entire process—from materials, manufacturing and assembly to performance tests—with international classification societies and other authorized inspection agencies.

Key Activities in 2015

1 Renewal of Quality Management System | Our QM system has been renewed by refining internal inspection items and introducing cross inspections among divisions. We also upgraded divisional QM by scrutinizing workforce, organization and work adequacy of each division's quality sectors.

2 Quality Failure Cost Management System | We developed a computer-based QM system to minimize quality failure costs while strengthening monitoring failures by linking it with HHI's QM System. The process has been established to judge failure liabilities and to charge back costs incurred by quality failures.

3 Quality Audit | "QM Sessions" were held from October to December for 620 partner companies to establish a systematic QM framework, and develop quality competency by conducting practical quality audits.

4 Innovative Design Quality | The Engine & Machinery, Electro Electric Systems and Construction Equipment divisions reinforced their phased verification process for product development to prevent quality failures from the initial stage of development. Roles and responsibilities for sales, design and purchasing sectors were redefined in order to improve overall design process.

5 Product Innovations | We improved inspection of production processes with quality problems to prevent the same problems from reoccurring. We set up production-specific quality responsibility system for Shipbuilding Division and steel quality maintenance standards for Offshore & Engineering Division.

6 Self-Motivated Proposals | We amended idea proposal process to encourage employees' participation by expanding rewards for selected proposals. Furthermore, we tightened evaluation standards so that effective proposals with feasibility can be selected and applied to the improvement of products.

7 Quality Team Activities | The objective of quality team activities is to identify and improve any weakness in the work process. In 2015, problem solving training sessions for 345 leaders from 343 quality teams were conducted.

Plans for 2016

We will conduct company-wide QM activities including making quality audits for subcontractors, establishing the quality failure cost system, promoting proposals and team activities and maintaining ISO 9001 certification to achieve HHI's vision of 'Absolute Quality'. We will also upgrade the QM system through preventive quality management for subcontractors.

Quality Team Activities

Number of Quality Teams **343**

Number of completed pilot quality tasks **250**

Change and Innovation

Background and Direction

HHI faces a variety of uncertainties and challenging obstacles due to low oil prices and reduced investments by major oil companies. To overcome the difficulties, HHI pursues ceaseless change and innovation based on a flexible management system.

Key Activities in 2015

1 Launch of Future Planning Committee | HHI's Future Planning Committee officially launched in July 2015 to establish and pursue the Group's vision and future strategy. The Committee is composed of 60 employees selected from each division at HHI, Hyundai Mipo Dockyard and Hyundai Samho Heavy Industries. The Future Planning Committee will propose the ideal future vision of the company, under the slogan of "Engagement and Empathy to Create a Great Company."

Direction of Committee Activities



2 Pledge to Overcome Crisis | In August 2015, Chairman Choi Kil-seon and President Kwon Oh-gap of HHI, President Kang Hwan-goo of HMD and more than 200 group senior executives pledged to work together in order to overcome the difficulties that the HHI Group is facing. Through this event, the executives gained a better understanding of the business status and they renewed their commitment to start a new beginning for the company.

3 Emergency Management Committee | HHI convened an emergency meeting of HHI Group's presidents with HHI Chairman Choi Kil-seon as the committee head on November 2015 where they discussed lean management plans to achieve profits in 2016. The presidents returned the full amounts of their salaries, and executives and division heads returned up to 50% of their salaries to show their commitment. They decided to stop all unnecessary internal and external events temporarily and conduct lean management to overcome the crisis.

2015 Pledging Ceremony to Overcome Crisis



Upholding Fair and Transparent Business Practices

HHI aims to be the most transparent and reliable company in the world. By upholding sound ethical practices and compliance, we will work to create a market environment that contributes to the growth of all our stakeholders and the sustainability of the society.

Reporting Issue for “Upholding Fair and Transparent Business Practices”

Core Issues		General Issues	
⑥ Compliance Management	p.39	1 Business Ethics	p.41
		2 Enhancement of Transparency	p.46

Importance

Stakeholders consider compliance management to be an important measure of assessing a company, and they require companies to comply with laws and practice fair trades. HHI endeavors to fully understand our stakeholders' requirements and make efforts to create a fair and transparent company culture.

Objective and Strategy

To respond to legal violation risks that may occur in the course of business, HHI has implemented its own compliance control standards. We will regularly update the compliance management system to keep abreast of and respond to external environment changes. We will also expand compliance training and the compliance management systems to establish a culture of compliance.

Operation System

The Compliance Team—the department dedicated to compliance management—plans / executes compliance training programs, responds to potential legal issues and minimizes risks by periodic inspections. The compliance function and compliance officer appointed under the regulations of the Fair Trade Compliance Program and the compliance control standards regularly report the results of training and inspections to the Board of Directors.

Compliance Management

Compliance Management Operating System

HHI has implemented compliance standards in all businesses to enhance the compliance awareness and prevent legal violations. Since 2004, we have introduced the Fair Trade Compliance Program, which is responsible for maintaining the compliance management system and the planning of support activities such as diagnosis, inspection and training.

Key Tasks of Compliance Management by Area

Compliance Control Standards	Fair Trade Compliance Programs
<ul style="list-style-type: none"> • Evaluation and Management of Compliance Risks • Planning and Operations of Compliance Control Training • Compliance Support and Control Reviews 	<ul style="list-style-type: none"> • Revision of Fair Trade Compliance Handbook • Review of Fair Trade Compliance Program • Execution of Fair Trade Compliance Training

Key Compliance Control Activities in 2015

1 Anti-Corruption Training for Overseas Branch Managers and Presidents |

In February, we conducted anti-corruption trainings for 35 branch managers and presidents working in HHI's overseas organizations around the world. For heads of overseas branches and corporations with the highest accountability, we invited compliance experts to explain risk of corruptions and preventions.

2 Preventative Training to Avoid Improper Counterparties |

In February, we held training sessions for 361 employees in domestic sales, contract management, purchasing, cost and quality management to educate penalties for wrongful actions such as bribery, collusion and falsifying test results.

3 Compliance Newsletter | We regularly published compliance newsletters to introduce compliance-related institutions, laws, examples and guidelines. In 2015, we published 21 issues of compliance newsletters.

4 Legal Review / Anti-Corruption Approval and Review | In 2015, we reviewed 213 legal provisions related to fair trade, illegal dispatch and economic sanctions and inspected 40 cases of approval of economic benefits and stakeholder due diligence.

Key Fair Trade Compliance Activities in 2015

1 Revision of Fair Trade Compliance Handbook | In December, we revised the HHI Fair Trade Compliance Handbook on Fair Trade Act and Subcontracting Act. The handbook contains information on fair trade statutes, examples of violations and prohibited acts focused on 'unfair trading acts' and 'unfair common actions (collusion) and concentration of economic power.'

2 Review of Fair Trade Compliance Program | In the second half of 2015, we reviewed the provisions in the subcontracts of Electro Electric Systems, Construction Equipment, Engine & Machinery, and Robotics divisions. For fair trade, we focused on reviewing the “abuse of position in transactions” and made necessary revisions.

3 Fair Trade Training Sessions | We conducted two-hour training sessions once every half year for employees in the 12 key departments in charge of agency management, service subcontracts and other duties related to fair trade. Three hundred and five employees took online classes developed by the Fair Competition Federation including Subcontracting Act.

4 HHI Subcontractors Committee (HSC) Meeting | HHI holds regular discussions with HSC, a consultative body of 224 subcontractors, to hear directly from our partners on implementing fair trade practices, mutual growth policies and activities. A regular discussion is held half yearly, and results are reported to related departments and incorporated in the business activities.

Other Compliance Support Programs

Compliance of Economic Sanction Act and Export Control Act | HHI respects the decision of the international communities to prohibit illegal actions including military conflicts, terrorism, trade of dangerous chemical products and drugs, and manufacturing of weapons of mass destruction. We strive to comply with the Economic Sanction Act and the Export Control Act, and operate an internal control system to prevent trades involving sanctioned counterparties and goods.

Plans for 2016

1 Establishing Cooperative Model with Agencies | We plan to conduct trainings for all employees on the “Fair Trade with Agencies Act,” which is expected to be enacted in late 2016. In addition, we will make procedural improvements for departments that transact with agencies in order to prevent violations.

2 Expanding Anti-Corruption Training | For the expected enactment of the Improper Solicitation and Graft Act in 2016, we plan to conduct a company-wide training session to comply with the new act and to amend internal anti-corruption guidelines. We also will introduce an online anti-corruption training system for employees in overseas offices and our subcontractors.

3 Strengthening Responses to Economic Sanctions and Export Control | We plan to expand training and promotional activities to better understand amendments and trends in laws related to economic sanctions and export control, setting up our internal processes for compliance.

Business Ethics

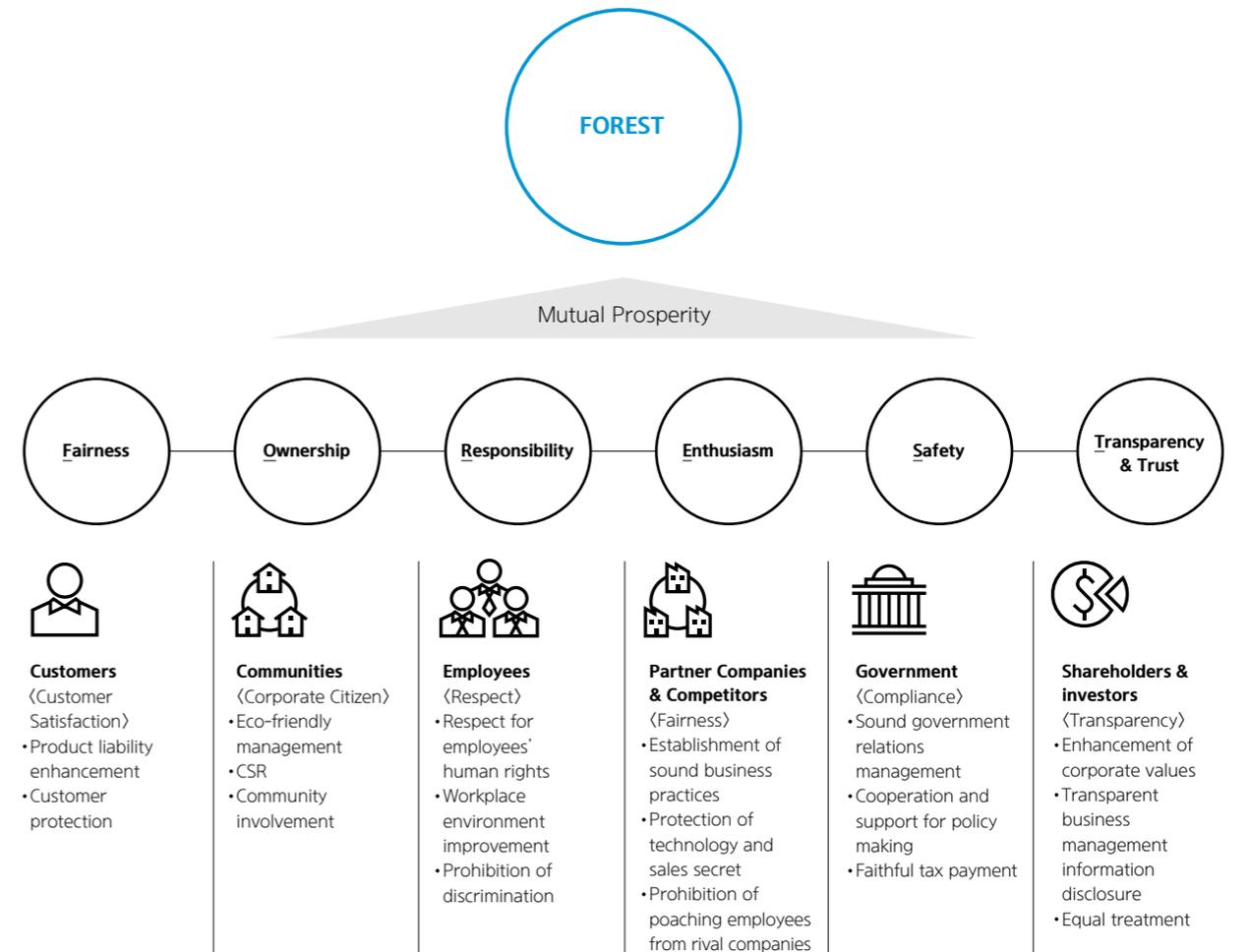
Value Structure

Like a “forest” that contributes to the coexistence of all surrounding lives, we will foster an environment for all stakeholders’ growth and development.

Direction

On the solid foundation of fairness, ownership, responsibility, enthusiasm, safety, transparency and trust, HHI will pursue to become a company that customers and partner companies want to do business with, a company that investors want to make an investment in, and a company that employees want to work at.

Direction



Business Ethics System

HHI's business operations are based on practical ethics standards including the Charter of Ethics, Code of Conduct and Business Ethics Guidelines. We run a systematic and practical ethics program with a well-prepared training, promotion and action programs. We are applying additional ethics regulations for six job functions—procurement, human resources, engineering, finance / accounting, IT and sales.

Charter of Ethics	Code of Conduct	Codes of Conduct for Specific Tasks	Business Ethics Guidelines
Declaration of HHI's management philosophies based on business ethics	Specific ethical standards 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 in the workplace
Codes of Conduct for Business Partners	Business Ethics Action Program	Training and Promotion	
Ethical standards for shared growth with partners through transparency and fairness in business	Specific institution and process to develop fair and transparent corporate culture	Training and promotion of business ethics among employees	

Charter of Ethics

Since the adaptation of ethics regulations for procurement position in 1994, HHI has been active in practicing and expanding its ethics program, online ethics violation reporting platform and training courses. In October 2005, HHI also declared its "Charter of Ethics" which proclaims its ethical management philosophy.

HHI's Charter of Ethics

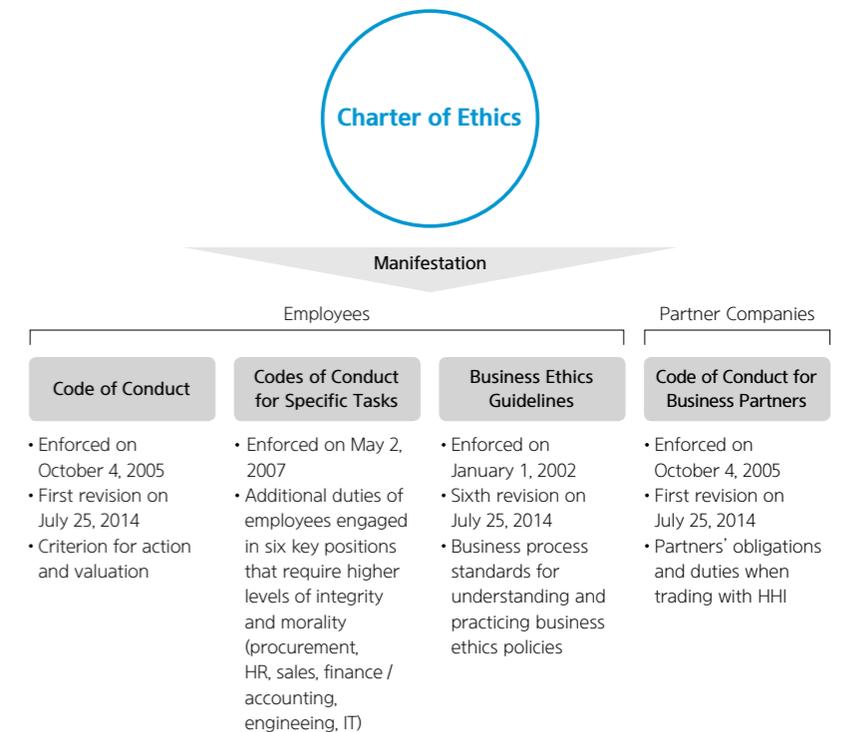
Our company is rooted in the Hyundai Spirit, which is comprised of "Creative Wisdom", "Positive Thinking" and "Unwavering Drive." We pursue to be a respected and trusted company that positively contributes to its customers, shareholders and society with the Hyundai Spirit.

To achieve this goal, we hereby establish this Charter of Ethics, which defines our standards of conduct to follow in accomplishing faithfully our original role and social responsibilities as a corporate entity, and we declare to comply with this Charter of Ethics as follows :

1. We shall be an ethical company that abides by all domestic and international laws and regulations through fair and transparent management practices.
2. We shall achieve customer satisfaction by meeting customers' needs and expectations.
3. We shall pursue to maximize shareholder's value through fair and efficient management.
4. 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.
5. We shall work to create a transparent and clean corporate culture through fair competition and trading practices.
6. 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.

Specifying Business Ethics

HHI gives shapes to "Charter of Ethics" by each job, and enacts as well as 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 including the Prevention of Corruption Act.



Key Business Ethics Action Programs

1 Commitment to Business Ethics Management | HHI employees are required to submit annually a pledge of commitment to business ethics, so as to understand the relevant regulations and promise to abide by corporate policies and guidelines. Employees engaged in the six key positions (purchase, HR, sales, finance / accounting, design, IT) requiring high morality, are mandated to sign additional pledges for stricter ethical obligation.

2 Conflicts of Interest Reporting | When a possible conflict of interest is identified, the employee in question is obligated to report the issue as soon as possible in order to prevent any unfair practices and ensure transparent business transactions. This process is advised to employees and partner companies on an annual basis.

3 Clean Notice System | This system helps our employees return the gift unavoidably 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.

4 Clean National Holiday Campaign | Prior to major national holidays such as the Lunar New Year and Chuseok (Korean Thanksgiving Day) each year, HHI promotes a "Clean National Holiday Campaign" to all employees and partner companies. We send off letters to our partner companies to encourage them to refrain from providing any source of gift. We also provide employees with guidelines for reporting cases of bribery to the Business Ethics Team.

5 Ethical Violation Reporting and Whistleblower Protection System | HHI runs an ethical violation reporting and reward system to eradicate unethical behavior and promote an ethical corporate culture. We aim to keep the whistleblowers' identity strictly confidential and protect them from any disadvantages.

6 Ethics Management Self-Evaluation | HHI's employees seek improvements and enhance understanding of the company's regulations by completing a questionnaire on business ethics and evaluating it for themselves.

7 Survey and Ombudsman System on Business Ethics | We conduct annual surveys and sessions to listen to opinions in order to diagnose the level of ethics compliance and collect opinions from employees and partner companies regarding items requiring improvement.

Number of employees at 2015 Business Ethics Field Session		Unit: People
Division	1,060	
Department	1,239	
Total	2,299	

8 Education and Promotion of Business Ethics | We conduct ethics management group training courses and online courses, and topics on business ethics are created in the form of animation and cartoon formats to make it viewer-friendly to enhance employees' understanding and motivate them to put the business ethics into practice.

Key Activities in 2015

1 Revision of Reporting Reward Guidelines | In September 2015, we revised the Reporter Reward Guidelines and raised the maximum reward from KRW 100 million to KRW 1 billion to encourage reporting of employee violations and corruption by compensating the whistleblower with meaningful rewards.

2 Survey and Ombudsman System on Business Ethics | We collected opinions on our competitiveness from employees at each division and department through surveys and face to face sessions. We conducted field sessions not only at our head office but also at overseas locations, and we implemented improvement measures according to the results we collected.

3 Commitment to Business Ethics Management and Conflicts of Interest Report | We required our executives, employees, high-level production workers and partner companies to submit Business Ethics Compliance Pledges to show their commitment to our business ethics. In addition, we obligated executives and employees in certain functions, highly-positioned employees and partner companies to submit conflict of interest reports. From 2015, we have used our "Guidelines for conflict of interest reporting" and "Examples of conflict of interest reporting Q&A" to help employees understand the objectives and scope of conflict of interest reporting.

4 Business Ethics Training | We conducted business ethics training sessions for new hires, promoted employees and employees relocated overseas. In addition, we took steps to implement HHI's business ethics system for our subcontractors through HSC, a consultative body of HHI subcontractors.

Plans for 2016

HHI plans to expand the range of employees who are required to submit the Business Ethics Compliance Pledge and Conflict of Interest Report in a way to establish a heightened sense of ethics in our employees and partner companies. In addition, we will strengthen ethical education with real life examples and create a mobile business ethics website for convenient access to information and to encourage reporting. Going forward, HHI will continue to strive to build a disciplined working culture and establish clean and transparent relations with our partner companies.

2015 Business Ethics Training Completed		Unit: People
Group training	1,583	
Online training	787	
Total	2,370	

Enhancement of Transparency

Management Information Disclosure

HHI has established a systematic reporting process on the business environment, activities and achievements for our stakeholders to improve business transparency and accountability.

Status of Management Information Disclosure

HHI Website	HHI's website provides information on our overall management activities, as well as the company's history, business principles, philosophy, business model and community support activities. The website also has links to investor relations, business ethics and affiliates' websites for convenience.
Investor Relations Website	HHI's dedicated investor relations website details our financial performance. The website makes timely disclosures on HHI's governance structure, financial information, stock information, IR newsletter and other relevant information for our shareholders and investors.
Investor Presentations	We regularly hold investor conference calls for analysts and institutional investors. HHI strives to provide timely and accurate information on our performance and outlook and enhance investors' trust and confidence in HHI.
Business Ethics Website	HHI operates a business ethics website to strengthen our relationships with stakeholders and practice fair and transparent management. The website introduces the direction, structure and practice of business ethics and receives reports about unethical business activities.
Integrated Report	The Integrated Report contains the results and efforts of HHI to create a sustainable company. From 2015, the annual report and the sustainability report were combined to provide a more balanced perspective of HHI's business activities.
Newsletter and Blog	Our monthly newsletter and blog disclose the management activities of three shipbuilding arms of HHI, as well as community news. Our newsletter and blog serve as a communication channel between the community and HHI.
New Horizons	Our quarterly English language publication, New Horizons, reports our business activities, investment information and interviews with management for better communication with foreign clients, classification agencies and foreign investment institutions.

Newsletter, New Horizons



Link to the Relevant Websites

HHI website	www.hyundaiheavy.com
IR website	www.hhiir.com
Business Ethics Website	ethics.hhi.co.kr
HHI Blog	blog.hhi.co.kr
New Horizons	nh.hyundaiheavy.com

Pursuing Safe and Environmentally Friendly Business Practices

HHI implements measures to reduce the risk of accidents at worksites, and to enhance the health and welfare of our workers. We also strive to minimize any environmental impact arising from our business activities.

Reporting Issue for "Pursuing Safe and Environmentally Friendly Business Practices"

Core Issues		General Issues	
② Safety Management	p.48	1 Environmental Management	p.51
		2 Health Management	p.55

Importance

HHI's business and activities feature a number of processes that may be dangerous and harmful to our employees. HHI continues to identify and improve high risk worksites and processes to prevent any errors that can lead to fatal accidents, and at the same time we do everything possible to prevent any interruptions to our business processes.

Objective and Strategy

All HHI employees comply with basic principles such as keeping worksites organized and using safety equipment to create a safe workplace without accidents. We abide by global safety management standards, OSHAS 18001 Occupational Health and Safety Management Systems, while strictly adhering to work standards and major safety rules.

Operation System

Each business division has its own dedicated safety departments to implement safety management activities more effectively and in line with each division's characteristics. Our company strives to promote a culture of preventative safety. In 2015, we newly established a safety training team and conducted customized safety training courses and trauma treatment procedures.

Safety Management

Safety Management Principles

Safety is a prerequisite for us to provide high quality products to our customers on time. It is also the first thing that must be guaranteed for HHI's employees and subcontractors working in the worksites. All HHI employees work with strong safety disciplines to create an accident-free worksite and to minimize damage in case of disasters, accidents and emergencies. Therefore, we classify our worksites by three tiers of safety risk system to secure workers' safety.

Key Activities and Achievements in 2015

1 Establishing Safety Innovation Methods | We prepared company-wide safety innovations in production, facilities and environment to prevent fatal workplace accidents. We newly formed a Safety Education Team to strengthen the training, and increased divisional sessions to four times. We revamped HSE training courses to group discussion to encourage active participation from employees.

2 Strengthening Accountability for Autonomous Safety Management System

We restructured our organizations and designated the head of each division as its chief safety and health officer so that the head can personally oversee its safety department and ensure the effectiveness of its safety management activities. Each division's accountability has been strengthened for its stricter safety management.

3 Developing Integrated HSE Management System | In December 2015, we started to develop the "Integrated HSE¹ Management System" to bolster on-site safety management and reduce the accident rate with a systematic Health, Safety and Environment framework. The system is expected to be completed and operated in June 2016.

Note 1 Health, Safety, Environment

4 Safety Campaign | HHI held a "Company-Wide Safety Campaign", jointly sponsored by the Ministry of Employment and Labor (MOEL) and the Korea Occupational Safety and Health Agency. The 2015 Safety Campaign focused on safety awareness and the prevention of major disasters. The campaign was held at HHI's seven main entrances on 17 occasions (January to February—weekly, March to December—monthly).

5 Safe Worksite Awards | KRW 1.7 billion in monetary award was given to HHI's departments / teams and subcontractors for their contribution to creating safe, accident-free worksites. In addition, HHI conducted a company-wide "Finding Hidden Risks" campaign to eradicate risks in the workplace. We gave rewards for 399 outstanding cases as a result of this campaign.

Number of Sectors
by Safety Hazard Level

As of December
31, 2015

Level 1 (Top 20% of Safety Hazards)
including construction,
outfitting and painting

21 Sectors

Level 2 (21%~50% Safety Hazards)
including manufacturing,
trial testing and
production support

41 Sectors

Level 3 (Bottom 50% of Safety Hazards)
including quality
management, piping
fabrication and
material support

46 Sectors

Awarded Cases of 2015
"Finding Hidden Risks" Campaign

399 Cases

Best Practices for "Finding Hidden Risks" Campaign

Lifting of Heavy Structures

Revision of standard work specification and pre-to-post inspection records to check fraying and abrasion of round slings for crane load test

Falling Prevention

Installation of specialized workbenches to prevent workers' falling off from scaffoldings during construction of ships or offshore plants

6 Integrated Safety Audit | HHI conducted integrated safety and health audits of HHI's production and supporting departments and subcontractors to improve HSE management standards. We continued to improve weak areas and helped establish self-regulated safety management measures.

Disaster and Emergency Responses

HHI operates a company-wide disaster prevention system to protect employees and assets from natural disasters. Divisional emergency response teams are organized under the Corporate Disaster Head Office. In case of an incident, the teams take the appropriate response according to the level of the crisis (forecast, warning, alert and clearance). In case of fires in our worksites or disasters on the sea, HHI's special rescue team composed of life saving and emergency response experts are deployed.

To effectively respond to emergencies, we hold regular site inspections to check emergency response measures. We also create scenarios for explosions, fires and other accidents, and hold emergency response drills for each department.

In 2015, we held multiple emergency drills such as private / public / military joint trainings, divisional fire drills and internal fire drills to further enhance our preparedness for emergencies.

Plans for 2016

For 2016, HHI aims to reduce the number of accidents by 38% and the rate by 31%, and achieve "Zero Fatalities." The company will minimize the risk of accidents by conducting effective safety education and training and creating healthy, safe worksites.

We will establish six key strategies to achieve our objectives and create safe accident-free workplaces based on our key tasks for safety management including regular TBM², establishing an accident investigation team and creating effective safety training. HHI will reward workers who comply with safety guidelines and strictly discipline workers who do not. We will dutifully conduct our safety activities in the spirit of our 2016 slogan, "Back to the Basics."

Note 2 TBM (Tool Box Meeting) is an informal group discussion that focuses on safety issues or work processes prior to starting the work. The term comes from workers' gathering around the tool box for the group discussion.

Accident Rate	Unit: %
2013	0.23
2014	0.32
2015	0.47

Safety Management Principles

Goal



Slogan

[Back to the Basics]

Activity



Basics and Principles

- Absolute safety guidelines
- Regular TBM
- General guidelines
- "Practice Daily Safety Campaign"



Effective Safety Training

- Effective, customized safety education program
- Individual commitment to safety practices
- Open Safety Academy
- Improved safety training facilities



Accident Information Disclosure

- Safety warning system
- Management standards for when ambulance is not in use
- Organization of accident investigation team



Safety Management for Subcontractors

- Enhanced safety training for new employees
- Safety education and evaluation of subcontractors
- Regular safety agency discussions
- Safety diagnosis of new subcontractors



Voluntary Safety System

- Process Safety Management (PSM)
- Integrated HSE Management System
- Strong accident risk monitoring
- Safety and health assessment
- Emergency response training
- Disaster rate management guidelines



Preventative Safety Culture

- HSE management system
- Integrated safety and health audit
- Strong safety award system
- Safety promotion
- Investments in safety facilities

Environmental Management

Direction

HHI practices environmental management (EM) to minimize the impact of our business on the environment, setting goals and strategies in pursuit of our vision of becoming "a leading low-carbon, green growth company." EM activities are evaluated once a year through 13-item EM performance indices and a 14-item green management evaluation. Our EM system's effectiveness is verified through the EM system inspection.

Climate Change Response

1 Developing Eco-Friendly Technology | HHI strives to reduce fossil fuel usage from the design stage of shipbuilding and continues to develop eco-friendly technology : developing vessels for better fuel efficiency and eco-friendly marine propulsion systems and engines. In addition, we are actively pursuing the solar power business to turn the climate change issue into an opportunity.

2 Reducing Energy Usage | HHI seeks to save energy by replacing old boilers and air conditioners with highly energy-efficient ones, increasing the use of LNG for our heating furnaces and boilers. We will reduce energy by upgrading the lighting at offices and worksites with LED lights.

Energy usage	Unit: TJ		
	2013	2014	2015
Direct Energy	5,682	7,302	5,003
Indirect Energy	11,374	11,664	11,715
Total Usage	17,056	18,966	16,718

3 Reducing Greenhouse Gas Emissions | In 2010, HHI was the first shipbuilder to obtain assurance of the greenhouse gas (GHG) inventory and to build a reliable GHG data management system. HHI will faithfully carry out the emission trading scheme launched in 2015 by continuing to reduce GHG emissions.

GHG emissions	Unit: tCO ₂ e ¹		
	2013	2014	2015
Scope 1 ²	393,140	509,569	385,210
Scope 2 ³	552,964	566,875	574,065
Total emissions	946,104	1,076,444	959,275

Note 1 Ton of CO₂ equivalent, GHG converted into carbon dioxide unit

Note 2 Oil, gas usage, etc. / **Note 3** Electricity usage, etc.

Key Activities in 2015

HHI is involved in the green factory movement to reduce the GHG emissions by using electricity produced with renewable energy, rather than fossil fuel-based sources.

Wind Power	Head Office	1.65 MW Wind Turbine
	Gunsan Wind Power Plant	2 MW Wind Turbine
Solar Power	Head Office	65 kW Solar Cell
	Eumseong Plant	1,246 kW Solar Cell & Solar Power Site
	Sunam Plant	598 kW Solar Cell
	Gunsan Wind Power Plant	811 kW Solar Cell

Emissions Management

1 Air Emissions Management | The major air pollutants emitted from HHI worksites are dust and volatile organic compounds (VOCs) which are emitted during manufacturing (pre-treatment) and painting processes. We practice multifaceted efforts in reducing air pollution such as setting internal environmental standards that are 50% stricter than the legal requirement and installing prevention facilities. Following the second Shipbuilding Industry VOCs Reduction Agreement which we signed in 2012, we plan to reduce VOCs by an average of 15% by 2016.

Air Emission Compounds	Unit: ton		
	2013	2014	2015
Dust	71.76	68.92	73.91
VOCs	8,816	7,946	7,851
SOx (Sulfur Oxides)	1.22	1.31	1.21
NOx (Nitrogen Oxides)	18.35	20.42	22.71

2 Waste Management | Waste generated in the production process is categorized into general and hazardous waste, and it is treated by external experts, recycled or incinerated at our facilities. We operate a waste treatment system and monitor the process on a real-time basis to ensure a systematic and legally compliant treatment of waste.

Amount of Wastes	Unit: ton		
	2013	2014	2015
General	104,230	113,242	113,552
Hazardous	11,024	11,181	10,736

GHG emissions reduced through energy conservation activities

62,081^{tCO₂e}

Average VOCs emission reduction target by 2016

15%

3 Wastewater Management | Wastewater generated in our worksites is treated by our wastewater treatment facility or by external companies. Each division conducts source-based management to reduce the amount of wastewater discharge. HHI's wastewater treatment facility uses a physicochemical process that has 50% stricter standards than the legal requirement.

Amount of Wastewater	Unit: ton		
	2013	2014	2015
Wastewater	378,260	448,945	423,669

Water Pollutant Emissions	Unit: ton		
	2013	2014	2015
Biochemical Oxygen Demand	0.49	0.40	0.16
Chemical Oxygen Demand	0.51	0.44	0.17
Suspended Solid	0.029	0.019	0.017

4 Chemical Substances Control | For the health of employees, subcontractors, customers and members of the community, we strictly control the process of chemical substances usage. Inspections and trainings are regularly conducted and worksites are required to have Material Safety Data Sheets onsite.

International Environmental Management Certification

HHI was certified as an ISO 14001 Environmental Management System in 1997 and an ISO 50001 Energy Management System in 2013. We are in the process of obtaining recertification for effective environmental management.

Investment and Activities

1 Environmental Investment | HHI continues to make investments into environmental management in order to reduce our businesses' environmental impact. We have classified the investment categories into pollution prevention, environment load reduction, environment risk management and social costs. In 2015, a total of KRW 32 billion was spent on environmental investment.

2 Green Purchasing | HHI signed a voluntary agreement on Green Purchasing Principles with the Ministry of Environment in 2006 for eco-friendly supply chains. In 2015, a total of KRW 184 billion was spent on the green purchasing.

3 Green Environment Class | Hyundai Foreign School held a Green Environment Class for 150 students and parents to promote the importance of environment protection.

International Certifications



Environmental Management System (ISO 14001) DNV GL



Energy Management System (ISO 50001) DNV GL

Plans for 2016

For 2016, HHI will establish an environmental management principle, “Establishing an eco-friendly corporate identity,” and plan to expand company culture as a low-carbon green growth company. To this end, we will focus on the following : complying with environmental laws and regulations, establishing an institutional framework for green management, conducting preventive activities for environmental pollution and promoting environmentally friendly activities.

Environmental Management Policy

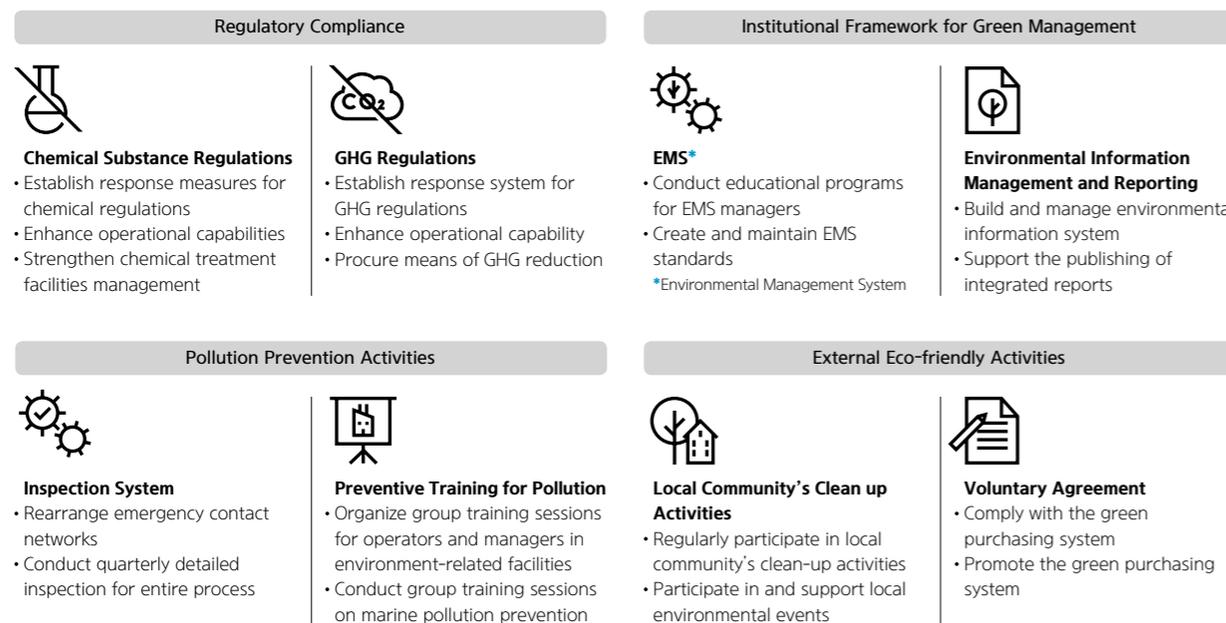
Goal



Operating principle

Positioning Ourselves as an Eco-Friendly Enterprise

Content



Health Management

Employee Health Management

HHI provides regular medical checkups and financial support for treatment costs of incurable diseases for our employees. In addition, we provide special medical examinations for employees with new job duties.

Key Support Programs and Facilities

Health Management Support	We provide regular and special medical checkups for employees who are routinely exposed to dust, noise, harmful rays, metals or organic compounds.
Financial Support	We provide financial support for cardiac surgeries, and cancers or leukemia treatments for employees and their families. Employees with occupational illnesses are offered health maintenance costs, sick leave and hearing aids.
Health Promotion Center	We run health promotion centers at worksites to provide immediate treatment and high quality medical care with consultation rooms, physical therapy rooms, rehabilitation rooms and facilities.
Traditional Oriental Medicine Clinic	In September 2015, we opened a Traditional Oriental Medicine Clinic with two doctors, four nurses and 20 beds, to treat musculoskeletal pains with acupuncture, moxibustion and cupping.

Key Activities and Achievements in 2015

1 Disease Prevention Program | HHI operates various programs to prevent noise-induced hearing loss and musculoskeletal diseases. In addition, we offer consultations on exercise, diet and health care for employees who have been diagnosed with either one of three major diseases—high blood pressure, hyperlipidemia or diabetes. In 2015, we carried out various health programs of the hearing protection, the respiratory system protection, the musculoskeletal disease prevention and the cardiovascular disease prevention.

2 Mind Therapy Center | The in-house counseling center provides psychological tests, group counseling and mind therapy for the mental well-being of our employees. Employees can also have one-on-one sessions with a counselor via telephone or online platform, or by visiting in person. In these sessions, employees can talk about work issues as well as relationships, problems at home and other personal issues.

3 Quit Smoking Program | HHI runs a smoking cessation program with expert counseling to help employees who wish to quit smoking. In 2015, 846 employees participated in the Quit Smoking Program, and 517 successfully quit smoking.

Participants in 2015 Quit Smoking Program		Unit: People
Total number of participants	846	
Number of succeeded participants	517	

Plans for 2016

HHI will continue to focus on preventative measures for health management with the aim of creating healthy worksites. We will run programs linked with work sites for our employees to be healthy in both mind and body, so that they can be more productive and grow more loyal to our company.

Upholding a Company Culture of Mutual Respect and Trust

HHI supports employees' self-development of competency and enrichment of their lives, while making transparent and consistent communications with employees. HHI also strives to create mutual synergies through shared growth with subcontractors.

Reporting Issue for "Upholding a Company Culture of Mutual Respect and Trust"

Core Issues		General Issues	
③ Shared Growth	p.57	1 Employees' Quality of Life	p.62
⑤ Employee Competency	p.60	2 Industrial Relations Culture	p.63

Importance

Shared growth with subcontractors is a prerequisite for our sustainable growth. To lead our industry, it is imperative that we recruit and keep high quality talents.

Objective and Strategy

HHI's core value of shared growth is "Just, Fair and Legitimate Performance." We support various programs to ensure fair trade practices with subcontractors. HHI aims to foster "Excellent HHI People" with skills and flexibility to surmount changes in the business environment.

Operation System

HHI implements, manages and improves policies and activities of shared growth. HHI operates support groups such as the Group Shared Development Committee and Shared Growth Diffusion Council.

HHI helps develop employees' competency by offering job training as well as language courses and other competency development courses.

Shared Growth

Supporting Subcontractors' Growth

In line with our belief that "HHI's competitiveness comes from our subcontractors' competitiveness," we conduct annual performance evaluations including quality, delivery and after-sales service. We award high-performing subcontractors, and also support partners that need improvement. We obligate the subcontractors to submit ethical management pledges to ensure that the fair trade practices are adhered to, and operate unfair trade reporting centers and online complaint channels for the subcontractors.

Shared Growth Policies

Core Value



Key Policies



Continuous System Improvements

Shared growth strategies highlight to protect subcontractors' market, promote small-and medium-sized firms and build up support systems



Establishing Fair Trade Practices

Comply with the four key guidelines of the Fair Trade Commission, establish reasonable trade practices and improve communication with subcontractors



Enhancing Competitiveness of Subcontractors

Support subcontractors' sales, training, employment, technology and funds. Adjust prices fairly in consideration of subcontractors' situations

Support Organization

Group Shared Development Committee

Company-wide coherent policy, activity planning and consultation for shared growth

Shared Growth Diffusion Council

Subcontractors' organization for shared growth and cooperation with primary and secondary subcontractors

Shared Growth Organization

Implement shared growth policy and activities and continuous revision of activities

Major Shared Growth Activities

1 Support for Sales Expansion | HHI assists subcontractors to increase their sales by jointly entering international markets and participating in domestic and international exhibitions to promote the subcontractors' technology. We also assist subcontractors to win contacts in global markets, and educate them on the importance of competitiveness to expand their business overseas.

2 Support for Training and Human Resources | HHI provides the training to subcontractors' employees to reinforce their competitiveness. We established the Shared Growth Training Center in 2013 to offer 60 courses to secondary and tertiary subcontractors. Currently, we offer 800-plus online courses relating to jobs, data processing and language learning. We are also making efforts to improve subcontractors' quality management by assigning product quality inspection experts.

3 Technical Support | HHI provides technical support to subcontractors in various ways. HHI transfers new technology or partially shares licenses of technology, and transfers unused patent technology.

4 Global Hyundai Integrated Procurement System (G-Hipro) | We are enhancing efficiency of the whole procurement process including registration, selection, contract, delivery, transaction receipt issuance as well as maintaining transparency in the subcontractor selection process from quotation, technology review, bidding and internal reviews, by applying the electronic bidding system, G-Hipro.

5 Funding for Subcontractors | HHI has deposited KRW 149.2 billion in four financial institutions to create a Shared Growth Fund of KRW 447.6 billion for our subcontractors' loan interest payments. Since 2011, we have set a system to pay the cost of materials to subcontractors only in cash in order to contribute to their liquidity. We make payments three times a month, within ten days of bill issuance. In terms of holidays and summer vacation, we make payments earlier than the schedule to help our subcontractors efficiently manage their funds.

Key Achievements in 2015

1 Early Payment for Subcontractors | Prior to the Lunar New Year holidays in February 2015, we made early payments of KRW 165.4 billion to 1,444 subcontractors. During the summer vacation in August, we paid KRW 111.5 billion to 1,430 subcontractors, prior to the Chuseok holidays; we made early payments of KRW 144.4 billion to 1,443 subcontractors so that they can pay their employees holiday bonuses.

Online Courses Offered in 2015

800 -plus courses

Early Payment of Materials for Subcontractors in 2015

Unit: bn.
KRW

Lunar New Year Holidays	165
Summer Vacation Season	112
Chuseok	144
Total	421

2 Supporting Secondary Subcontractors | HHI's procurement executive and representatives from our primary subcontractors visited 18 secondary subcontractors to listen to their opinions and seek ideas for shared growth. We shared practical policies and activities, and reviewed our shared growth framework from an objective perspective.

We also strived to find ways to prevent issues that can occur with secondary subcontractors such as omitting contract provisions and unfavorable payment terms. As part of this effort, we introduced a cash payment monitoring system from primary to secondary subcontractors and improved payment terms for secondary subcontractors.

3 Fostering Technical Talent and Employment Support | HHI's Technical Education Institute fosters technical talent and introduces them to our subcontractors for employment opportunities. The Technical Education Institute offers welding, fitting, painting and other essential courses for manufacturing functions. In the last ten years, a total of 20,145 trainees completed their courses at the Technical Education Institute while 85% (17,192 people) was successfully hired by our subcontractors.

4 Recognized as "Excellent Company" in Shared Growth | In recognition of HHI's ceaseless shared growth activities and efforts, we won a ranking of "Excellent" by the Korea Commission for Corporate Partnership (KCCP) in Shared Growth Index Evaluation on July 2, 2015.

Plans for 2016

HHI's shared growth policies focus on consistently working with our subcontractors in activities that have been proven to be effective rather than developing new policies and activities each year. We will continue this practice in 2016 and further solidify our relationships based on trust. HHI will aid our subcontractors in developing competitiveness by continuing to communicate and find ways for improvement.

2015 Shared Growth Index Evaluation

Excellent

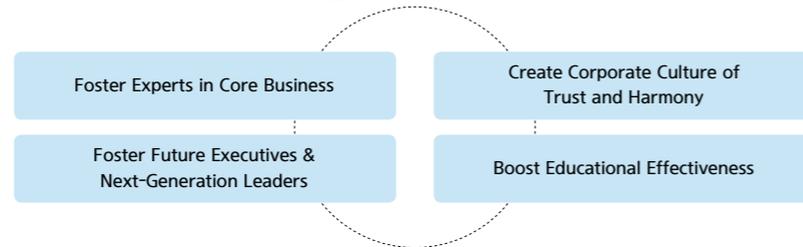
Issuing Authority: National Commission for
Corporate Partnership

Employee Competency

Human Resource Development

HHI endeavors to foster creativity among our employees: that is why we strive to build an environment where employees can develop their skills and feel a sense of pride in their work and accomplishments. We provide talent development programs to help individuals and teams learn skills and encourage our subcontractors to attain higher competitiveness.

Human Resource Development Strategy



Human Resource Development Policies

HHI developed a systematic talent development framework and program in consideration of characteristics and positions to enable all employees to perform at their full potential in their job functions.

Key Training Programs by Topic and Position

	Executive	Employee
Mandatory Training	Newly Promoted Executive Course	Promoted Employee Course, 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	Professional Job Training, Voluntary Job Training (Field / Night), etc.
Vocational Training	Management Strategy Seminars, Reading Academy	Professional Job Training, Voluntary Job Training (Field / Night), etc.
Others	Saturday Special Sessions, Substantial Management Practices, etc.	Retirement Plan Training, etc.

Key Performances in 2015

It is a key factor in fostering talents and increasing the satisfaction level of employees. To develop talented employees who will lead the future, HHI invested KRW 12.8 billion in training programs including in-depth education in 2015.

Employees Competency Performance

(): Unit

	2013	2014	2015
Cumulative No. of Employees Who Completed Training (People)	132,279	145,953	115,389
Total Training Hours (hour)	2,294,267	2,430,689	2,020,078
Total Training Costs (bn. KRW)	9.3	12.2	12.8

Key Activities and Achievements in 2015

1 Organizational Activation Program | In 2015, we carried out the organizational activation program over 19 classes for 6,317 employees to help create a positive organizational atmosphere and cooperative communication among production teams. A survey on the participants of this program shows that the program scored 4.52 out of 5 points, which means highly favorable.

2 Professional Training Program and Voluntary Training Program | We expanded the Professional Training Program to 40 courses, including the "Project Manager Training Course" to help employees further develop their expert knowledge. In 2015, 2,680 employees took part in the program, and a total of 5,119 employees completed the day and night time voluntary training programs.

Plans for 2016

In 2016, we will introduce customized educational programs with a focus on developing leadership and business insights, including executive candidate training, executive management development training and leadership training for production team leaders. Furthermore, we will strengthen communication and cooperation among our employees and executives based on the Hyundai Spirit. We will also strive to develop key future leaders through the one-on-one mentoring program.

HRD Focus Areas for 2016



Professional Training Performance in 2015

Classes **333**

Employees **5,119**

Participants of Organizational Activation Program

Total **6,317** Employees

Employees' Quality of Life

Welfare Programs

Under the principle of "Providing Necessary Support to Employees," HHI's Welfare Programs aim to increase employees' satisfaction and help maintain work and life balance. As of December 2015, we operate a variety of programs including the labor welfare fund, corporate stock ownership system, long-term employee reward program, medical support program and tuition system.

Welfare Programs



Support for Leisure Activities
 • Vacation facilities (condominium hotel)
 • In-company club support



Maternity Support
 • Breastfeeding room
 • Corporate childcare facilities



Stable Housing / Living Support
 • Incentives for family events
 • Loan interest support



Medical / Health Support
 • Financial support for treatment
 • Regular medical checkup



Educational Support
 • Tuition for children (middle school to university)
 • Study abroad programs



Other Support
 • Discount on culture and art exhibitions and performances at Hyundai Arts Center
 • Wedding car and funeral car rental support

Key Activities and Achievements in 2015

1 New Recruits' Parents Invitation Event | Since 2011, we have invited the parents of new recruits to show them our appreciation. We provided tours for families around the company facilities to boost employees' morale and foster a sense of family within HHI. One thousand new hires and their parents attended the two-day event that started on August 29, 2015.

2 Retirement Pension | Since 2011, we have introduced the Defined Benefit (DB) Pension System to pursue stability and profitability by hiring pension fund management companies with high credibility and solvency. As of the end of 2015, the accumulated amount of retirement pension stands at KRW 907 billion.

3 Paternity Leave Program | HHI aims to create an organizational culture where male employees who have trouble finding childcare can freely apply for paternity leave. In 2015, 31 employees applied for paternity leave, an increase of 221% from 14 employees in 2014.

Retirement Pension Pool

Unit: bn. KRW

2013 **948**

2014 **909**

2015 **907**

No. of Childcare Leave Applicants

Classification: Male / Female

2013 **1/42** People

2014 **14/56** People

2015 **31/83** People

Industrial Relations Culture

Policy on Industrial Relations Culture

HHI creates a work environment of mutual respect and trust. HHI strictly complies with the related laws and regulations, and we continue to create an industrial relations culture of mutual growth based on respect for employees' rights.

Labor Union Membership Ratio

Unit: People

	2013	2014	2015
Total No. of Employees	26,115	26,825	25,369
No. of Employees Eligible for Membership	-	18,731	17,392
No. of Members	18,070	17,849	16,740

Activities for Improving Industrial Relations

1 Collective Bargaining and Labor-Management Council | HHI improves employees' working conditions through biennial collective bargaining, annual wage bargaining and the quarterly Labor-Management Council meetings. In accordance with the collective bargaining agreement (CBA), we informs the labor union about issues involving changes in working conditions such as restructuring, spinoff or merger. In 2015, Labor Management Council discussed 57 agendas and agreed on 49 including additional installations of washrooms, improved winter uniforms and better food at cafeterias.

2 Management Status Briefing | HHI hosts regular business briefings for labor union and employees to accurately understand the business status and create a consensus among employees.

3 Industrial Relations Training | HHI provides educational programs for employees to boost their awareness of the significance and impact of industrial relations. In 2015, seven training classes were held to foster healthier industrial relations.

Training Programs

- | | |
|--------------------------------|------------------------------------|
| 1. New Recruits Training | 5. Junior Board Training |
| 2. Team / Unit Leader Training | 6. Master Board Training |
| 3. Position Level Training | 7. Substantial Management Practice |
| 4. Manager Training | |

4 Retirement Planning Support | The Labor-Management Council decided to develop and hold retirement planning classes to help our employees plan for their futures. We launched the program in 2013, and a total of 965 employees completed the training in 2015.

Inter-Employee Communication Activities

1 Discussions with the Heads of Business Divisions | We regularly hold meetings with heads of business divisions for better communication. These events provide opportunities for open communication in which employees can freely ask questions about company policies, the direction of business for each division and key management issues, while suggesting ideas and opinions.

2 Mentoring Program | We operate a mentoring program for employees to enhance their competencies, adjust to life as part of a large organization and maintain life and work balance. The one-on-one mentor and mentee relationships between junior and senior employees contribute to a more harmonious organizational culture, as well as better communication throughout the company.

3 Consulting Session (Sarangbang) | Employee consulting sessions, *Sarangbang*, are conducted every month by department heads regarding the working environment and welfare. These regular communications contribute to resolving employee grievances and enhancing employee satisfaction, thereby establishing a culture of trust.

4 Shipbuilding Group Newsletter | In July 2015, HHI's company newsletter, which was first published in June 1974 to promote and share our corporate culture, was integrated to create "Hyundai Heavy Industries Family," a combined newsletter with Hyundai Mipo Dockyard (HMD) and Hyundai Samho Heavy Industries (HSHI).

The new integrated newsletter will record a new history of HHI Group by delivering information on business activities, local community news and special stories about employees.

Plans for 2016

HHI labor and management, while discussing wage agreements in December 2015, agreed to establish a constructive labor management relationship based on sincere communication and mutual respect, and to work together to overcome the ongoing difficulties in the business environment. Going forward, we will achieve our business goals based on continued communications and cooperation, and work to build cooperative labor management relationship.

Contributing to the Development of a Society as A Global Corporate Citizen

HHI believes that the role and responsibility of a corporate citizen is not just pursuing corporate values through continued growth, but creating a more comfortable and better world to live in sharing.

Reporting Issue for "Contributing to the Development of a Society"

Core Issues		General Issues	
④ Social Contribution	p.66	1 Educational Support for Future Generations	p.69
		2 Culture and Arts	p.70

Importance

The Hyundai Spirit, inherited from the founder, states that we should look beyond profits by generating quality jobs, adding value and developing the country and local communities. As a global corporate citizen, our obligation and responsibility is to look after the socially marginalized and to keep sharing activities so that communities and companies can grow together.

Objective and Strategy

HHI runs a variety of activities under the core values of love, sharing and happiness to create shared value for happy society. Our employees focus on giving a friendly helping hand to our neighbors in need. In addition, we continue to expand our sharing activities in social welfare, culture and arts and sports to support the development of local communities.

Operation System

HHI's volunteer programs, sisterhood relationships and fund projects are executed by Social Community Team under the General Affairs Department, a dedicated organization for community engagement activities. We also promote our activities internally and externally to enhance awareness and encourage employees to volunteer in our programs.

Social Contribution

Disseminating a Culture of Sharing

HHI engages in diverse activities to share with our communities by the participation of our employees and volunteers in “Charitable Bazaar with Love” and “Making Kimchi with Love.” The proceeds from these programs are used to fund other programs and create donation funds, thereby spreading our culture of sharing.

Key Sharing Activities and Achievements in 2015

1 Charitable Bazaar with Love | For three days from November 4, 2015 at the 22nd Charitable Bazaar with Love, we sold 12,000 pieces of clothing, 6,000 books, home appliances and household items donated by employees, local celebrities, Ulsan Hyundai FC and our clients’ supervisors. The proceeds were used to hold the “Making Kimchi with Love” event and awarded as scholarships for the underprivileged students.

2 Making Kimchi with Love | At the 25th event on December 3, 2015, 400 employees and volunteers made kimchi from 12,000 heads of cabbage and then delivered them to 64 welfare facilities and 1,300 underprivileged households around the Ulsan region. This event was even more meaningful since we used 5,000 organic cabbages and 3,000 radishes that were harvested in the Children’s Nature Learning School of Hyundai Institute.

3 Pop-Up Charity Bar of Love | The annual “Pop-up Charity Bar of Love,” now in its 13th year after starting in 2003, is a meaningful event in which all employees participate with a heart to support the local youth. All proceeds from the event on June 11, 2015 held at the outdoor square of HHI’s Hanmaeum Center were donated as scholarships for students in the Ulsan region.

4 Donggu Children Center Summer Camp | On August 21, 2015, we held a summer camp at the Haseori Recreational Camp with eight Children Centers in the Dong-gu district in Ulsan. 155 local children and 23 supervising teachers participated and spent an enjoyable time playing in the water and engaging in games.

5 Korea-Japan Pottery Camp for People with Intellectual Disabilities | HHI sponsored the “7th Korea-Japan Pottery Camp for People with Intellectual Disabilities” from September 16 to 18. This event aims to promote interaction and relationship between disabled people in Korea and Japan. We supported part of the event costs and transportation.

Making Kimchi with Love



Pop-up Charity Bar of Love



6 Multicultural Family Culture Program | HHI started a program for multicultural families to give them access to cultural activities. In November 2015, HHI employees and 80 members of multicultural families toured the Busan Aquarium and the Dongbaek Park and enjoyed a day of fostering personal connections and relationships.

7 Sharing Relay | In December 2015, we invited and hosted 100 employees and volunteers at the Donggu social welfare institutions at the Hyundai Art Center to watch the play “Taxi Driver”. At this event, we expressed our appreciation for the people who work every day at the social welfare institutions to help our less fortunate neighbors.

8 Sharing Funds | HHI runs various activities to raise funds for our underprivileged and socially marginalized neighbors. With the enthusiastic support from our employees, the funds raised were donated to Community Chest of Korea, ChildFund Korea, Ulsan Metropolitan City Dong-gu Office, Eumseong County Office and Eumseong Community Rehabilitation Center.

Sharing Salary

Employees currently donate the *Woosuri* (odd money under KRW 1,000) of their monthly wages. These funds are donated to the Ulsan branch of Community Chest of Korea, the Korea Heart Foundation, and the Korean Association for Children with Leukemia and Cancer (KALC). A total of 24,761 employees participated in the Woosuri Movement, raising a total of KRW 226.49 million in 2015.

No-Smoking Fund

Our no-smoking fund is intended to promote employees’ health as well as help the underprivileged. In 2015, 213 employees raised KRW 21.41 million. The funds were donated to the Red Cross Ulsan branch. Since 2005, a total of KRW 126.16 million was raised and used for underfed children and seniors living alone.

Community Development

HHI is committed to developing the communities near worksites and to improving the quality of life of the local residents. Through sister relationships with farming communities in Ulsan and Gyeongbuk Province, we volunteer to help during the busy farming season, and encourage employees to use traditional markets to help boost the local economy. We engage with other parts of the community through activities including interaction with senior citizen centers, kimchi sharing and environmental protection.

Delivery Ceremony of Sharing Salary Fund



One-Company-to-One-Village Movement



Traditional Market Activation



Sharing with Local Senior Citizen Centers



Key Community Development Activities and Achievements in 2015

1 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 promote shared growth with these agricultural communities.

We have fostered relationships with farming villages for over 10 years. We purchase food ingredients for our in-house cafeterias from our sister villages to help provide them with a stable income. We also conduct the One-Company-to-One-Village Movement in which volunteers help during busy seasons, engage in local volunteer work and experience life in farming and fishing villages.

In November 2015, HHI's volunteer group composed of 200 employees visited Dongmyeong village in Miryang, Gyeongnam and helped 30 resident families pick apples.

2 Traditional Market Activation | In 2015, HHI purchased KRW 260 million worth of Onnuri gift certificates, which can only be used at traditional open-air markets, and provided them for employees as well as the underprivileged and social welfare facilities.

3 Sharing with Local Senior Citizen Centers | HHI has forged relationships with 57 senior citizen centers and conducted volunteer activities such as delivering 2,000kg of rice every month and cleaning and repairing facilities. In addition, our employees and volunteers make kimchi for social welfare, recipients of basic livelihood security, senior citizen centers and free meal kitchens to share with our underprivileged neighbors.

4 Environmental Protection Activity | We are involved in environmental protection activities such as "One-Company-to-One-River Cleaning Movement" and "Clean Seashore Campaign" in the surrounding mountains, rivers and seaside areas. We also hold environment-related photo contests to encourage more people to take an interest in environmental protection.

Plans for 2016

In 2016, HHI will continue our activities of sharing such as the Charitable Bazaar with Love, Pop-up Bar, Making Kimchi with Love, and conduct activities that give real help to the local communities. In addition, we will encourage more of our employees to volunteer and take part in these social contribution activities.

Educational Support For Future Generations

Fostering Future Leaders

We continue to provide educational supports for the Korean youth in fulfilling their dreams. Now we support the University of Ulsan, Ulsan College, two kindergartens, and five middle and high schools. Asan Nanum Foundation gives the youth opportunities to grow as global leaders.

Hyundai Schools

Facilities	Year Established	Activities
Dongbu & Seobu Kindergarten	1974	Provide educational environment and activities suitable for the development of young children
Hyundai Middle School	1978	Co-ed schools with high-quality education facilities to foster future talent
Hyundai High School	1984	
Hyundai Chung-un Middle School	1984	Operates CEC program (Creativity · Personality, Emotion · Health, Career · Learning)
Hyundai Chung-un High School	1981	Operates CAG Leadership Program (Character Building, Academic Excellence, Global Leadership)
Hyundai Technical High School	1978	Fosters tailored functional talent through Meister Schools and specialized high school academic programs
Ulsan College	1973	Operates dual systems in Dongbu Campus and Seobu Campus
University of Ulsan	1969	Wide variety of scholarship programs, investments to foster global talent, and state-of-the-art facilities,

Asan Nanum Foundation

The foundation is founded by the family of Hyundai Group's founder Chung Ju-yung and some companies in Hyundai Group. Since 2011, the foundation has provided funds to promote startups and to foster young talent, contributing back to society in accordance with the foundation's slogan: "Our society develops with the vitality of our youth."

Key Programs of Asan Nanum Foundation

Asan Frontier Academy	The Academy fosters the next-generation talent in the non-profit sector, and provides all trainees with overseas study at international organizations.
Asan Frontier Fellowship	The Fellowship Program provides special programs for young activists looking to learn real experiences, build networks and work at international NGOs.
Asan Institute for Policy Studies	The study program benchmarks the "Philosophy, Politics and Economics (PPE)" curriculum at the University of Oxford, providing humanities studies of history, philosophy, politics, economics and literature.
Chung Ju-yung Startup Competition	This competition is designed to expand the entrepreneurial culture in Korea by finding and assisting young startups and entrepreneurs.

University of Ulsan



Asan Frontier Academy



Culture and Arts

Cultural and Arts Centers

HHI operates five cultural and arts centers, starting with the Ulsan Hanmaeum Center in 1991, in order to provide access to high quality cultural activities for local residents. We lead the efforts to create a cultural foundation for local communities through various forms of operational support, and we provide additional programs for the benefit of the local residents.

HHI Culture and Art Facilities Overview

Hyundai Arts Center	Ulsan's largest cultural center with a high quality performance space, art gallery, cinema and sport facilities
Hanmaeum Center	Provides continuing education programs for local communities with sports facilities, cinemas, galleries, an art academy and a children's library
Dongbu Center	Focuses on sports classes with physical training room, swimming pool aerobic facilities to promote healthy and active lifestyles for local residents
Seobu Center	Swimming pool, gym and multipurpose cultural rooms for health and leisure
Mipo Center	Courses for professional training and development with practical and theoretical courses to help local communities obtain licenses and startup businesses

Facilities Operation Performance in 2015

Hyundai Arts Center			Hanmaeum Center	
Concert Hall	Planned Programs	23	Cultural Classes	85
	Venue Programs	11	Sports Classes	12
	Seat Occupancy	79%	Mipo Center	
	Visitors	37,000	Cultural Classes	48
Chamber Hall	Planned Programs	3	Sports Classes	4
	Venue Programs	7	Dongbu Center	
	Seat Occupancy	70%	Cultural Classes	13
	Visitors	8,139	Sports Classes	4
Movies	Screenings	157	Seobu Center	
	Visitors	283,575	Cultural Classes	18
Exhibitions	Exhibitions	8	Sports Classes	3
	Visitors	16,792		

Hyundai Arts Center's Key Programs in 2015

1 "Swan Lake on Ice" | On August 22 and 23, Hyundai Arts Center featured the St. Petersburg State Ballet on Ice, who performed "Swan Lake". Dancers wearing figure skates instead of toe shoes put on a special show with their sophisticated dance moves and dynamic figure skating techniques for an enthralled audience.

Hyundai Arts Center



Hanmaeum Center



2 Mischa Maisky Cello Recital | Legendary cellist Mischa Maisky visited Korea in eight years since 2007 at the Hyundai Arts Center on September 4, 2015. Mischa Maisky with his daughter and musical partner, pianist Lily Maisky, showcased masterpieces from Bach, Shostakovich, Bunch, de Falla and Piazzolla.

3 Musical "The Last Empress" | "The Last Empress," which has been a beloved musical over the last twenty years, was revamped with an amazing cast in 2015. The performance, which ran for two days on November 13 and 14, received great response based on its solid structure, acting, stage direction and production.

4 KBS Symphony Orchestra Invitational Concert | On November 25, KBS Symphony Orchestra played an invitational concert commemorating the centennial anniversary of the late HHI founder Chung Ju-yung's birth. It was an opportunity to remember the life and achievements of our founder, and enjoy the beautiful sounds of Beethoven's "Egmont" Overture, Piano Concerto "Emperor," and Symphony No. 5 "Fate."

Mischa Maisky Cello Recital



Musical Last Empress



Human Cultural Asset
Cheon Jae Dong Exhibition



Hyundai Arts Center's Key Exhibitions in 2015

1 Living National Treasure Cheon Jae-dong Exhibition | A special exhibition was held to commemorate the 100th anniversary of the birth of Ulsan-born Living National Treasure Cheon Jae-dong. This show exhibited 160 pieces of his work including masks, earthen figures, ceramic ware and traditional artwork.

2 African Modern Art Exhibition | This exhibition showcased 200 pieces of precious African artwork at the national treasure level, and it included sculptures, modern paintings, craftwork and accessories. It was very well received by a wide range of attendees. Families, art college students and middle and high school students all came to enjoy the exhibition.

3 Zena Holloway Photo Exhibition | Zena Holloway, famed for her unique artistic perspective and production value, held her first regional exhibition in Ulsan. As the world's first female underwater photographer, she mesmerized the audience with the most beautiful, mystical underwater images captured on film.

Promoting Culture and Arts

As part of our efforts to provide opportunities to experience culture for the underprivileged, we have been hosting culture and arts programs such as "Visiting Concert" and "Worksite Concert" for local residents and worksite employees. We also host the "Lobby Concert" to provide public performance opportunities for local amateur musicians.

Appendix

Key Culture and Arts Programs

1 Outdoor Concert | We have been hosting outdoor concerts such as "Visiting Concert" and "Worksite Concert" for local residents and people with no cultural access since 2002.

2 Lobby Concert | We started the bimonthly "Lobby Concert" in 2001 to expand the cultural base for arts and performances in Ulsan. We have been providing venues, sound equipment, lighting, pianos and other equipment for local residents, students, hobbyists and other amateur musicians to perform on stage.

Cultural Sharing Activities

To provide more cultural opportunities to people who lack access, we invited members of multicultural families, children from the local children's center, local senior citizens and residents from lower socio-economic backgrounds to the Hyundai Arts Center to enjoy a variety of performances, musicals and movies.

Cultural Sharing Activities in 2015

Date	Number of Participants	Invited Guests	Event Title
March	143	Volunteers	Nicholas McCarthy Korea Performance
April	105	Dream Start	Kid (Nanta)
July	500	Social Workers and Others	Cultwo Show and Others
August	300	Local Children's Center	Ice Ballet (Swan Lake)
October	90	Dream Start	Verdi Gala Concert
November	141	Culture Voucher Project	Musical (The Last Empress)
December	260	Kumdarak and Others	Comic Acapella (VOCA People)

Plans for 2016

We will expand our cultural art exchange programs by holding events covering a diverse range of genres such as painting, crafts, photography and media. To meet the increasing needs of our audience, we plan to hold more specialized events including cultural experience events for students, tailored performances and popular live performances. In addition, we will expand programs for local residents to help them improve their physical health through enjoyable activities such as swimming lessons at HHI's multiple athletic facilities.

Number of Planned Performances at Hyundai Arts Center in 2016

Classical	Musical / Plays	Dance	Performance for Kids	Live Performance	Korean Traditional Music (Gugak)	Total
4	84	2	4	9	1	104

Outdoor Concert



Lobby Concert



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Financial Statement

Statements of Financial Position

Unit: KRW 1,000

	2013		2014		2015	
	Consolidated	Separate	Consolidated	Separate	Consolidated	Separate
Assets						
Current assets	29,254,183,750	14,815,737,605	29,871,608,665	14,778,729,467	27,176,013,471	13,387,654,798
Cash and cash equivalents	1,336,613,209	730,673,768	3,229,315,488	1,407,943,949	3,105,303,361	1,332,253,032
Short-term financial assets	4,692,328,819	155,426,784	4,742,522,625	149,731,816	4,627,226,992	149,700,000
Trade and other receivables	7,053,564,787	3,646,761,996	5,734,112,198	2,965,451,971	5,340,950,322	3,504,975,622
Due from customers for contract work	6,675,111,932	5,129,773,456	7,154,045,476	4,706,154,739	6,599,947,481	4,017,527,639
Inventories	6,129,287,249	2,584,221,399	5,822,203,196	3,111,765,221	4,492,239,892	2,621,567,880
Derivative assets	512,917,626	352,985,099	127,428,741	101,394,184	41,755,610	11,924,137
Firm commitment assets	10,463,993	5,205,454	102,390,560	59,425,040	361,396,671	207,722,591
Prepaid income taxes	63,631,292		63,330,607		59,476,191	
Other current assets	2,780,264,843	2,210,689,649	2,896,259,774	2,276,862,547	2,547,716,951	1,541,983,897
Non-current assets	23,950,787,871	17,315,988,543	23,512,809,176	17,220,629,398	22,556,822,517	16,797,125,936
Investments in associates and joint ventures	661,663,685	6,777,957,105	554,290,606	6,315,714,090	270,052,006	6,219,323,163
Long-term financial assets	3,322,603,688	1,145,948,843	2,496,029,851	1,052,224,824	1,189,482,706	385,522,655
Long-term trade and other receivables	1,088,685,374	292,512,483	930,131,965	294,797,046	589,099,760	241,282,584
Investment property	433,616,630	439,997,862	393,474,781	410,791,189	347,868,346	394,289,135
Property, plant and equipment	15,712,997,462	8,062,509,717	16,060,222,102	8,255,085,223	16,320,002,213	8,063,522,143
Intangible assets	2,285,648,835	395,809,501	2,211,628,038	365,622,486	2,140,184,872	320,933,442
Derivative assets	254,532,450	200,579,565	19,375,757	16,383,248	9,374,626	2,521,814
Firm commitment assets	1,176,419	673,467	153,874,765	85,793,200	294,765,973	210,208,415
Deferred tax assets	82,951,542		629,359,589	424,218,092	1,350,103,038	959,491,519
Other non-current assets	106,911,786		64,421,722		45,888,977	31,066
Total assets	53,204,971,621	32,131,726,148	53,384,417,841	31,999,358,865	49,732,835,988	30,184,780,734
Liabilities						
Current liabilities	26,516,423,455	13,522,875,048	27,702,671,033	13,554,099,295	23,060,645,568	11,886,590,832
Short-term financial liabilities	12,199,921,487	5,363,664,718	12,129,708,393	3,643,119,149	9,502,483,275	3,608,630,788
Trade and other payables	6,354,333,209	2,701,363,787	6,362,168,342	3,686,939,733	5,874,330,417	3,366,361,634
Advances from customers	819,346,091	772,614,459	705,470,656	756,823,764	532,641,433	620,639,833
Due to customers from contract work	6,661,170,259	4,365,624,000	8,140,673,917	5,257,296,786	6,394,046,502	3,971,292,760
Derivative liabilities	74,481,517	65,584,053	204,790,242	145,513,550	571,856,159	313,438,581
Firm commitment liabilities	291,110,146	202,711,015	78,981,745	63,740,551	9,147,694	6,227,236
Income tax payable	93,547,287	51,313,016	42,905,141	665,762	117,913,382	
Current Provisions					4,104,690	
Other current liabilities	22,513,459		37,972,597		54,122,016	
Non-current liabilities	7,658,956,409	3,028,539,589	9,043,171,146	4,672,054,756	11,173,228,891	5,926,401,075
Long-term financial liabilities	5,602,537,611	2,034,144,291	7,440,036,077	3,657,384,068	9,205,874,590	4,619,045,403
Long-term trade and other payables	134,150,430	11,557,764	104,396,800	11,581,151	98,727,876	11,080,876
Liability for defined benefit plans	163,952,708	120,454,843	551,233,374	442,146,969	546,242,180	433,727,355
Long-term provisions	552,916,916	381,386,859	502,372,244	460,316,383	715,803,496	644,244,345
Derivative liabilities	31,377,799	26,847,146	162,567,299	90,070,108	303,487,526	215,894,355
Firm commitment liabilities	241,105,773	187,152,888	13,059,104	10,556,077	9,032,154	2,408,741
Deferred tax liabilities	888,794,126	266,995,798	235,878,849		260,665,827	
Other non-current liabilities	44,121,046		33,627,399		33,395,242	
Total liabilities	34,175,379,864	16,551,414,637	36,745,842,179	18,226,154,051	34,233,874,459	17,812,991,907

Unit: KRW 1,000

	2013		2014		2015	
	Consolidated	Separate	Consolidated	Separate	Consolidated	Separate
Equity						
Total equity attributable to owners of parent	17,249,598,610		15,173,781,317		13,736,119,286	
Paid-in capital	380,000,000	380,000,000	380,000,000	380,000,000	380,000,000	380,000,000
Capital Stock	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	1,124,895,931	1,057,927,830
Hybrid securities			428,589,000	428,589,000	428,589,000	428,589,000
Capital adjustments	(1,772,782,730)	(1,400,454,947)	(1,762,535,173)	(1,400,454,947)	(1,341,552,282)	(966,932,733)
Other components of equity	1,239,973,279	552,205,370	746,492,455	306,094,650	325,410,971	85,255,452
Accumulated other comprehensive income	1,239,973,279	552,205,370	746,492,455	306,094,650	325,410,971	85,255,452
Retained earnings (deficit)	16,293,099,047	15,004,044,455	14,271,926,021	13,014,459,478	12,818,775,666	11,386,949,278
unappropriated retained earnings (unappropriated deficit)		15,004,044,455		13,014,459,478		11,386,949,278
Non-controlling interests	1,779,993,147		1,464,794,345		1,762,842,243	
Total Equity	19,029,591,757	15,580,311,511	16,638,575,662	13,773,204,814	15,498,961,529	12,371,788,827
Total liabilities and equity	53,204,971,621	32,131,726,148	53,384,417,841	31,999,358,865	49,732,835,988	30,184,780,734

Statements of Comprehensive Income

Unit: KRW 1,000

	2013		2014		2015	
	Consolidated	Separate	Consolidated	Separate	Consolidated	Separate
Sales	54,188,096,316	24,282,737,183	52,582,404,205	23,463,461,064	46,231,713,943	24,472,344,053
Cost of sales	50,932,984,966	22,176,255,337	53,299,441,785	24,053,489,027	44,681,972,337	24,386,489,137
Gross profit	3,255,111,350	2,106,481,846	(717,037,580)	(590,027,963)	1,549,741,606	85,854,916
Selling, general and administrative expenses	2,453,128,334	1,371,686,848	2,532,417,385	1,333,222,550	3,089,872,793	1,762,244,404
Operating profit	801,983,016	734,794,998	(3,249,454,965)	(1,923,250,513)	(1,540,131,187)	(1,676,389,488)
Financial income	1,857,474,471	1,126,586,428	1,611,112,500	827,640,101	1,901,598,919	1,203,241,214
Financial expenses	1,692,710,450	766,893,914	1,938,268,861	1,242,257,519	2,933,329,474	1,676,371,427
Other non-operating income	405,200,018	266,037,091	970,726,316	425,642,895	1,197,159,266	766,761,058
Other non-operating expenses	1,038,459,020	866,756,184	462,059,802	424,926,390	410,932,602	697,837,409
Equity method profit and loss	(189,194,705)		(37,100,275)		(55,783,702)	
Profit before income taxes	144,293,330	493,768,419	(3,105,045,087)	(2,337,151,426)	(1,841,418,780)	(2,080,596,052)
Income taxes	(2,010,056)	42,100,905	(898,980,392)	(582,474,217)	(478,195,977)	(532,538,728)
Net profit	146,303,386	451,667,514	(2,206,064,695)	(1,754,677,209)	(1,363,222,803)	(1,548,057,324)
Other comprehensive income	286,289,118	91,929,594	(643,455,207)	(357,734,141)	(536,862,387)	(279,999,541)
Items that are or may be reclassified subsequently to profit or loss	219,245,406	53,601,918	(502,267,360)	(246,110,720)	(444,866,013)	(220,839,198)
Changes in fair value of available-for-sale financial assets	262,687,801	61,601,033	(495,770,561)	(216,563,440)	(433,381,779)	(263,187,034)
Changes in fair value of cash flow hedge derivatives	(12,103,449)	(7,999,115)	(26,888,716)	(29,547,280)	44,423,068	42,347,836
Exchange differences on translating foreign operation	(11,389,648)		(35,333,047)		(6,810,172)	
Changes in equity of equity method investments	(19,949,298)		55,724,964		(49,097,130)	
Items that will not be reclassified subsequently to profit or loss	67,043,712	38,327,676	(141,187,847)	(111,623,421)	(91,996,374)	(59,160,343)
Actuarial gains and losses	65,605,512	38,327,676	(149,579,380)	(111,623,421)	(91,745,010)	(59,160,343)
Changes in retained earnings of equity method investments	1,438,200		8,391,533		(251,364)	
Total comprehensive income	432,592,504	543,597,108	(2,849,519,902)	(2,112,411,350)	(1,900,085,190)	(1,828,056,865)
Net profit attributable to:						
Owners of the parent company	278,705,518		(1,769,214,511)		(1,349,911,380)	
Non-controlling interests	(132,402,132)		(436,850,184)		(13,311,423)	
Total comprehensive income attributable to:						
Owners of the parent company	509,889,250		(2,396,682,367)		(1,853,939,306)	
Non-controlling interests	(77,296,746)		(452,837,535)		(46,145,884)	
Earnings per share						
Basic earnings per share (Unit: KRW)	5,047	7,370	(32,049)	(28,641)	(24,349)	(25,159)

Consolidated Statements of Changes in Equity

Unit: KRW 1,000

	Equity attributable to owners of the parent company							Non-controlling interests	Equity Total
	Common stock	Capital Surplus	Hybrid Securities	Capital Adjustment	Accumulated other comprehensive income	Retained Earnings	Total		
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									
Comprehensive Income									
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						61,363,536	61,363,536	4,241,976	65,605,512
Actuarial gains and losses						1,473,548	1,473,548	(35,348)	1,438,200
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)
Disposal of treasury shares									
Issuance of hybrid securities									
Interest of hybrid securities									
Issuance of hybrid securities of subsidiaries									
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)
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

Unit: KRW 1,000

	Equity attributable to owners of the parent company							Non controlling interests	Equity Total
	Common stock	Capital Surplus	Hybrid Securities	Capital Adjustment	Accumulated other comprehensive Income	Retained Earnings	Total		
Changes in retained earnings of equity method investments						(142,253,296)	(142,253,296)	(7,326,084)	(149,579,380)
Actuarial gains and losses						8,266,264	8,266,264	125,269	8,391,533
Total comprehensive income					(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)
Disposal of treasury shares									
Issuance of hybrid securities			428,589,000				428,589,000		428,589,000
Interest of hybrid securities						(707,467)	(707,467)		(707,467)
Issuance of hybrid securities of subsidiaries									
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
Balance at January 1, 2015	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
Changes in equity									
Comprehensive Income									
Net profit						(1,349,911,380)	(1,349,911,380)	(13,311,423)	(1,363,222,803)
Changes in fair value of available-for-sale financial assets					(407,381,598)		(407,381,598)	(26,000,181)	(433,381,779)
Changes in fair value of cash flow hedge derivatives					43,763,462		43,763,462	659,606	44,423,068
Exchange differences on translating foreign operation					(8,706,720)		(8,706,720)	1,896,548	(6,810,172)
Changes in equity of equity method investments					(48,756,628)		(48,756,628)	(340,502)	(49,097,130)
Changes in retained earnings of equity method investments						(82,697,349)	(82,697,349)	(9,047,661)	(91,745,010)
Actuarial gains and losses						(249,093)	(249,093)	(2,271)	(251,364)
Total comprehensive income					(421,081,484)	(1,432,857,822)	(1,853,939,306)	(46,145,884)	(1,900,085,190)
Dividend								(2,446,286)	(2,446,286)
Disposal of treasury shares		13,411,197		433,522,214			446,933,411		446,933,411
Issuance of hybrid securities									
Interest of hybrid securities						(20,292,533)	(20,292,533)		(20,292,533)
Issuance of hybrid securities of subsidiaries								224,272,850	224,272,850
Others		2,175,720		(12,539,323)			(10,363,603)	122,367,218	112,003,615
Total changes in equity		15,586,917		420,982,891	(421,081,484)	(1,453,150,355)	(1,437,662,031)	298,047,898	(1,139,614,133)
Balance at December 31, 2015	380,000,000	1,124,895,931	428,589,000	(1,341,552,282)	325,410,971	12,818,775,666	13,736,119,286	1,762,842,243	15,498,961,529

Separate Statements of Changes in Equity

Unit: KRW 1,000

	Common stock	Capital Surplus	Hybrid Securities	Capital Adjustment	Accumulated other comprehensive Income	Gains on valuation of derivatives	Retained earnings	Equity Total
Changes in equity								
Comprehensive Income								
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
Disposal of treasury shares								
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								
Comprehensive Income								
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)
Disposal of treasury shares								
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
Balance at January 1, 2015	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
Changes in equity								
Comprehensive Income								
Net profit							(1,548,057,324)	(1,548,057,324)
Changes in fair value of available-for-sale financial assets					(263,187,034)			(263,187,034)
Changes in fair value of cash flow hedge derivatives						42,347,836		42,347,836
Actuarial gains and losses							(59,160,343)	(59,160,343)
Total comprehensive income					(263,187,034)	42,347,836	(1,607,217,667)	(1,828,056,865)
Disposal of treasury shares		13,411,197		433,522,214				446,933,411
Dividend								
Issuance of hybrid securities								
Interest of hybrid securities							(20,292,533)	(20,292,533)
Total changes in equity		13,411,197		433,522,214	(263,187,034)	42,347,836	(1,627,510,200)	(1,401,415,987)
Balance at December 31, 2015	380,000,000	1,057,927,830	428,589,000	(966,932,733)	101,898,928	(16,643,476)	11,386,949,278	12,371,788,827

Statements of Cash Flows

	2013		2014		2015	
	Consolidated	Separate	Consolidated	Separate	Consolidated	Separate
Cash flow from operating activities	492,799,486	47,989,559	1,506,674,748	1,271,995,306	(574,351,060)	(857,031,793)
Net profit	146,303,386	451,667,514	(2,206,064,695)	(1,754,677,209)	(1,363,222,803)	(1,548,057,324)
Adjustments	1,028,888,599	193,176,263	3,846,015,292	3,150,554,707	820,049,430	706,276,536
Interest received	320,455,093	52,516,341	305,835,273	41,524,469	255,811,333	26,508,929
Interest paid	(443,489,722)	(190,313,949)	(410,302,676)	(185,979,594)	(407,661,689)	(193,031,025)
Dividends received	52,965,217	37,415,696	92,296,690	89,440,674	86,977,614	68,314,243
Income tax paid	(612,323,087)	(496,472,306)	(121,105,136)	(68,867,741)	33,695,055	82,956,848
Cash flow from investment activities	(1,263,400,135)	(609,871,199)	(591,478,174)	(703,462,577)	(146,862,890)	(102,111,784)
Disposal of long-term financial assets	563,361,007	130,500,000	281,966,263	161,855,224	308,122,035	229,700,000
Disposal of other receivables	8,110,000	4,300,000	9,489,599		4,967,260	
Disposal of investments in associates, subsidiaries, and joint ventures	73,546,738	18,847,943	113,851,475	105,878,509	173,065,126	194,367,045
Disposal of long-term financial assets	398,583,959	1,724,821	1,259,339,673	17,670,003	1,599,798,825	507,552,640
Disposal of other long-term receivables	185,967,101	5,913,002	70,034,423	5,287,635	101,923,582	4,892,900
Disposal of investment property	3,666,402		15,236,500			
Disposal of property, plant and equipment	85,864,801	16,526,207	127,075,010	3,011,854	45,737,187	24,885,553
Disposal of intangible assets	4,221,360	2,620,909	5,843,993	3,894,285	24,683,479	20,967,795
Receipt of government subsidies	1,702,339		5,782,891		736,168	
Disposal of assets as held for sale		88,530,394				
Disposal of other non-current assets		2,794	669,690		7,059,480	
Acquisition of short-term financial assets	(587,595,177)	(149,700,000)	(289,406,901)	(161,855,224)	(362,221,184)	(229,700,000)
Acquisition of other receivables	(2,312,377)	(2,300,000)	(25,089)		(63,469)	
Acquisition of investments in associates, subsidiaries, and joint ventures	(33,346,858)	(91,924,421)	(20,133,500)	(134,229,857)	(45,856,960)	(309,712,675)
Acquisition of long-term financial assets	(461,385,620)	(5,325,317)	(561,192,828)	(959,220)	(634,495,468)	(520,550)
Acquisition of investment property	(89,996,020)	(2,956,508)	(58,065,178)	(3,826,020)	(36,447,519)	(27,708,698)
Acquisition of property, plant and equipment	(60,744)		(402)		(232,536)	
Acquisition of tangible assets	(1,303,510,909)	(529,638,630)	(1,487,037,877)	(641,461,840)	(1,280,691,731)	(471,600,289)
Acquisition of intangible assets	(99,310,726)	(86,086,982)	(64,899,898)	(58,727,926)	(52,947,165)	(45,235,505)
Acquisition of other non-current assets	(10,905,411)	(10,905,411)	(6,018)			
Cash flow from financing activities	1,001,729,973	771,332,880	986,238,059	107,730,504	593,658,328	883,303,147
Increase in short-term financial liabilities	28,384,487,181	10,787,673,723	24,492,641,246	8,452,148,034	20,651,615,738	8,518,932,436
Increase in long-term financial liabilities	1,920,632,273	1,655,179,220	4,062,670,622	2,768,632,800	4,520,814,336	2,824,933,306
Increase in non-controlling interests	43,966,037		106,683,433		146,388,389	
Repayment of short-term financial liabilities	(28,488,829,701)	(10,945,994,963)	(27,583,833,012)	(11,419,060,981)	(24,491,368,105)	(10,177,083,492)
Repayment of long-term financial liabilities	(701,872,731)	(572,304,000)	(399,299,658)	(1,469)	(556,399,241)	(390,000,000)
Disposal of treasury shares					127,520,897	127,520,897
Issuance of hybrid securities			428,589,000	428,589,000		
Interest of hybrid securities					(21,000,000)	(21,000,000)
Issuance of hybrid securities of subsidiaries					224,272,850	
Dividends paid	(146,468,674)	(153,221,100)	(117,264,016)	(122,576,880)		
Decrease in non-controlling interests	(10,184,412)		(3,949,556)		(8,186,536)	
Net increase (decrease) in cash and cash equivalents before effect of exchange rate changes	231,129,324	209,451,240	1,901,434,633	676,263,233	(127,555,622)	(75,840,430)
Effect of exchange rate changes on cash and cash equivalents	(2,206,268)	(1,694,326)	(8,732,354)	1,006,948	3,543,495	149,513
Net increase (decrease) in cash and cash equivalents	228,923,056	207,756,914	1,892,702,279	677,270,181	(124,012,127)	(75,690,917)
Cash and cash equivalents at January 1	1,107,690,153	522,916,854	1,336,613,209	730,673,768	3,229,315,488	1,407,943,949
Cash and cash equivalents at December 31	1,336,613,209	730,673,768	3,229,315,488	1,407,943,949	3,105,303,361	1,332,253,032

Unit: KRW 1,000

Independent Auditor's Report

On the Separate Financial Statements
Based on a report originally issued in Korean

The Board of Directors and Stockholders

Hyundai Heavy Industries Co., Ltd.:

Seoul, Korea, March 10, 2016

We have audited the accompanying separate financial statements of Hyundai Heavy Industries, Inc. (the "Company"), which comprise the separate statements of financial position as of December 31, 2015 and 2014, the separate statements of comprehensive loss, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Separate Financial Statements

Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with Korean International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these separate financial statements based on our audits. We conducted our audits in accordance with Korean Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected

depend on our judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the separate financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the separate financial statements present fairly, in all material respects, the separate financial position of the Company as of December 31, 2015 and 2014 and its separate financial performance and its separate cash flows for the years then ended in accordance with Korean International Financial Reporting Standards.

Other Matter

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

Samjong KPMG CEO Kim Kyo-tae



This report is effective as of August 13, 2015, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying condensed separate interim financial statements and notes thereto. Accordingly, the readers of the review report should understand that the above review report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

Independent Auditor's Report

On the Consolidated Financial Statements
Based on a report originally issued in Korean

The Board of Directors and Stockholders Hyundai Heavy Industries Co., Ltd.: Seoul, Korea, March 10, 2016

We have audited the accompanying consolidated financial statements of Hyundai Heavy Industries Co., Ltd. and its subsidiaries (the "Group") which comprise the consolidated statements of financial position as of December 31, 2015 and 2014 and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Korean Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the

consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2015 and 2014 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Korean International Financial Reporting Standards.

Other Matter

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

Samjong KPMG CEO Kim Kyo-tae



This report is effective as of March 10, 2016, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

Third Party Assurance Statement

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

Terms of Engagement

Lloyd's Register Quality Assurance Ltd. (LRQA) was commissioned by Hyundai Heavy Industries Co., Ltd. (HHI) to provide independent assurance on its 'Integrated Report 2016' ("the Report") against the assurance criteria below to a limited level of assurance using LRQA's verification procedure. LRQA's verification procedure is based on current best practice and uses the principles of AA1000AS (2008) - Inclusivity, Materiality, Responsiveness and Reliability of performance data and processes defined in ISAE3000.

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

- Confirming that the Report is in accordance with GRI G4's Sustainability Reporting Guidelines (core option)
- Evaluating the accuracy and reliability of data and information for only the selected indicators listed below:
 - Economic: economic performance (EC1), indirect economic impacts (EC8), procurement practices (EC9)
 - Social: occupational health and safety (LA7, LA8), training and education (LA9, LA10, LA11), anti-corruption (SO3, SO4), anti-competitive behaviour (SO7), compliance (SO8)

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

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

LRQA's Opinion

Based on LRQA's approach nothing has come to our attention that would cause us to believe that HHI has not:

- Met the requirements above
- Disclosed accurate and reliable performance data and information as all errors or omissions identified during the assurance engagement were corrected
- Covered all the issues that are important to the stakeholders and readers of this Report.

The opinion expressed is formed on the basis of a limited level of assurance and at the materiality of the professional judgement of the Verifier.

(Note) The extent of evidence-gathering for a limited assurance engagement is less than for a reasonable assurance engagement. Limited assurance engagements focus on aggregated data rather than physically checking source data at sites.

LRQA's Approach

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

- Assessing HHI's approach to stakeholder engagement to confirm that issues raised by stakeholders were captured correctly. We did this through reviewing documents and associated records.
- Reviewing HHI's process for identifying and determining material issues to confirm that the right issues were included in their Report. We did this by comparing HHI's reported material issues against reports of its peers. We also tested the filters used in determining material issues to evaluate whether HHI makes informed business decisions that may create opportunities that contribute towards sustainable development.
- Auditing HHI's data management systems to confirm that there were no significant errors, omissions or mis-statements in the Report. We did this by reviewing the effectiveness of data handling procedures, instructions

and systems, including those for internal verification. We also spoke with those key people responsible for compiling the data and drafting the Report.

- Reviewing additional evidence made available by HHI at their head office in Ulsan and Hyundai Building in Seoul.
- Checking that the GRI Content Index allows stakeholders to access sustainability indicators.

Observations

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

- **Stakeholder Inclusivity** : We are not aware of any key stakeholder groups that have been excluded from HHI’s stakeholder engagement process. However HHI should develop its more robust procedures to decide whom to engage.
- **Materiality** : We are not aware of any material issues concerning HHI’s sustainability performance that have been excluded from the Report. It should be noted that HHI has established extensive criteria for determining material issues / aspects and that these criteria are not biased to HHI’s management.
- **Responsiveness** : HHI has reported its sustainability strategies. However HHI should present its targets and action plans in more detail for contributing sustainable

development, e.g. programs for improving safety performances of its contractors’ workers who are working on site of HHI.

- **Reliability** : HHI’s reporting process for the selected indicators are well defined.

LRQA’s Competence and Independence

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

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

LRQA Lead Verifier Kim Tae-kyoung




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GRI G4 Guidelines Index & ISO 26000

General Standard Disclosures in Accordance to ‘Core’ Option

Index	GRI G4 Guidelines	ISO 26000	Page
Strategy and Analysis			
G4-1	Statement from the most senior decision-maker of the organization	2.7, 6.2, 7.4.2	09~10
Organizational Profile			
G4-3	Name of the organization	6.3.10,	11
G4-4	Primary brands, products, and services	6.4.1~6.4.5,	12
G4-5	Location of the organization’s headquarters	6.8.5, 7.8	11
G4-6	Number, name of countries where the organization operates and where are relevant to the sustainability topics		15~16
G4-7	Nature of ownership and legal form		11
G4-8	Markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)		15~16
G4-9	Scale of the organization		11
G4-10	Total number of employees by employment contract and gender		11
G4-11	Percentage of total employees covered by collective bargaining agreements		65
G4-12	Organization’s supply chain		61
G4-13	Significant changes during the reporting period: size, structure, ownership, or supply chain of organization		11
G4-14	Precautionary approach or principle is addressed by the organization		55
G4-15	Economic, environmental and social charters, principles, initiatives to which the organization subscribes		95
G4-16	Memberships of associations and national or international advocacy organizations		95
Identified Material Aspects and Boundaries			
G4-17	Consolidated financial statements or the list of all the subjects contained in the equivalent documents	5.2,	02
G4-18	Process for defining the report content and the aspect boundaries	7.3.2~7.3.4	34
G4-19	Material aspects identified in the process for defining report content		34
G4-20	Aspect boundary within the organization		Index
G4-21	Aspect boundary outside the organization		Index
G4-22	Effect of any restatements of information provided in previous reports, and the reasons for such restatements		Stated if occurred
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries		N/A
Stakeholder Engagement			
G4-24	Stakeholder groups engaged by the organization.	5.3	33
G4-25	Identification and selection of stakeholders with whom to engage		33
G4-26	Organization’s approach to stakeholder engagement		33
G4-27	Key topics and concerns raised through stakeholder engagement, and how the organization has responded		33
Report Profile			
G4-28	Reporting period (such as fiscal or calendar year) for information provided	7.5.3, 7.6.2	02
G4-29	Date of most recent previous report		02
G4-30	Reporting cycle (such as annual, biennial)		02
G4-31	Contact point for questions regarding the report or its contents		02
G4-32	‘in accordance’ option the organization has chosen and GRI Content Index for the chosen option		Index
G4-33	Organization’s policy and current practice with regard to seeking external assurance for the report		Cover, 83~84
Governance			
G4-34	Governance structure of the organization, including committees of the highest governance body	6.2, 7.4.3	13~14
Ethics and Integrity			
G4-56	Organization’s values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	6, 7.3.1, 7.4.3, 7.7.3, 7.7.5	17~18, 43~50

Specific Standard Disclosure (Core Issues)

Specific Standard Disclosures and Disclosures on Managerial Approach of GRI G4 Aspects related to 6 core issues selected by materiality assessment are included in this report, and audited by independent accreditation agency.

Aspect	Index	Contents	ISO 26000	Page
Developing new technology through R&D				
Economic Performance	DMA	Disclosures on Management Approach	-	30
	G4-EC1	Direct economic value generated and distributed Note) Economic value allocation status of 2015 (Units: mil. KRW) Employees – Salaries: 208,474 / Bonuses: 91,599 / Benefits: 181,474 Subcontractors – Service charges: 26,058 Government – Taxes: 4,323	5.3	31~32, 86
Creating safe working environments				
Occupational Health and Safety	DMA	Disclosures on Management Approach	-	47
	G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	6.4.6, 6.8.8	48~50
	G4-LA8	Health and safety topics covered in formal agreements with trade unions	6.4.6	48~50
Creating safe working environments(Aspect Boundary: Subcontractors)				
Procurement Practices	DMA	Disclosures on Management Approach	-	56
	G4-EC9	Spending on local suppliers at significant locations of operation Note) To vitalize local economies, HHI is offering additional points for suppliers located in nearby cities including Busan, Ulsan, Kyung-ju in case of allocating supply amounts. Detailed information such as number of local suppliers, total amounts allocated to local suppliers will be provided via 2017 HHI Integrated Report.	6.4.3, 6.6.6, 6.8.1, 6.8.2, 6.8.7	86
Practicing strategic social contribution activities suited to the industry's characteristics				
Indirect Economic Impacts	DMA	Disclosures on Management Approach	-	65
	G4-EC8	Significant indirect economic impacts	6.3.9, 6.6.6, 6.6.7, 6.7.8, 6.8.1, 6.8.2, 6.8.5, 6.8.7	66~69
Practicing strategic social contribution activities suited to the industry's characteristics				
Training and Education	DMA	Disclosures on Management Approach	-	56
	G4-LA9	Average training hours per worker per year	6.4.7	60~61
	G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	6.4.7, 6.8.5	60~61
	G4-LA11	Percentage of employees receiving regular performance and career development Reviews Note) Rate of 2015 is 95.1%. 14,024 Production workers, 9,554 Office workers, 193 Executives of 24,995 workers as a whole has been reviewed	6.4.7	60~61, 86
Employee competency development				
Anti-corruption	DMA	Disclosures on Management Approach	-	38
	G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	6.6.1~6.6.3	39~40
	G4-SO4	Communication and education on anti-corruption policies and procedures	6.6.1~6.6.3, 6.6.6	39~40
Anti-competitive Behavior	DMA	Disclosures on Management Approach	-	38
	G4-SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	6.6.1, 6.6.2, 6.6.5, 6.6.7	Not occurred
Compliance	DMA	Disclosures on Management Approach	-	38
	G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	4.6	Not occurred

Specific Standard Disclosure (Top & General Issues)

Except information on 6 core issues, this report also provides specific standard disclosures and information which are considered to have a strong correlation with HHI's integrated value creation to support our stakeholders' decision making on HHI.

Aspect	Index	Contents	ISO 26000	Page
Energy	G4-EN3	Energy Consumption within the organization	6.5.4	51~54
	G4-EN4	Energy consumption outside of the organization		51~54
	G4-EN6	Reduction of energy consumption	6.5.4, 6.5.5	51~54
	G4-EN7	Reduction in energy requirements of products and services		51~54
Emissions	G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	6.5.5	51~54
	G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)		51~54
	G4-EN19	Reduction of greenhouse gas (GHG) emissions		51~54
	G4-EN21	NOx, SOx, and other significant air emissions	6.5.3	51~54
Effluents and Waste	G4-EN22	Total water discharge by quality and destination	6.5.3, 6.5.4	51~54
	G4-EN23	Total weight of waste by type and disposal method	6.5.3	51~54
	G4-EN24	Total number and volume of significant spills		51~54
Compliance	G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	4.6	Not occurred
Environmental Grievance Mechanisms	G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	6.3.6	Not occurred
Employment	G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	6.4.4, 6.8.7	62
Non discrimination	G4-HR3	Total number of incidents of discrimination and corrective actions taken	6.3.6, 6.3.7, 6.3.10, 6.4.3	Not occurred
Child Labor	G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor	6.3.3~6.3.5, 6.3.8, 6.3.10, 6.6.6, 6.8.4	Not occurred
Forced or Compulsory Labor	G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor	6.3.3~6.3.5, 6.3.8, 6.3.10, 6.6.6	Not occurred
Indigenous Rights	G4-HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken	6.3.3~6.3.5	Not occurred
Customer Health and Safety	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	4.6, 6.7.1, 6.7.2, 6.7.4, 6.7.5, 6.8.8	Not occurred
Product and Service Labeling	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	4.6, 6.7.1~6.7.5, 6.7.9	Not occurred
Marketing Communications	G4-PR6	Sale of banned or disputed products	-	Not occurred
	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	4.6, 6.7.1~6.7.3	Not occurred
Customer Privacy	G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	6.7.1, 6.7.2, 6.7.7	Not occurred
	G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	4.6, 6.7.1, 6.7.2, 6.7.6	Not occurred

Membership Status

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

Contributing Departments

Shipbuilding Division	Hyundai Marine Service Department
Offshore & Industrial Plant Division	Contract Administration Department
Engine & Machinery Division	Marine Engine & Machinery Sales Department (International)
Electro Electric Systems Division	Marketing Strategy & Promotion Department
Green Energy Division	Green Energy Business Planning Department
Construction Equipment Division	Marketing & Planning Department
Management Support Division	Accounting Department General Affairs Department Human Resources Development Department Human Resources Development Institute Hyundai Arts Center Industrial Relations Department Procurement Planning Department Quality and Process Management Department Technical Education Institute
Safety Management Office	Environment & Health Department Safety Management Department
Corporate Technology Institute	Technology Administration Department
Group Ship / Offshore Marketing Division	Market Research & Planning Department Offshore Marketing Department
Legal Affairs Office	Business Ethics Team Compliance Team
Corporate Planning Office	Human Resources Team
Seoul Office	Finance Department

For more information

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This report was printed on eco friendly paper with soy ink.