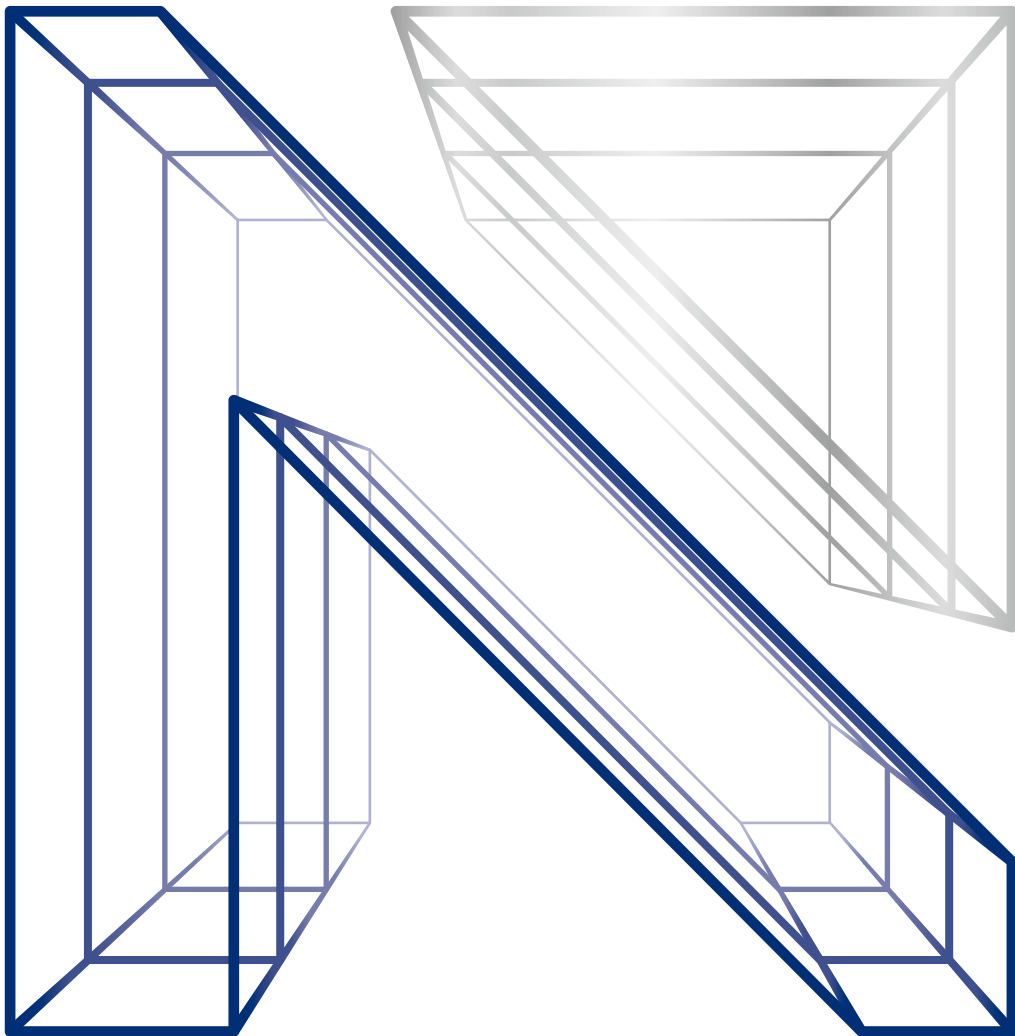


# HYUNDAI TRANSYS

## Sustainability Report 2020



Creative Leader for Mobility Innovation

ABOUT THIS REPORT

Report overview

This is the first sustainability report from Hyundai Transys, published to provide transparent and balanced information on economic, environmental, and social performances to various stakeholders of the company. We selected key topics through a material assessment and drafted the Report with a focus on Hyundai Transys's performance regarding the topics.

Reporting period and scope

The Report covers activities from January 1 to December 31 2019. For material issues that may influence the decision making of the stakeholders, recent information is included. The scope encompasses Hyundai Transys headquarters, plants, research centers, offices and all domestic branches, as well as their sustainability activities and performance. For certain data, we have included overseas offices.

Reporting standards

The Report was written in accordance with the Global Reporting Initiative (GRI) standards, a global reporting guideline for sustainability reports. More details are provided through the GRI Index.

Credibility of the report

To guarantee the accuracy and credibility of the information presented in the Report, we received third party verification from Korea Management Certification (KMR), an independent verification organization. Information and reports regarding the verification can be found on pages 86-87.

Contacts

- Hyundai Transys Strategic Support Team
- 174, Yeongcheon-ro, Hwaseong-si, Gyeonggi-do, Korea
- 82-31-369-9914
- sbkim@Hyundai-transys.com

Cover Story



The cover represents the letter "N," which symbolizes the expansion and growth of the brand identity motif of Hyundai Transys. It also expresses the company's creativity, our company's philosophy of taking on every challenge head on, as well as our determination for sustainable development, all of which come together to progress actively toward achieving a common goal.

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# Message from the CEO

Dear Esteemed Stakeholders,

Thanks to your warm support and encouragement, Hyundai Transys has published its first sustainability report. We continuously plan to provide transparent and detailed information on our corporate social responsibility activities related to economy, society, and the environment through various communication channels.

Through a merger of Hyundai Dymos and Hyundai Powertech in 2019, Hyundai Transys announced its transition from a company specializing in automotive components to one that provides mobility solutions. Last year, we achieved KRW 7.67 trillion in sales based on integrated synergy and laid the foundation for continuous development by re-establishing our mid- to long-term vision and strategies.

In 2020, the world economy is facing unprecedented challenges due to the effects of COVID-19. Hyundai Transys will not only strive to contribute to society's efforts to overcome this challenge of historic proportions, all of our employees will use this as an opportunity to take a leap forward by tackling the current situation in a wise manner which stabilizes our business. We will carry out the strategic tasks listed below to create a sustainable future alongside our stakeholders.

**First, we will pursue sustainable growth by securing future growth engines.**

In line with the paradigm shift of the automotive industry, we plan to secure future technologies in advance and become a "New Leader of Mobility Innovation." We will internalize core technologies for mobility by focusing on continued investments and R&D centered on electrified powertrains and seats for autonomous vehicles. We will also strengthen open innovation, which includes the expansion of technological partnerships and strategic collaboration with a variety of domestic and international startups, to ultimately create opportunities for new businesses and future value.

**Second, we will lead the establishment of a creative and flexible corporate culture and the development of professionals.** Based on a positive corporate culture, Hyundai Transys is putting efforts into talent development and maximizing work efficiency, while also striving to obtain competitiveness that can lead market changes. To this end, we are providing multi-faceted programs to enhance corporate culture including online town hall meetings, position-specific meetings, and a junior board, as well as leadership training by position and the R&D academy. We will continue to create a culture of communication and collaboration and improve employee competencies.

**Thirdly, we will build a sustainable management system and expand our activities for corporate social responsibility.** Hyundai Transys plans to establish an organization and a management system to execute its corporate social responsibility activities in a proactive manner and pursue continuous improvement activities. Our representative social contribution activity of the declaration to compliance and ethical management is the upcycling program of waste leather from seats. Through this program, we use waste leather that is generated from automotive seat R&D and remanufacture them into wallets, bags, and clothing. In addition to this program, we are consistently carrying out vehicle donation programs to assist transportation for vulnerable groups, blood donation campaigns, as well as employee volunteer activities. In order to contribute in light of the recent difficulties due to COVID-19, we are executing various outreach activities such as contributing hand sanitizers and funds for employees in the medical field and socially vulnerable groups.

As a future mobility solution provider that will lead changes in the automotive market, Hyundai Transys will endlessly take on new challenges. By strengthening our responsible management practices for social and environmental issues in addition to continuous economic growth, we will do our best to create a better future with our stakeholders.

Thank you.

CEO & President of Hyundai Transys



“

Hyundai Transys  
will proactively fulfill its  
corporate social responsibility  
to grow in harmony with  
our diverse stakeholders.

”





## HYUNDAI TRANSYS

### A Creative Leader for Future Mobility Innovation

Dynamic, efficient, and eco-conscious powertrains.

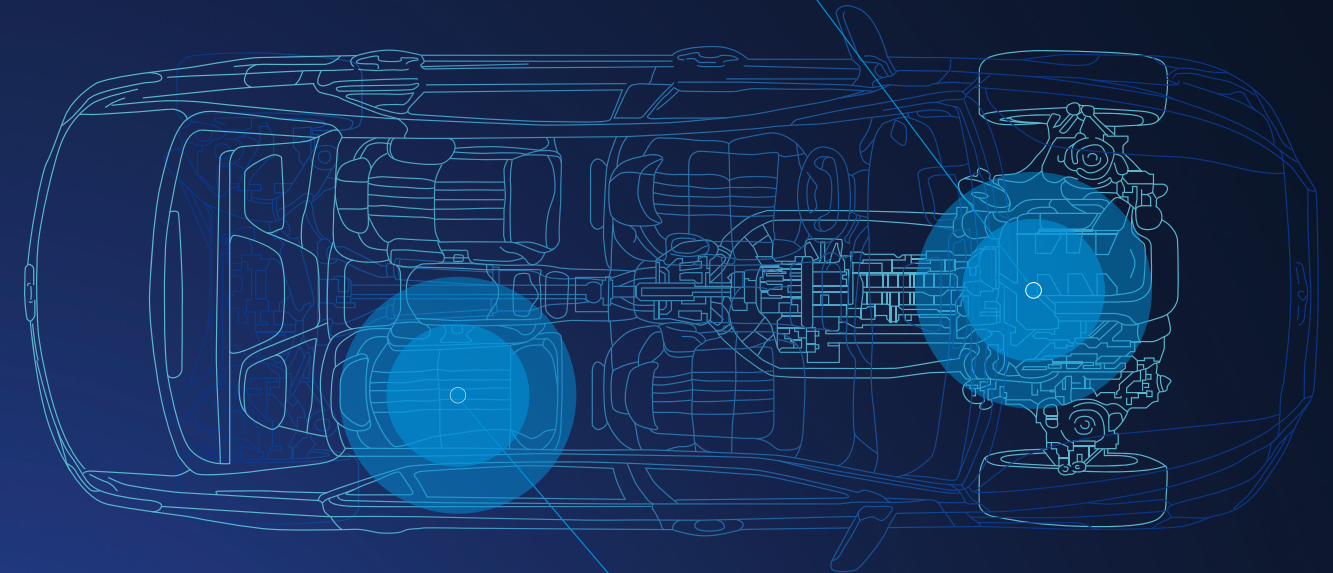
Seats made with people-oriented technologies that bring innovation to automobile interiors.

Your driving experience is perfected with our continued efforts to take on new challenges and lead innovation.

Hyundai Transys creates the heart and soul of future mobility.

# A Creative Leader for Mobility Innovation

Smooth / Dynamic  
**Powertrain**



Comfortable  
**Seat**

COMPANY OVERVIEW

About the Company

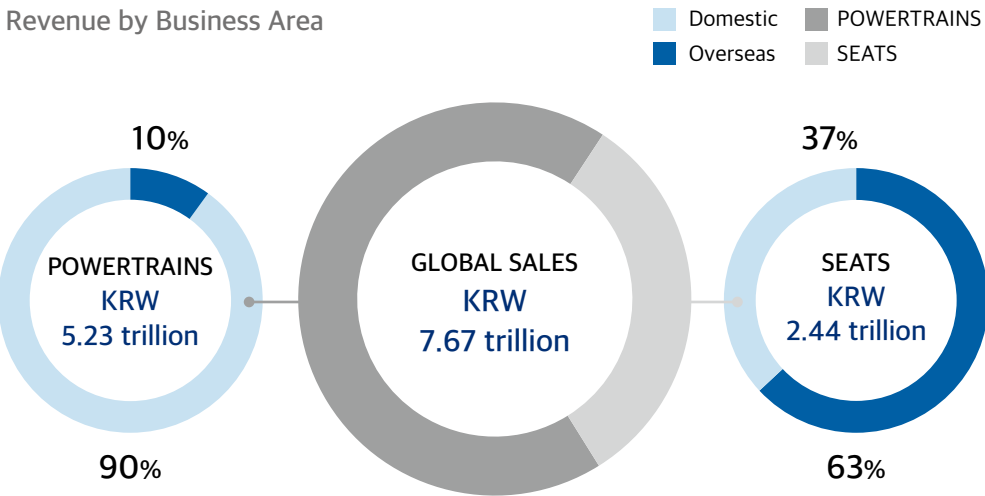
Newly launched in 2019, Hyundai Transys is oriented towards becoming an innovative company that possesses superior technical skills to reshape the auto component manufacturing market.

Hyundai Transys is a global automotive components company that has rapidly developed by manufacturing powertrains and seats, the core components of vehicles. In January 2019, Hyundai Dymos and Hyundai Powertech merged to establish the world’s only company with a full line up of transmissions. Moreover, we are developing and producing the finest seats to meet the needs of our customers by incorporating human factors and ergonomic technology and eco-friendly materials. Moving forward, we promise to put our best efforts to create a sustainable future, and will fulfill our roles and responsibilities as a company that grows with society and satisfies our employees.

(based on consolidated K-IFRS, end of 2019)

Year of Establishment	1994
CEO	Su Dong (Steve) Yeo
Headquarters	Sindang 1-ro Seongyeon-myeon, Seosan, Chungcheongnam-do
Business Areas	Powertrains   Seats
Total Assets	KRW 5.75 trillion
Revenue	KRW 7.67 trillion
Operating Profit	172 billion KRW
Number of Employees	9,478*      * Based on employed members as of Dec. 31, 2019
Credit Rating	AA-(Stable)*      * Based on corporate bonds as of June 21, 2019, Korea Ratings Co., Ltd.

Revenue by Business Area



\* Consolidated adjustments are applied in the “domestic” sales for each business division and the POWERTRAIN division of India’s AP plant

Corporate Philosophy

We realize the dream of humankind by creating a new future through ingenious thinking and continuously seeking new frontiers.

KEY CONCEPTS



Unlimited Sense of Responsibility



Realization of Possibilities



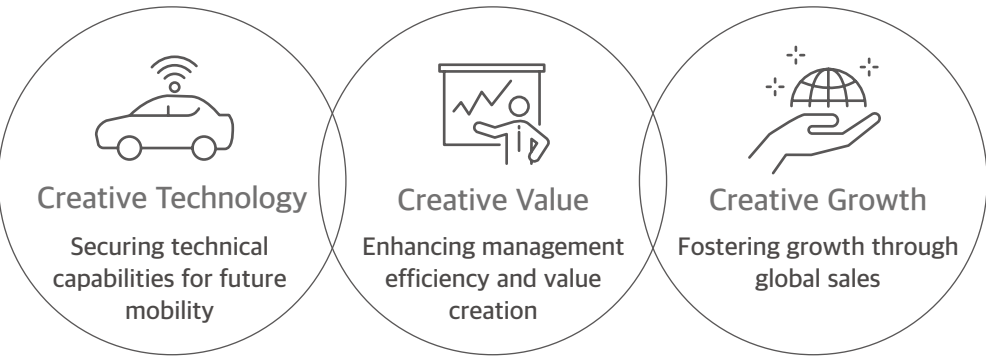
Respect for Humankind

Vision and Strategy of Hyundai Transys

A Creative Leader for Mobility Innovation

Based on our values of creative technology, creative value and creative growth, Hyundai Transys is pioneering core technologies in the new mobility market with electrified power-trains and seats for self-driving vehicles.

STRATEGY



Core Values

By putting our core values into action, Hyundai Motor Group will lead the way to a better future



CUSTOMER

We promote a customer driven corporate culture by providing the best quality and impeccable service with all values centered on our customers.



CHALLENGE

We refuse to be complacent by embracing every opportunity to take on new challenges. We are confident to achieve our goals with unwavering passion and ingenious thinking.



PEOPLE

We create synergy through a sense of “togetherness” that is fostered by mutual communication and cooperation within the company and with our business partners.



COLLABORATION

We believe the future of our organization lies in the hearts and capabilities of individual members, and will help them develop their potential by creating a corporate culture that respects talent.



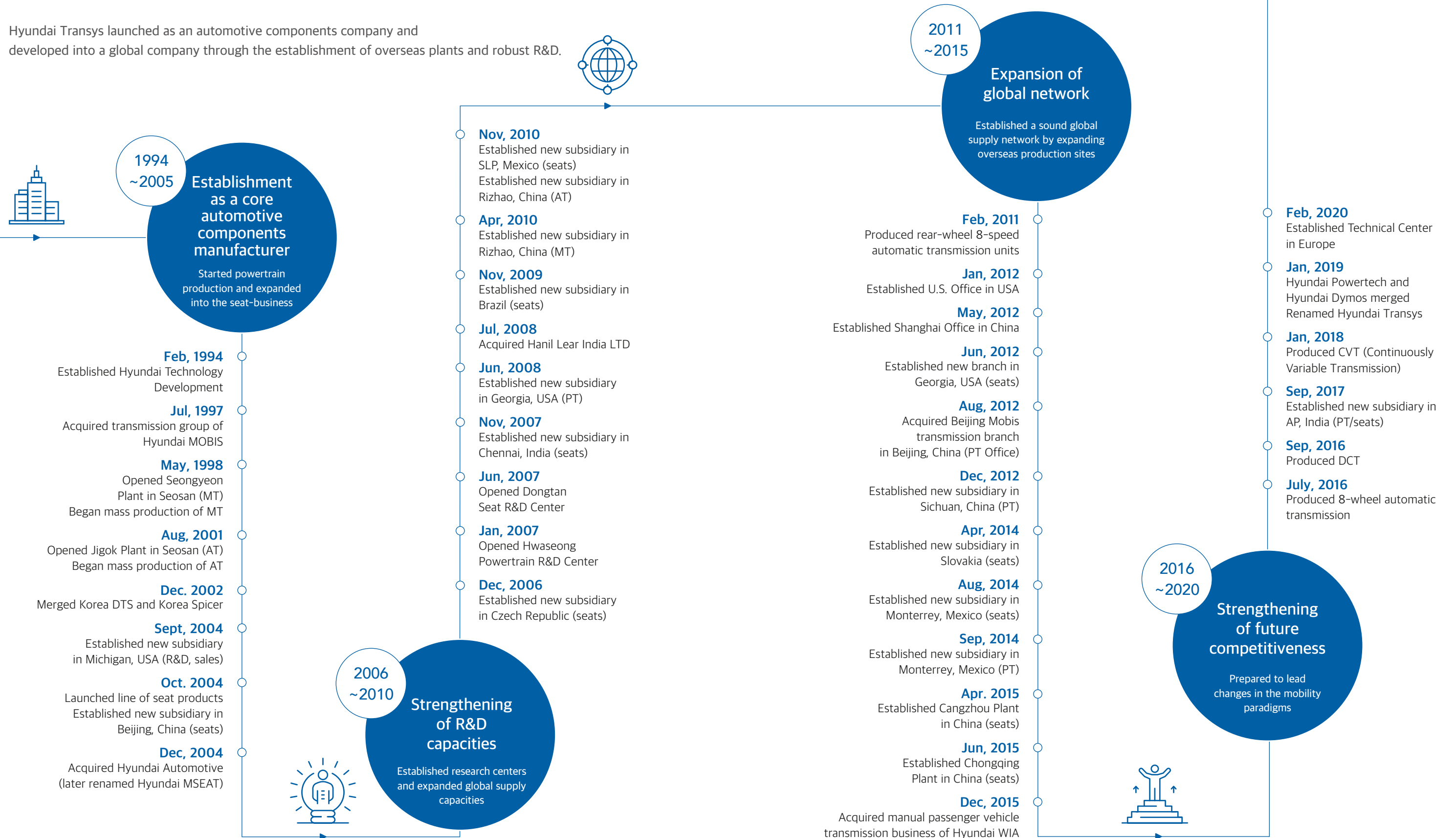
GLOBALITY

We respect the diversity of cultures and customs, and by aspiring to be the world’s best at what we do, we are striving to become a respected global corporate citizen.



## COMPANY HISTORY

Hyundai Transys launched as an automotive components company and developed into a global company through the establishment of overseas plants and robust R&D.



GLOBAL NETWORK

With manufacturing plants, R&D centers, and by operating sites world-wide, Hyundai Transys is expanding its network and solidifying its competitiveness in future mobility. We will continue to lead the global automotive components market by developing superior products and technology that surpass the generational demands of the industry.

KEY FIGURES

As of Dec. 31<sup>st</sup>, 2019

Sales

7.67 trillion KRW

Operating profit

172 billion KRW


Number of employees

9,478




9 countries 31 bases As of Feb, 2020

Global sites




9

Powertrain Plants




12

Seat Plants



5

R&D Centers



5

Offices

Korea

Dongtan Seat R&D Center (HQ)

Hwaseong Powertrain R&D Center

Seoul Office

Seosan Jigok Plant

Seosan Seongyeon Plant (Main branch)

Asan Plant (Hyundai MSEAT)

Ulsan Plant (Hyundai MSEAT)

China

Beijing Plant (PT)

Rizhao Plant (AT)

Rizhao Plant (MT)

Sichuan Plant

Beijing Plant (Seat)

Cangzhou Plant

Chongqing Plant

Beijing Office

Chongqing Office

Shanghai Office

India

Chennai Plant

India Plant (AP)

India R&D Center

Czech

Czech Plant

Slovakia

Slovakia Plant

Germany

Europe R&D Center

USA

Michigan Branch

US Office

Georgia Plant (PT)

Georgia Plant (Seat)

Mexico

Monterrey Plant (PT)

Monterrey Plant (Seat)

Mexico SLP Plant

Brazil

Brazil Plant

PT: Powertrain

AT: Automatic Transmission

MT: Manual Transmission

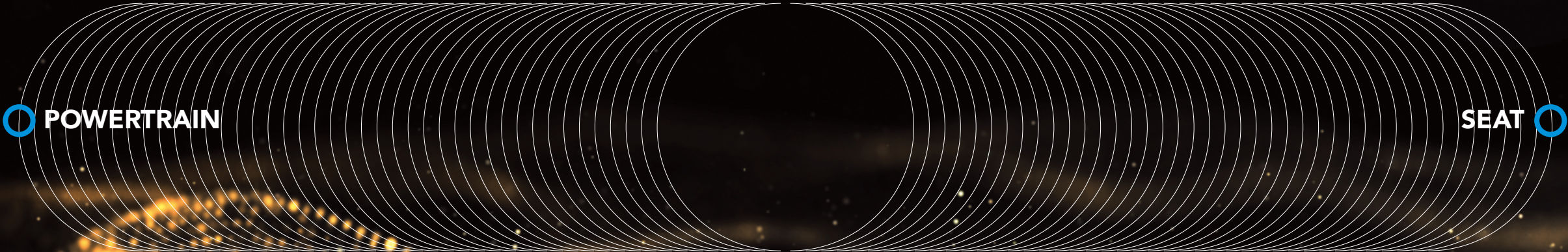
PT: Powertrain AT: Automatic Transmission MT: Manual Transmission



# TECHNOLOGY FOR A BETTER LIFE

## OUR BUSINESS

Powertrains integrated with cutting-edge technologies,  
seats encompassing human sensibility ergonomics.  
These are the results of a firm belief in R&D and a spirit of taking on new challenges.



Hyundai Transys is striving to take on new challenges to ensure tomorrow's growth in order to achieve the "realization of possibilities," enhance the quality of products and services through mutual development as the business partners' "trusted companion," and "fulfill the dreams of mankind" by raising the social value using the company's unique characteristics.



## OUR BUSINESS | Major Business Areas

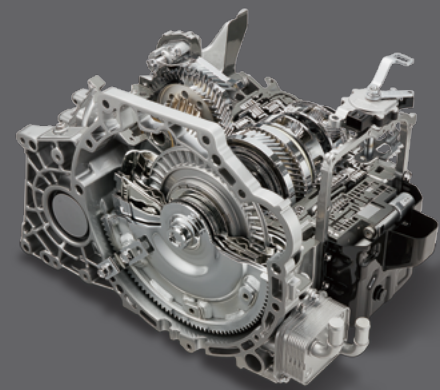
### Passenger Vehicle Powertrains

Extensive lineup of powertrains from automatic transmissions to electric vehicle transmissions

### Gentle yet dynamic performance

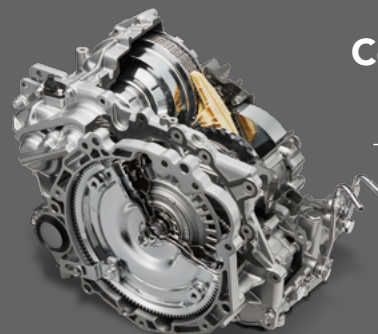
The powertrain transfers energy from the engine to the wheels, and therefore needs to be fast but at the same time, quiet and powerful, and environmentally friendly.

Hyundai Transys has been producing one of the highest quality powertrains in the world with efficient fuel economy and functional improvements based on our accumulated experience and distinctive technology.



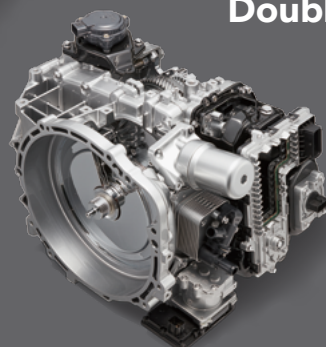
#### AT Automatic Transmission

World-class efficiency and competitive installation compatibility



#### Continuously Variable Transmission CVT

Transmission with dynamic driving capability and convenience



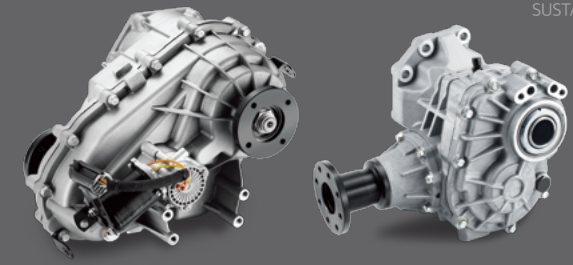
#### Double Clutch Transmission DCT

Smooth speed changes, prompt acceleration with performance you can feel

#### 4WD

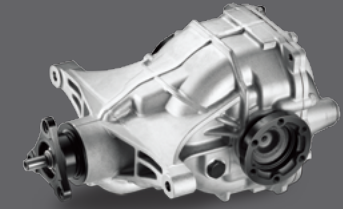
##### 4 Wheel Drive

Quick responsiveness and highly efficient driving performance (EST, PTU)



#### AXLE

Compact structure that is quiet and highly durable



01

## POWERTRAIN FOR PASSENGER CARS



#### EV

##### EV Drive System

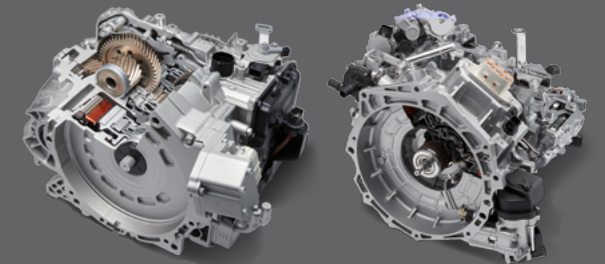
Stable transmission of motor power



#### HEV

##### Hybrid Transmission

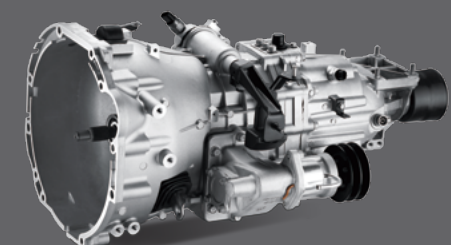
Eco-friendly transmission to minimize exhaust gas



#### MT/AMT

##### (Automated) Manual Transmission

Excellent transmission and high fuel efficiency



## OUR BUSINESS | Major Business Areas

### Commercial Vehicle Powertrains

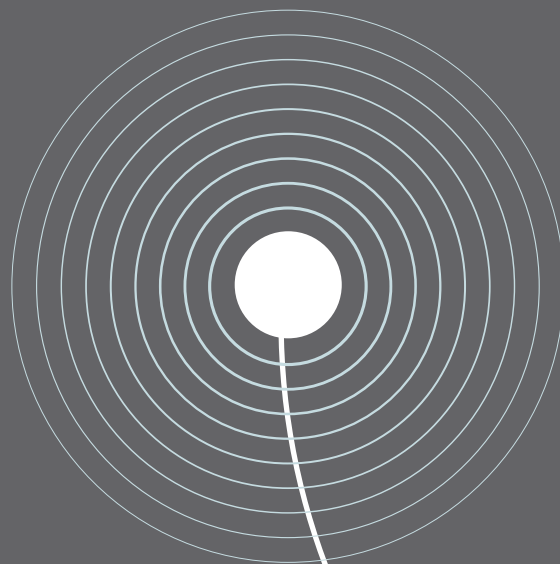
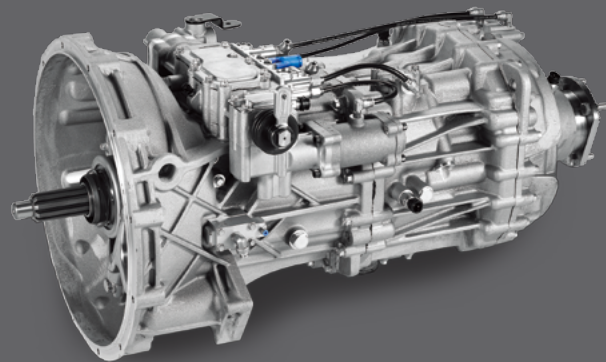
Excellent performance, safe driving, high fuel economy

Powertrains suitable for A to Z

As a professional powertrain supplier, Hyundai Transys is leading powertrain manufacturing based on our diverse product portfolios.  
Particularly in the commercial vehicle field such as large-size buses and trucks, which requires high horsepower, Hyundai Transys has developed safe and durable powertrains.

### MT/AMT (Automated) Manual Transmission

High efficiency and performance optimization



### AXLE

Global expansion with the development of commercial axes

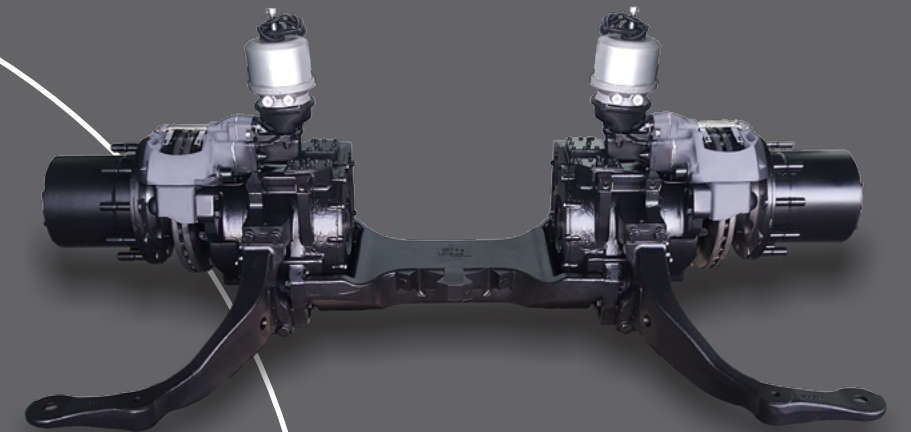


## 02 POWERTRAIN FOR COMMERCIAL CARS



### EV/HEV EV/Hybrid Drive System

Maximized efficiency with accumulated know-how



### ETC. High Performance Special Powertrain



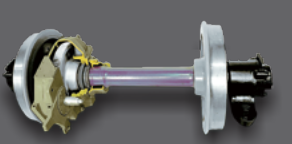
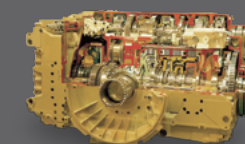
Automatic Transmission for Military Tanks



Decelerator for High Speed Trains



Decelerator for Subway Trains





## OUR BUSINESS | Major Business Areas

### Seats

Designing the optimal seat system based on a deep understanding of customers and innovative technology

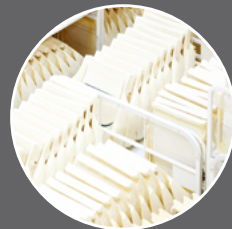
### Tailored seat solution

The seat is the part of the vehicle with which the customer's body comes into contact for the longest time. With guaranteed safety and comfort, Hyundai Transys is committed to satisfying customers with aesthetically pleasing designs. Through our global-scale seat R&D center, Hyundai Transys provides aesthetic satisfaction.



### Completed products

Hyundai Transys creates the best seats through rapid and precise planning, rigorous testing, and impeccable quality control.



Eco seats made of eco-friendly materials and adhesives



Detailed testing for flawless seats



Tailored know-how for every type of vehicle



Highest quality acknowledged by customers

### Structure & Mechanism

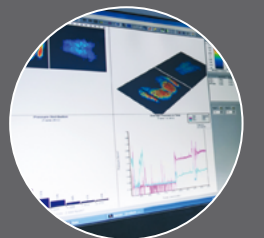
Hyundai Transys designs efficient seat structures with safe and light frames and core mechanisms.



## 03 SEAT SOLUTION

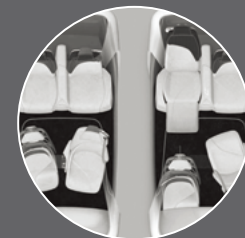
### Comfort

Hyundai Transys concentrates on developing new materials and functions for optimal safety and convenience.



### Styling

Hyundai Transys conducts research to deliver differentiated emotions and satisfaction with state-of-the-art technology and an artistic touch.



### Functional component

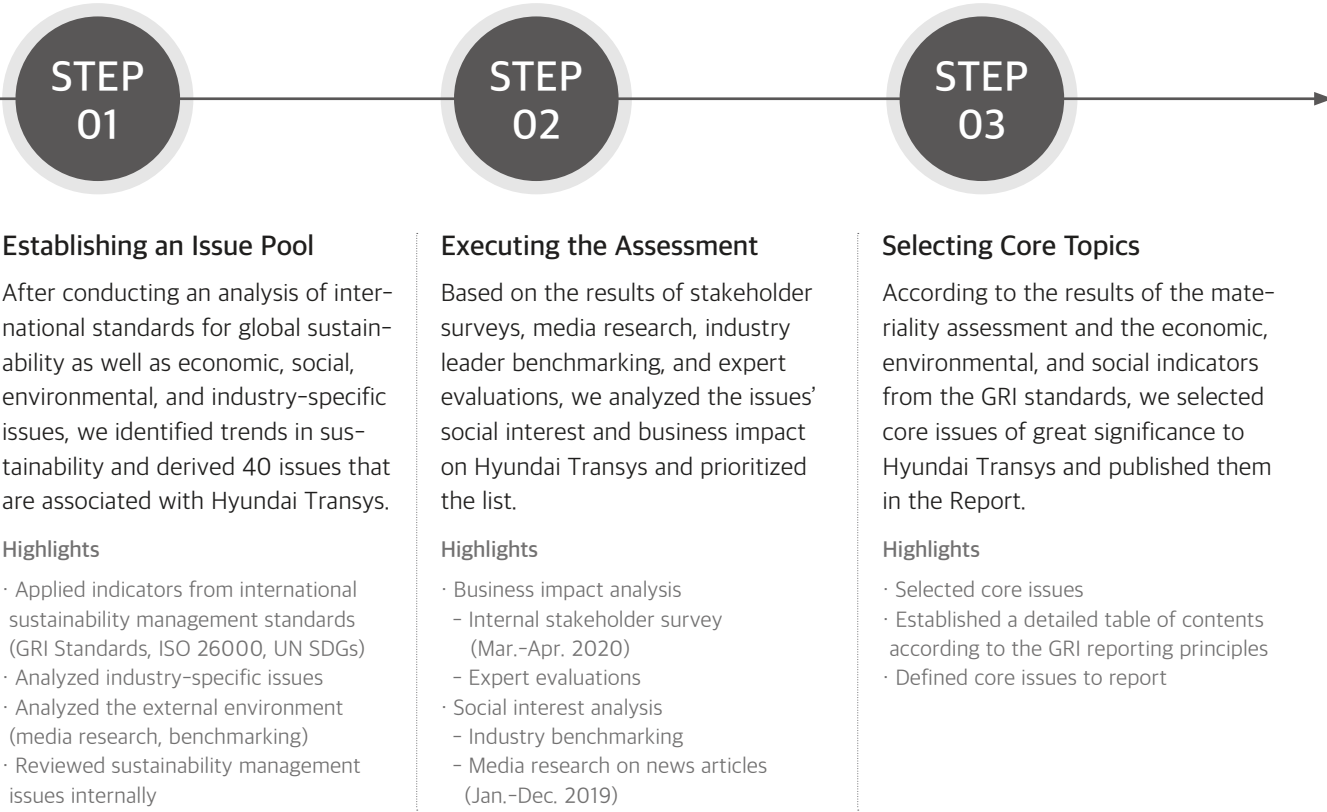
Hyundai Transys concentrates on the efficient operation of comprehensive functions for customer safety and convenience.



Materiality Assessment

Materiality Assessment Process

By considering the Global Reporting Initiative’s (GRI) global sustainability reporting standards of Stakeholder Inclusiveness, Sustainability Context, Materiality, and Completeness, we identified the topics and content of the report and conducted an internal and external environmental analysis to select Hyundai Transys’ core sustainability issues. We established our Issue Pool based on global initiatives and standards for sustainability, and prioritized the list according to business impact and stakeholder interests.



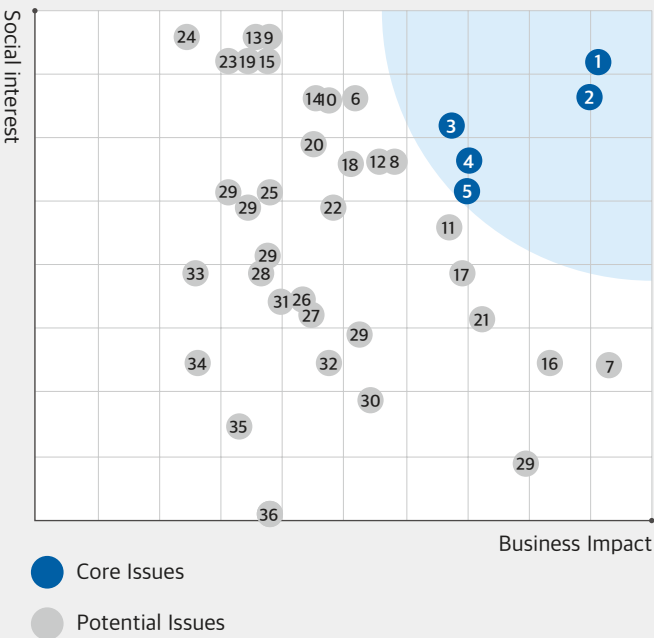
Stakeholder Response and Communication

Stakeholders	Response Activities of Hyundai Transys	Communication Channels
Shareholders and investors	Periodic notices (performance reports), enhancement of business strategies	Genera Meeting of Shareholders, management notices and IR
Customers	Collection of customer opinions and provision of feedback, marketing	Customer and consumer satisfaction surveys, visiting services
Employees	Strengthening of employee communication and grievance handling	Communication enhancement programs, cyber petitions, labor unions
Business partners	Enactment of business partner Code of Conduct, Fair Trade agreements	Mutual growth program (PARTNer)
Local communities	Reinforcement of site safety and environmental management, promotion of social contribution activities	Social contribution activities for the local community, website, SNS

Materiality Assessment Results

Based on the results of the materiality assessment, we have developed five core issues after an internal review, with the issues that have been selected as core issues are reported in the “Material Issues” section.

Materiality Assessment Matrix



Top 20 issues from the assessment

Rank	Issue
1	Diversification of economic value
2	Strengthening of global competitiveness
3	Pursuit of competency-building activities for employees
4	Contribution to the local community and promotion of contribution activities
5	Development of eco-friendly products and services
6	Environmental management
7	Enhancement of R&D capacity
8	Involvement of various stakeholders
9	Energy consumption management
10	Guarantee of diversity and equal opportunities for employees
11	Mutually prosperous activities with partners
12	Support for performance efficiency
13	Pursuit of ethical management and fair trade
14	Waste reduction and recycling
15	Response to climate change
16	Strengthening responses to sustainability-related demands
17	Compliance with environmental laws and regulations
18	Guarantee of product safety
19	Management of air and water pollutant emissions
20	Establishment of an integrated risk management system

Definition of Key Issues

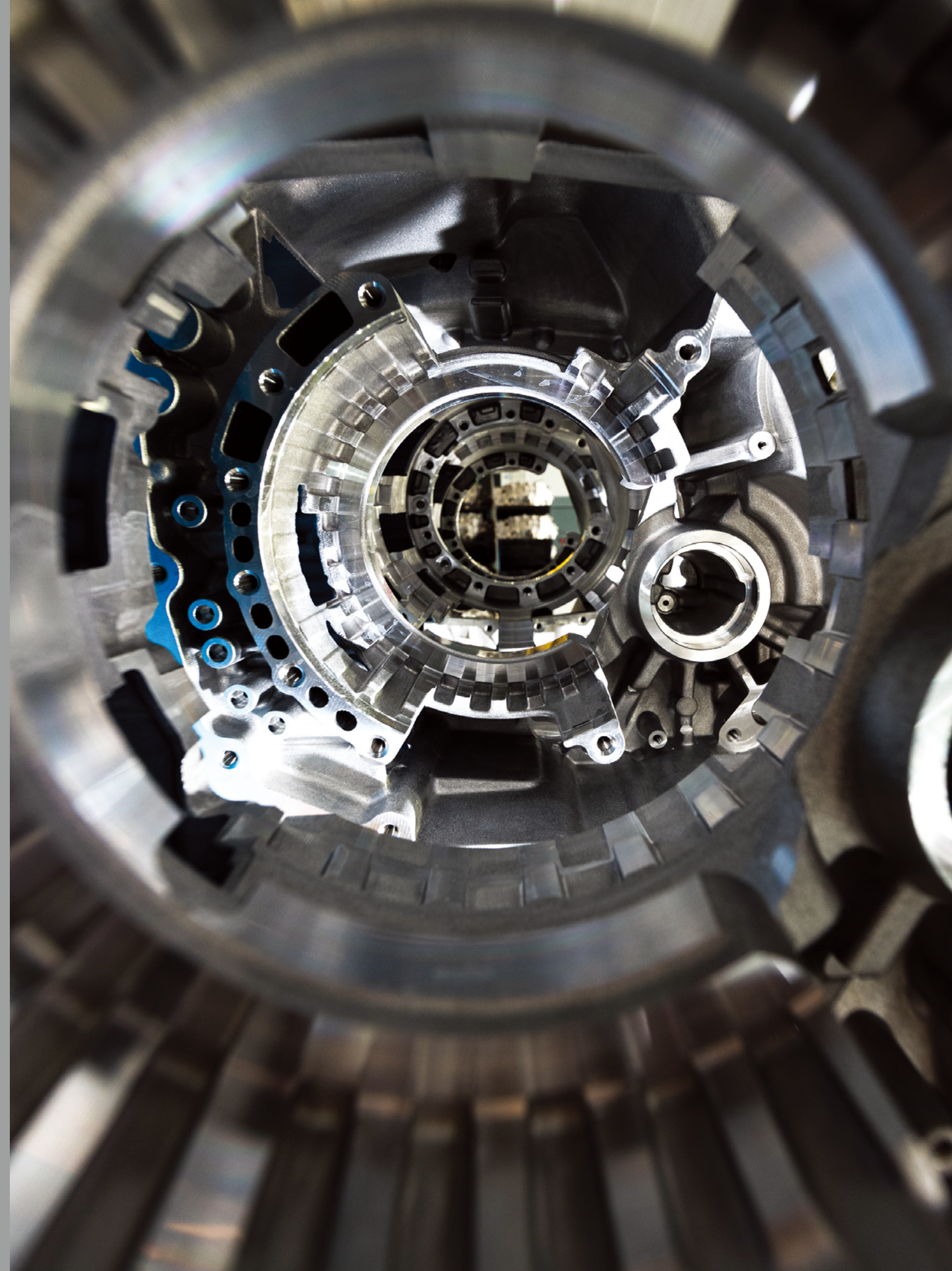
No.	Key Issue	Report Topics	Connection to GRI topics
1	Diversification of economic value	Issue 01. Creating Sustainable Future Value	GRI 201-1
2	Strengthening of global competitiveness	Issue 01. Creating Sustainable Future Value	GRI 201-1
3	Pursuit of competency-building activities for employees	Issue 02. Enhancing Employee Value	GRI 404-2
4	Contribution to the local community and promotion of contribution activities	Issue 03. Realizing a Shared Society	GRI 413-1
5	Development of eco-friendly products and services	Issue 01. Creating Sustainable Future Value	GRI 201-1



# MATERIAL ISSUES

Hyundai Transys is striving to take on new challenges for future growth to achieve the "realization of possibilities," enhance the quality of products and services through mutual development as the business partners' "trusted companion," and "fulfill the dreams of mankind" by raising social value using the company's unique characteristics.

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ISSUE

01

## Creating Sustainable Future Value

Hyundai Transys has established mid- to long-term strategies in response to potential future changes in the industry and executes detailed action plans. Hyundai Transys strives to secure technical skills for the future, such as electrification, transition from conventional engines to electric motors, as well as seat technology for autonomous vehicles, in which a vehicle autonomously makes judgments and operates.





# ISSUE 01

## Creating Sustainable Future Value

### Management Approach

#### BACKGROUND

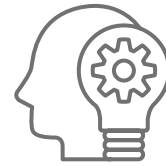
Boundaries within the industry are breaking down due to the introduction of 4th Industrial Revolution technologies, such as autonomous vehicles. The changes for the auto components market are happening at a faster pace, and competition is becoming fiercer. In addition, with customers' growing interest in a product's social and environmental impact, it is becoming more important than ever to be environmentally sustainable, contribute to society, and secure capacities for technology development in order to manufacture products that possess quality competitiveness.

#### PRINCIPLE & STRATEGY

Hyundai Transys is concentrating its efforts on securing key technologies to lead the future market, especially during the paradigm shift from driver-centered internal combustion products to eco-friendly autonomous products. In order to fulfill our social and environmental responsibilities throughout the overall process of product manufacturing to usage, we are aiming to contribute to creating sustainable value by developing eco-friendly products, including electrified products and lightweight seats.

#### PERFORMANCE

Hyundai Transys has established mid- to long-term strategies for sustainable development. And to establish ourselves as a creative and innovative leader of future mobility, we are conducting a wide-range of R&D, which includes electrified products and seats for autonomous vehicles.



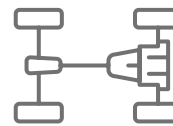
R&D Investment in 2019

**156.1** billion KRW



R&D workforce in 2019

**680** personnel



Powertrain

**Offset type,  
Inline type  
decelerator mass  
development**



Seat

**Self-driving  
environment  
personal cockpit  
system  
development**

### Strategies for Creation of Future Value

#### Establishment of Hyundai Transys' mid- to long-term strategies

Hyundai Transys has established mid- to long-term strategies as a response to potential future changes in the industry and executes detailed action plans. Hyundai Transys strives to secure technical skills for the future, such as electrification, transition from the conventional operation methods of vehicles to electric motors, as well as seat technology for autonomous vehicles, in which a vehicle autonomously makes judgments and operates. While raising operational efficiency by acquiring manufacturing and quality competitiveness, we will strive to achieve future viability by offering a total solution and strengthening response systems. As we stand at the center of a paradigm shift in the automobile industry, we will spare no effort in becoming a creative leader for mobility innovation of the future.

#### | Mid- to Long-term Strategies |

Securing technical capabilities to respond to future mobility and fortifying internal competitiveness

1

Securing technical capabilities for future mobility

Secure leadership in world leading technology

2

Securing manufacturing and quality competitiveness

Create value and improve management efficiency

3

Expanding global cooperation and sales capacity

Offer integrated solutions and strengthen local response systems

#### | Detailed Action Plans |

**Establish line up for electrified products and internalize core technology**

- Establish line up of HEV and EV transmissions
- Internalize core technology for S/W control

**Optimize manufacturing qualities for seat modules of autonomous driving and future vehicles**

- Internalize core technologies such as mechanisms and frames
- Secure manufacturing competencies through strategic collaboration

**Operate global plants more flexibly and efficiently**

- Rationalize production lines of internal combustion engines and strengthen line ups centered on high-efficiency and electrification

**Secure global quality competitiveness**

- Establish a standard quality system for new products and electrification
- Carry out preemptive prevention activities for quality

**Secure retail price competitiveness**

- Expand global sourcing and localization
- Optimize equipment and facility purchasing through training and the establishment of professional equipment facilities

**Expand global orders**

- Suggest customized qualities by region and customers based on integrated powertrain solutions

**Strengthen the global sales network**

- Expand local bases overseas in China, the U.S., Europe and closely support sales, R&D, and quality assurance

**Become a company that specializes in seats for electric vehicles**

- Supply futuristic designs and state-of-the-art technology incorporate seats for EV companies

1

# Securing Technical Capabilities for Future Mobility

## Strategies for product innovation of powertrains

In the era of future mobility, new means of transportation will become a reality. Hyundai Transys' powertrain sector hopes to create new value through innovation based on Zero Emissions, Connectivity, and Mobility, and lead the new generation of future mobility.

### The environment has an absolute influence on the flow of the automotive industry.

Global companies' protective actions for the environment are no longer a simple obligation, but of the essence. In line with this global movement, environmental regulations related to CO<sub>2</sub> emissions are also getting stricter. With an attitude that puts the environment at the forefront, Hyundai Transys has been working to establish a full line up of transmission systems that are applicable to the types of vehicles demanded by the customers. As a follow-up measure, we are in the process of developing electrified operating systems to achieve "Zero emissions" using various methods.

#### Strategic Direction



Hybrid running gear for higher fuel efficiency



Electric running gear, the start of Zero Emission

### A new mobility lifestyle will begin for future cities

In the era of future mobility, transportation will take on a new meaning and methods that we have only imagined will come to life. The areas where powertrains can be applied will gradually expand beyond passenger vehicles and will find new meaning as the "heart of all transportation." Hyundai Transys is looking forward to the possibility of applying and expanding the powertrain technology to various mobility businesses apart from its conventional application to passenger vehicles.

#### Strategic Direction



New powertrains for next-generation mobility

## Zero Emissions

collective effort for "Zero Emissions"

## Mobility

"To the new world of mobility"

## Connectivity

"Connectedness of infinite paths"

### The "Connected" aspect of the transmission system signifies "Connection."

This is more than the connection between components, but a connection to an infinite amount of information, and the connection of a researcher's mind to that of the user. At the end of every connection is everything a person should enjoy. Based on Korea's excellent Information & Communication Technology infrastructure, Hyundai Transys is conducting R&D for the application of various functions through connectivity that comes from cooperating with outstanding companies.

#### Strategic Direction



Allow customized driving to suit the driver's characteristics



Improve fuel economy through active control



Improve credibility of information through Big Data collection



Ensure safety of personal information



Create connectivity with various information



1

# Securing Technical Capabilities for Future Mobility

## Product Innovation Strategies for Seats

Seats for the autonomous driving era are more than methods of transportation. The seat business of Hyundai Transys satisfies customers and creates spaces for new mobility through concentrated efforts on autonomous vehicle seats, functional seats, eco-friendly seats as well as electric vehicle seats.

### Seats of autonomous vehicles, faith in turning dreams to reality

Hyundai Transys thinks ahead to what people might want in the future autonomous driving environment, and creates scenarios based on the collected information. With application of optimized functions as the foundation, we are trying to achieve the beauty of the space by enhancing elements of design. We are continuously carrying out R&D that is applicable to various concepts of vehicles so that we can satisfy the needs of the consumers.

#### Strategic Direction

- User Scenario Concept
- Premium EV
- Sharing

### A pleasing lifestyle achieved by eco-friendly seats

The era of autonomous driving advances the meaning of cars from being a method of transportation to being a living space. For the passenger's health and emotional stability, a comfortable atmosphere will become an important factor, while harmony of people and nature will be essential. As early as the first stages of manufacturing, Hyundai Transys is determined to meet the diverse needs of the environment and the people and will prepare to establish an environmental identity that is unique to the company. We hope to utilize technology that encompasses eco- and peoplefriendliness and will take the necessary steps to this end.

#### Strategic Direction

- Have eco-friendliness in mind for the overall manufacturing process
- Develop lightweight materials
- Identify and apply natural materials
- Wellbeing healthcare



### Seat for autonomous vehicles

“Seat system for autonomous vehicles that represent a space for transportation”

### Functional Seats

“Seats that understand people”

### Eco-friendly seats

“A pleasant living space with eco-friendly seats”

### EV Seats

“The comfort of a personalized space with EV seats”

### We design the future with a vision for the present.

Designing seats for the autonomous driving era signifies a complete application of future technology. Hyundai Transys' priority is communication with people. To make seats of the future naturally interact with passengers and to provide improved comfort, we are researching for even friendlier seats on top of the technologies that we already use.

#### Strategic Direction

- Seats that understand
- Proactive comfort
- Advanced safety technology
- Intuitive HMI

\*HMI: Human Machine Interface

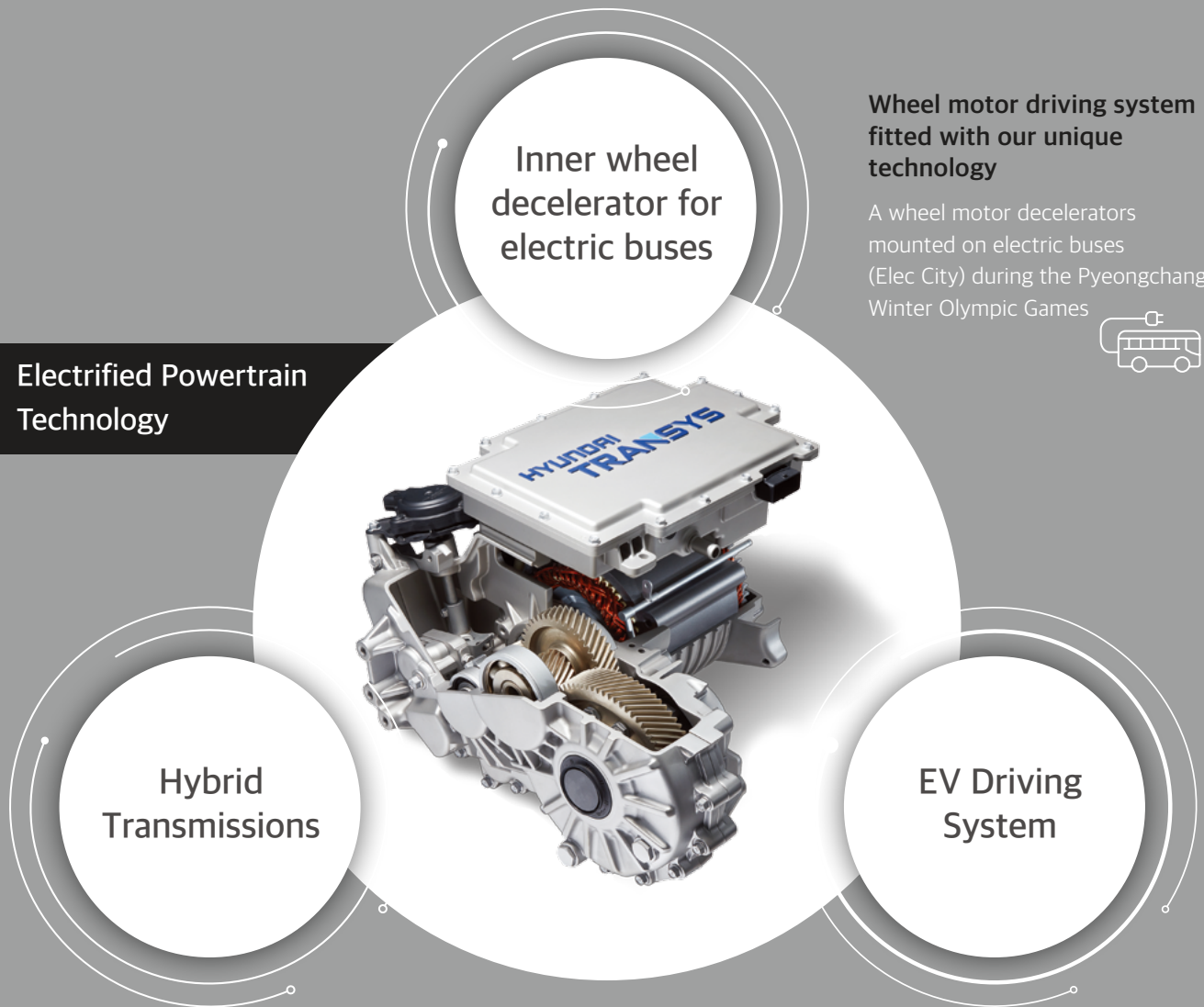
### We design a new mobility space that is unique to Hyundai Transys.

The automotive business for the EV era is no longer geared toward the small number of manufacturers that develop engines. There are more and more startups that are coming up with new ideas and differentiated concepts. Hyundai Transys will collaborate with EV startup companies to create trendy living spaces for automobiles and provide new value that is differentiated from the conventional automobile seats.

#### Strategic Direction

- Solutions for a variety of cars
- Optimized space utilization

## Securing Technical Capabilities for Future Mobility



### Hybrid solutions based on our accumulated transmission expertise

A hybrid transmission line-up with various HEV and PHEV vehicles including Grandeur, Sonata, K5, Ioniq, and Niro



### EV driving system with efficient designs that will lead the EV market

Motors, inverters, decelerators, inline type (3 in 1) modules for better installation compatibility



## Development of Sustainable Products

To achieve a sustainable environment, Hyundai Transys aims to actualize a clean mobility world by using electrified powertrain technology that has minimal environmental pollution. We contribute to improved fuel efficiency by developing slim and lightweight seats, and prepare for the evolution of automobile interiors as a “moving living space” with our autonomous vehicle seats.



### Customized functions that satisfy the passenger's emotional quality beyond simple functions

- Optimal control of seat heating and ventilation
- Diverse massage functions
- Integrated control system



### Striving to achieve slimmer and lighter seats for easy transfer and rotation and for various convenient add-ons

- Composite materials for back frames
- Padless cushions
- Integration and size reduction of various functional components

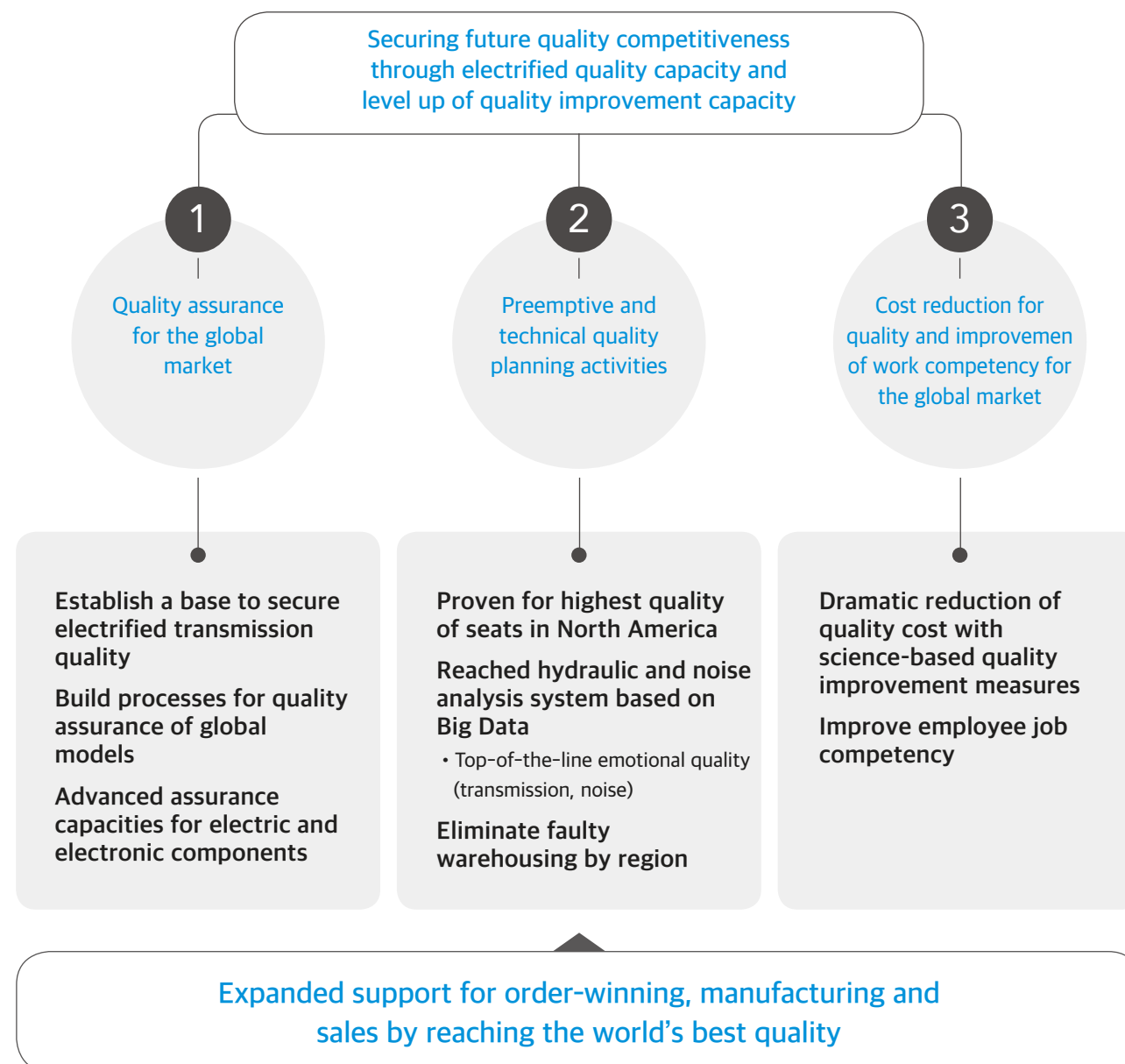




## Securing manufacturing and quality competitiveness

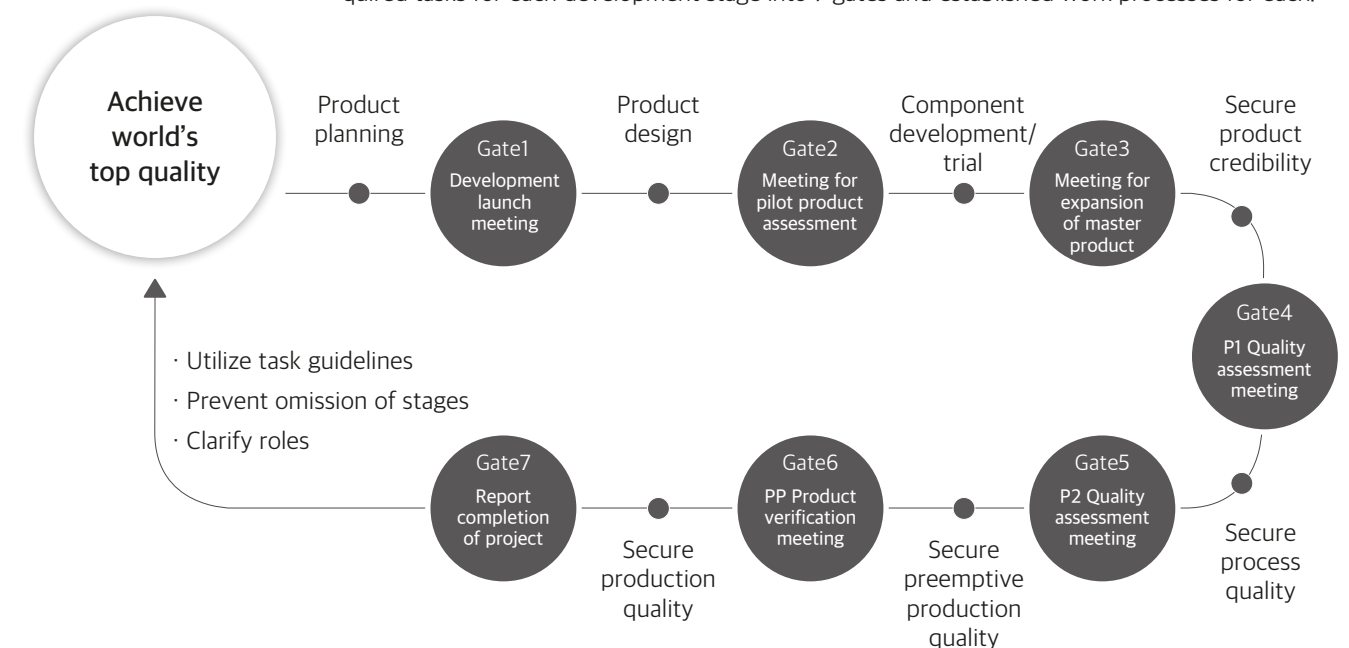
### Quality Policy of Hyundai Transys

Hyundai Transys aims to establish the foundation for innovation product development through strict quality management, and recognition of customer safety. We will achieve world-leading quality by upgrading our quality capacity, executing advanced quality and technical planning activities, and securing preliminary quality assurance with the global market as our target.



### Establishment of a System for Global Quality

To clearly analyze and respond to various global demand for complete vehicles, we have pursued a global quality system project. To this end, we integrated quality standards, performance by process, and risk management lists from each operating site, and systemized them by applying the requirements of global quality to working standards. In addition, we categorized the required tasks for each development stage into 7 gates and established work processes for each.



### Preemptive quality competitiveness for electrified products

To respond to the paradigm shift from conventional internal combustion engines to hybrid, electric vehicles and electrified products, we are pursuing various activities. For example, we are establishing an organization within the quality sector and renewing the standards for quality assurance of electrified products. By collecting and analyzing issues related to electric vehicles, we are continuously reflecting improvement measures on our products.

### Stabilizing quality management process

To achieve a base for stabilized manufacturing and safety of our customers, we have established and are managing a quality management system. With the ISO/TS 16949 certification of the Jigok Plant in 2002, we are setting a foundation and expanding the quality management process. Since 2017, we are pursuing sequential certifications for new standards in the quality management system, IATF16949. As of 2019, 4 operating sites in Korea and 17 overseas sites have completed the transition and renewal of the certifications.

### Selected as an excellent company in quality competitiveness

Hyundai Transys has been recognized for its ceaseless efforts in sustainable product quality and quality innovation and has been selected as an "Excellent company in Quality Competitiveness" at the 45<sup>th</sup> National Quality Management Convention which was hosted in November 2019 by the Korean Agency for Technology and Standards from the Ministry of Trade, Industry and Energy.



## Expanding Global Cooperation and Sales Capacity

Based on our integrated powertrain solutions, Hyundai Transys plans to expand orders by suggesting specific solutions customized to each customer's characteristics. Moreover, we will pursue continued growth as a company specializing in supplying future automotive seats centered on electric vehicle companies.

To this end, we are fortifying customer networks by expanding our global bases in China, the United States, Europe, and beyond.

### United States

#### Signed a Supply Agreement with an EV company

Hyundai Transys is working to develop a seat frame that is optimized for aluminum bodies and structure that is suitable for EVs, which require lightweight components. To this end, we signed an agreement to supply seats with an American EV company. We plan to continuously expand global supply of EV seats.



### Europe

#### Signed MOU with Brose, a German auto components company

We signed an MOU for strategic collaboration with Brose, a German company specializing in automobile seat mechanism to secure new technical skills for functional seats that can understand people. With this, the two companies plan to collaboratively develop 6 autonomous driving technologies such as the BIS (Belt-in-Seat) structure, power swivel, power long slide mechanism system and slim seat structure.



## Expansion of Global R&D and Sales Bases

Hyundai Transys has established research and sales networks in five countries including Korea, the United States, Germany, China, and India, to respond sensitively to customer needs. At the same time, we are focusing on creating future automotive technologies and new customers.



### R&D bases

**Dongtan Seat/ Hwaseong Powertrain R&D Center** : As Headquarters of R&D, it establishes mid- to long-term roadmaps for technologies and products and leads technical developments for future automobiles.

**Michigan branch** : Collects information on market trends and advanced technologies of North America and leads development of seat comfort and styling

**India branch** : conducts research on seats customized to India

**Europe Technical Center** : Collects information on customer trends in Europe and quickly responds to customers' needs



### Sales bases

**Seoul office** : As the Headquarters for the sales of powertrains and seats, it establishes mid- to long-term sales strategies and leads communication among global customers and the relevant organizations of the headquarters

**U.S. branch** : creates new customers in the North American market and closely responds to customers' needs.

**Beijing/ Chongqing/ Shanghai offices** : acts as an outpost of sales activities to create new customers in the Chinese market for the overall product of the company including powertrains and seats

### Asia

#### Partnership with BYD, a Chinese company for eco-friendly vehicles

In May 2019, Hyundai Transys signed an MOU with BYD, the world's largest EV company, to strengthen strategic partnerships. Through this agreement, we plan to supply mass produced transmission at appropriate times, share mass production technology and expand interactions between the research centers, while implementing transmission development partnerships for the entire line up. We pledge to carry out unceasing efforts to have a competitive advantage in the global market with our unique technology.



### India

#### Mass production with India AP Corporation

In July 2019, we opened the second production plant in Anantapur in the region of Andhra Pradesh, India and have officially launched mass production. The AP Corporation in India, which manufactures transmissions and seats in the same department, manufactures components that will be mounted on SELTOS.





ISSUE  
02

## Enhancing Employee Value

Hyundai Transys strives for open communication based on a wide range of ideas and for Changes through Chain (connection) with talent that create optimal value through the integration of knowledge and experiences.





# ISSUE 02

## Enhancing Employee Value

### Management Approach

#### BACKGROUND

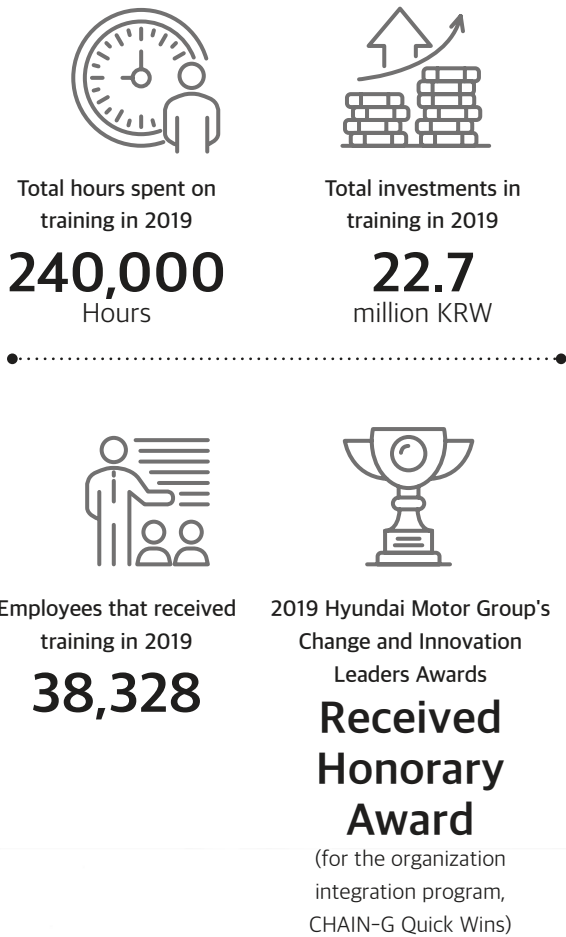
To establish ourselves as an industry leader of future mobility, securing and maintaining talent with global competency plays a significant role. It is also becoming more important to strengthen cohesion among the organizations that have merged, as regulations regarding the employee protection, workplace harassment, and human rights are getting stricter. A working environment where employees can concentrate on their tasks, and be satisfied are in high demand.

#### PRINCIPLE & STRATEGY

Hyundai Transys recognizes the significance of talent management as a core element of a company. Based on management principles and talent, we pursue operation and talent development focused on competency. Moreover, we have established an employee Code of Conduct, which includes our determination to comply with the principles of the UN and the Universal Declaration of Human Rights, as well as other labor laws, to execute our business ethics and human rights protections.

#### PERFORMANCE

Hyundai Transys looks forward to being a company that is connected and changing through the company's newly established organization culture and organization integration program, CHAIN.G Quick Wins, and also executes systemic training to improve employee competency.

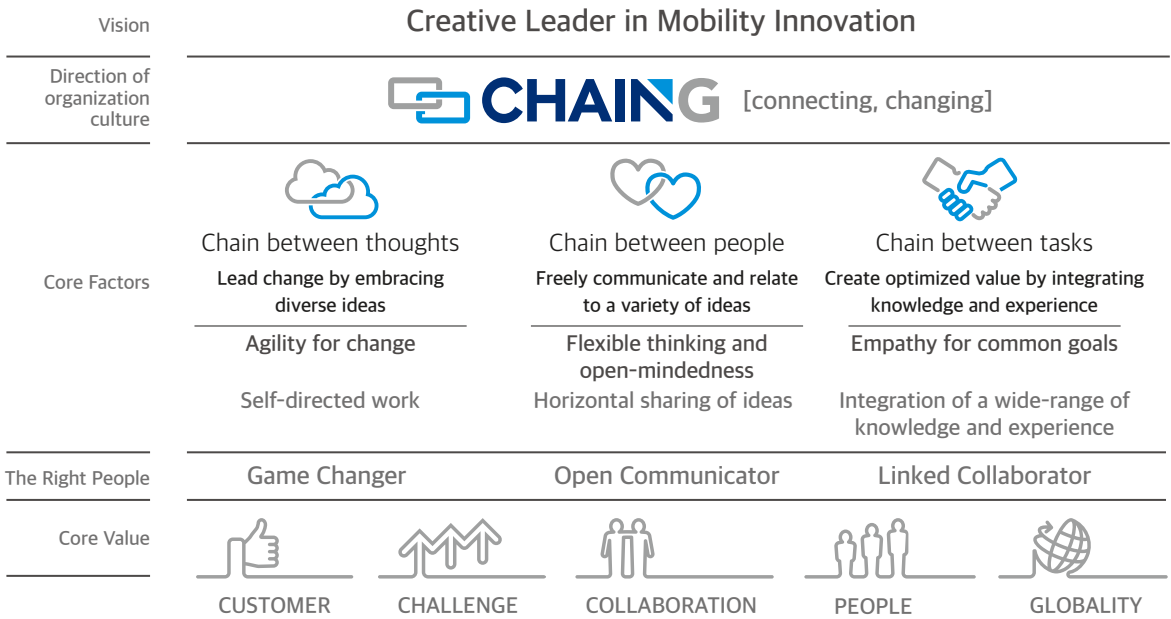


### Talent Management

#### Talent management system

Hyundai Transys strives for open communication based on a wide range of ideas and for Changes through Chain (connection) with talent that creates optimal value through the integration of knowledge and experience. Our goal is to become a creative leader for future mobility innovation and contribute to business operations by developing talent that is prepared for an excellent organization culture and future.

Talent management system of Hyundai Transys

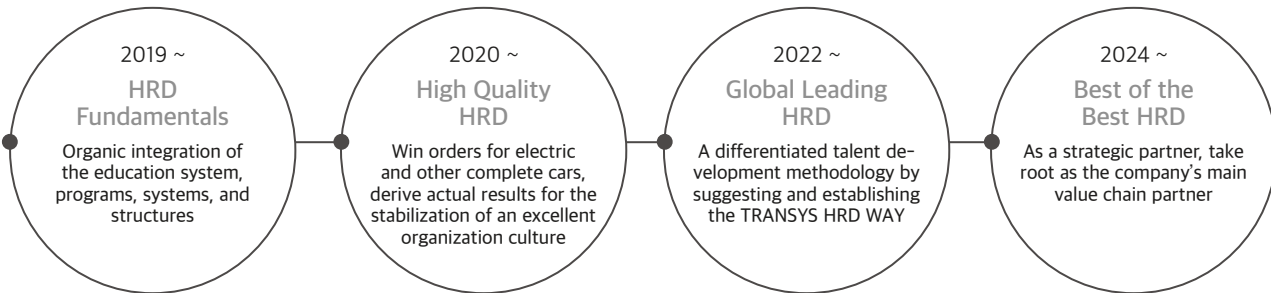


#### Strategies for talent development

In the midst of the introduction of 4th Industrial Revolution technologies and deepening competition, development of global talent with professional competencies is essential. With a goal to develop talent that can contribute to the sustainable growth of the company even within the rapidly changing and competitive environment, Hyundai Transys is establishing mid- to long-term roadmaps and pursuing detailed tasks accordingly. In 2020, we plan to develop experts in electrified and autonomous driving technologies and secure core competencies for new orders, while establishing global talent development governance.

Mid- to long-term roadmap for talent development

Top-class HRD that contributes to the company's business performance in the rapidly changing and competitive environment



Establish a New Organizational Culture

Direction for the organizational culture

As a new company created from the merger of Hyundai Dymos and Hyundai Powertech in January 2019, we are trying to establish a new organizational culture and strengthen work efficiency by executing mid- to long-term development activities. With our efforts in establishing an advanced organization culture and in achieving unity, we pledge to become a company that contributes to the expansion and stabilization of an organizational culture, as well as a company, that makes its employees happy.

Organizational culture roadmap

	Step1	Step2	Step3
Division	New Start Establish a new organizational culture	Spread-out Expand the organizational culture	Settle-down Settle the organization culture
Year	2019~2020	2021~2022	2023~
Keywords	Exciting TRANSYS	Joyful TRANSYS	Happy TRANSYS
Description	Establish a new organizational culture and carry out step-by-step activities to strengthen work efficiency	Build trust among the employees based on internalization of the organizational culture and to continuously discover and resolve improvement measures	Stabilize the organizational culture as an organization focus and take root as a mature culture that can respond to future environment

Establishing a new organizational culture

With the involvement of all members, Hyundai Transys has established a new organizational culture that considers social changes like the 4<sup>th</sup> Industrial Revolution and eco-friendly vehicles, as well as the internal environment, including the voices of our employees. Hyundai Transys hopes to become a company that can connect its organization and change as a whole, based on the keywords of creativity, autonomy, diversity and integration.

New organizational culture

Social changes		Key Concepts	Internal environment	
The 4 <sup>th</sup> Industrial Revolution	Launch of eco-friendly car technologies		Organizational issues	Changes to generation configuration
[Breakdown of structures, industry transcendence]	[Knowledge integration, market expansion]	Creativity Create new fields	[Culture/business synergy]	[Rise of the millennial generation]
· Integration, breakdown of boundaries · Beyond manufacturing, changes in frames · Connection/ autonomy/ sharing/ eco-friendliness	· Launch of automotive technologies by Toyota, Tesla, Google, and others	Autonomy Manage personal skills/performance	· Cultural empathy · Increased work efficiency · Clear R&R	· 53% of all members · Horizontal/involvement/ rationality
Changes in personal value	Change in the labor environment	Diversity Acknowledge differences and errors	Changes in top management	Voice of employees
[Collective→individual]	[Work efficiency/WLB]	Integration Old + Old = New	[Game Changer]	[Communication/flexibility/ collaboration]
· Change in job awareness · Focus on personal value	· 52 hours a week · Increase gigs duties		· Lead the market with innovative ideas · Flexible corporate culture	· Open communication · Creativity/flexibility · Synergy/collaboration

Building an Advanced Organizational Culture

Spreading a positive organizational culture

With the involvement of all members, Hyundai Transys has established a new organizational culture and is pursuing newly planned multi-sided programs. Through this, we increased positive awareness of the organizational culture and boosted the level of closeness of the members. Moving forward, we plan to continuously operate what were originally small-scale individual programs after expanding them as programs for the organizational as a whole.

Organizational culture activities



Implementations for the diverse organizational culture programs

Purpose	Content
Share strategies	① Company vision established by the members and direction of organizational culture ② Identify roles of team leaders and commit to change ③ Discuss how to increase work efficiency by team
Create empathy	④ Strengthen closeness of employees by operating “mingling” programs ⑤ Boosting employee cohesion through creative activities by team
Open communication	⑥ Vision sharing discussions with the CEO ⑦ Answer employees’ questions through sessions hosted by the directors ⑧ The supporting department listens and resolves employee concerns ⑨ Operate an online sharing platform ⑩ Special lectures by famous speakers on customized and two-directional communication methods
Positive thinking	⑪ Build a culture that tolerates failure through department specific activities and experiments for change
Clear definition of tasks	⑫ Facilitate clear understanding of tasks through department introduction and sharing of designated tasks ⑬ Eliminate inefficient work processes

Improving the working culture

By improving the working environment and employee welfare, Hyundai Transys is boosting the concentration and efficiency of its employees, and carrying out various programs to ultimately provide a work-life balance.

**Flexible working hours** | We introduced and operate a flexible working hour program where employees can choose their working hours as long as they fulfill the required minimum hours. With this, we can secure the freedom of our employees as well as work efficiency.

**Smart transactions** | The speed of decision making is also competitiveness. Hyundai Transys operates a smart transaction system to improve inefficient reporting processes, and proactively suggests simultaneous, parallel, and mobile transactions.

**Childcare facilities** | We operate childcare facilities in the Dongtan and Seosan regions. This creates a working environment where employees with children can work with an ease of mind, fulfilling Hyundai Transys’ goal to provide a workplace where employees are happy.

**Welfare point system** | We provide welfare points for all employees of the company. The points can be used to support activities related to travel, sports, cinema, performances, and book-stores according to the employee’s choice. We make sure that our employees can conveniently enjoy cultural activities and take time to get refreshed with our support.



## CHAIN.G Quick Wins Major Programs

### Program Overview

Mingling Salon is an employee participating program that strengthens companionship among employees and allows them to feel the “oneness” of the company. It runs for 2 hours during working hours and operates separately by position. We prepared the program to introduce Chain.G, the direction of the new organizational culture, with a variety of creative items such as “Hope you get to know each other,” “Quiz Together,” and “Mission Completion Photos.”



Response of an employee participant

“Isn’t this what we call collaboration and integration?”  
“It was the best moment of my office career. I can’t wait for the changes!”

### Mingling Salon

Interactive meeting by position

### Something New Day

Team Outdoor Activities



Response from an employee participant

“This is a program where employees can get to know each other through exciting activities.”  
“Moving forward, I want to try operating it within our team or with other teams.”

### Program Overview

Something New Day is a themed-team activity that naturally enhances team spirit through creative mingling. Teams can establish their own plans for activities, enjoy an outdoor activity during work hours, and share photos and results with the company through the intranet.

**CHAIN.G**

**"Organizational Change Through Connection"**

### Program Overview

We operated the N Culture Lab to implement activities for change and discuss organizational improvement ideas that are customized for each department. This program helps to listen to the employee's opinions on organizational culture, find improvement measures, and implement appropriate actions. With this, we enable our employees to experiment with diverse organization cultures and change autonomously.



Response from an employee participant

“I hope to create a culture that recognizes failure by experimenting with a variety of organizational cultures”  
“I have more confidence that our department can autonomously lead activities of change.”

### N Culture Lab

Junior board for organizational culture

### Pla-tone Special Lecture

Special lecture customized for departments



Response from an employee participant

“I was able to feel the company's respect for employees through the a never-before-seen lecture.”  
“I'm thankful that it opened my eyes to a whole new world.”

### Program Overview

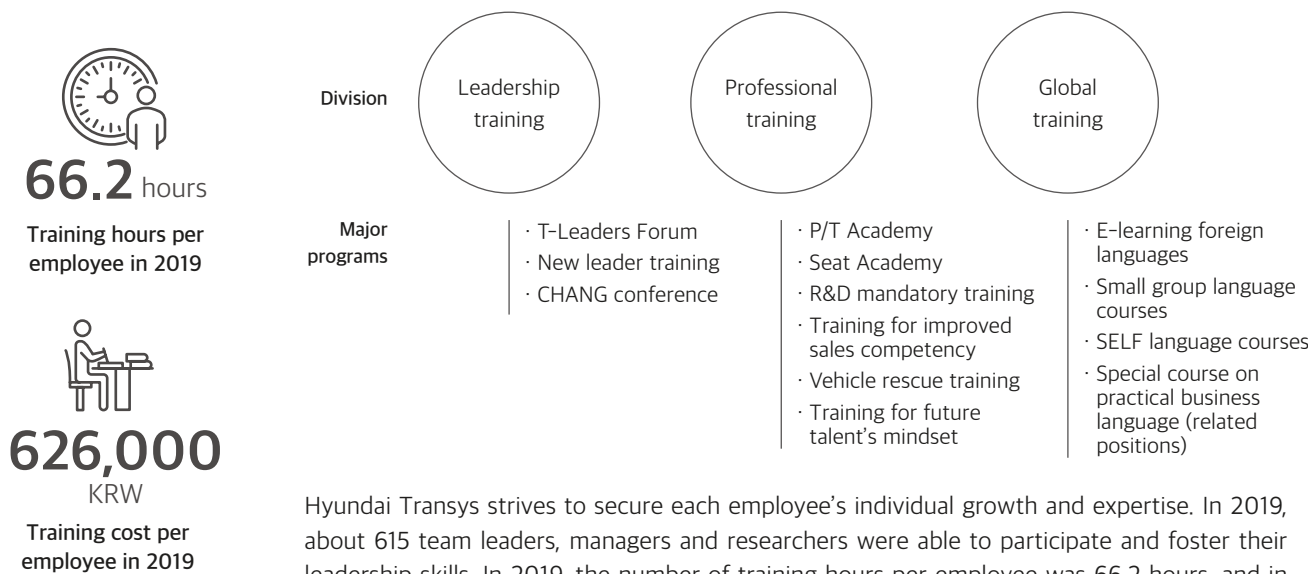
We held a Pla-tone (Play+Tone) special lecture that provides an opportunity for employees to talk about business with experts in the field, especially during the rapidly changing environment. We provided a chance for each department's members to select a topic of their choice and ask in-depth questions in a relaxed atmosphere. By finding answers to their questions, employees were able to take a step closer to self-development.

Enhancing Employee Competencies

Strengthening job expertise

To develop talent with global competencies, Hyundai Transys plans professional curricula for various training in leadership, job expertise, and languages. We are committed to improving global competencies of our employees with leadership and language training, and supporting the enhancement of our employees’ job expertise through specialized training by sector such as P/T and Seat Academies and R&D training, on top of the training sessions we originally offer by position.

Major training programs in 2019



Hyundai Transys strives to secure each employee’s individual growth and expertise. In 2019, about 615 team leaders, managers and researchers were able to participate and foster their leadership skills. In 2019, the number of training hours per employee was 66.2 hours, and in terms of cost, training cost per employee was about KRW 626,000.

Job rotation system

To foster excellent talent through various job experiences, we are operating a job rotation system. With the system, we offer opportunities for our employees to develop their expertise, nurture overseas expatriates in advance and provide growth opportunities with a comprehensive experience from various roles. We make sure that the employees matching prerequisites for each role, while those that have completed 3 years in their current role with high performance can take part in the rotation system so that they can widen their job spectrum.

Fair performance evaluation and compensation



Hyundai Transys strives to provide employees with fair evaluations and compensation. We apply a variety of evaluation methodologies according to roles and positions to evaluate the overall job performance and competencies. All employees, including directors, are subjected to absolute evaluations, while leaders receive a multi-faceted evaluation where multiple evaluators participate. Also, we secure fairness in procedures by facilitating communication between the evaluator and the evaluatee during the evaluation process. We are also building credibility of the results by developing objective evaluation categories as well as the competencies of the evaluatee. Hyundai Transys strengthens feedback and coaching systems for each individual's growth and development and aims for the evaluations to serve a role beyond simple performance assessment and compensation system but for them to be used for nurturing and growth of the employees.

Respect for Human Rights and Diversity

Human Rights Policy

Hyundai Transys respects the human rights of all stakeholders, including employees, partners, and customers. We comply with the basic principles of the UN's Universal Declaration of Human Rights, the UN Global Compact, and the International Labor Organization. With the same determination, we established the Hyundai Transys’ “Human rights management” and its principles, as an effort to protect and respect human rights.

Respect for Diversity

Throughout employee recruitment, promotion, and work processes, we respect diversity and ensure that there is no discrimination in regards to nationality, gender, or cultural background. In 2019, the proportion of female employees holding positions of chief managers and higher rose 68% compared to that of 2017 and is showing a continued increase. Hyundai Transys hopes to become a global company that respects the diversity and value of individuals.

Labor-management Communications

Hyundai Transys pursues open-minded communication and respects the workers’ freedom of association. In accordance to related laws, we organize and operate labor unions. With regular quarterly meetings, we discuss a variety of topics such as grievances and working conditions.

Employee Grievance Handling

Hyundai Transys pursues horizontal and open-minded communication. We listen to the grievances of employees and by resolving them in a rational manner, we strive to protect the rights of our employees, provide satisfaction, and create a healthy working environment. To this end, Hyundai Transys operates a variety of on and off-line grievance resolution programs so that employees who work in various workplaces can utilize them privately without any constraints in space or time.

Hyundai Transys’ Basic Human Rights Principles	
1. Prohibition of forced labor	In accordance to the UN's Universal Declaration of Human Rights and the company's human rights principles, we prohibit any kind of forced labor (bonded, slave labor, etc.) that may unjustly restrict mental or physical freedom.
2. Prohibition of child labor	Hyundai Transys complies with the minimum age requirement for labor as enacted by the national regulations. When recruiting youth under 18 years of age, we do not grant any tasks that go against health and safety.
3. No discrimination	Hyundai Transys does not discriminate against race, age, gender, nationality, disability, religion, pregnancy, membership in labor unions, marriage, and social status during recruitment, compensation, and promotion.
4. Working hours	Hyundai Transys complies with laws on working hours for each country in which it operates.
5. Fair compensation and life stability	Hyundai Transys follows the country's laws on minimum wage, overtime compensation, social insurance, break times, and holidays, thereby contributing to employee life stability and quality enhancement of working conditions.
6. Guarantee of freedom of association	Hyundai Transys provides opportunities for employees to communicate with the company, guarantees freedom of association, and does not penalize employees for their membership or organizing of labor unions.
7. Guarantee of health and safety	Hyundai Transys provides a safe and clean working environment and protects the workers from harmful substances.



A woman with short brown hair, wearing a blue vest over a black and white shirt, is painting a large mural of a tree on a light blue wall. She is wearing white gloves with red and yellow patterns and is holding a paintbrush. The mural features a thick brown trunk and green leaves. The text "ISSUE 03" is overlaid on the top left of the image.

ISSUE

03

## Realizing a Shared Society

With a long-term goal of "Establishing a trustworthy company reputation," and the mid- to long-term vision of "Changing together, Creating value together," Hyundai Transys is carrying out a wide-range of social contribution activities.





# ISSUE 03

## Realizing a Shared Society

### Management Approach

#### BACKGROUND

There is a rapid growth in interest and demand for corporate social responsibility. To this end, global companies go beyond volunteering and supporting with contribution funds through social contribution programs in order to create social value in order to resolve social issues. It is important to think and act upon the company's social role as expected by the present generation, and to reconstruct social contribution programs following the new establishment as a merged company.

#### PRINCIPLE & STRATEGY

Under the vision of "changing together, creating value together," we are operating our flagship social contribution program, which reflects our business' characteristics. We are also implementing activities that are contributing to the development of the local community through contribution funds and volunteer activities, with which we carry out our social responsibility. By selecting a core program that matches the Group's 6 Moves, we are continuously pursuing and promoting social contribution activities that reflect the unique value of Hyundai Transys.

#### PERFORMANCE

Hyundai Transys strives to fulfill its social responsibility by promoting various social contribution activities that are instrumental to the development of local communities.









### Strengthening Social Contribution Activities

#### Social contribution system

With a long-term goal of "Establishing a trustworthy company reputation," and the mid- to long-term vision of "Changing together, Creating value together," Hyundai Transys is carrying out a wide-range of social contribution activities. Hyundai Transys hopes to proactively satisfy its social responsibility by selecting a core business sector that matches the Group's 6 Moves, reconstructing social contribution programs and improving major programs, and by strengthening the social contribution activities of global sites.

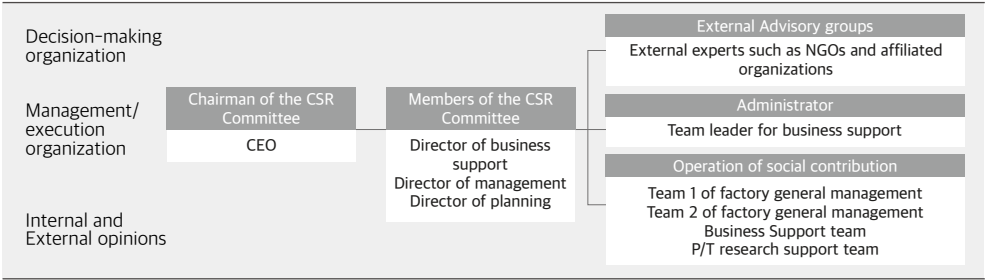
#### Direction of social contribution

Long-term goal	Build a Reputation as a Trustworthy Company		
Mid- to long-term vision	Changing together, Creating value together ※ Group vision: Trustworthy Partner for Today & Tomorrow (a genuine partner for the future)		
Strategies	Fulfill the company's social responsibility and create a positive reputation through continuous social contribution activities		
Major businesses	<div>Reconstruct social contribution programs as an integrated company</div> <ul style="list-style-type: none"><li>Establish a social contribution operating system for the integrated company<ul style="list-style-type: none"><li>Divide CSR tasks for plants in the Seosan region (Seongyeon/Jigok)</li><li>Divide CSR tasks for research centers in the Hwaseong region (Dongtan/Hwaseong)</li></ul></li><li>Establish guidelines for social contribution activities<ul style="list-style-type: none"><li>Task manual, operating standards for volunteer activities/ contribution funds etc.</li></ul></li><li>Build the CSR committee</li></ul>	<div>Improve major social contribution activities</div> <ul style="list-style-type: none"><li>Operate contribution funds considering integration issues and the internal/external environment</li><li>Integrate the social contribution volunteering system<ul style="list-style-type: none"><li>Sponsorship system: pursue after the integration of the HR/ financial system (in 2020)</li><li>Volunteering system: operate volunteer groups based on units</li></ul></li><li>Operate a flagship program using seat waste (Upcycling)</li></ul>	<div>Strengthen global social contribution management</div> <ul style="list-style-type: none"><li>Analyze the current CSR status of overseas offices, identify CSR laws and regulations specific to local offices</li><li>Participate in CSR council for offices that entered into China and support CSR activities in China</li><li>Engage in the Group's global CSR business (Happy Move, publish social contribution guidelines etc.)</li></ul>
	Core business sector (Pursue in accordance to the Group's 6 Moves)		
<div><div><b>DREAM MOVE</b></div><div>Support self-establishment Job creation, talent development</div></div> <div><div><b>NEXT MOVE</b></div><div>Utilize industry capacity Utilize technology, products, and services</div></div> <div><div><b>EASY MOVE</b></div><div>Mobility convenience All Stakeholders</div></div> <div><div><b>SAFE MOVE</b></div><div>Safety Disasters, accidents, illnesses, etc.</div></div> <div><div><b>GREEN MOVE</b></div><div>Environment Environmental conservation, climate change</div></div> <div><div><b>HAPPY MOVE</b></div><div>Participation Employees, customers, etc.</div></div>			

#### Social contribution system

Based on our employees' proactive involvement, Hyundai Transys is operating its flagship social contribution programs with the unique characteristics of the company in mind as well as volunteering and supporting vulnerable groups in the local community. In order to realize the collaborative society and proactively carry out our social responsibility, we are operating our programs by establishing a social contribution governance system.

#### Governance system for social contribution



## Major Social Contribution Activities



### Upcycling cars to bags

About 7 tons of waste seats and waste leather comes from Hyundai Transys' R&D centers after research on automobile seats each month. The cost for disposal comes to about KRW 15 million per year. By reusing the waste seats and scrap leather, we are pursuing an upcycling program that creates new value by manufacturing wallets and luxury accessories. By identifying issues and solutions of the local community with Zero Space Inc., we are creating new value by developing a cyclical structure of eco-friendly resources by reproducing waste materials. Moreover, Zero Space Inc. contributes to environmental conservation as well as job creation for local business owners for the process of material manufacturing and waste disposal.



Reduced amount of waste leather

**12** Tons per year  
(15% of entire waste)



Reduced costs for waste disposal

**8** million KRW per year



### Happy Power Car

Happy Power Car, a program operated with contributions from the paychecks of Hyundai Transys employees, is a donation program for welfare vehicles. Since 2013, we have donated a total of 15 Happy Power Cars to local welfare organizations to help improve the quality of life for the vulnerable group, including people with disabilities and children.



Donated vehicles

**21** vehicles total



Contribution funds

**550** million KRW



### Hope 1365

Based on Baby Boomer Volunteer Corps, Hope 1365 is a program that is operated with professional outreach organizations for the safety and improved lifestyles of seniors living alone. Anyone who needs assistance can call the number 1365 and the professional organizations will come to resolve the issues. Through this program, about 1,700 people in this vulnerable group are receiving help. The professional outreach group consists of people in their 50s or 60s that have retired from their technical jobs in electricity, and heater repair and LED lightbulbs. Through this, we offer opportunities for them to re-engage with the society by using their skills. The Hope Sharing House, which is run as a part of Hope 1365, is operated to provide residential spaces for the most vulnerable group regarding housing, and has completed its 8th home as of now.



Beneficiaries from the vulnerable group

About **1,700** households



Cases of living environment improvement

**6,289** Cases



### Mentoring for youth

This program enables our employees to become mentors for local youth, provide hands-on experience with historic and cultural activities as well as listen to their concerns. In 2018, we hosted this program along with the Seosan Youth Counseling Center with about 200 youth participants.

### Hope Scholarship

The Hope Scholarship program is to provide scholarships to elementary, middle, and high school students who have been matched with the 1 company, 1 school program. We select about 60 students from low-income families and deliver scholarships before going back to school. Since 2007, Hyundai Transys has consistently supported the dreams and hopes of students for 13 years.



Youth mentees

Around **200** youths



Selected scholars

Around **60** students





## Domestic Social Contribution Activities

Volunteer teams consisting of voluntary participation by executives and employees carry out volunteer activities in various fields at our five operating sites.

### Year-end reward from Hope 2019 sharing campaign

This is a program through which our employees donate their year-end rewards to a variety of organizations and welfare centers as a dedicated program by the Chungnam's Community Chest of Korea. Through this program, we support a wide-range of beneficiaries including students from low-income families, grandparent families and vulnerable groups in the Seosan region. We conduct a variety of activities for the development of local organizations and sponsor scholarships for the Seongbong Special School and other elementary and middle schools near the Seongyeon and Jigok region within Seosan City, where our plants are located.

### Blood donation campaign (Happy)

In the first- and second-half of each year, we host a blood donation campaign for our employees at our operating sites. With the participation of all employees at our headquarters, research centers and plants, we send the donated blood to blood donation centers in Gyeonggi Province, and the Hanmaeum Blood Center.

### Employees' paycheck sharing campaign

We build our funds with our employees' voluntary contributions, the paycheck sharing system, and matching grants, and utilize them for a variety of contribution programs we have for the local community. In 2012, we signed an agreement for the Good Workplace Sharing Campaign with the Community Chest of Korea and have since contributed about 850 KRW to the local community.

### Angel Tree of Love

This is a program that sponsors Christmas gifts for children from vulnerable groups through one-on-one employee matching. With the contribution funds raised from year-end company donations, we host end-of-the-year parties and assemble a group of Santa volunteers to deliver Christmas gifts to about 120 children each year.

### Other volunteer activities

- New Year/ Chuseok national holiday gift sharing ceremony
- Operation of volunteer by unit
- Labor-management Hanmaeum (One heart) campaign
- Heating appliance sharing campaign for the local community



## Global Social Contribution Activities

We strive to fulfill our social responsibilities by pursuing customized social contribution activities for each region in 7 countries worldwide.





# FUNDAMENTAL MANAGEMENT

Hyundai Transys grows together with its stakeholders by thinking about the company's impact on the overall value chain in addition to the improvement of automobile functionality and convenience. We put our best efforts forward to provide top-quality products for our customers, and achieve a pleasant and safe workplace that enables us to become a company where everyone would want to work.

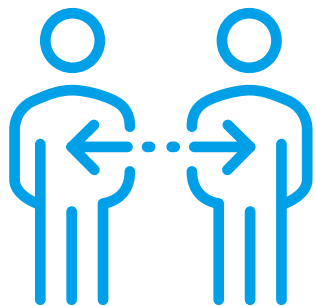
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# 01

## Governance



### Composition of the Board of Directors

The Board of Directors of Hyundai Transys serves as the highest decision-making body on commissioned items from the general meeting of shareholders, and other important items related to the company's fundamental principles and implementation, while it also supervises the directors and the manager's execution of duties. As of April 2020, the BOD consists of three internal directors (including the CEO) and one external director. We also have one auditor to ensure the independence of the BOD. The tenure is 3 years, and we decide on the extension of the tenure based on their performance evaluations during their term.

### The decision-making system of the BOD

The appointment of the Chair of the BOD is introduced as an item and carried out in accordance with the members' decisions. The tenure for the Chair is 3 years. The BOD of Hyundai Transys has the CEO as the Chair and external directors can be appointed as a Chair, as well. We secure the objectivity of the BOD by providing equal opportunities for all directors to raise their opinions.

### Independence of the BOD

External directors of Hyundai Transys' BOD shall meet the eligibility requirements of the Commercial Act and related regulations, and are nominated through the BOD and the shareholders at the general meeting of shareholders. The Independence of the BOD is guaranteed based on the independence criteria of Article 382 of the Commercial Act during the appointment phase.

### Criteria for independence of external directors

(Disqualification of independence, Article 382 of the Commercial Act)

1. The director must not have been a director, executive officer and employee engaged in the company's business affairs or have had an employment relationship within the past 2 years as an employee of the company.
2. The director must not be a spouse or be a lineal ascendant or descendant of the largest shareholder.
3. The director must not be an employee of an organization related to the largest shareholder.
4. The director must not be a spouse or a lineal ascendant or descendant to any of the directors, auditors or the executive officers.
5. The director must not be an employee of the parent company or subsidiaries.
6. The director must not be an employee of an organization that is in a business relationship or have a stake in the company.
7. The director must not be an employee of the organization that a director of this company is also appointed for.

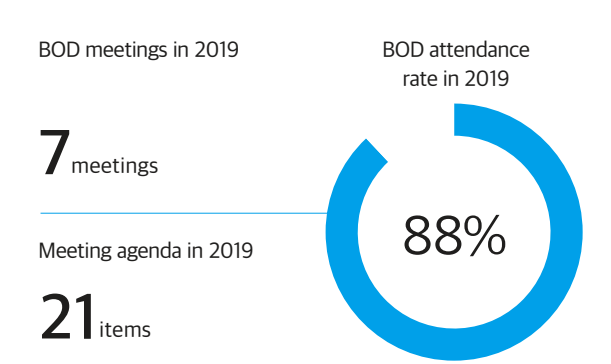
### Expertise of the BOD

In the midst of the rapidly shifting management environment, expertise of the BOD is essential in making strategic decisions. Hyundai Transys secures the expertise of the BOD by considering comprehensive expertise and experience during the nomination process. Thus, we ensure that the management of the company is monitored and advised in an objective manner and operate so that through free opinion sharing, it could be controlled when necessary.

### Operation of the BOD

We hold regular directors meetings on a quarterly basis, and conduct an ad-hoc directors meeting when necessary. The Chair calls for the meeting and detailed information on the items are shared in advance to facilitate an efficient BOD operation. In 2019, we held a total of 7 meetings at which were discussed a total of 21 items. The attendance rate of the board is 88%, and the details are disclosed through the Annual Report.

### BOD operation in 2019



### Composition of the BOD directors

Division	Name	First day in office	Last day in office	Career
Director (CEO)	Su Dong (Steve) Yeo	January 2nd, 2019	March 25th, 2022	Former) Director of Office and Planning Team II of Hyundai Motor Company Present) CEO of Hyundai Transys
Director	Seong Ho Baek	March 30th, 2020	March 30th, 2023	Former) Director-in-charge of production at Hyundai PowerTech Present) Director of P/T production at Hyundai Transys
Director	Sang Heun Lee	March 30th, 2020	March 25th, 2023	Former) Director of finance at Hyundai WIA Present) Director of finance at Hyundai Transys
External Director	Hyoun Jin Kim	March 30th, 2020	March 30th, 2023	Professor, Department of Mechanical and Aeronautical Engineering, Seoul National University

### Performance evaluation and remuneration

The remuneration of the BOD is decided based on Article 388 of the Commercial act and the articles of association during the general meeting of shareholders. We provide BOD remuneration through an objective and comprehensive standard that is based on the basic remuneration rate of directors and on the company's operating performance.

### Independence of the Auditor

We appoint an auditor through the general meeting of shareholders and limit the voting rights of a shareholder with more than 3% of the shares for the issued voting rights, other than that of shares without voting rights. For an efficient auditing process, records and documents related to the company's accounting is available. The auditor may also request business information related to directors and research the company's business and financial conditions.

### The audit support organization

Division	Position (Continued years of service)	Major activities
Financial team	2 Chief managers 1 Manager (3 years on average)	· Review and introduction of the meeting agenda · Management of the meeting minutes · Other audit support tasks

(As of April, 2020)

02

Risk Management



Risk Management System

Hyundai Transys monitors any internal and external risks that may deter the achievement of the company’s mid- to long-term goals regularly or on an as-needed basis. We categorize high risks based on the impact of the risks and by discussing with the related department, we establish response methods, which we improve and monitor until the risk impact is reduced.

Upon the occurrence of the serious risk, we operate an Emergency Response Committee, comprising of the CEO, directors and the business directors, in an effort to minimize the risk impact in advance.

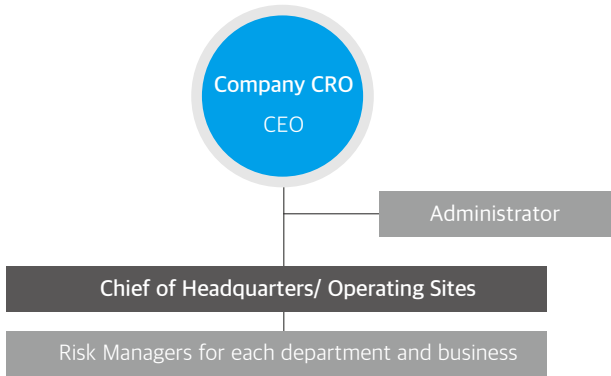
Risk management process

Steps	Detailed action plans
Planning phase	<ul style="list-style-type: none"><li>· Risk analysis</li><li>· Define stakeholders and requirements</li><li>· Establish and determine risk management systems</li></ul>
Execution phase	<ul style="list-style-type: none"><li>· Assess pending issue and evaluate risk impact</li><li>· Establish response measures</li><li>· Pursue response activities and assess status</li></ul>

Risk Management Organization

Hyundai Transys formed an organization consisting of a representative and a manager for each department, including the CEO as the Chief Risk Officer (CRO). Through this, we are efficiently identifying and deriving risks that may occur in the relevant departments and responding rapidly.

Risk management organization



Management of Major Risks

Hyundai Transys identifies major risks that may affect the overall operation by reviewing not only financial risks, but environmental and social risks, as well. We are pursuing risk-specific management and executing continuous risk monitoring of the risks to effectively respond to them.

Major risks of Hyundai Transys

Division	Risk impact and response measures
Foreign exchange risk	<ul style="list-style-type: none"><li>· Exposure to foreign exchange risks regarding dollars, euros, and yuan due to international business operations</li><li>· Regular monitoring conducted to minimize profit fluctuations as a result of changes in exchange rates.</li></ul>
Credit risk	<ul style="list-style-type: none"><li>· May occur when customers or the counterparty cannot fulfill the requirements as listed on the contract during trading and investment activities</li><li>· Regular assessments of financial credit, establishment of credit limits for customers and counterparties, regular reviews.</li></ul>
Liquidity risk	<ul style="list-style-type: none"><li>· Transaction of market position and capital flexibility through sufficient cash and appropriately contracted credit limits</li><li>· Flexible management of funds within the credit limit through active sales</li></ul>
Compliance risk	<ul style="list-style-type: none"><li>· Administrative litigation and liability responsibilities due to violation of laws and damage the company’s reputation</li><li>· Establishment of self-evaluation systems such as reorganization of ethical management systems and the compliance support system, training programs etc.</li></ul>
Environmental pollution risk	<ul style="list-style-type: none"><li>· Stricter regulations in 2020 such as the 30% increase in air pollution emissions</li><li>· Execution of environmental law inspections and identification of risks in preparation for enforcement and stricter regulations, establishment of management systems based on improvement measures</li></ul>

Security Risk Management

Hyundai Transys complies with laws and international standards related to information security, and is in the process of building a system to protect the company’s technology and personal information. In order to strictly maintain security, we appointed a Chief of Information Security Officer (CISO,) and formed a Security Council, as well as an organization dedicated to information security.

Information security management system

Through the establishment of an information security management system that meets the international standards, we were certified with the information security management (ISO 27001) by a third party organization. Based on our information security system that meets the domestic and international standards, we are continuously carrying our security-related tasks and protecting the company and customer’s information.

Information security training for employees

To promote the security awareness of employees and self-led security practices, we conducted security training sessions for all employees and researchers. With a total of 5 sessions on information security, around 1,420 employees were reminded of the necessity in preventing leakages of important information properties.

Event for Security Day

With the Security Day event, we conducted an evaluation for the Dongtan Seat Research Center to promote internalization of information property management and to prevent recurring issues. As a result of the evaluation of security measures, we were able to check all departments’ strict management on information property management with a department-wide average of 93 points. We plan to exert continuous efforts to prevent security accidents.

03

Ethical Compliance Management



System for Ethical Compliance

Legal risks are rising as regulations on anti-corruption and unethical practices are being strengthened. Hyundai Transys recognizes that ethical compliance management is significant to our future business competitiveness and therefore, is establishing steps to build and operate an ethical compliance management system. Moreover, by establishing an employee Code of Conducts, we are providing appropriate guidance regarding ethics, human rights and safety and ensure that they comply with the guidelines.

Phases for ethical compliance management

Phases	Content
Phase 1 (First half of 2020)	<ul style="list-style-type: none"><li>· Declare ethical compliance management</li><li>· Discipline employees on Code of Conduct</li><li>· Appoint supporter or manager of ethical compliance management</li><li>· Conduct ethical compliance meetings</li></ul>
Phase 2 (Second half of 2020)	<ul style="list-style-type: none"><li>· Operate ethical compliance support system</li><li>· Announce compliance guidelines</li><li>· Conduct compliance trainings</li></ul>
Phase 3 (2021)	<ul style="list-style-type: none"><li>· Distribute current information on legal issues</li><li>· Operate the compliance support counseling center</li><li>· Implement self-assessment of compliance</li></ul>

Self-Compliance to Fair-trade

In order to prevent violations of the law in advance, Hyundai Transys is operating a self-compliance system for fair trade. With this, we provide internal and external trust and prevent costly or cost-free damage such as the corruption of the company's reputation. The self-compliance program has been put in place to drive company-wide innovation and strict awareness reformation, and is based on the following 7 principles.

7 Elements of the self-compliance program

1. Clarification of the top management's determination and principles to self-compliance
2. Appointment of a self-compliance manager responsible for the operation of CP
3. Production and distribution of the self-compliance manual
4. Continuous and systematic self-compliance training
5. Construction of an internal supervision system
6. Sanctions against employees for violating fair-trade laws
7. Building a document management system

Declaration to Ethical Compliance

In March 2020, we published the CEO's declaration for self-compliance for ethical management and clarified top management's determination and principles for self-compliance. This will enable all employees to gain an awareness and a common ground on the compliance programs.

Meetings for Ethical Compliance

Every other month, Hyundai Transys conducts meetings for employee ethical compliance. Through these meetings, we assess operations of ethical compliance and disseminating internal and external trends related fair-trade. In 2019, meetings of the ethical compliance committee were held 6 times to deliberate and decide on about 30 items including amendments on the subcontract policy. To discuss items related to Hyundai Transys' ethical compliance, the company plans to regularly operate these meetings.

\* Formerly called Fair-trade self-compliance council (before 2019)

Organization for Ethical Compliance

Hyundai Transys' Organization for Ethical Compliance is operated with an appointed self-compliance manager and a compliance supporter. We also appoint a self-compliance manager for each sector who implements self-compliance evaluations and supports actual implementation.

Employee Pledge to Ethical Compliance

In 2019, we required all employees to sign a pledge on ethical compliance, and provided clear information on employee's ethics and compliance, as well as the significance of fair trade. Through this initiative, we displayed the employees' dedication to ethical compliance and provided clear information on the consequences in case of noncompliance.

Monitoring Ethical Compliance

In April 2019, Hyundai Transys conducted two assessments of compliance to fair-trade and the subcontract policy in order to prevent violations in advance and foster a spirit of compliance. Through continued management and training, we aim to be a role model in the global market.

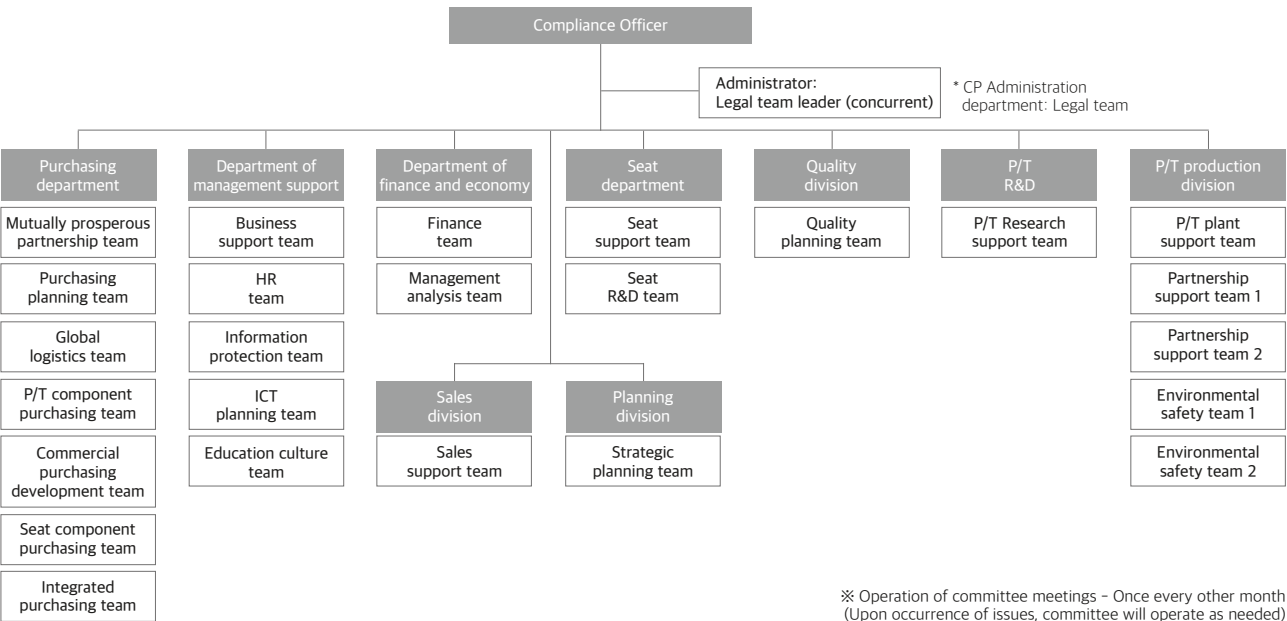
Ethical Compliance Training for Employees

With the establishment and revisions to the fair-trade laws and the Subcontract policy in 2019, we conducted trainings on the Subcontract policy and internal trade. A total of 731 employees participated in ethical compliance training, which included precautions while performing tasks.

Newsletters on Fair Trade

In order to enhance the spirit of fair trade for employees and to provide model guidelines, Hyundai Transys publishes a monthly newsletter to distribute current status of fairtrade and the subcontract policy. as well as precautions to take while performing duties. We are also continuously developing and utilizing content that is easier and more familiar for our employees, such as fair trade quizzes.

Organization for Ethical Management



※ Operation of committee meetings - Once every other month (Upon occurrence of issues, committee will operate as needed)

## 04

## Customer Satisfaction Management



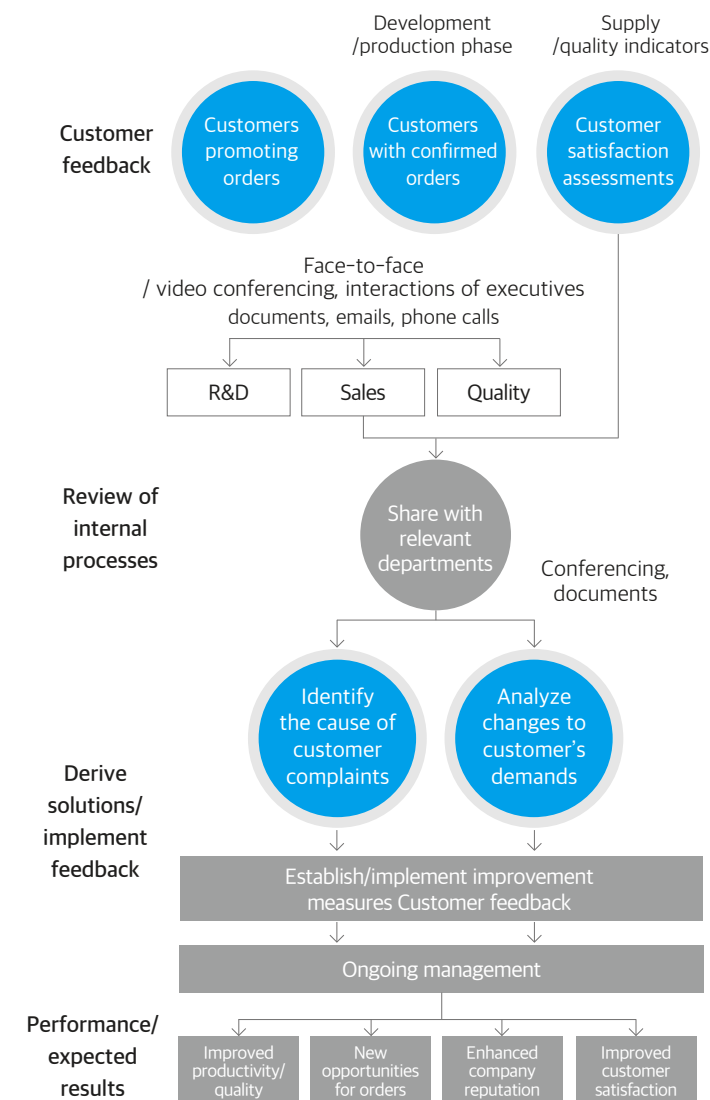
### Effective VOC Management

By proactively using the Voice of Customer (VOC) management process, Hyundai Transys quickly identifies and applies solutions to customer complaints.

We actively use basic communication channels such as documentation, phone calls, emails, as well as other diverse channels such as face-to-face, video conferencing and interactions with the management, actively communicating with domestic and international customers. Especially in China and the U.S., we collect the VOC directly through our overseas offices and respond appropriately.

Upon receipt of VOC, the managers in relevant departments such as Sales, R&D, and Quality Management review the issues and offer feedback. With continuous monitoring after providing a solution, we ensure the improvement of the issue, thus gaining the customer's trust.

### VOC management process



### Customer Satisfaction Assessments

In 2019, we received 96 points on the customer satisfaction assessment that was given to 24 customers. The customer satisfaction assessments are conducted once a year for the customers, based on categories related to operations such as delivery and quality. In addition, we continue to improve the assessed categories and itemized distribution by reflecting key improvements from the customer's perspective. The implications identified through the assessments are shared with the relevant departments to carefully analyze customer complaints, and with the results of the assessment, we establish and implement improvement responses to reply sensitively to their demands.

### Consumer Satisfaction Survey

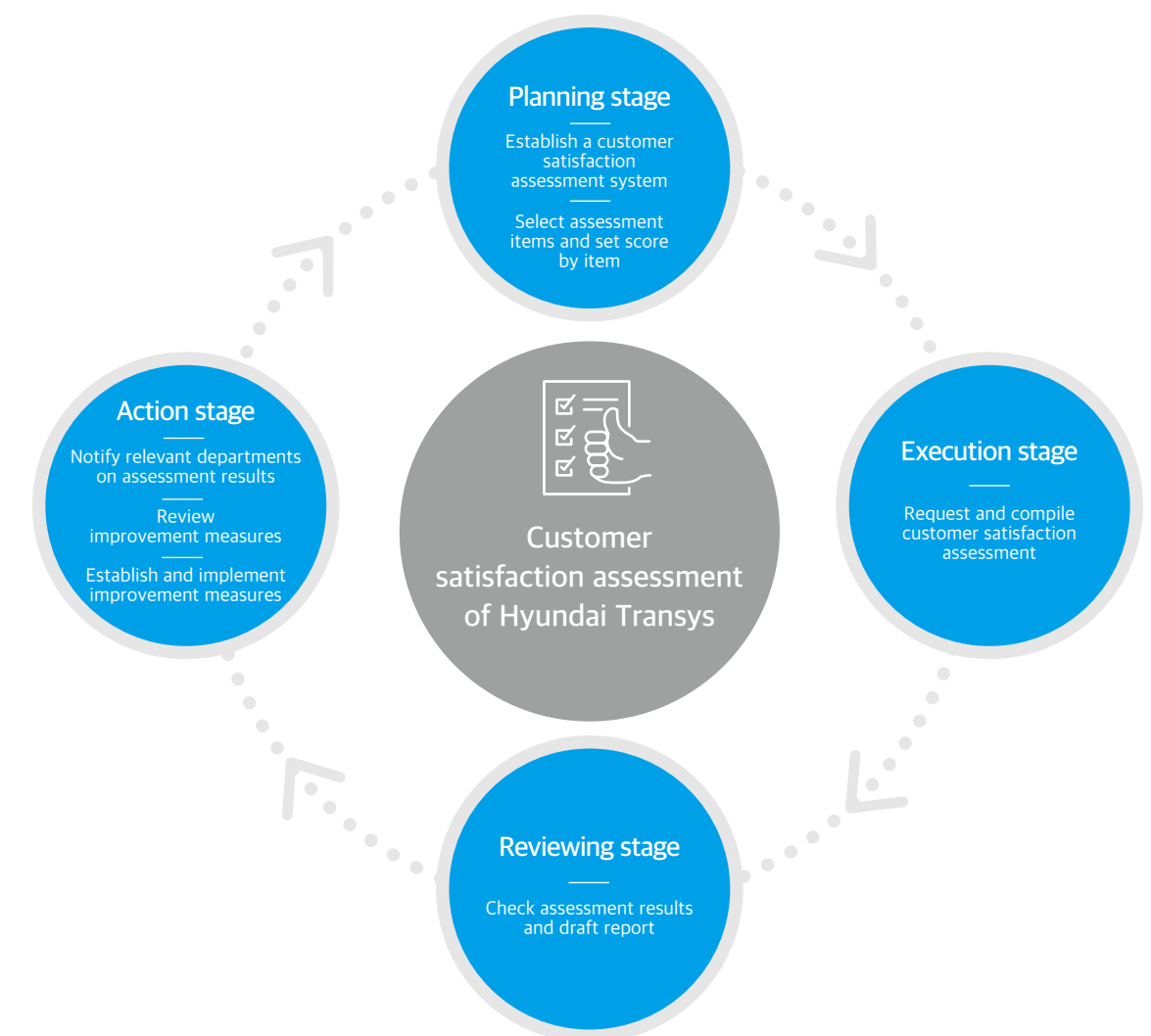
J.D. Power, the American customer satisfaction agency, conducts online surveys for American customers each year to quantitatively score and publish CQR and VDS. The seat division of Hyundai Transys ranked 5th out of 21 companies on the CQR, published by J.D. Power and ranked 8th out of 24 companies on the VDS.

Based on these results, our company plans to climb up the ranks continuously by collaborating with relevant departments of quality, R&D, purchasing, among others, and analyzing, improving, and reflecting customer complaints in detail.

\* Component Quality Report (CQR) initial quality

\*\* VDS (Vehicle Dependability Study, Internal Quality Index) ongoing quality

### Customer satisfaction evaluation process





05

Mutually Prosperous Partnership



Sustainable Supply Chain Management

We are implementing supply chain management with an aim to build a sustainable supply chain ecosystem and minimize risks in supplying raw materials. By collaborating with a variety of partners during the operation process and through a wide-range of support programs, we are raising our partners' competitiveness. In order to fulfill our social responsibility for the operation of supply chains, we are also putting forth our best efforts into securing transparency of the raw material supply.

Selecting and Assessing the Supply Chain

Hyundai Transys utilizes fair and transparent methods for selecting and operating the supply chain. To build a stable supply chain, we establish a pool of partners by considering financial and non-financial elements such as the current operations, supply capacity, employee welfare etc. of our business partners. When in need of a product, we select a partner from the pool by reviewing appropriate development skills. Even after selection, we try to minimize risks within the supply chain by executing partner assessments.

Establishment of Partner Companies' Code of Conduct

Hyundai Transys established a partners' Code of Conduct to build a healthy and sustainable supply chain ecosystem. The partner Code of Conducts comprises 4 sections of ethical management, human rights management, safety management and environmental management, which define the social and environmental prerequisites that partners need to comply with. We plan to continue managing our partners to boost their sustainability.

Partner Company Code of Conduct

Items	Content
Ethics management	Awareness on significance of ethical management, compliance with local laws and regulations, the company's own guidelines for the employee's ethical decisions, monitoring, etc.
Human rights management	Efforts for the protection of all employees' human rights, guarantee of dignity and improvement in working conditions, legal performance of duties, guarantee of rights protection, etc.
Safety management	Establishment of a safe and healthy working environment, guarantee of the workers' safety and health, stabilization of a culture of safety, improvement efforts for potential dangers, etc.
Environmental Management	Awareness of the environmental responsibilities, minimization of the business procedure's negative effects on the environment, compliance with laws and regulations related to the environment, etc.






Promotion of Mutual Growth

In order to achieve the value of working together, we are operating a dedicated mutual growth program called, "PARTNer." PARTNer is composed of five implementation tasks, and allows a wide range of partner support such as Progress, company development support, Assistance, company viability support, Reinforcement, competency strengthening support, Technology, technology support and Network, establishment of communication channels, to ultimately cover support for funds, technology and communication. With this, we aim to create opportunities for Hyundai Transys to growth and move forward with partners.

Expansion of a Culture of Mutual Growth

To create a fair and transparent trade environment, Hyundai Transys is signing fair-trade agreements with 304 1st-tier partners. Moreover, 1st-tier partners sign agreements with 2nd- and 3rd-tier partners, and we offer incentives for the excelling 1st-tier partners in order to contribute to the expansion of a culture of mutual growth through the development of a virtuous cycle. Through the implementation of the agreements, we strictly comply with the four implementation tasks for subcontractors, and operate various mutual growth programs for our partners in fund support, for example, to boost their competitiveness.

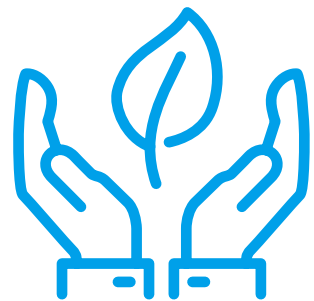
Major achievements of PARTNer

Areas of support	Detailed programs	Major achievements*
 Company Development Progress	<ul style="list-style-type: none"><li>· Support for overseas expansion</li><li>· Support for exhibition participation</li><li>· Performance sharing system</li></ul>	Support for overseas development <b>40 companies</b>
 Company Viability Assistance	<ul style="list-style-type: none"><li>· Operation of a mutual payment system</li><li>· Conditions for delivery payments</li><li>· Operation of mutual growth funds</li><li>· Operation of network loans</li><li>· Operation of mutual growth insurance</li><li>· Early payment for holiday delivery</li></ul>	Support for mutual growth fund <b>KRW 52 billion</b>
 Competency Strengthening Reinforcement	<ul style="list-style-type: none"><li>· Training for enhancement of job competency</li><li>· Getting to know the customer line</li><li>· Visits to overseas plants</li><li>· FTA training</li><li>· Support for consulting with professional organizations</li></ul>	Training support for partners <b>1,522 employees</b>
 Technology Support Technology	<ul style="list-style-type: none"><li>· Benchmarking of overseas technology leaders</li><li>· New technology exhibition</li><li>· Technical support training/seminars</li><li>· Guidance for residency</li><li>· Applying/ granting patent/grant and entrusting technical materials</li></ul>	Patent applications with partners <b>10 cases</b>
 Communication Channels Network	<ul style="list-style-type: none"><li>· On-site visiting services</li><li>· Distribution of partners' newsletters</li><li>· Transparent management implementation center</li><li>· Welfare support</li><li>· 5-Star operation of mutually prosperous partnership</li></ul>	Partner visits and communication <b>567 companies</b>

\* Based on accumulated data from 2017-2019

## 06






## Environmental Safety Management



### Environment, Safety & Health Management

To minimize negative environmental impacts that may arise due to operations, and to minimize safety and health risks for the employees, Hyundai Transys established environment, safety and health principles in accordance with the Group's principles. We try to fulfill our social responsibilities by having all employees recognizing EHS management as a core element of the company and acting upon them. We will do our best to achieve a zero-accident and eco-friendly operation sites globally.

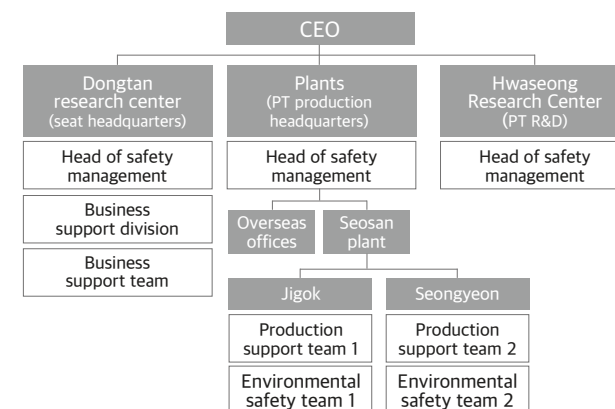
#### Policies for environment, safety & health

-  Compliance to EHS laws and regulations and other requirements
-  Minimization of environment pollutant emissions, establishing ourselves as an eco-friendly company through efficient use of energy resources
-  Creation of a safe and comfortable working environment through minimization of elements that may harm safety and health
-  Maximization of effects through the participation and cooperation of employees throughout the overall process of environmental safety and health planning, implementation and assessment.
-  Enhancement of corporate reputation through transparent disclosure of EHS principles and achievements

### Environment, Safety & Health Organization

To effectively become an environmentally safe organization and comply with relevant laws, we have appointed safety management managers for each plant and research center and organized an environmental safety group. Each operating site is putting its efforts into reducing environmental effects through close mutual cooperation.

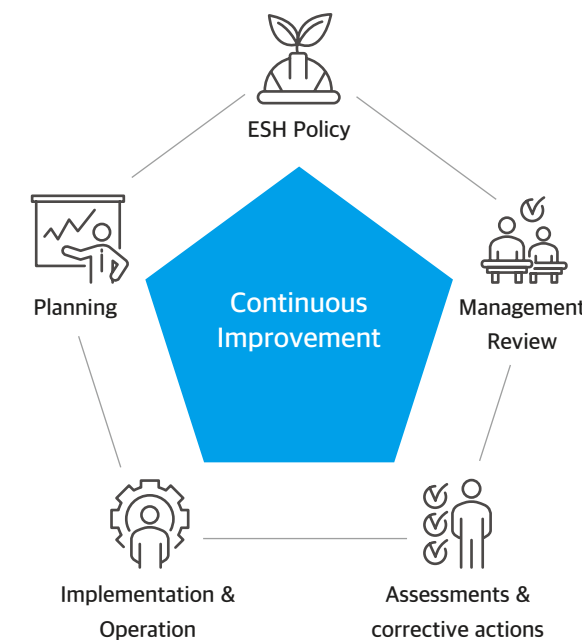
#### Environmental safety organization



### ESH Operating System

For our continuous improvement, Hyundai Transys established and operates an ESH Operating System. Based on the ESH principles that act as a turning point for the company's ESH management, we are establishing a cycle of continual improvement that re-establishes principles through results on planning, implementation and operation, assessment and corrective measures, as well as management review.

#### Safety and environmental operating systems



### Environmental Safety Management Systems Certifications

With proactive implementation of environmental and safety management, we are striving to reduce the environmental impacts and to instill safety awareness to our employees. As of December 2019, six domestic operating sites and fifteen overseas sites have acquired and are maintaining environmental management system certifications. Six domestic operating sites and fourteen overseas sites also currently hold certifications. Four companies have completed the transition to ISO 45001, the most recent standard for occupational health and safety. Other operating sites plan to transition and acquire the certification before the expiration of current certifications.

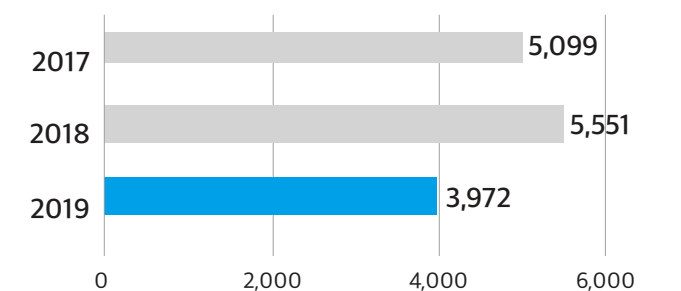
### Preventative Actions for Environmental Accidents

Through preemptive measures, Hyundai Transys is playing a major role in preventing environmental accidents that may occur during operation. In 2019, we secured the storage space for wastewater by managing a sump and carrying out leakage assessments on wastewater reclamation pipes, thus preventing accidents that may have occurred due to leakage of wastewater. We also eliminate pollution for roads, rainwater pipes, roofs etc. to prevent the occurrence of accidents in advance. As a result, zero environmental accidents and complaints occurred in 2019.

### Waste Management

To reduce waste from operations, we are managing the process for generation, transportation and handling of waste. By introducing an abrasive dust compressor to compress dust and by recycling waste oil, we were able to reduce the amount of waste generated as well as the handling costs. We also strengthened the monitoring system for waste handling and manufacturing processes, such as providing recycling rate by installing recycling monitoring panels. As a result, waste generation and handling amount were both reduced.

#### Waste generated [Unit: ton]



### Water and Wastewater Management

Hyundai Transys strives to reduce water use and increase recycling. Wastewater produced at our work sites is handled within the company and strictly managed to stay within the limits of legal standards upon discharge. The generated wastewater goes through advanced treatment so that it can be converted and recycled as industrial water. By supplying 49% (247,000 tons) of the 504,000 tons of water needed in the plants to waterworks and underground waterways, and supplying 51% (257,000 tons) as recycled water, we are contributing to the reduction of water waste.

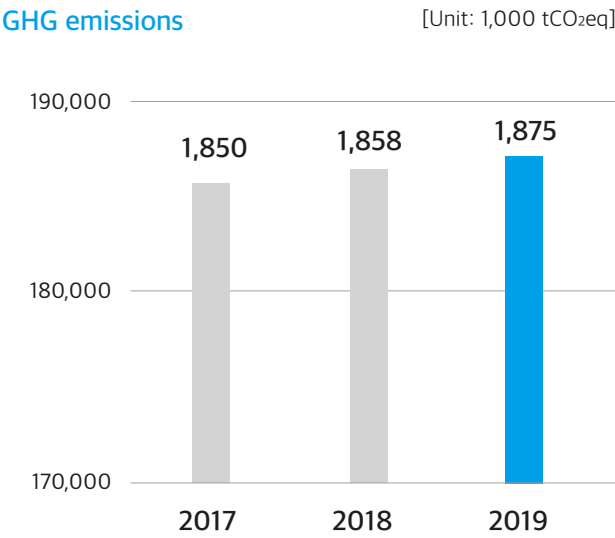


Air Pollution Management

With the revision of the Clean Air Conservation Act in 2020, the permitted emissions standards are predicted to increase. Hyundai Transys is preemptively responding to this by reviewing the designated area of the Act and the emission facilities that may fit the criteria of the standard and strengthening monitoring. In addition, we performed immediate corrective actions to issues, including noise, dust, and leakage with a focused review on the dust collectors. The emission of air pollutants is on a continued decline since 2017, and through continued management and effort, we strive to contribute to the reduction of air pollution emissions.

Management of GHG Emissions

To respond to climate and environmental risks and the governments regulations, and to reduce environmental impacts due to GHG emissions, we are establishing our GHG emission reduction goals and implementing reduction activities. Since 2015, Hyundai Transys has been designated as an emissions trading agent and with self-established goals and promotion of reduction programs, we are managing the amount of the company’s GHG emissions. In 2018, we were recognized for our preemptive efforts and performance in GHG reductions, and achieved the sales of 22,409 tons of emission rights. In 2019, by managing systems to reduce air energy when not in use and powering down production equipment that consumes a large amount of energy, we reduced GHG emissions.



Management of Hazardous Chemicals

Hyundai Transys ensures that no accidents occur by strictly managing hazardous chemicals. We are reporting the emission amounts of hazardous substances as well as the usage each year. Also, through the DB, (IMDS: International Material Data System) which is operated by a global automotive manufacturer, we are systematically managing information of hazardous chemicals that are used for products. With a thorough management system of hazardous chemicals, we will do our best to provide even safer products to our customers.

Internalization of Health and Safety Activities

We operate a wide-range of activities for the prevention of safety accidents by raising our employee’s awareness on safety. To create a culture of safety focused on operating sites, we conduct safety management workshops and identify safety issues as well as their solutions. “Safety Card” is a system that evaluates the compliments and advice for compliance to safety in totality, and in 2019, we found 53 compliments and 12 cases of carelessness. In addition, we give out safety points for individual safety performance as well as end-of-the-year awards, creating a company-wide atmosphere of safety compliance in an effort to become a safe company.

Enhanced Emergency Response Capabilities

For rapid response in case of accidents, we conduct state-of-the-art training based on emergency response scenarios. We conduct joint training for private-public sectors with relevant organizations once a year and execute practical trainings and assessments on emergency response plans based on unit organization. In order to internalize emergency response competencies, Hyundai Transys plans to pursue continued training.



Joint training for private-public sectors

Workplace Safety Management

For the health and safety of all employees, Hyundai Transys reviewed potential dangers that may occur in work processes, and established core safety principles and relevant activities based on the review. Through field-oriented preventative activities, we are identifying practical improvement measures and promoting safety management activities. Moving forward, we plan to promote field-oriented safety activities and comply with relevant laws, executing proactive support for autonomous safety activities.

Safety management performances of major operating sites

<p><b>Identification and improvement of potential field-oriented risks</b></p> <p>We are promoting field-oriented, risk-identifying activities by registering identified potential dangers onto the computerized system during the work processes at operating sites. The head and the manager review the identified potential risks and check their level of danger, as well as improvement methods, pursuing practical improvements. In 2019, we improved 160 cases of potential risks.</p>
<p><b>Operating PSM in high-risk zones for fire and explosion</b></p> <p>By implementing systematic safety management for PSM (Process Safety Management) targeted plants using flammable gas, heat treatment using hazardous materials, boilers etc., we acquired a rating of Level 5 on the evaluation by the Ministry of Employment and Labor, as well as 0 cases of accidents from PSM targeted plants.</p>
<p><b>Customized safety signs</b></p> <p>Apart from the conventional and hard-to-see safety signs, we produced customized safety signs to be posted where the accident may occur and in a way that is easy to spot, creating an atmosphere and culture of safety.</p>
<p><b>Programs for enclosed spaces</b></p> <p>In order to prevent asphyxiation that can occur in enclosed spaces, we provide safety training and operate prevention facilities. This led to the installation of CCTVs, composite gas measuring machines and warning light lamps for a total of 254 sites.</p>
<p><b>Early detection/warning system for fire</b></p> <p>We operate a 24-hour fire detection system at our plants to ensure fire safety and to quickly respond to accidents that can occur during downtime. We have installed 107 (VESDA) aspirating smoke detectors and 275 flame detectors to enable rapid response in the event of a fire.</p>

Safety Management of Contractors

With the establishment of the Occupational Safety and Health Act, the main contractors’ responsibilities for the safety management of contractors are becoming more important. Throughout the selection process of contract companies, Hyundai Transys reviews safety management standards and operates a support system for safety management skills, as well as the evaluation system. We support contract companies’ safety management by offering training for enhancement of competencies, evaluations in addition to improvement measures for companies with sanctions.

Safety management performances of major contractors

<p><b>Support for business partner’s safety management skills and evaluation systems</b></p> <p>Hyundai Transys shares safety related information through monthly meetings on safety and health with its business partners. With the president, director, and employee representatives of in-house business partners, we carry out quarterly safety inspections, directly listening to and checking the potential risks of the operating sites. Through this, we share leading cases and technical guides, and by awarding incentives to a company excelling in safety management, we provide rewards for those that achieved zero-accidents and those with high scores on the safety evaluations.</p>
<p><b>Training and tests for safety managers of plants</b></p> <p>Beyond the legal requirement of operating a Plant Safety Committee for safety management managers, Hyundai Transys implements training and tests for those who are looking to acquire safety management qualifications. With this, we offer the privilege of being appointed as a safety manager for the quarter, thus enhancing safety awareness.</p>
<p><b>365-day safety surveillance</b></p> <p>For the safe operation of the construction plants, we appoint three members for the 365-day safety surveillance system and check for violations through safety inspections of the site, equipment, and tools.</p>
<p><b>Evaluating safety management for construction plants and operating on standard sanctions</b></p> <p>In 2019, we strengthened the regulations according to the penalized sections and a total of 22 companies out of 233 construction companies received sanctions for a penalty. To eliminate safety accidents on construction fields, we are monitoring the current status of safety management for operating sites and giving penalties to companies with violations.</p>



# SUSTAINABILITY ACHIEVEMENTS

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Economic Performance

Categories	Content		Unit	2017	2018	2019
Sales by Region	Domestic		1 million KRW	6,159,858	6,092,733	6,428,656
	Asia	China	1 million KRW	143,108	104,390	104,176
		India	1 million KRW	200,823	210,989	282,980
	Europe		1 million KRW	569,057	569,882	471,451
	Americas	North and Central America	1 million KRW	802,557	962,896	1,120,350
		South America	1 million KRW	94,370	87,911	98,678
	Consolidated		1 million KRW	-927,395	-813,230	-828,195
	Total		1 million KRW	7,042,377	7,215,570	7,678,096
Economic Value Distribution	Cost of raw materials		1 million KRW	5,445,962	5,693,597	6,129,351
	Employee salary		1 million KRW	388,426	395,942	411,257
	Interests		1 million KRW	25,545	30,442	35,275
	Taxes		1 million KRW	73,036	18,666	45,214
	Contribution to local community		1 million KRW	740	395	330
	Total		1 million KRW	5,933,167	6,138,755	6,494,255
R&D Investment	Total investment in R&D		100 million KRW	1,226	1,274	1,561
	Number of projects		Projects	213	251	250
R&D Personnel	R&D personnel		Employees	575	631	680
	Ratio of R&D personnel company-wide		%	15	16	18
	R&D Courses		Number of courses	53	41	30
	Cost of R&D training		1 million KRW	195	314	389

Note) Based on simple summation for both companies in 2017 and 2018 (No consolidated data before merging)

Environmental Performance

Categories	Content		Unit	2017	2018	2019
GHG emissions	Total amount of GHG emissions		tCO <sub>2</sub> e	184,982	185,757	187,504
Direct/ Indirect emissions	Direct emissions (Scope 1)		tCO <sub>2</sub> e	29,617	28,299	24,945
	Indirect emissions (Scope 2)		tCO <sub>2</sub> e	155,368	157,460	162,562
	Direct/ Indirect emissions in KRW		tCO <sub>2</sub> e/ 100 million KRW	408	425	415
Energy Consumption	Total amount of energy consumption		TJ	3,767	3,783	3,826
	Direct energy		TJ	570	544	481
	Indirect energy		TJ	3,199	3,242	3,347
	By KRW unit		TJ/ 100 million KRW	8.3	8.7	8.5
Water use	Total amount of water use		1,000 tons	307	324	247
	By KRW unit		1,000 tons/ 100 million KRW	38	39	44
Wastewater discharge and water reuse	Total amount of wastewater discharge		1,000 tons	24	23	22
	Amount of reused wastewater		1,000 tons	476	288	257
Pollutant emissions	COD		kg	180	186	163
	SS		kg	14	18	39
Waste management	Amount of designated waste generated		1,000 tons	3,514	3,363	2,492
	Amount of general waste generated		1,000 tons	1,585	1,078	1,480
	Incineration		1,000 tons	2,269	1,911	1,914
	Reclamation		1,000 tons	1,125	1,030	149
	Amount of welding drum recycled		1,000 tons	1,706	1,500	1,909
Air Pollution Emissions	Total amount of air pollution emissions		1,000 tons	95	94	75
	NOx		1,000 tons	90	87	73
	SOx		1,000 tons	0.9	0.8	0.5
	Dust		1,000 tons	3.5	6.0	1.5
Safety environment inspections	Inspections		Times	19	19	19
Safety environment audits	Domestic		Cases	12	12	12
	Overseas		Cases	2	2	1

Note) The total amount of water use is the sum of water and groundwater use, and does not include the amount of waste water re-use.

Social Performance

Categories	Content		Unit	2017	2018	2019
Employees	Total	Number of employees	Employees	9,023	9,502	9,478
	Gender	Male	Employees	7,847	8,246	8,292
		Female	Employees	1,176	1,256	1,186
	By region	Domestic	Employees	3,805	3,822	3,821
		Overseas	Employees	5,218	5,680	5,657
	By age	Under the age of 30	Employees	3,356	3,486	3,383
		Between the ages of 30-50	Employees	4,876	5,162	5,247
		Over the age of 50	Employees	791	854	861
	By employment type	Full-time	Employees	8,508	8,840	8,735
		Contract	Employees	515	644	743
Recruitment	Total number of new hires		Employees	1,841	2,277	1,660
	By region	Domestic	Employees	156	136	58
		Overseas	Employees	1,685	2,141	1,602
Employee turnover	Total turnover rate		%	3.7	5.2	5.7
	By region	Domestic	%	2.2	2.7	1.6
		Overseas	%	4.7	6.9	8.4
Return rate and maintenance rate of parental leave	Return rate		%	71.3	72.9	67.2
	Retention rate		%	75.1	55.1	62.9
Ratio of top management from major operating sites	Local recruitment		Employees	4,800	5,284	5,252
	Number of local employees		Employees	289	342	365
	Number of overseas employees		Employees	392	460	477
	Ratio of local employees		%	6.0	6.5	6.9
Standard salary and compensation rate	Ratio of standard salary by gender		%	100.0%	100.0%	100.0%
Retirement pension system	Defined benefit pension plan		100 million KRW	1,944	2,262	2,457
	Defined contribution pension plan		100 million KRW	65	77	87

Categories	Content		Unit	2017	2018	2019
Labor-management	Number of people with membership in the labor union		Employees	2,183	2,172	1,896
Percentage of employees that received regular performance evaluations	Employees subject to regular performance evaluations		Employees	6,873	7,152	7,201
	Percentage of employees that received regular performance evaluations		%	100.0	100.0	100.0
Employee Training	Recipients of training		Employees	36,230	38,502	38,328
	Participants of trainings		Employees	3,748	3,983	3,640
Organizational Culture	Customer satisfaction Index		Points	70	67	69
Employee Benefits	Expnditure of employee benefits		1 million KRW	20,597	21,524	21,163
Employee Grievances	Rate of handled grievances		%	100	100	100
	Grievances received at the human rights violation center		Cases	3	2	1
Mutual growth agreement with business partners	1 <sup>st</sup> tier partners		companies	288	297	304
Mutual growth support activities for business partners	Financial support for technology development		100 million KRW	1.63	1.31	0.57
	Mutual growth fund		100 million KRW	184	184	234
	Recruitment support		Employees	106	12	615
	Technical support	By case	cases	114	73	1,896
		By company	companies	112	52	209
	Technology escrow	By case	cases	15	15	29
	Performance in market development support	By case	cases	6	8	8
Business partner evaluations	Quality evaluations		companies	46	76	139
	Safety evaluations		companies	44	56	42
Customer Satisfaction	Number of customers that completed customer satisfaction surveys		companies	-	-	24
	Customer Satisfaction Score		Points	-	-	96
Education on Information Protection	Domestic		Employees	842	880	1,420
Education on Compliance and Ethics	Education on ethical management		Training	-	-	4
	Employees trained		Employees	-	-	660
	Rate of participants of training		%	-	-	66



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GRI Standards Index

Universal Standards (GRI 100)

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GHG Verification



DNV GL BUSINESS ASSURANCE  
GREENHOUSE GAS EMISSIONS ASSURANCE STATEMENT

NO.: PRJN-179761-2020-AST-KOR

DNV·GL

HYUNDAI TRANSYS

Introduction

DNV GL Business Assurance Korea Ltd. (“DNV GL”) was commissioned by HYUNDAI TRANSYS INC. (“HYUNDAI TRANSYS”) to verify the HYUNDAI TRANSYS’s Greenhouse Gas Inventory Report for the calendar year 2019 (“the report”) based upon a reasonable level of assurance. HYUNDAI TRANSYS is responsible for the preparation of the GHG emissions and Energy consumption data on the basis set out within the guidelines on the operation of GHG emission trading scheme (“ETS”) (Notification No. 2018-73 of Ministry of Environment). Our responsibility in performing this work is to the management of HYUNDAI TRANSYS only and in accordance with terms of reference agreed with them. DNV GL expressly disclaims any liability or responsibility for any decisions, whether investment or otherwise, based upon this assurance statement.

Scope of Assurance

The GHG emissions and energy consumption data covered by our examination comprise Direct emissions (Scope 1 emis-sions), Energy indirect emissions (Scope 2 emissions) and Fuel, Electricity, Steam Energy consumption;

- GHG emissions under verification: GHG emissions & energy consumption from 2019
- Organizational boundary for reporting: Domestic business sites of HYUNDAI TRANSYS

Verification Approach

The verification has been conducted by DNV GL from February through March 2020 and performed in accordance with the verification principles and tasks outlined in the guidelines on the operation of GHG ETS (Notification No.2018-73, Korean Ministry of Environment) and the verification guideline for GHG ETS (Notification No. 2018-70, Korean Ministry of Environ-ment). We planned and performed our work to obtain all the information and explanations deemed necessary to provide us with sufficient evidence to provide a reasonable verification opinion with 5% materiality level, concerning the completeness of the emission inventory as well as the reported emission figures in ton CO<sub>2</sub> equivalent. As part of the verification process;

- We have reviewed and verified the HYUNDAI TRANSYS’s GHG emissions and energy consumption report for the calendar year 2019
- We have reviewed and verified the process to generate, aggregate and report the emissions and energy data

Conclusions

Based on the above verification core elements, it is DNV GL opinion that the data and the information reported in the GHG assertion are free of errors, omissions and misrepresentations providing a fair and balanced quantification, in compliance to the above reported verification criteria. The GHG Emissions of HYUNDAI TRANSYS for the year 2019 were confirmed as below;

Greenhouse Gas Emissions and Energy Consumption of HYUNDAI TRANSYS from Yr 2019

HYUNDAI TRANSYS	GHG Emissions (ton-CO <sub>2</sub> equivalent)			Energy Consumption (Terajoule, TJ)		
	Scope1	Scope2	Total	Scope1	Scope2	Total
Year 2019	24,945	162,562	187,504	481	3,347	3,826

- ※ Total emissions might be different from the sum of direct and indirect emissions by applying the rule that emissions should be summed after truncating decimal places at the business site level.
- ※ Total emissions = Direct emissions(Scope 1) + Energy indirect emissions(Scope 2)

11<sup>th</sup> June 2020  
Seoul, Korea



Jang-Sub Lee  
Country Manager

DNV GL Business Assurance Korea

This Assurance Statement is valid as of the date of the issuance (11<sup>th</sup> June 2020). Please note that this Assurance statement would be revised if any material discrepancy which may impact on the Greenhouse Gas Emissions of HYUNDAI TRANSYS is subsequently brought to our atten-tion. In the event of ambiguity or contradiction in this statement between English version and Korean version, Korean shall be given precedent.

Third Party Verification

Third Party’s Assurance Statement

To the Readers of HYUNDAI TRANSYS Sustainability Report 2020:

Foreword

Korea Management Registrar Inc. (hereinafter “KMR”) has been requested by of HYUNDAI TRANSYS to verify the contents of its 2020 Sustainability Report (hereinafter “the Report”). HYUNDAI TRANSYS is responsible for the collection and presentation of information included in the Report. KMR’s responsibility is to carry out assurance engagement on specific data and information in the assurance scope stipulated below.

Scope and standard

HYUNDAI TRANSYS describes its efforts and achievements of the corporate social responsibility activities in the Report. KMR performed a type1, moderate level of assurance using AA1000AS (2008) and SRV1000 from KMR Global Sustainability Committee as assurance standards. KMR’s assurance team(hereinafter “the team”) evaluated the adherence to Principles of Inclusivity, Materiality and Responsiveness, where professional judgment of the team was exercised as materiality criteria.

The team checked whether the Report has been prepared in accordance with the ‘Core Option’ of GRI Standards which covers the followings.

- GRI Reporting Principles
- Universal Standards
- Topic Specific Standards
  - Management approach of Topic Specific Standards
  - Economic Performance : 201-1, 201-2
  - Indirect Economic Impacts : 203-1, 203-2
  - Anti-Corruption : 205-1, 205-2, 205-3
  - Energy : 302-1, 302-4, 302-5
  - Water : 303-4
  - Emissions : 305-1, 305-2, 305-4, 305-5, 305-7
  - Effluents and Waste : 306-3
  - Environmental Compliance : 307-1
  - Employment : 401-1, 401-3
  - Occupational Health and Safety : 403-1, 403-5, 403-6
  - Training and Education : 404-2, 404-3
  - Diversity : 405-1
  - Human Rights Assessment : 412-2
  - Supply Chain Management : 414-2
  - Customer Health and Safety : 416-1

This Report excludes a data and information of joint corporate, contractor etc. which is outside of the organization, i.e. HYUNDAI TRANSYS, among report boundaries.

Our approach

In order to verify the contents of the Report within an agreed scope of assurance in accordance with the assurance standard, the team has carried out an assurance engagement as follows:

- Reviewed overall report
- Reviewed materiality test process and methodology
- Reviewed sustainability management strategies and targets
- Reviewed stakeholder engagement activities
- Interviewed people in charge of preparing the Report

Our conclusion

Based on the results we have obtained from material reviews and interviews, we had several discussions with HYUNDAI TRANSYS on the revision of the Report. We reviewed the Report’s final version in order to confirm that our recommendations for improvement and our revisions have been reflected. When reviewing the results of the assurance, the assurance team could not find any inappropriate contents in the Report to the compliance with the principles stipulated below. Nothing has come to our attention that causes us to believe that the data included in the verification scope are not presented appropriately.

- **Inclusivity**  
Inclusivity is the participation of stakeholders in developing and achieving an accountable and strategic response to sustainability
  - HYUNDAI TRANSYS is developing and maintaining stakeholder communication channels in various forms and levels in order to make a commitment to be responsible for the stakeholders. The assurance team could not find any critical stakeholder HYUNDAI TRANSYS left out during this procedure.
- **Materiality**  
Materiality is determining the relevance and significance of an issue to an organization and its stakeholders. A material issue is an issue that will influence the decisions, actions, and performance of an organization or its stakeholders.
  - HYUNDAI TRANSYS is determining the materiality of issues found out through stakeholder communication channels through its own materiality evaluation process, and the assurance team could not find any critical issues left out in this process.
- **Responsiveness**  
Responsiveness is an organization’s response to stakeholder issues that affect its sustainability performance and is realized through decisions, actions, and performance, as well as communication with stakeholders.
  - The assurance team could not find any evidence that HYUNDAI TRANSYS’s counter measures to critical stakeholder issues were inappropriately recorded in the Report.

We could not find any evidence the Report was not prepared in accordance with the ‘Core Option’ of GRI standards.

Recommendation for improvement

We hope the Report is actively used as a communication tool with stakeholders and we recommend the following for continuous improvements.

- Hyundai Transys identified future value creation, employee value protection, and CSR as key topics based on a materiality assessment and described the performance and strategies of the organization in the context of sustainability. The company is advised to use the reporting year’s data for quantitative performance, instead of cumulative data, for improved timeliness and clarity.

Our independence

With the exception of providing third party assurance services, KMR is not involved in any other HYUNDAI TRANSYS’s business operations that are aimed at making profit in order to avoid any conflicts of interest and to maintain independence.

June, 22<sup>th</sup>, 2020

CEO E. J. Hwang





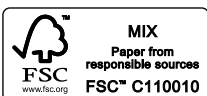
Awards and Memberships

Awards

Date	Award	Content	Awarded by
Aug. 2018	IR 52 Jang Yeong-sil Award	Outstanding organization award for new technology products and technology innovation as a domestic company	Ministry of Science and ICT
Jan. 2019	Award for friendship by Rizhao, China	Expert award for contributing to the economic establishment and social development for Rizhao, China	Rizhao, China
Mar. 2019	CCA Award Gold Level (Customer Care and Aftesales)	Award for Top Supplier out of all partners of GM	GM
Apr. 2019	Core supply award at BYD 2018	Award by China’s largest electric vehicle company, BYD for excellent supplier	BYD
Jun. 2019	“Excellent” company in shared growth	Awarded “excellent” grade in the Shared Growth Index by the Shared Growth Committee	Shared Growth Committee
Oct. 2019	2019 Korea CEO Hall of Fame	Selected as a CEO that contributed to the development of the nation’s industry and economy by enhancing competitiveness of domestic companies	Institute for Industrial Policy Studies
Nov. 2019	Excellent company in Shandong Province, China	Awarded for contribution to economic and social	Shandong Province, China
Nov. 2019	Industrial Technology Presidential Award	Selected and awarded to a company that has contributed to the strengthening of national industry competitiveness	Ministry of Trade, Industry and Energy
Nov. 2019	Excellent company in quality competitiveness at the 45th National Quality Management Convention	Awarded as an excellent company in quality competitiveness in the machinery sector hosted by the Korea Standards Association	Korea Standards Association

Memberships

Organization	Reason for membership
Hwaseong / Seosan Chamber of Commerce and Industry	Mandatory membership under the law of Chamber of Commerce and Industry, to issue business documents on import and export, etc.
Korea Auto Industries Coop. Association	To develop technology by sharing automobile-related academic technologies
Korea Auto Industries Corp. Association	To obtain information on current trends of the auto components industry and to engage with companies
The Korea Fair Competition Federation	To exchange information and opinions with the government and other companies for compliance to fair trade
Korea Intellectual Property Association	To create synergies between companies by discussing collaborative plans and joint research to strengthen competitiveness in IP
Korea Industrial Technology Association	To activate networks for technology partnerships and to fortify technology innovation competencies
Daejeon Chungnam Employers Federation	To collect corporate information for the Chungnam region, for appointment as a member of the employer committee of the Chungnam National Relations Commission
Environmental Conservation Association	For support of and education for environmental technologies and to share the most current environmental data, etc.
Korea Auto-vehicle Safety Association	To contribute to the development of the automobile industry and the establishment of a culture of safety
Korea Auto Industries Corp. Association	To partner with relevant companies for the development of automobile industry
Korea International Trade Association	To obtain information on trade such as exports and customs etc. and to propose policies



This Report was printed with soy ink on eco-friendly paper made from certified wood.