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ABOUT THIS REPORT

Under the mission "Navigating Tomorrow's roads with Smart, Safe and Seamless Mobility Solutions," HL Klemove presents its performance in six core areas of sustainability management: environment and safety; technology innovation; supply chain management; labor rights; governance and ethics; and social contribution. We will continue to publish the Sustainability Report annually to share our ESG management activities and performance with our stakeholders.

| Reporting Standards

This Report was prepared in accordance with the Global Reporting Initiative (GRI) Standards, the international reporting guidelines for sustainability management. It reflects the UN SDGs and stipulations set by the SASB.

| Reporting Boundary

This Report covers HL Klemove headquarters, global R&D centers, and operations in China and India, and data with different reporting scopes have been noted separately. The economic data is based on the consolidated financial statements of K-IFRS.

| Reporting Period

This Report covers our economic, social, and environmental performance and activities from January 1, 2023, to December 31, 2023, with additional information from the first half of 2024 for some aspects of performance. Quantitative performance data includes figures for the most recent three years to enable analysis of year-on-year trends.

| Assurance

To ensure the reliability and fairness of this Report in terms of its preparation process and disclosed data, this report was assured by BSI, an independent third-party assurance provider that bears no interest in HL Klemove. The assurance results appear in the assurance statement section of this report (99-101p).

| Reporting Cycle

Yearly

| Reporting Date

June 2024

| Management Information Made Available on the Corporate Website

Other ESG management-related data are disclosed transparently on the website (https://hlklemove.com/eng/main.do) on an annual basis. For further information on this Report, please refer to our annual reports, audit report, and the Korea FSS electronic disclosure website.

| Contact

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2023 HL Klemove Sustainability Report

BRING A NEW ERA IN MOBILITY
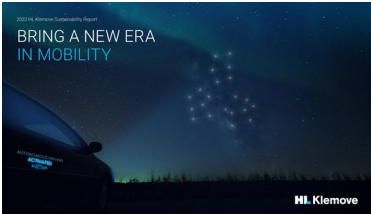
Cover Story

The car's headlights project the ESG sign into the night sky, symbolizing HL Klemove's ongoing efforts to implement and advance sustainable management in the autonomous driving industry.

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Interactive PDF Reader Guide

This report is an Interactive PDF document that contains links to relevant websites and pages.

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Sustainability Report

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Introduction

CEO Message

" The Most Trusted Company in Intelligent Mobility "

We are pleased to share HL Klemove's achievements through this Sustainability Report and would like to express our gratitude to everyone for their unwavering support.

The year 2023 was challenging for domestic autonomous driving companies on several counts : a shortage of semiconductors, rising raw material costs, and high exchange rates and interest rates. The automotive industry grew by 7.5% year-on-year in 2023, due to recovery from COVID-19 and improved semiconductor supply and demand. The current growth rate is expected to stabilize in the future. With improved regulations and increased convenience leading to wider adoption, the autonomous driving sector is expected to see continued growth. Particularly through 2030, the focus will be on enhancing consumer value, bringing more attention to the level 2+ and below market rather than advancing to levels 3 and above.

In 2023, HL Klemove made various significant accomplishments.

Securing Technological Capability

We have secured the core technologies for next-generation sensors, including the 4th generation corner radar and the 5th generation front camera, which are set for mass production in 2024, and have received positive feedback from major domestic and international customers. Additionally, we are working with global partners to perfect our Level 2+ autonomous driving technology, which is in advanced development and has shown remarkable improvements in performance.

Customer Diversification

With our superior technology and thorough localization capabilities, we have secured orders for autonomous driving components from major OEMs in India and global OEMs in Europe, further consolidating our foundation for growth.

Expanding Global Manufacturing Capabilities

HL Klemove Mexico started mass production in December 2023, while the HL Klemove Suzhou in China has begun construction on a second plant in anticipation of rapid growth. HL Klemove India is pursuing growth by localizing various products to meet local customers' needs.

Pursuing Sustainability

Since our company's establishment, all employees have been committed to ESG management activities. We have established a global GHG inventory and, based on it, a carbon-neutral roadmap to achieve net zero by 2050. With the introduction of the EU Supply Chain Due Diligence Act and the increasing focus on stakeholders' human rights issues, we have expanded the scope of human rights impact assessments and initiated activities to promote a culture of Diversity, Equity, and Inclusion (DE&I). As a result, our first Sustainability Report was honored with the grand prize from the LACP.

The most significant achievement was that we were able to maintain the revenue growth of approximately 12% in 2022 and 2023, as planned at the time of incorporation in 2021.

The year 2024 marks the start of mass production for next-generation strategic products (HPC, radar, camera) that will drive HL Klemove's future growth. We will make every effort to bring our strategic products to the market based on perfect conditions and focus our company-wide capabilities on strengthening both hardware and software quality in response to SDV, a major topic in the automotive industry. As such, HL Klemove will strive to provide autonomous driving solutions that meet the changing needs of the market.

Thank you.

June 2024

CEO, HL Klemove **Pal-Joo, Yoon**

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Company Overview

HL Klemove inherits Halla's heritage of Higher Life, aiming to provide greater value and better lives for customers, employees, and society. We strive to be a leading company that agilely responds to the uncertainties and changes in the future mobility industry, delivering pioneering results. We provide core hardware and software solutions for ADAS[1] and Autonomous Driving to global automakers and suppliers and specialize in the design and manufacturing of high-quality automotive electronic components essential for electrification of vehicles. We are leading innovation trends in 'SDV' (Software Defined Vehicle), and are prioritizing R&D on various new products to position ourselves as a leading company in realizing the mass adoption of autonomous driving, the future of mobility.

Company Overview

Name of Company	HL Klemove Co., Ltd.
Date of Establishment	Nov. 26, 2008[2]
CEO	Pal-Joo Yoon
Main Office	224, Harmony-ro, Yeonsu-gu, Incheon, Korea
Global Network	19 locations in 6 countries
Business Areas	Design, manufacturing and sale of automotive parts

As of Dec, 2023

Total Assets
KRW **1.01** trillion

Capital
KRW **325.9** billion

Sales
KRW **1.54** trillion

Operating Profit
KRW **46.9** billion

Credit Rating
AA-[3]

Employtment Count
1,163 employees[4]

1) ADAS : Advanced Driver Assistance Systems
2) The integrated corporation was established on December 1, 2021.
3) Based on joint bonds issued by HL Mando
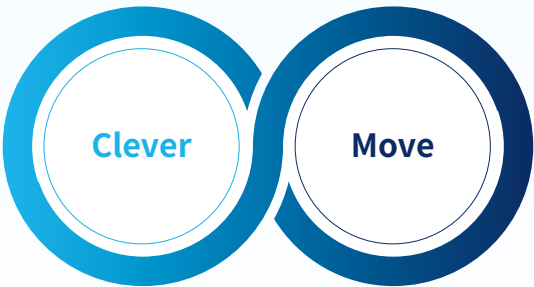4) HL Klemove Korea employees only

Heritage

HL Klemove

Higher Life
Elevated value and life for customers, employees, and society

Clever　　Move

[**Agile** and smart in responding to the uncertain and evolving future mobility industry while **generating industry-leading results**]

Company Overview

History

HL Klemove is promoting qualitative growth in the mobility industry based on its unique business capabilities and strategies. The company declared 2022 as the year of sustainability management and promoted ESG management initiatives. The first Sustainability Report detailing these efforts in 2022 won the grand prize at the LACP INSPIRE AWARDS. HL Klemove aims to continue leading the future autonomous driving and electrification market by expanding technology development and infrastructure investment in line with the paradigm shift in the mobility industry.

›1962~2010

- **1962** · Established Hyundai Yanghwa, the predecessor of Halla Group
- **1964** · Constructed the Anyang Plant
- **1979** · Scaled up automotive parts production to 150,000 units per year
- **1980** · Renamed to Mando Machinery Co.
- **2008** · Entered a joint venture (Mando Hella Electronics)
- **2009** · Established MHE Korea Factory (Incheon, Songdo)
  · Received the first product order for HKMC ADAS[1]
- **2010** · Commenced first mass production of an ultrasonic sensor-based SPAS[2] in Korea
  · Achieved first mass production of single radar-based ACC[3] Stop & Go in Korea

1) ADAS : Advanced Driver Assistance Systems
2) SPAS : Smart Parking Assist System
3) ACC : Active Cruise Control
4) AEB : Autonomous Emergency Braking
5) SCR : Selective Catalytic Reduction
6) AVAS : Acoustic Vehicle Alert System
7) DCU : Domain Control Unit

›2011~2020

- **2011** · Established MHE China Factory
  · Received an order for Electric Steering System Power Pack
- **2012** · Commenced first mass production of 24 GHz radar in Korea
- **2013** · Commenced first mass production of the 1st generation front camera in Korea
  · Received an order for Fuel Pump Controller
  · Received AEB[4] orders
  · **Made to the Top 100 as a Future Technology Leader for the Nation in 2020**
  - Automotive Industry, social safety categories
- **2014** · Commenced first mass production of 77 GHz radar in Korea
- **2015** · Commenced world's first mass production of 2nd generation front camera
  · Commenced first mass production of autonomous driving function (AD L2) in Korea
  · Established MHE India Factory
  · Received SCR[5] Controller order
  · **Received the "$70 million Export Tower" Award**
- **2016** · **Received the 2016 IR52 Jang Young-shil Award**
  - Automotive long-range radar sensors
  · **Received commendation of the Minister of Science, ICT, and Future Planning at the 51st Invention Day**
  - Development of patents for front camera systems and autonomous driving systems
- **2017** · Received AVAS[6] orders
  · **Made to the Top 100 Tech Leaders to Lead South Korea in 2025**
  - Safe automobile society sector
- **2019** · Commenced world's first mass production of 3rd generation wide-angle front camera
  · Successfully completed Level 4 autonomous driving test run
  · **Received Industrial Service Medal at the 54th Invention Day**
  - Developed patents for automotive radar sensors and successfully launched first domestic production
- **2020** · Commenced mass production of omnidirectional convergence-based AD L2 systems and DCUs[7]

›2021~

- **2021** · Received first order of OEM ADAS from North American electric pickup company
  · Launched HL Klemove (MHE + Mando ADAS)
  · **Made to the Top 100 National R&D Best Practices**
  - Started mass production of radar sensors for autonomous vehicles (L2/L3 autonomous driving feature)
- **2022** · Established a factory in Mexico
  · Established labs in Bengaluru, India; Suzhou, China; and Silicon Valley, US
  · **Received 2022 Science and Technology Service Medal (Hyung-Jin Kang, VP)**
  - Recognized for R&D achievements in autonomous driving
  · **Received Industry Innovation Technology of the Year Awards 2022, in the technology commercialization category**
  - Successfully developed and mass-produced the first mid-range radar in Korea
- **2023** · **Received Commendation of the Minister of Science, ICT, and Future Planning on Science Day 2023 (Han-Yeol Yu, AD Sensor R&D Center Head)**
  · Independently developed and commercialized the first autonomous driving radar in Korea (L2/L3 autonomous driving feature)
  · **The first Sustainability Report for 2022 won the Grand Prize at LACP INSPIRE AWARDS**
  · **Received medal for industry contribution in Korea Industrial Technology R&D Expo (Pal-Joo Yoon, CEO)**

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Introduction ▼

Materiality ▼

Sustainability Areas ▼

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Company Overview

Global Network

HL Klemove is actively expanding its R&D and production bases to enhance corporate value and drive global growth. With the Pangyo R&D Center at the core, we are developing cutting-edge products and continuously expanding our sales and R&D networks in major worldwide, pushing for global localization. As of 2023, we have a global network of 19 bases in 6 countries, and we plan to utilize these regional bases fully to develop and provide locally customized products.

R&D Centers 6

Sales Offices 9

Plants 4

Vehicle Test Sites 3

● R&D Centers ● Sales Office ● Plants ● Vehicle Test Sites

U.S.A
Detroit ●
Alabama ●
San Francisco ● ●

Europe
Frankfurt ●
Arjeplog ●

India
Bangalore ●
Chennai ● ●

China
Suzhou ● ● ●
Heihe ●

Korea
Pangyo ● ●
Pyeongtaek ●
Songdo ● ● ●
Hwaseong ●

Mexico
Saltilo ● ●

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Bring a New Era in Mobility
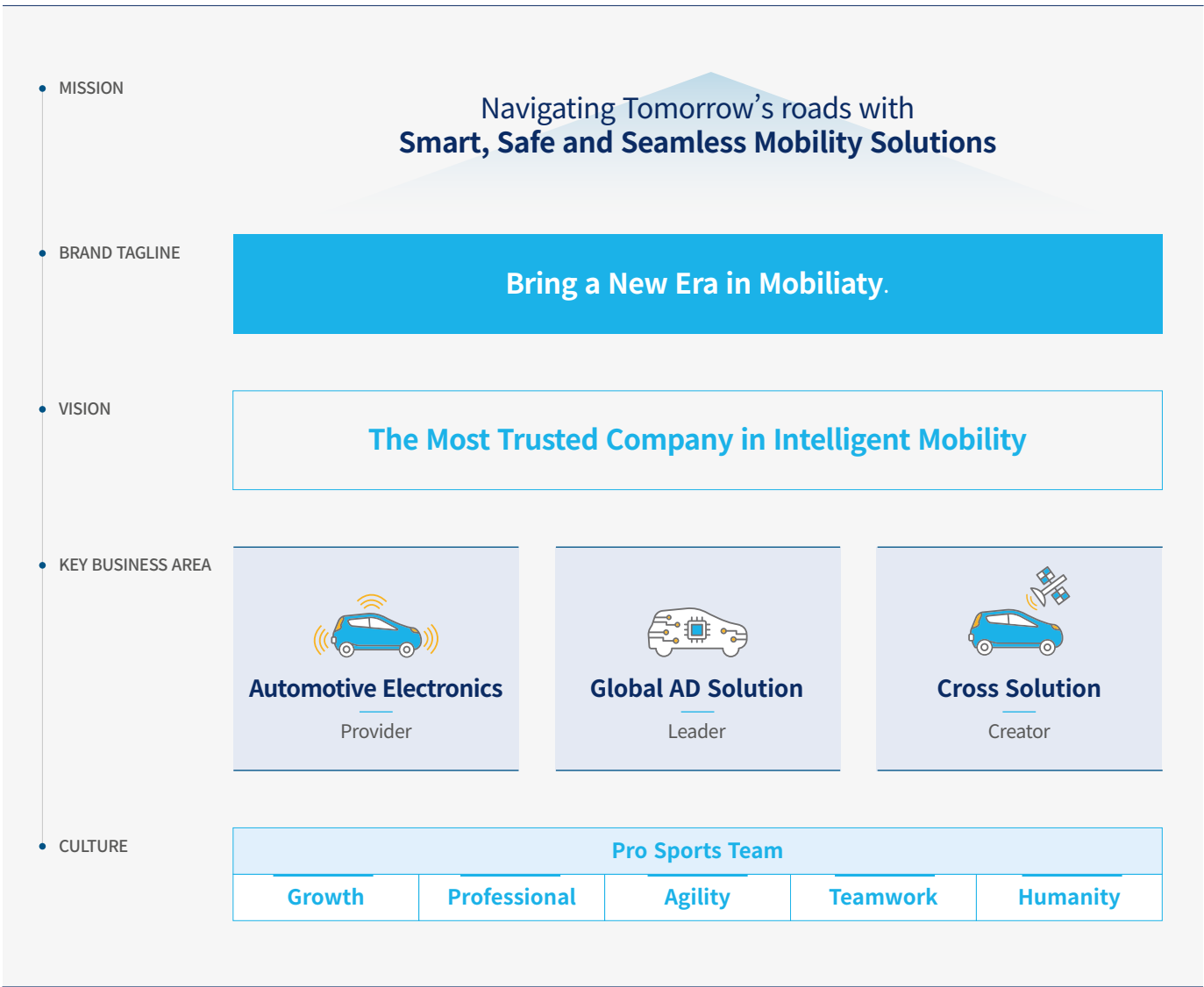
Value System

Guided by our mission 'Navigating Tomorrow's roads with Smart, Safe and Seamless Mobility Solutions,' HL Klemove aims to remain the most trusted company in intelligent mobility. By driving our core business areas—Automotive Electronics Provider, Global AD[1] Solution Leader, and Cross Solution Creator—we aim to bring a new era in mobility. Alongside this, we promote mutual growth with all stakeholders, including the local community, through thoughtful engagement and communication.

1) AD : Autonomous Driving

Vision House

MISSION	Navigating Tomorrow's roads with **Smart, Safe and Seamless Mobility Solutions**
BRAND TAGLINE	**Bring a New Era in Mobiliaty.**
VISION	**The Most Trusted Company in Intelligent Mobility**

KEY BUSINESS AREA	**Automotive Electronics** Provider	**Global AD Solution** Leader	**Cross Solution** Creator

CULTURE	**Pro Sports Team**				
	Growth	Professional	Agility	Teamwork	Humanity

MOVE FIRST,
MAKE IT HAPPEN

2023-2024

Front Rader : High resolution long range
Corner Rader : Mid range
Front Camara : High resolution long range
ADCU/APCU : AP[1](~50TOPS)+MCU

2024-2025

Front Rader : High resolution 4D imaging Radar
Corner Radar : High resolution long range
Surround Camara : Satellite wide FOV[2] camera
ADCU/APCU : AP(~1,000TOPS)+MCU
LiDAR : High resolution solid state LiDAR

2025~

ADCU/APCU : Secure Technology Capabilities for Next-Generation E/E Architectures

Realization of SDV (Software Defined Vehicle)

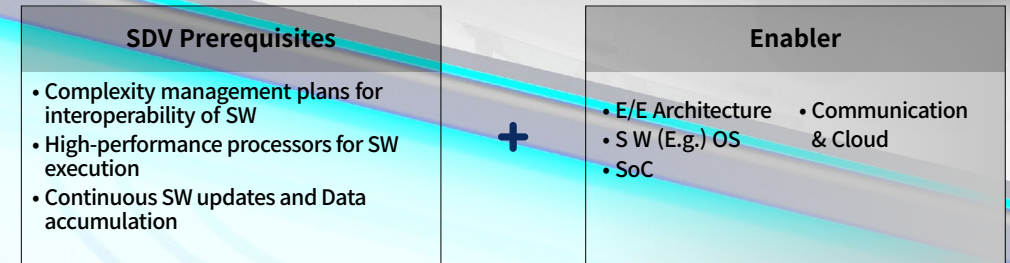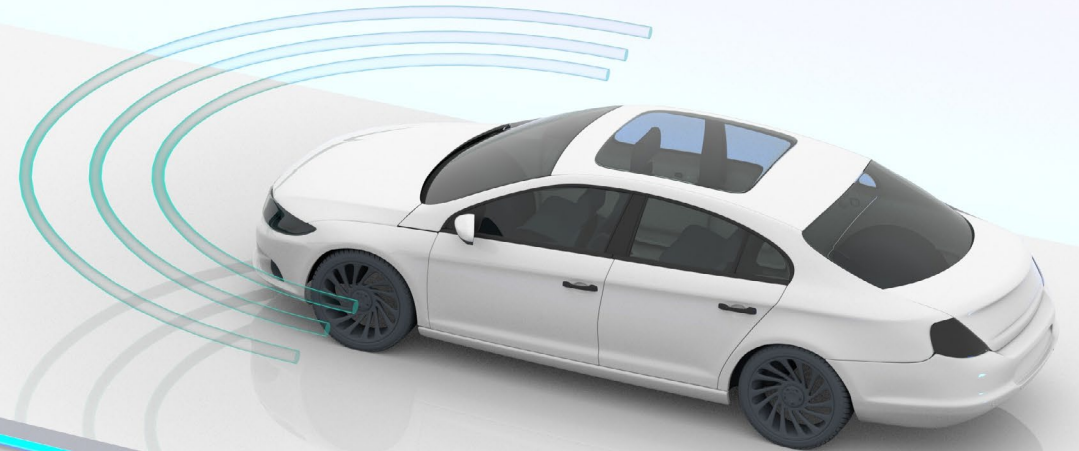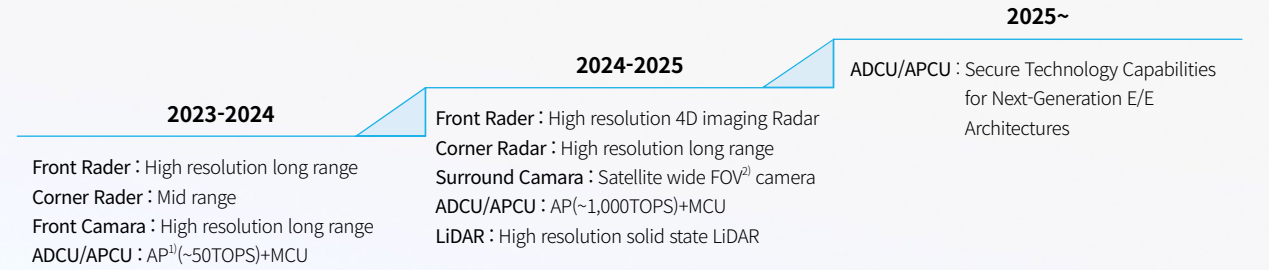SDVs are software-driven vehicles that can be kept up to date by improving their performance constantly through over-the-air updates. The automotive industry is being urged to move beyond the transition to electric vehicles for carbon neutrality, toward smart cars powered by electricity. SDV technology is one of the key challenges in realizing this vision. HL Klemove is advancing autonomous driving products and developing technologies such as E/E Architecture, SoC, and Cloud to respond to these megatrends in the automotive industry.

1) AP : Application Processor
2) FOV : Field of View

SDV Prerequisites

• **Complexity management plans for interoperability of SW**
• **High-performance processors for SW execution**
• **Continuous SW updates and Data accumulation**

+

Enabler

• E/E Architecture   • Communication & Cloud
• S W (E.g.) OS
• SoC

Realize the technology and products to manifest a world where your most comfortable movement is your safest moment

Improve vehicle performance and add new features through continuous SW updates

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AUTONOMOUS
DRIVING SOLUTIONS

HL Klemove is pioneering the autonomous driving market and continuously investing in R&D aiming to fully autonomous vehicles that drivers can trust. We focus on developing core hardware and software technologies that perform the functions of Sense, Think, and Move. We strive to provide autonomous, environmentally friendly, and feature-rich mobility solutions powered by various sensors, autonomous driving/parking controllers, and chassis ECU devices.

Radar
Camera
LiDAR

SENSE

Autonomous Driving/ Parking Integration Controller
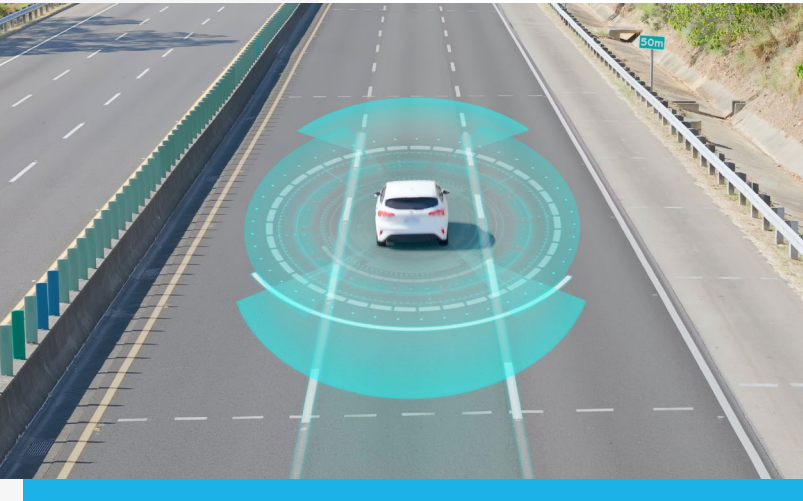
Autonomous Driving Software

THINK

Chassis Controller

MOVE

2023 HL Klemove
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AUTONOMOUS
DRIVING SOLUTIONS

SENSE
The eyes for recognizing the safety of drivers and pedestrians first

Radar

Corner Radar

HL Klemove's next-generation corner radar system has four wide-angle corner radars for 360-degree coverage. The system also features high-performance 3D antennas and a One-Chip SoC that integrates the entire system onto a single chip, for improved surveillance performance compared to previous models. We are winning more orders based on compliance with the ECE-79 safety standards, which cover safety and technical specifications for automotive electronic control units.

Front Radar

Front radar enables cutting-edge sensor functions to measure an object's distance, angle, speed, and height precisely. This feature can successfully distinguish individual cars stopped at the entrance of a tunnel along with the tunnel itself. It helps detect and avoid even the tiniest of objects on the road. Our front radar also identifies cars, pedestrians, drivers, and other objects accurately through deep learning algorithms to improve ease and safety for drivers.

Global sales revenue for radar (As of 2023)

KRW **312** billion

High-resolution Front Camera

Equipped with a wide field of view of up to 120 degrees and pixels high-resolution image processing capability, HL Klemove's front camera detects the proximity of other vehicles, motorcycles, bikes, and pedestrians, not to mention lane markers and traffic signs. This alerts the driver and activates autonomous emergency braking to prevent accidents preemptively.

Global sales revenue for front camera
(As of 2023)

KRW **572** billion
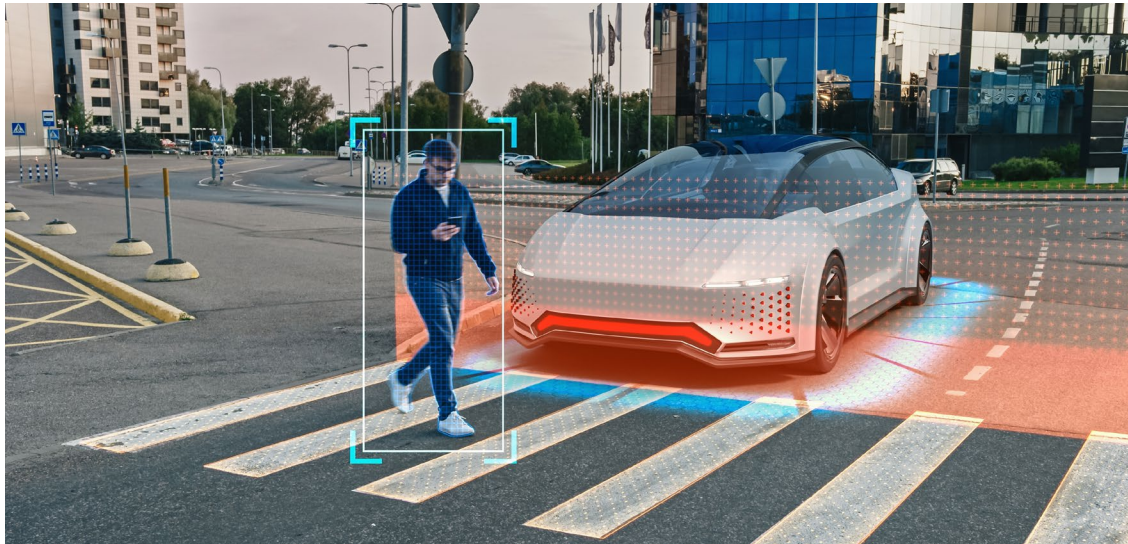
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AUTONOMOUS
DRIVING SOLUTIONS

THINK

The brain for assessing the on-road situation for the safety of drivers and pedestrians.
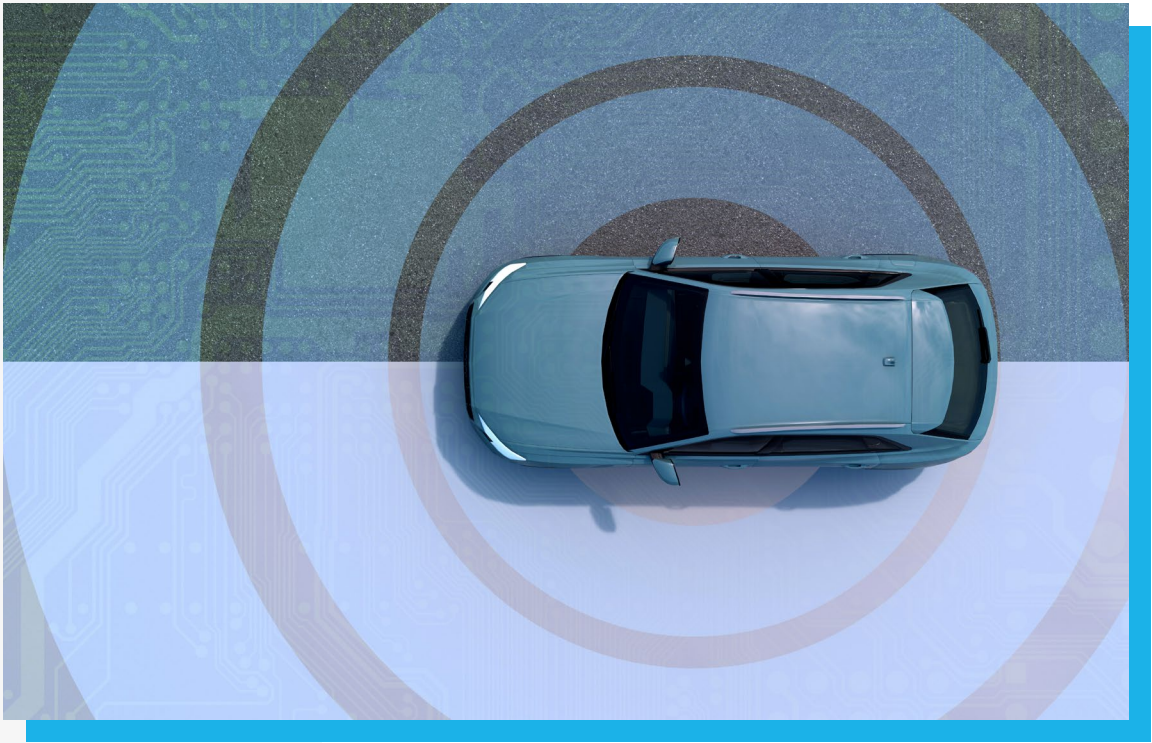
Autonomous Driving/Parking Control Unit

HL Klemove's autonomous driving integrated controller realizes L2 to L4 autonomous driving based on high-performance computing power and a highly reliable safety software platform. The controller integrates signals from various sensors such as radar, camera, LiDAR, and ultrasonic sensor to recognize the situation around the vehicle and make driving decisions. This helps the driver to cope effectively with dangerous situations that may arise during driving and ensures the safety of drivers and pedestrians.

HL Klemove's Autonomous Parking Integrated Controller is a high-performance platform that enables highly automated parking and parking assistance. It utilizes integrated information from surround camera and ultrasonic sensors based on 360-degree detection to recognize the surrounding environment precisely and control autonomous parking. In 2023, we began advanced development of the next-generation L3 and L4 driving/parking integrated controller, and in 2024, we will commercialize the L2 and L3 autonomous parking controller.

Furthermore, HL Klemove plans to secure technical capabilities to respond to E/E Architecture in the SDV era.

Number of Integrated Controllers sold globally(2021~2023)

1,317,921ea

| Next Plan

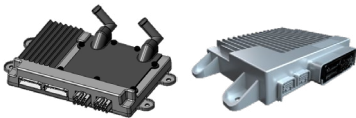| **Maintain leading position based on experience in mass production and development of integrated controllers**	**Develop the next generation of integrated controllers for expansion into the global market**	**Secure technological capability for E/E architecture trends**
Maintain the No. 1 market share in the domestic autonomous driving market by advancing self-developed full-stack autonomous driving technology	Develop next-generation high-performance integrated controllers and provide flexible business models through strategic partnerships with major global semiconductor companies	Secure hardware and software integration capabilities to prepare for the trend of integration across vehicle domains such as ADAS, electronics, body, and PT

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AUTONOMOUS
DRIVING SOLUTIONS

THINK
The brain for assessing the on-road situation for the safety of drivers and pedestrians.

The core philosophy of HL Klemove is safety, and we strive to create a safe world.
We provide full-stack software for autonomous driving, covering areas such as active safety and parking.
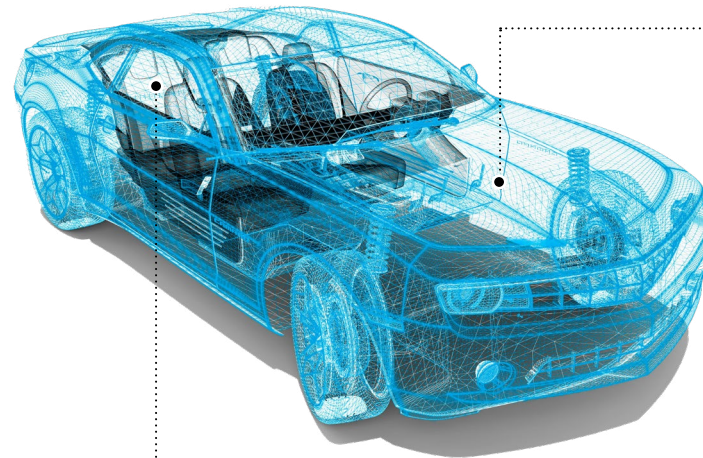
Autonomous driving solutions

Convenience solutions

We offer an autonomous driving solution system that enhances the convenience of the driver. We have end-to-end autonomous driving solutions from electronic parts that mimic the human nervous system to sensors that mimic the eyes and controllers that mimic the brain. We are constantly developing the system.

Adaptive Cruise Control (ACC)
Maintain speed and/or distance set by the driver according to road conditions for a more convenient driving experience.

Highway Assist (HWA)
Assist the driver to follow the set navigation routes with the help of partial highway driving automation technology.

City Driving Assist (CDA)
Offer convenient driving in various urban road situations, such as congested traffic, with the help of an advanced autonomous driving system.

Safety solutions

We offer the next level autonomous driving solution by enhancing active safety, allowing cars to maneuver safely to avoid collisions and alerting drivers to hazards when detected.

Autonomous Emergency Braking & Steering
Perception of surroundings through automotive sensors that predict collision risk to prevent accidents and/or mitigate the shock through emergency braking or steering.

Lateral Support System
Perform steering controls through the perceived traffic lanes of the camera and prevent lane changes and accidents involving cars in adjacent lane.
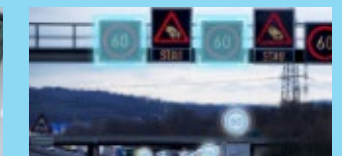
Speed Assist System
Speed limit signage is registered through the camera, and alarms drivers and automatically adjusts set speeds through the intelligent speed.

Autonomous parking solutions

We make parking easy. We have developed a variety of parking solutions to reduce safety issues and the incidence of parking accidents.

Remote Parking Assist
Supports convenient and safe parking with remote parking and retrieval functions, enhancing convenience during boarding and alighting.

Rear-Autonomous Braking
Prevent collisions through emergency braking when a vehicle's path is obstructed while reversing out of a parking spot.

Surround View Monitoring
Display 2/3-dimensional imaging of the surrounding area when parking or traveling at low speeds.

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AUTOMOTIVE
ELECTRONICS SOLUTIONS

HL Klemove develops core technologies based on electronic sensors and fuel supply systems for eco-friendly vehicles, as well as vehicle notification systems for pedestrian safety. The vehicle electronic parts market is growing rapidly in line with the expansion of the market for electric vehicles. We will continue to build the best electronics solutions based on our technology and reputation in the autonomous driving parts industry.

Acoustic Vehicle Alert System

· AVAS[1]

- Compliant with low-noise vehicle regulations
- Customized sound algorithms
- Dynamic sound for low-noise vehicles

1) AVAS : Acoustic Vehicle Alert System

Selective Catalytic Reduction Controller/ Fuel Pump Controller

· SCR[2]

- Reduction of NOx emissions from disel exhaust gas
- Compliance with global environmental regulations
- Safe driving enabled by real-time emission performance diagnosis

· FPC[3]

- Fuel efficiency improvement
- CO_2 emissions reduction
- Safe fuel supply under the worst circumstance

2) SCR : Selective Catalytic Reduction
3) FPC : Fuel Pump Controller

Torque/Torque Angle Sensor
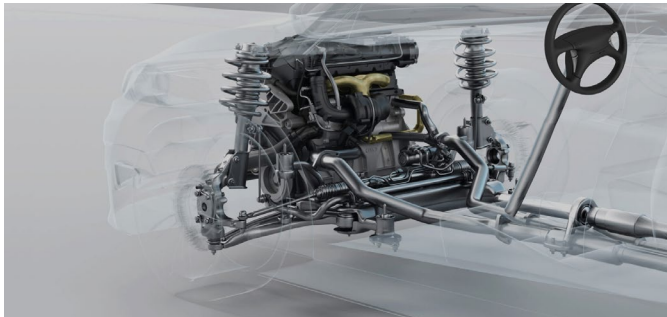
· TOS[4] · TAS[5]

- High angle accuracy & reliability
- Fully reducdant system
- Regulatory compliance

4) TOS : Torque Only Sensor
5) TAS : Torque & Angle Sensor

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AUTOMOTIVE
ELECTRONICS SOLUTIONS

Automakers continue to strive to improve the efficiency of internal combustion locomotives and develop electric vehicles to support the transition to a low-carbon socioeconomic structure. Accordingly, demands of the vehicle electronic parts market are expanding for products that minimize their environmental impact.

HL Klemove provides electronic sensors and fuel supply systems for eco-friendly vehicles, along with vehicle notification systems for enhanced pedestrian safety. With the expertise and reliability we've developed in the autonomous driving parts sector, we aim to offer the best electronic solutions.

Number of FPC/SCR sold globally (2021~2023)

5,726,289ea

Selective Catalytic Reduction Controller

Selective Catalytic Reduction (SCR) controllers generate supply pressure in the Diesel Exhaust Fluid (DEF) dosing line by controlling the BLDC pump while providing resistive heating control to prevent the DEF from freezing. Our SCR system helps reduce NOx emissions by injecting DEF into the exhaust gas flow and inducing a chemical reaction for selective catalytic reduction.

Fuel Pump Controller

Our fuel pump controller supplies the prescribed amount of fuel for various driving conditions to the engine through the control of fuel pressure, whereas conventional fuel pump systems only generate a fixed level of fuel pressure irrespective of conditions. This ultimately contributes to mitigating CO_2 emissions and improving fuel efficiency.

Acoustic Vehicle Alert System

The sound of a car engine helps pedestrians, cyclists, children, and others recognize the movement of cars on the road. However, with the advent of electric vehicles, the absence of engine sounds has been presenting a new hazard. HL Klemove is promoting pedestrian safety by developing and distributing a virtual engine sound system that emits engine sounds for low-noise vehicles such as electric vehicles.

Torque/Torque Angle Sensor

The non-contact Torque Only Sensor (TOS) transmits the driver's steering efforts by measuring the relative shift in angle between the two torsion bars interconnecting the input and output shifts of the steering column as well as the torque originating from torsion bars. The Torque Angle Sensor (TAS) measures the force applied by the driver to the steering wheel and the direction/angle of rotation of the steering wheel to provide optimal handle operation. Furthermore, the steering wheel's absolute angle is available even after a true power-on.

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Business Diversification Strategy

The freedom of movement that HL Klemove envisions is not limited to automobiles. We are crafting a new era in mobility that meets both our imaginations and needs. Our goal is to create future mobility services that transcend the value of movement, enabling people to concentrate on more important aspects of their everyday lives.

SDV Leadership

In the era of SDVs, we are looking for Scalability, Flexibility, and Agility in our autonomous driving solutions.

Scalability

HL Klemove provides Full Stack-based total solutions for all stages of L2, L2+, L3, and L4 autonomous driving. We also support various options such as combinations of Front Radar and Camera, Corner Radar and Camera, and HPC depending on the vehicle level, from Entry (basic) to Premium (advanced).

Flexibility

We offer customized solutions such as Full Solution Provider, HW/SW Platform Provider, Integrator, Electronics Manufacturing Services (EMS), and Software as a Product (SaaP) to meet customer's needs.

Agility

We have developed the capability to respond to various regulations and requirements related to the latest automotive technology trends, including the New Car Assessment Program (NCAP), National Highway Traffic Safety Administration (NHTSA) regulations, Automotive Software Process Improvement and Capability Determination (A-SPICE), and more. In addition, we have a global footprint with R&D centers in Korea, China, India, and North America.

Diverse Mobility

Technologies such as camera, radar, and High-Performance Computing (HPC) are being leveraged to power a wide range of mobility products, including robots, ships, and Urban Air Mobility (UAM). In terms of consumer devices, we are also driving our healthcare business, including Beetle, a handheld radar that won a CES Innovation Award.
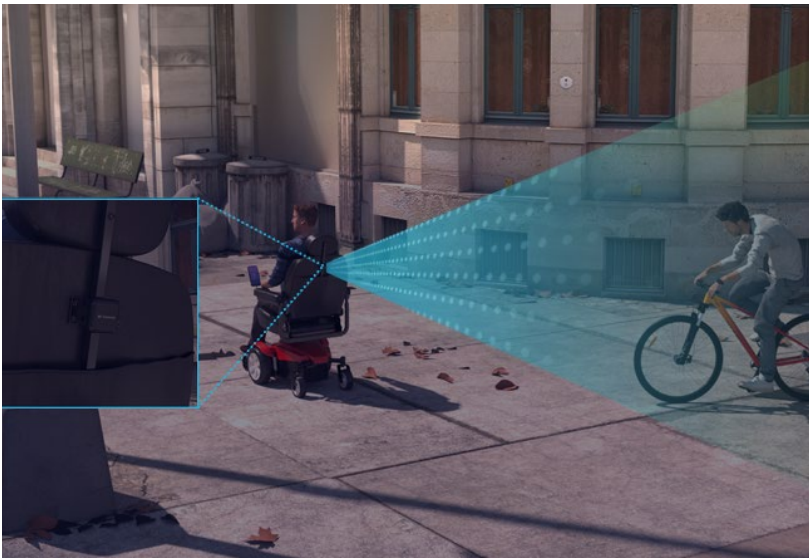
Future Service

Beyond the realm of existing sensors, we are developing various sensors to improve the safety of drivers and pedestrians. For instance, the 'Tire Sync,' which won the CES 2024 Innovation Award, is designed to recognize tire wear, temperature, vehicle load, and road conditions. It will detect road hazards such as black ice and potholes, contributing to accident prevention.

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Materiality

/Autonomous
/Sensing
/Communication
/Battery
/Navigation
/Mirrorless
/Ecology

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ESG System

ESG Governance

HL Klemove is pursuing ESG management at the company-wide level, under the leadership of the ESG Office, led by the CEO as the chief officer, and organizations in 6 focus areas of sustainability management. Global Champions are selected for each area to hold quarterly Champion meetings and monthly working-level council meetings to discuss the progress and plan future improvements for sustainability management.
The Board of Directors receives reports on ESG strategies and risks twice a year to strengthen C-level oversight of ESG management. In 2023, reports were made on issues such as the response to supply chain ESG evaluations, the establishment of a global greenhouse gas inventory, and an LCA pilot project. Additionally, we continue to exchange information and collaborate with our parent company, HL Mando, on ESG management through monthly group meetings.

6 Focus Areas in Sustainable Management

Since the declaration of ESG management in 2022, HL Klemove has identified environment and safety, technological innovation, supply chain management, labor rights, governance and ethics, and CSR as the six focus areas for sustainability management to internalize ESG practices.

By managing impacts, risks, and opportunities related to these six focus areas systematically, HL Klemove will contribute to the global mission of mitigating climate change and grow into a sustainable company that develops in tandem with members of society.

| Organizational Structure

Company-wide Organazation

ESG Office

Organizations in each of the 6 focus areas

Environment & Safey	Technological Innovation	Supply Chain	Labor Rights	Governance & Ethics	CSR
To realize Net Zero by 2050, we will opt for eco-friendly energy and recyclable raw materials and manage our carbon emissions for adaptation to climate change.	We will build a product portfolio that enables smart autonomous driving based on LCA and Clean Tech.	We will strengthen partnerships with suppliers and manage environmental, safety, ethics, and human rights issues of the supply chain to establish responsible supply chains.	We will conduct human rights impact assessment and improve our performance continually to prioritize labor, human rights, and safety in our pursuit of corporate growth.	We will reinforce governance transparency and improve ethical management in line with our core value, integrity management.	We undertake CSR activities to resolve social issues and drive change to preserve the value of community.

Meeting Operations

Reporting to Board	Champion Meeting	Working-level Council	Group Meeting
Semi-annually	Quarterly	Monthly	Monthly

2023 HL Klemove
Sustainability Report

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ESG System

ESG Roadmap

HL Klemove has developed an ESG roadmap, progressing from ESG 1.0 to ESG 3.0, to be achieved through a series of phased tasks. In 2022, the inaugural year of ESG management, we prioritized short-term tasks aimed at introducing rapid, visible changes and induced active participation from all employees. Based on these accomplishments, we published our first Sustainability Report in 2023, marking our initial strides towards internalizing ESG management. This involved identifying specialized tasks across the six focus areas and aligning them with key performance indicators. Looking ahead, we will place greater focus on fostering ESG synergies at the Group level, integrating ESG considerations into overall company management, and establishing a collaborative ESG system between HL Group and its parent company, HL Mando.

ESG 1.0

System Development

· Establish a company-wide sustainability management system
· Operate sustainability management imprementation organizations (ESG Office, 6 focus areas organizations, Working-level council)
· Promotion of mid/long-term tasks selection
· Raising awareness activities
· Establish an ESG collaboration system with HL Group and HL Mando

2022

ESG 2.0

Stabilization

· Publish sustainability reports
· Respond to external sustainability management assessments
· Align KPIs
· Align at the global level (expand the scope)
· Identify and implement area-specific tasks
· Expand and deepen collaboration with HL Group and HL Mando

2023~2024

ESG 3.0

Advancement

· Align ESG with mid/long-term strategy (investment, new business)
· Expand cooperation with the supply chain ESG system
· Preemptively set and manage ESG metrics
· Upgrade and advance the ESG management system
· Boost synergy with HL Group and HL Mando

2025 and beyond

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ESG System

2023 Highlights

Environment & Safety

Rate of carbon emissions reduction[1]	Percentage of renewable energy in annual electricity usage	Rate of waste recycling
2.5 %	**9.1** %	**86.5** %

1) Reduction in carbon emissions compared to 2021

Technological Innovation

Number of LCA programs	Number of patent registrations	Rate of worksites IATF 16949 Quality Management System Certification achieved
1 program	**213** cases	**100** %

Supply Chain

Number of suppliers subject to ESG assessment	Rate of suppliers' worksites ISO 9001 Quality Management System achieved	Number of accidents of suppliers
15 suppliers	**100** %	**0** case

Labor Rights

Number of employees who completed the leadership program	Number of collective bargaining sessions	Rate of completion for human rights training
59 employees	**8** cases	**100** %

Governance & Ethics

Number of employees who completed the ethics training	Rate of completion for personal data privacy training	Number of Information Security Breaches
794 employees	**100** %	**0** case

CSR

Number of employee donations	Total community donations	Total hours of volunteer activities by employees
28 cases	KRW **460** million	**1,643** hours

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Materiality Assessment

HL Klemove has conducted a Double Materiality assessment, considering the impact of corporate activities on the environment and society, as well as the impact of sustainability issues on the financial aspects of the company. The methodology complies with 2021 revision of the Global Reporting Initiative (GRI), which has been implemented from 2023, and applies the materiality assessment guidelines of the Corporate Sustainability Reporting Directive (CSRD) set by the European Union (EU). The results of the materiality assessment are reported and approved through the Sustainability Management Champion Meeting organized by the CEO, and under the champions' leadership, management activities are carried out for each issue in each of the six focus areas according to the assessment results.

| Materiality Assessment Process

Understand the Business and Stakeholders

· **Corporate activities and business relationships**
- Vision and mission
- Major products and services

· **Affected stakeholders**
- Identify affected stakeholders
- Operate stakeholder communication channels

Identify Impacts, Risks, and Opportunities (IROs) Related to Sustainability Issues

· **Identify sustainability issues**
- Global ESG Disclosure Standards
- External ESG metrics

· **Derive the IRO long list**

Assess and Determine Material Impacts, Risks, and Opportunities

· **Assess impact materiality**
- Company's environmental and social impacts

· **Assess financial materiality**
- Impacts of opportunities and risks to the company

Report the Results of Materiality Assessments

· **Describe the process of identifying and assessing material impacts, risks, and opportunities**

· **Report the response plans developed by HL Klemove**

< 023 >

Materiality Assessment

Step 1. Understand the Business and Stakeholders

HL Klemove is dedicated to developing and manufacturing products in alignment with the Electric Vehicle and Autonomous Driving trends, specifically focusing on the Autonomous Driving (AD) and Automotive Electronics (AE) segments. The AD department develops hardware such as radar and camera that perform perception and judgment functions for vehicles, as well as autonomous driving software. The AE department manufactures electronic parts such as fuel controllers and torque sensors for eco-friendly vehicles in line with the expanding market for electric vehicles. Furthermore, HL Klemove has established research centers in North America, China, and India to develop locally customized technologies and supply products to global automakers, diversifying its customer base.

Step 2. Identify Sustainability Issues

HL Klemove identified sustainability issues by analyzing global ESG disclosure standards such as ESRS and GRI, and external evaluation indicators such as DJSI and MSCI. To assess the material Impacts, Risks, And Opportunities (IROs) of each issue, we derived a long list of impacts, risks, and opportunities that exist currently or may occur in the short, medium, and long term.

Step 3. Assess Sustainability Issues

HL Klemove assessed impact materiality and financial materiality based on an analysis of ESG disclosure standards and metrics; reviews of the company's internal strategy, peer benchmarking, and media research, and focus group interviews. Focus group interviews were conducted with internal stakeholders to assess the magnitude and scope of the material positive and negative impacts of each issue, as well as the revenue and cost impacts associated with material risks and opportunities, to arrive at the final materiality assessment.

01. Analyze Impact Materiality

• **Analyze global standards**
  - Analyze global standards for ESG disclosure, such as GRI, ISO 26000, UN SDGs, etc.
• **Conduct media research**
• **Analyze benchmarked businesses**
• **Conduct focus group interviews**

02. Analyze Financial Materiality

• **Analyze strategies**
• **Review global standards**
  - Analyze disclosure standards and assessment metrics, such as MSCI, KCGS, DJSI, SASB
• **Review laws·regulations**
• **Conduct focus group interviews**

Step 4. Report the Results of Materiality Assessments

The materiality assessment identified "Mitigating Climate Change," "Energy," and "Research and Development" as key issues. Compared to the previous year, new issues are "Energy," "Health and Safety," and "Training and Competency Development," while the ranking of "Mitigating Climate Change" has been raised and the ranking of "Waste and Resource Circulation" has been lowered.

Rank	Category	Impact Materiality	Financial Materiality	Report Page	GRI Index
1	Mitigating Climate Change	●●●	●●●	26-30	GRI 305
2	Energy	●●●	●●●	27	GRI 302
3	Research and Development	●●●	●●●	31-35	Non-GRI
4	Health and Safety	●●●	●●	41-43	GRI 403
5	Working Conditions	●●●	●●	61-62	GRI 401
6	Equal Opportunity	●●●	●●	66	GRI 405
7	Training and Competency Development	●●●	●●	57-60	GRI 404
8	Waste and Resource Circulation	●●	●●●	40	GRI 306

Materiality Assessment

Step 4.Report the Results of Materiality Assessments

Key Issues	Impact Materiality		Financial Materiality		Countermeasures	Targets
	Positive	Negative	Risks	Opportunities		
Mitigating Climate Change	· Avoid adverse impacts on health	· Elevate GHG concentrations	· Competitive disadvantage if the company is unable to respond to customers' choice of green vehicles	· Develop and expand low-carbon products and services	· Establish and implement an action plan to achieve carbon neutrality by 2050 · Conduct Life Cycle Assessments (LCA) · Build a global GHG inventory	· Reduce carbon emissions by 30% by 2030, 70% by 2040, and 100% by 2050 compared to 2021 · Participate in SBTi, EP100, and RE100
Energy	· Reduce GHG emissions and contribute to advancing the renewable energy industry	· Destruction of forest environment by installation of solar facilities	· Increased operating costs due to rising electricity prices	· Reduce operating costs by improving energy efficiency	· Implement measures for energy efficiency in the workplace, such as replacing old air conditioners · Expand the transition to renewable energy, including installation of solar panels in China and purchase of PPAs in India	· Reduce 1% of annual electricity costs
Research & Development	· Enhance productivity and mobility	· Increase in cybercrimes, including hacking incidents	· Strengthened legislation related to autonomous driving	· Increase in the size of the perception sensor market	· Continuous development of autonomous driving solutions	· Intensive development of L2+ technology and securing L3 technology

Materiality Assessment

Stakeholder Engagement

HL Klemove defines and selects customers, suppliers, social organizations, associations, and others that are directly or indirectly affected by our management activities, as external stakeholders. We operate various communication channels to facilitate interaction with these external stakeholders and strive to create sustainable value based on the feedback we receive.

| Status of Stakeholders

| Category	Communication Channel	Key Activities
Employees	• Company-wide corporate culture research council 'Culture Board' • Cultural agents by center 'Culture Lab' • Internal broadcasting and communication channels 'HKL News' • Organization responsible for the creation of a new corporate culture, 'Team David' • Corporate culture satisfaction survey • Labor-Management Council (quarterly)	• Transform the corporate culture and shape HL Klemove's unique culture • Drive PGM development and operations to enable center-specific communication • Share HL Klemove highlights • Conduct activities to improve company culture and promote innovation • Gather employee feedback and implement company-wide activities for improvement of corporate culture • Operate councils to improve labor-management relations
Customers	• Global Exhibitions (CES, Motor Show, etc.) • Tech Fair (HL Mando & HL Klemove Collaborative New Technology Exhibition) • Tech Day (Autonomous driving new technology exchange event for invited customers) • Incheon regional exchange of automotive electronic parts (for tier 1 customers and suppliers)	• Introduce new autonomous driving and automotive electronics technologies and innovative launches • Promote early development and next-generation products • Introduce advanced development/mass-production products and demonstrate autonomous vehicles • Drive win-win collaboration initiatives with customers
Suppliers	• Partners' Day (annually) • Discussion meetings with suppliers • Collecting suppliers' grievances (Email address posted on homepage)	• Share HL Klemove's business plan and mid- to long-term roadmap with suppliers • Embrace the opinions of supplier executives and explore directions for mutual growth • Engage in ongoing communications to understand suppliers' pain points and strive for improvement
Social organizations	• Incheon Community Rehabilitation Center • Korea Employment Agency for Persons with Disabilities • Seongnam-City Sujeong-Gu Social Welfare Department • Work Together Foundation • Hope Bridge National Disaster Relief Association	• Conduct special vehicle donation activities for people with disabilities • Sign MoU for a customized training program for people with disabilities • Carry out support activities for low-income families • Implement a tree gifting program for underprivileged communities • Donate to wildfire relief efforts
Associations	• Korea Association of Autonomous Mobility Industry • Korea Automobile & Mobility Association (KAMA)	• Communicate and collaborate with various private organizations related to autonomous driving • Participate in automotive networking and conferences

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ESG Highlight 01. Response to Climate Change

Governance

HL Klemove has established a climate change response system based on the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) to address climate risks and achieve carbon neutrality. To operate the system effectively, a champion (head of the Operations Center), a practice leader (head of ER), and a dedicated department (Facility&Safety Team) are appointed as climate change response governance team, led by the general champion (CEO).
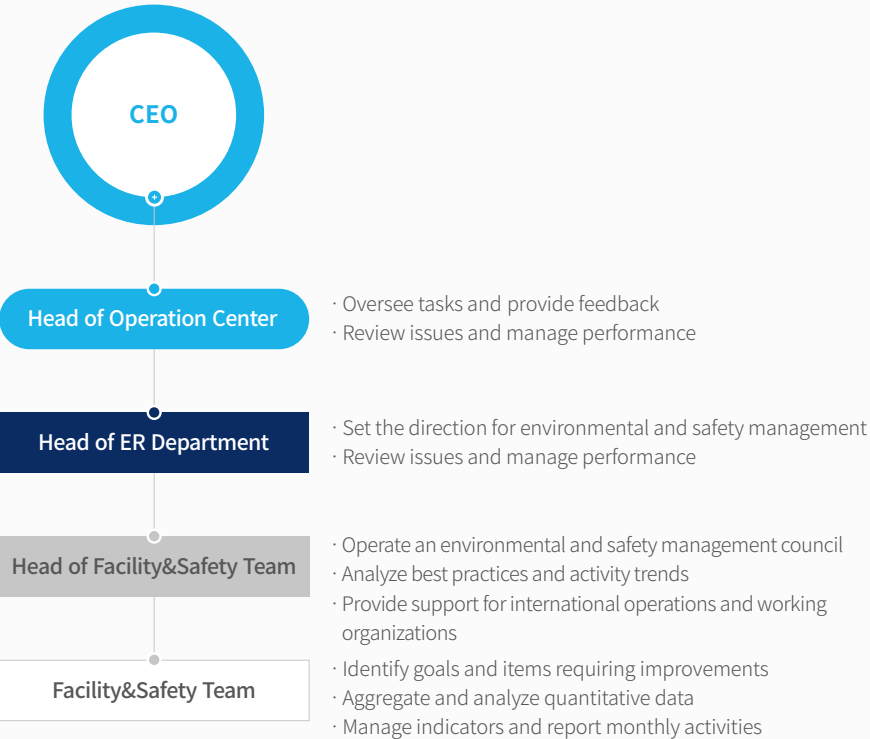
Strategy

We identify climate-related risks and opportunities, and analyze their financial impact on our business activities to develop response strategies.

| Organizational Chart

```
        CEO

Head of Operation Center        · Oversee tasks and provide feedback
                                · Review issues and manage performance

Head of ER Department           · Set the direction for environmental and safety management
                                · Review issues and manage performance

Head of Facility&Safety Team    · Operate an environmental and safety management council
                                · Analyze best practices and activity trends
                                · Provide support for international operations and working
                                  organizations

Facility&Safety Team            · Identify goals and items requiring improvements
                                · Aggregate and analyze quantitative data
                                · Manage indicators and report monthly activities
```

| Risks and Opportunities

Category		Factors	Financial Impact	Duration
Risks	Policy	• Strengthening of obligation for climate change disclosure • Strengthening of regulations related to existing product/services	Low	Long-Term
	Market	• Competitive disadvantage if the company is unable to respond to customers' choice of green vehicles	High	Long-Term
	Technology	• Increased costs for transitioning into low-carbon technologies (equipment, construction methods)	High	Short-Term
	Reputation	• Reputational damage owing to insufficient response on climate change	Medium	Long-Term
Opportunities	Energy Resources	• Operational costs reduction through improvements in energy efficiency and usage of renewable energy	Low	Short-Term
	Products and Services	• Development and expansion of low-carbon products and services	High	Long-Term
	Market	• Creating profit by participation in the carbon market	Low	Long-Term

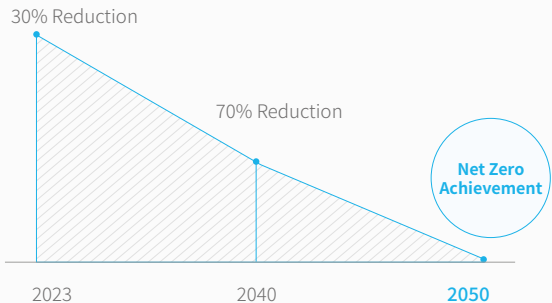# ESG Highlight 01. Response to Climate Change

Strategy

Carbon Neutrality Strategy

HL Klemove has established a step-by-step action plan to reduce carbon emissions by 30% by 2030 and 70% by 2040 compared to 2021, and to achieve carbon neutrality by 2050. In 2023, we established a company-wide Scope 1, 2, 3 inventory to lay the foundation for management of climate risks and performance measurement. We will continue to increase the use of renewable energy and enhance energy efficiency and will consecutively join global initiatives such as SBTi[1], EP100[2], and RE100.

1) SBTi : A global initiative to verify the targets set by a company to reduce its GHG emissions
2) EP100 : Program to select between improving energy productivity, implementing energy management systems and implementing carbon neutrality

| Carbon Emission Reduction Targets

30% Reduction

70% Reduction

Net Zero Achievement

2023   2040   **2050**

| Carbon Neutrality Action Plan

Action Plan	Objectives	'23	'24	'25	'26	'27	'28	'29	'30~'50
Calculate the company-wide inventory for Scope 1, 2, 3 emissions	Lay the foundation for the management of climate risks and performance measurement		Calculation/ Verification		Building a system				
Join and implement SBTi	Declare the company's net-zero goals and commitments publicly			Submit targets	Implementation/ Assessment	Verification of targets	Continuous Implementation		
Join and implement EP100	Declare energy efficiency goals and commitments publicly				EP Plans	Participation/ Approval	Implementation and performance reporting (~ 2036)		
Join and implement RE100	Declare renewable energy goals and commitments publicly				RE Plans	Participation/ Approval	Implementation and performance reporting		
Achieve energy efficiency&reduction/ Fuel shift	Reduce emissions/energy costs through enhancing energy efficiency	Business review	Reduction activity	Performance assessment	Continuous Implementation				
Procure renewable energy	Reduce emissions through renewable energy procurement		Market research	Purchase certificates	PPA Renewable energy procurement				

Energy Efficiency

We are driving energy efficiency in our operations with a goal of reducing electricity costs by 1% annually. We continue to introduce energy efficiency measures at our workplaces, such as replacing high-efficiency LEDs, adjusting the capacity of pumps, and installing cold water pump inverters for valve control. In 2023, HL Klemove replaced old air conditioners at 38 locations, saving 6,000 kWh/month of electricity. We will continue to pursue energy-saving activities actively to achieve our goal.

Procurement of Renewable Energy

HL Klemove is expanding the use of renewable energy as a major part of our carbon neutralization strategy. In 2023, we converted 9.1% of our total electricity consumption to renewable energy through the installation of solar panels at our China plant and the purchase of PPAs at our India plant. In particular, 40% of the annual electricity consumption at our India plant comes from renewable energy. Going forward, HL Klemove will continue to monitor the use of renewable energy at its domestic and overseas production sites and promote phased conversion plans.

Transition to Zero-emission Cars

To actively participate in efforts to achieve the government's carbon neutrality goal, we pledged to convert 100% of our owned and leased vehicles to zero-emission vehicles by 2030. HL Klemove was selected to participate in K-EV100 by the Ministry of Environment in April 2022. As of 2023, we have converted 9 out of 19 vehicles in our fleet to zero-emission vehicles, and we plan to replace 3 additional vehicles in 2024.

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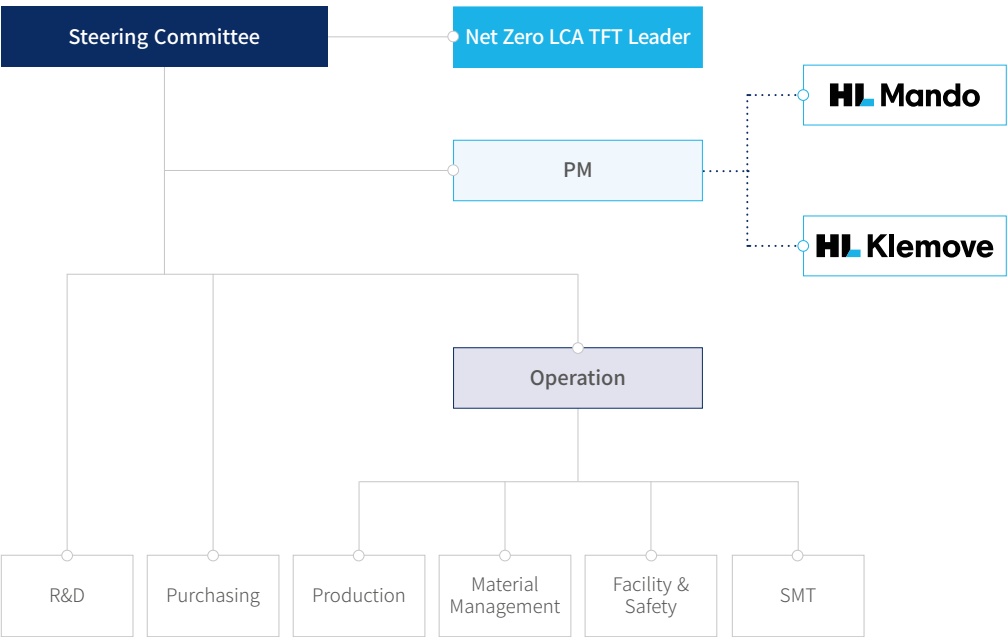Sustainability Report

Special Page

ESG Highlight 01. Response to Climate Change

Implementation of Life Cycle Assessment

The international community has recognized the limitations of the GHG emissions assessment system that focuses only on the operating phase of a vehicle, and has raised the need for the introduction of Life Cycle Assessment (LCA), which evaluates emissions generated during the entire process of manufacturing, operation, and disposal of a vehicle. The EU passed a bill in March 2023 to establish a standard method for the LCA of cars and vans, and countries such as the United States, China, and Japan have also emphasized the importance of LCA by working toward the introduction of LCA-based regulations and developing analysis models.

In response to this trend, HL Klemove formed the LCA TFT in January 2023 in collaboration with its parent company HL Mando. HL Mando has established a dedicated LCA team to expand LCA for all chassis products, and HL Klemove is also working to secure its own LCA capabilities for CE products. We hold bi-weekly working group meetings and monthly meetings hosted by the TFT leader to discuss the status of major initiatives and promotion plans in this direction, and also conduct regular online meetings with the HL Mando LCA team. In June 2023, we conducted an evaluation of the Life Cycle Assessment (LCA) Pilot project for HL Mando's Integrated Dynamic Brake (IDB). As part of HL Mando's LCA expansion plan, we intend to broaden the scope of LCA, focusing initially on CE products, and assess the feasibility of expanding this scope to include autonomous driving products based on OEM requirements and the outcomes of the pilot project.

| LCA TFT Organizational Chart

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Special Page

ESG Highlight 01. Response to Climate Change

Establishment of a Global GHG Inventory

HL Klemove has established a company-wide GHG inventory for all global worksites to build the foundation for the management of carbon emissions and secure baseline data for joining SBTi in 2024. The calculations were conducted for Scope 1, 2, and 3 (15 categories of Scope 3) at all domestic and overseas production sites, and it was identified that Category 1 and Category 11 were accounted for the highest proportion of total GHG emissions. In the future, we will continue to upgrade our data collection and management capabilities to improve the accuracy of data and establish a roadmap for carbon neutralization of the entire value chain.
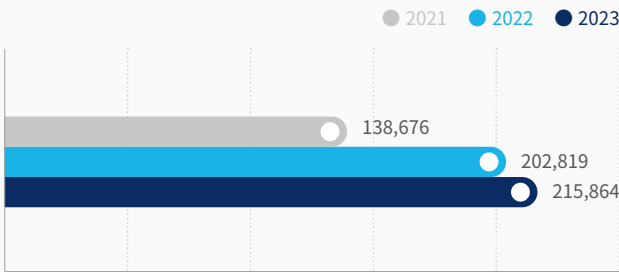
| Key emissions at each stage in the production, use, and disposal of a product
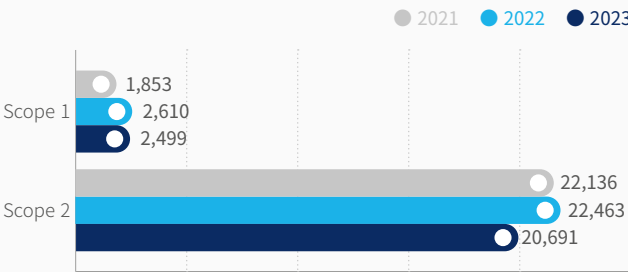
(Unit : 10,000 tCO_2eq)

Purchase of raw materials	Purchase of fuel and energy	Transportation & distribution of raw material	Manufacturing	Shipping	Use	Disposal
Production →					Use →	Disposal →
Scope 3	Scope 3	Scope 3	Scope 1, 2	Scope 3	Scope 3	Scope 3
Category 1. Purchased goods and services	Category 3. Fuel and energy related activities	Category 4. Upstream transportation and distribution	Manufacturing of HL Klemove products	Category 9. Downstream transportation and distribution	Category 11. Use of sold products	Category 12. end-of-life treatment of sold products
17.02	**1.01**	**1.11**	**2.51**	**0.63**	**18.51**	**0.08**

• Scope 3 Upstream GHG emissions
(Unit : tCO_2eq)

● 2021 ● 2022 ● 2023

- 138,676
- 202,819
- 215,864

• Scope 1, 2 GHG emissions
(Unit : tCO_2eq)

● 2021 ● 2022 ● 2023

Scope 1
- 1,853
- 2,610
- 2,499

Scope 2
- 22,136
- 22,463
- 20,691

• Scope 3 Downstream GHG emissions
(Unit : tCO_2eq)
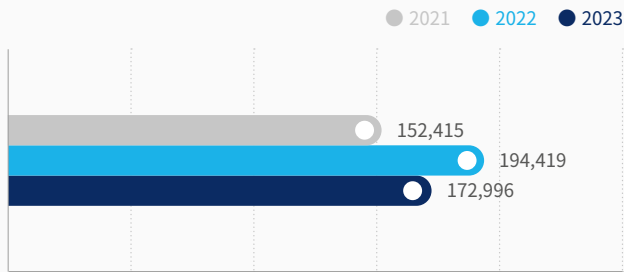
● 2021 ● 2022 ● 2023

- 152,415
- 194,419
- 172,996

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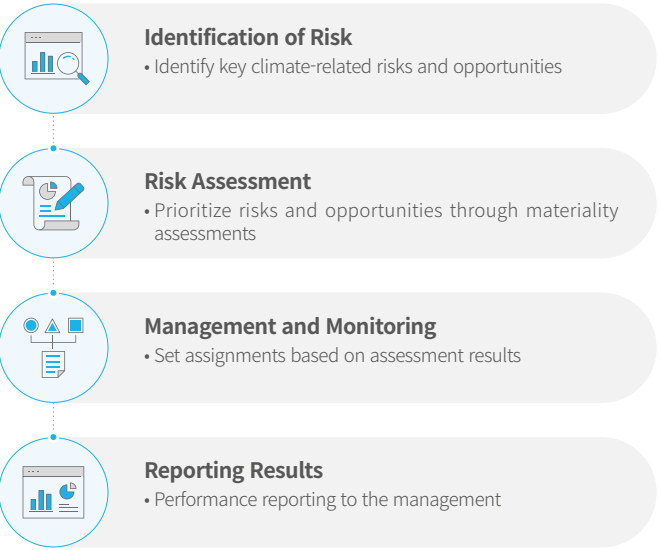
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Sustainability Report

ESG Highlight 01. Response to Climate Change

Risk Management

HL Klemove has processes in place to identify, assess, and monitor climate risks. For risks identified as requiring prioritized action, we identify and implement improvement tasks, and report and share progress with management and external stakeholders.

| Risk Management Process

Identification of Risk
• Identify key climate-related risks and opportunities

Risk Assessment
• Prioritize risks and opportunities through materiality assessments

Management and Monitoring
• Set assignments based on assessment results

Reporting Results
• Performance reporting to the management

Metrics and Targets

We set carbon emission reduction targets at 30% by 2030 and 100% by 2050, and we operate Scope 1, 2, and 3 emissions as key indicators to measure and manage their performance.

| Scope 1, 2 Emissions

Category		Unit	2021	2022	2023	2030 Target	2040 Target	2050 Target
Scope 1	Emissions	tCO_2eq	1,853	2,610	2,499	162	70	2
	Intensity	tCO_2eq/KRW 1 million	-	0.001769	0.001462			
Scope 2	Emissions	tCO_2eq	22,136	22,463	20,691	7,966	3,414	114
	Intensity	tCO_2eq/KRW 1 million	-	0.0152	0.0121			

| Scope 3 Emissions

(Unit : tCO_2eq)

	Category	2021	2022	2023
Scope 3	Category 1. Purchased goods and services	112,864	170,227	185,742
	Category 2. Capital goods	2,024	3,674	1,186
	Category 3. Fuel and energy related activities excluded from Scope 1 & 2	10,203	10,145	8,526
	Category 4. Upstream transportation and distribution	9,975	11,075	16,534
	Category 5. Waste generated in operations	570	625	431
	Category 6. Business travel	130	476	683
	Category 7. Employee commuting	2,722	2,931	2,493
	Category 8. Upstream leased assets	186	3,665	270
	Category 9. Downstream transportation and distribution	5,119	6,328	6,082
	Category 10. Processing of sold products	1,566	2,115	2,002
	Category 11. Use of sold products	145,139	185,131	164,037
	Category 12. End-of-life treatment of sold products	592	845	875
	Category 15. Investments	-	0.059	0.046
	Total	291,091	397,238	388,860

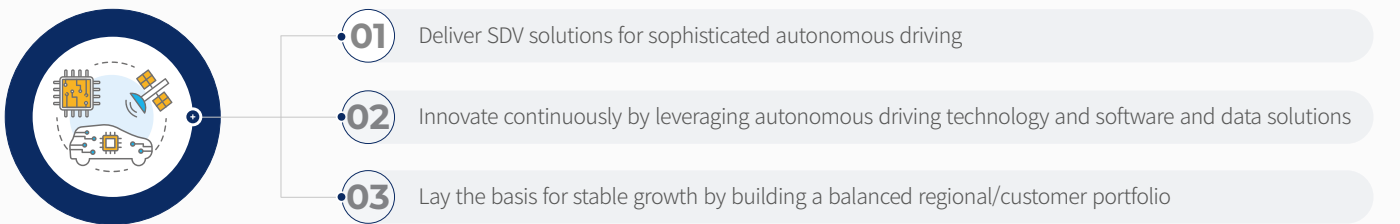< 031 >

ESG Highlight 02. Technology Innovation

Strategy

We officially launched our business in automotive electronics and Advanced Driver Assistance Systems (ADAS) in 2010, successfully bringing L1 and L2 autonomous driving products to market. In 2021, we opened research centers overseas to develop locally customized products and diversify our customer base. As the development of L3 technology has been delayed globally in recent times, we are focusing on developing technologies to meet the growing demand for L2+ level products. Additionally, we will strive relentlessly to secure L3 autonomous driving technology to strengthen our technological competitiveness.

| Growth Roadmap

Our Journey

Initiate electronic parts and ADAS business

- Incorporated MHE (Nov. 2008)
- Initiated autonomous driving business (Jul. 2010)
- Successfully launched L1/12 autonomous driving products

Launch/Take-off an merged corporation

- Advance and diversify autonomous driving products (AD L2+↑)
- Diversify region and customers (besides localization in North America)
- Tap into new mobility business (besides robot)

Position HL Klemove as a global leader

- Expand high-level autonomous driving (L3↑)
- Build a balanced portfolio (product, geography, customer)
- Expand mobility business

KRW 1.2 trilion in sales

+ α Inorganic Growth

Global Expansion

Quantum Jump

2021   2026   2030

| Growth Strategy

01 Deliver SDV solutions for sophisticated autonomous driving

02 Innovate continuously by leveraging autonomous driving technology and software and data solutions

03 Lay the basis for stable growth by building a balanced regional/customer portfolio

**2023 HL Klemove
Sustainability Report**

ESG Highlight 02. Technology Innovation

Autonomous Driving Solutions

### Received the Industrial Contribution Award at Korea Industrial Technology R&D Expo

In December 2023, HL Klemove received an Industrial Contribution award instituted by the Ministry of Trade, Industry and Energy in recognition of its contribution to the independent development of core autonomous driving technologies and its leadership in the domestic autonomous driving industry. HL Mando was named an Industrial Technology Promotion Contributor for leading the development of autonomous driving systems such as ACC (Adaptive Cruise Control) and SPAS (Smart Parking Assist System) in 2003, and for the commercialization of long-range radar, front camera, mid-range radar, and integrated controller, which began in earnest in 2014.

Attended CES 2024

HL Klemove and its parent company, HL Mando, jointly participated in CES 2024 for the second year in a row in 2023, showcasing a wide range of autonomous driving solutions. HL Klemove presented 'Beetle', a portable radar that can be mounted on small mobility devices such as bicycles and wheelchairs to detect unexpected situations, and won two awards in the Mobile Devices, Accessories & Apps and Smart Cities categories. Tire Sync, which can detect tire wear and temperature, vehicle load, and road conditions, also won an Innovation Award at CES.

Development of High-Performance Autonomous Driving Platform (HPC)

HL Klemove is developing a high-performance autonomous driving platform (HPC) based on Qualcomm Technology's Snapdragon Ride Platform. The HPC integrates hardware and software into a single product that processes cognitive sensor data in real time and is equipped with supercomputer-level big data computing capabilities. At CES 2024 in Las Vegas, we unveiled three types of customized HPCs—Entry (Level 2), Standard (Level 2+), and Premium (Level 3)—and the products gained attention for their potential applications in various fields such as robotics, ships, and mobility.
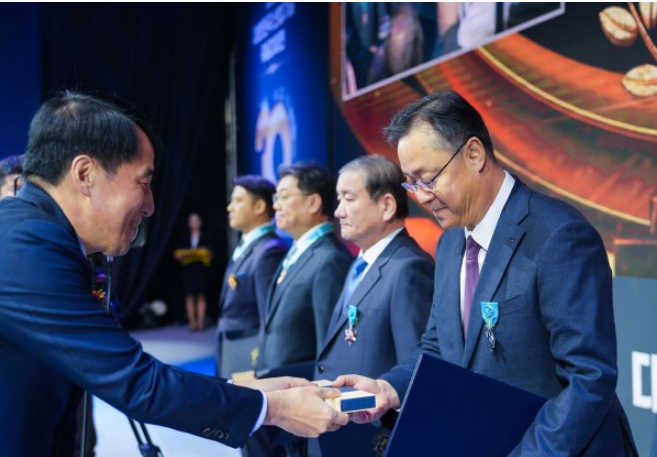
2023 Korea Industrial Technology R&D Expo

HL Mando · HL Klemove CES 2024 Exhibition Space

HL Klemove HPC

ESG Highlight 02. Technology Innovation

Operation of Overseas Research Centers

HL Klemove has established research centers in four countries : other than Korea, these include Bengaluru, India; Suzhou, China; and Silicon Valley, U.S. The labs in the three overseas countries focus on developing locally-customized autonomous driving technologies to target the local market. The Indian lab developed cognitive technology that recognizes animals such as cows, given their frequent presence on roads, attracting the attention of local automakers and achieving the No. 1 autonomous driving market share in India as of September 2023. The Suzhou lab in China provides engineering services preferred by local customers and analyzes autonomous driving big data in-house, while the Silicon Valley lab in the U.S. seeks to strengthen local partnerships for the development and innovation of North American electric vehicle OEM programs.

Partnership to Develop Self-driving Transport Robots

We are taking a leading role in the national task of establishing a cooperation model for the stabilization of global supply chains for supply and demand related to advanced robot service development. Accordingly, in 2023, we signed a MoU with NEUBILITY, an autonomous robot service platform, for technical cooperation in the development of autonomous robots. Through this cooperation project, we aim to commercialize autonomous robots and robot delivery services by developing cognitive sensors and integrated controllers required for autonomous robots. We will contribute to the development of the robot industry continually and promote its utilization in real life through various collaborations.

Mobility Solution

L4 Auto Shuttle, the Convergence of Our Autonomous Driving Solutions

Our Auto Shuttle, named hocKEY2City, is an urban autonomous driving platform that aims to establish the full stack for autonomous driving. Equipped with an extensive sensor suite comprising 6 radars, 12 cameras, and 5 LiDAR sensors, the Auto Shuttle utilizes high-definition maps to perceive its surroundings and generate safe paths. In September 2022, we obtained a temporary permit from the Ministry of Land, Infrastructure, and Transportation to operate this autonomous driving platform. Currently, the Auto Shuttle is operating within the Pangyo autonomous driving pilot zone, connecting Next M, Mando Global R&D, and the Pangyo subway station. We are planning to expand the operation of Auto Shuttle to additional areas subject to government approval.

Overseas Research Centers

Signing of MoU with NEUBILITY
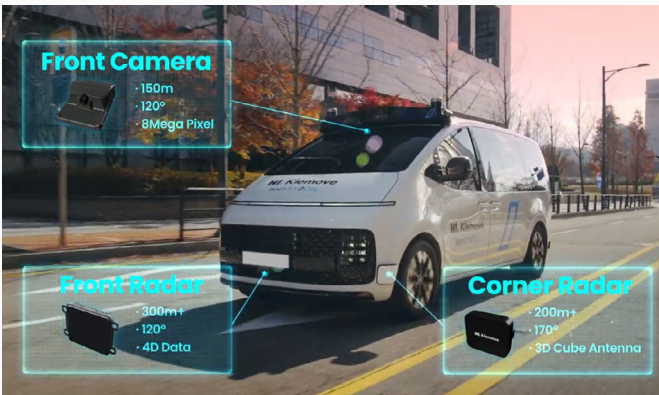
Auto Shuttle hocKEY2City

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ESG Highlight 02. Technology Innovation

Open Innovation

Signing a MoU with Ajou University for Education and Research on Future Mobility

In August 2022, HL Klemove signed a MoU with Ajou University to promote education and research partnerships in the mobility and automotive sectors. This is intended to apply AI to future mobility, contribute to advancing the mobility industry and nurture AI convergence talent. HL Klemove will actively contribute to the development and implementation of curricula aligned with the needs of both the industry and Ajou University's AI Mobility Engineering Department. Additionally, we will support the cultivation of professional talent, thereby presenting an industry-academia partnership to provide practical assistance to students in their capacity building and career development.

Signing a MoU with Halla University's Software Track Department on Industry-Academia Partnerships

In December 2021, we signed a MoU with Halla University on industry-academia partnerships and have continued to cooperate with each other steadily such as opening a research center. This partnership will position Halla University as a hub of EV and autonomous driving technology. And we plan to enable the development of practical curriculum aligned with future mobility SW (software architecture, AUTOSAR, cyber security) to secure key talents.

Open Innovation Partnerships

We have partnered with Swiss cable and connector manufacturer HUBER+SUHNER to develop an ultra-high-performance radar with 3D antennas. By leveraging HUBER+SUHNER's expertise in 3D antenna technology, we aim to expand the detection of the vehicle's surroundings. The ultra-high-performance radar, one of the products essential for fully autonomous driving, is scheduled for mass production in 2024. We will continue to work with partners to enhance our autonomous driving solutions and thereby meet the needs for new technologies in the market.

2023 Autonomous Driving Mobility Competition

Since 2021, HL Klemove and its parent company, HL Mando, have held the annual HL Mando & HL Klemove Autonomous Driving Mobility Competition to foster the human resources needed for the autonomous mobility industry. In the 2023 competition, 104 teams, comprising high school and university students across seven categories, advanced to the main round. After completing five months of online training, they demonstrated various of autonomous driving technologies at the main competition held in November. This is the largest autonomous driving competition in Korea, and we have been attracting and motivating students' interest in the autonomous mobility industry through basic online programming education and abundant support with technology and parts.

HUBER+SUHNER Company Building

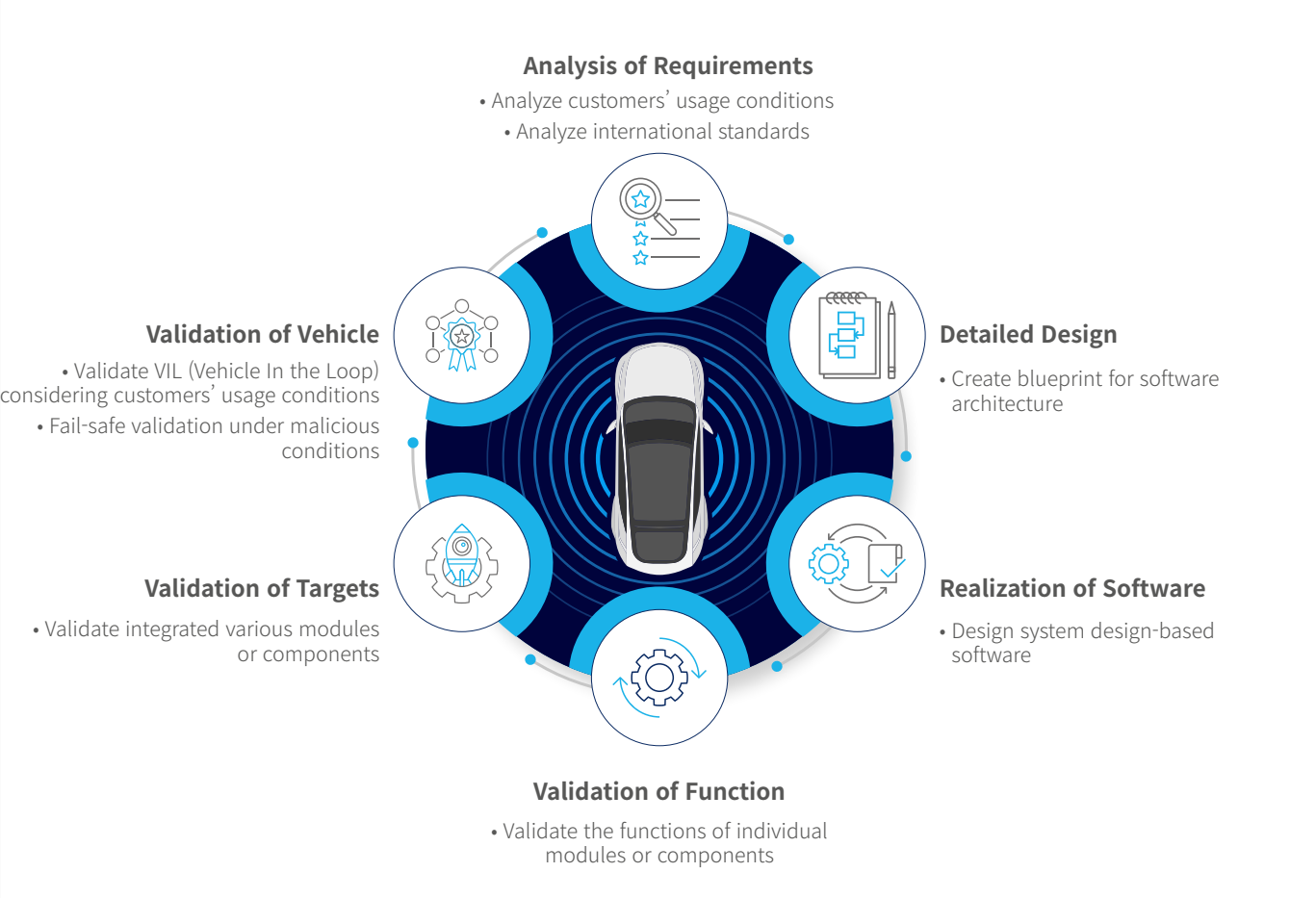2023 HL Mando & HL Klemove Autonomous Driving Mobility Competition

ESG Highlight 02. Technology Innovation

Risk Management

HL Klemove develops products in accordance with V-Cycle, the software development life cycle management requirements of the ISO 26262 international standard. The company identifies, evaluates, and manages potential risks that may occur during the development and operation of software to ensure safety.

| V-Cycle

Analysis of Requirements
• Analyze customers' usage conditions
• Analyze international standards

Detailed Design
• Create blueprint for software architecture

Realization of Software
• Design system design-based software

Validation of Function
• Validate the functions of individual modules or components

Validation of Targets
• Validate integrated various modules or components

Validation of Vehicle
• Validate VIL (Vehicle In the Loop) considering customers' usage conditions
• Fail-safe validation under malicious conditions

Metrics and Targets

HL Klemove manages the number of patents as a key indicator of technological innovation. As of 2023, HL Klemove had 213 registered patents and 139 patent applications.

| Number of Patents

(Unit : Cases)

Category	2021	2022	2023
Registration	144	146	213
Application	193	232	139

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Sustainability Areas

2023 HL Klemove
Sustainability Report

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Environment & Safety

Environment Management 38

Health & Safety 41

HL Klemove has established an environmental policy and environmental management organization with the goal of achieving carbon neutrality by 2050. Recognizing the systematic nature of its environmental management system, all domestic and overseas worksites acquired ISO 14001 certification in 2023. We are promoting step-by-step activities to internalize environmental management, such as manufacturing eco-friendly car parts, operating green bonds, complying with environmental laws and regulations, and managing hazardous chemicals and waste. Additionally, we are implementing various activities to prevent harmful risk factors, such as risk assessments and theme inspections, to ensure workplace safety.

Link to UN SDGs

7 AFFORDABLE AND CLEAN ENERGY
11 SUSTAINABLE CITIES AND COMMUNITIES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION

7.3 Double the global rate of improvement in energy efficiency

11.6 Reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management

12.2 Achieve the sustainable management and efficient use of natural resources

13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries

Percentage of worksites certified against ISO 14001 (Environmental Management System)

100%

*Based on global operations

Percentage of worksites certified against ISO 45001 (Safety and Health Management System)

100%

*Based on global operations

Y-o-Y reduction in energy consumption (intensity)

22.7%

*Based on global operations

GHG Reductions (Scope 1, 2, 3)

10,261 tCO_2eq

*Based on global operations

Waste Recycling rate

86.5%

*Based on global operations

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Environment Management

Environmental Management System

Establishment of Environmental Policies

Recognizing the importance of environment-friendly management, HL Klemove established and implemented an environmental policy in August 2023 to prioritize the environment in all business activities. The company will continue to engage in environmental protection by transparently disclosing our future environmental policies, goals, and tasks to be implemented to achieve them to all employees and stakeholders, aiming to achieve tangible results through continuous improvement in environmental practices.

| Guiding Principles of Environmental Policy

01 • Comply with environmental laws and regulations

02 • Operate the environmental management system

03 • Conduct environmental management for the business

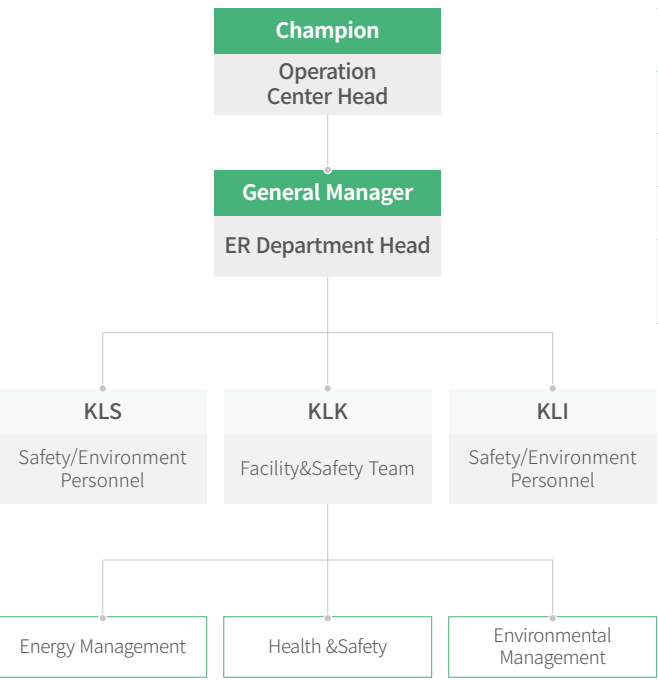**04** • Prevent pollution and protect the environment

05 • Promote transparent environmental management

Environmental Management Organization

To ensure smooth operations in energy, environment, and safety and health management, HL Klemove has established an Environment and Safety Promotion Organization. We conduct regular Council meetings led by the head of the Operation Center and also organize working-level consultative body meetings to share activities and manage performance in each sector. The Council meeting led by the head of the Operation Center is held quarterly, with the division heads and team leaders attending to report major achievements and issues. Additionally, the working level consultative body meeting led by team leaders is held on the fourth week of every month.

In 2023, three Council meetings hosted by the head of the Operation Center and 12 working level consultative body meetings were held. The main agenda items included establishing a greenhouse gas inventory, implementing environmental policies, and procuring renewable energy.

| Environmental Safety Promotion Organization

Champion
Operation Center Head

General Manager
ER Department Head

KLS
Safety/Environment Personnel

KLK
Facility&Safety Team

KLI
Safety/Environment Personnel

Energy Management

Health &Safety

Environmental Management

| Operational Plan for the Environment and Safety Committee

Category	Committee supervised by the Operation Center Head	Working-level consultative body
Meeting frequency	Quarterly	4th Wednesday each month
Methodology	Convening/Written report	Convening
Supervision	Operation Center Head	Team leaders
Participants	Operation Center Head, division heads, team leaders	Team leaders, working-level personnel

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Environment Management

Environmental Management Certification

HL Klemove has been implementing ISO 14001, an environmental management system, since 2010 to manage sustainable environmental practices efficiently and systematically. The company holds certifications for its headquarters in Songdo, Global R&D Center in Pangyo, and plants in China and India.

| Environmental Management System Certification

Category		Location	ISO 14001 Certification
Domestic	Songdo	Plant 1	O
		Plant 2	O
	Pangyo	R&D Center	O
International	China	KLS	O
	India	KLI	O

Compliance with Environmental Regulations

To respond proactively to the increasingly stringent environmental regulations, HL Klemove prioritizes compliance from product design to disposal. A dedicated organization monitors revisions to laws and regulations and conducts semi-annual compliance assessments. In 2023, HL Klemove was not involved in any violations of environmental laws and regulations. In addition, HL Klemove maintains a zero-emission workplace with regard to air and water pollutants, with emissions below legal thresholds and not requiring management.

| Process for Environmental Regulation Management

STEP 01	• Identify latest regulatory trends
STEP 02	• Register in the regulatory register
STEP 03	• Distribute across the board
STEP 04	• Monitor regulatory compliance
STEP 05	• Make improvements

Issuing Green Bonds

In May 2021, HL Klemove issued 5-year green bonds to raise funds for our facility investment and R&D on eco-friendly automotive parts. We received regular surveillance certification audits on these bonds in December 2022 and maintained the Green 1 grade that we received in 2021. The green bonds that we issued were rated 'Very Excellent' in all categories : project adequacy, appropriateness of project selection, appropriateness of fund management, completeness of external disclosures, and environmental management activities. As of April 2024, the entire KRW 60 billion raised through green bonds has been utilized and invested in eligible projects.

| Green Bonds Fund Investment
(Unit : KRW 100 million)

Category	Amount of Investment
Facility	259
R&D	318
Expenses	23
Total	600

As of Dec. 2023

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Environment Management

Chemicals Management

Chemical Risk Management

HL Klemove strives to achieve the goal of "zero chemical accidents" by managing the storage, transportation, and handling of chemicals in accordance with Chemicals Management Guidelines and operating an emergency response process. When using chemicals, we review relevant legal regulations and management standards through applications for the use of newly registered substances, and decide on their use based on assessments of hazard and risk. The assessment results are provided in a Material Safety Data Sheet (MSDS) to ensure that relevant workers are aware of the steps and precautions to be taken, thus eliminating blind spots in the management of risks associated with chemicals. Additionally, the company conducts relevant training for all employees at least once a year and implements activities for managing exposure to hazardous factors and 5S[1] to create a pleasant working environment.

1) Sort, Set in Order, Shine, Standardize, Sustain

| Chemicals Management Process

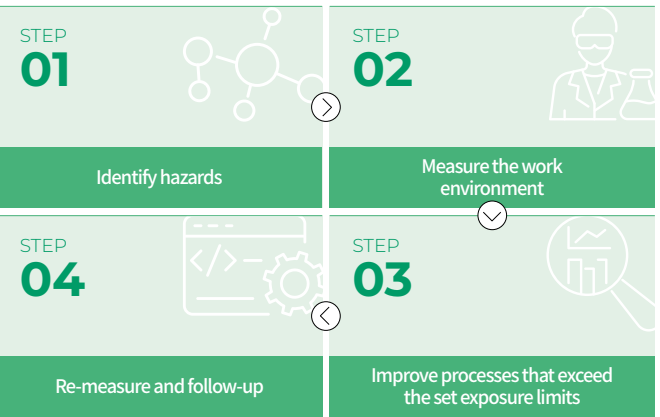| STEP 01 | • Apply for the use of new registered materials |
STEP 02	• Review applicable regulations and management standards
STEP 03	• Assess chemicals for hazards/risks
STEP 04	• Determine their usability
STEP 05	• Provide the MSDS and relevant training to employees

Reduction of Hazardous Chemical Use

The company has been making efforts to reduce hazardous chemicals by transitioning the soldering process to press fit, which decreases the amount of lead used in manufacturing our products.

Number of Chemical Accidents

0 case

| Process of Work Environment Measurement

STEP 01	STEP 02
Identify hazards	Measure the work environment
STEP 04	STEP 03
Re-measure and follow-up	Improve processes that exceed the set exposure limits

Waste Management

HL Klemove identifies and manages waste generated from its business activities in accordance with Waste Management Guidelines, striving to increase recycling rates. Waste is sorted and treated through outsourcing waste management to treatment companies at least once a day in compliance with environmental regulations, and we assess these companies for their legal qualifications and suitability more than once every year.

The company is also reducing waste by improving production line yields and implementing advanced construction methods for new lines. In 2023, we reduced waste generation by 19% compared to the previous year and achieved a recycling rate of 79% for all waste.

Waste Recycling Rate*

79 %

*Based on domestic operations

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Health and Safety

Health and Safety System

Health and Safety Strategy

HL Klemove has declared its Health and Safety Management Policy and established a health and safety management strategy aimed at achieving 100% compliance with laws and regulations, 100% identification of potential on-site risk factors and improvements thereof, zero chemical accidents, and fostering a pleasant working environment.

In 2023, our priorities included safety inspections for high-risk groups, safety management for new production lines, expansion of health and safety education, and enhancement of occupational disease and health management for employees.

| Health and Safety Management Policy

Prioritize environment/ safety/health	Prioritize environmental, safety and health considerations in all phases of design, development, production, value-added services, and disposal, aiming to eliminate hazards and reduce risks to safety and health.
Comply with laws and regulations	Comply with legal requirements and other applicable regulations regarding environmental, safety, and health management.
Make continuous improvement	Provide safe and healthy working conditions to prevent work-related injuries and health impairments, improve the environmental safety and health management system continuously to prevent environmental pollution, protect the environment, and enhance environmental safety and health performance.
Remain prepared for emergencies and respond appropriately in the event of emergencies	Establish an emergency response system by identifying potential emergencies and conducting drills to prevent human and material losses and environmental pollution.
Communication	Encourage active participation in ESH management through open communication, consultation, and involvement of all employees, worker representatives, and suppliers.
Ensure transparency	Ensure transparency in EHS management by making EHS policies and performance data available upon request to customers or stakeholders.

Occupational Health and Safety Committee

HL Klemove operates the Occupational Health and Safety Committee to manage health and safety risks systematically and take immediate action. The Committee develops work standards governing safety accidents to ensure proper implementation of the obligation to suspend work as outlined in the Occupational Health and Safety Act while preventing the occurrence of any disadvantages, and reviews compliance with these standards. We also analyze risks caused by equipment and other environmental factors to develop and implement preventive measures against similar risks. In 2023, we conducted four meetings of the Occupational Health and Safety Committee. The primary agenda items included the installation of automatic fire doors on SMT walls to minimize workers' movement on-site, thereby enhancing the efficiency of work and preventing musculoskeletal disorders.

| Health and Safety Management Strategy

- Vision -
Create a healthy and safe workplace that upholds "respect for persons" and "quality of life"

- Strategy -
Build an accident-free workplace with a systematic approach to CSR compliance

- Goals -

Ensure Legal Compliance **100%**	Identify Field Risks and make Improvement **100%**
Chemical Accidents **Zero**	Create a **Pleasant** Work Environment

- Key Challenges -

Health and Safety Management System   Compliance with CSR Requirements   Zero-accident Workplaces

Health and Safety Organization

We are enhancing corporate competitiveness by preventing industrial accidents and strengthening safety levels. The board of directors approves the safety and health plan on an annual basis, and accordingly, we promote safety and health activities. The Facility Safety Team, led by the Vice President responsible for safety management, performs the role of the safety manager and assigns supervisors to each center.

| Health and Safety Management Organization

Category	No. of Pesonnel
Safety Management Managers	2
Safety Managers	3
Health Managers	2
Supervisors	102
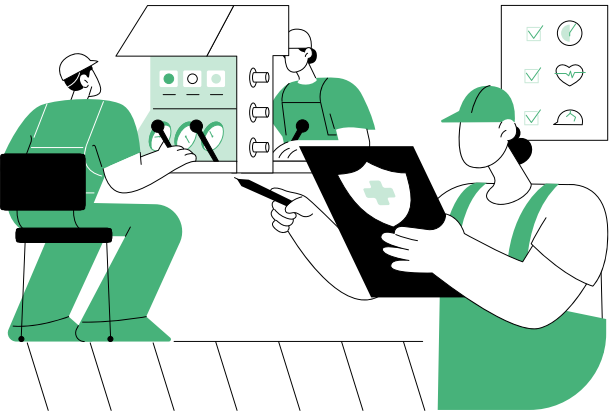
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Health and Safety

Health and Safety Risk Management

Health and Safety Risk Assessment

HL Klemove conducts risk assessments twice a year to proactively prevent safety accidents and manage safety risks effectively. We identify potential hazards and risk factors, and assess their likelihood and severity to derive hazard ratings and implement appropriate management measures. In 2023, a total of 67 risk factors were identified, and a 100% improvement rate was achieved. Major improvements included installing protective covers and interlocks on facilities, affixing health and safety signs, and organizing wires.

| Risk Assessment Process

STEP 01	• Conduct a pre-assessment for risk factors
STEP 02	• Identify risks
STEP 03	• Determine the level of risks
STEP 04	• Determine the range of acceptability
STEP 05	• Establish and implement measures for risk reduction

Themed Audits and Joint Audits

The company conducted themed audits for high-risk processes. In 2023, a total of 5 themed audits were carried out, resulting in a total of 18 findings. All of the identified issues have been addressed and improved.

Additionally, we conducted joint labor-management safety audits on three new production lines to ensure worker safety before the start of mass production, and incorporated all identified improvements.

| Themed Audits for High-risk Groups

Item	Check Schedule	Details	No. of deficiencies	No. of improvements
Forklifts	Feb.	· Status of protective devices · Qualifications of forklift drivers · Condition of the workplace floor · Completion of work plans	-	-
Electricity	Apr.	· Presence of protective covers for the charging section of the distribution panel · Condition of wires in terms of damage or aging · Condition of outlet sockets in terms of stability and damage · Existence of equipment grounding	6	6
Exposure of driving parts	Jun.	· Existence of exposed driving parts · Presence of damaged protective covers	3	3
Interlock	Aug.	· Installation status of door interlocks · Presence of damage to door interlocks · Status of door interlocks in terms of proper functioning	6	6
Chemical	Oct.	· Posting status of MSDS · Attachment status of MSDS warning labels · Storage conditions of chemical substances	3	3

Emergency Preparedness and Response Process

In anticipation of potential emergencies, HL Klemove has established emergency preparedness measures and response guidelines to minimize damage in the event of an incident.

In order to remain prepared for emergencies, we analyze historical records or past cases to identify potential emergency scenarios and develop appropriate response plans. In 2022, we introduced a jig carrier to prevent finger fractures that can occur during jig changes, aids for processing parts, and thereby enhance the safety of our work environment.

In the event of an emergency, we address the situation and organize an emergency response team promptly based on the scale of the incident for effective management. Following the resolution of the emergency, we report the final outcomes to the CEO, conduct assessments of environmental impact and risks, and perform maintenance on equipment and machinery.

| Incident Investigation Process

Incident Occurs → Compose Task Force → Implement Measures → Report to CEO

Health and Safety Certification

HL Klemove has obtained ISO 45001 certification, an international standard for health and safety management systems, for product design and production activities at the headquarters, and factories in China and India. Additionally, to enhance understanding of the health and safety management system, key personnel in all departments underwent training on the requirements of the environmental health and safety management system, including internal auditors training.

ISO 45001 Certification

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Health and Safety

Embedding a Culture of Health and Safety

Occupational Health and Safety Training

Every year, we develop customized health and safety training plans for each target group, and submit the plans for approval from the Occupational Health and Safety Committee. New employees undergo eight hours of safety training, while newly hired shopfloor employees receive 56 hours of specialized training. Company-wide, office employees complete six hours of online training on a quarterly basis, while technical employees engage in two hours of offline training every month. Furthermore, shopfloor employees transitioning to new work assignments receive an extra four hours of training. We will continue our efforts to create a mature safety culture.

| Status of Occupational Health and Safety Training

Category	Unit	2021	2022	2023
Employees subject to be trained	Employees	772	1,146	1,163
Rate of Employees who completed training	%	100	100	100
Safety training hours per person	Hours	24	24	24

Health Management Support

HL Klemove implements various activities to prevent occupational diseases, support worker health checkups, and promote the physical and emotional health of our employees. In particular, as a significant improvement in 2023, we conducted a survey on musculoskeletal hazards to prevent musculoskeletal diseases and implemented improvement activities such as installing lifts, adjusting workstation heights, and expanding the selection of musculoskeletal protective equipment.

| Health Support Program

Employee Health Checkups	General checkups	Health screenings to manage employee health
	Specialized medical checkups	Specialized medical checkups for personnel exposed to hazards
	Comprehensive checkups	Support for comprehensive medical checkups for employees who are aged over 38 and have 10+ years of service
Prevention of Occupational Diseases	Management of job stress	Surveys and statistical analysis to manage job stress
	Prevention of brain · cardiovascular diseases	Risk assessments and physician health counseling to prevent brain and cardiovascular diseases
	Prevention of musculoskeletal disorders	Remediation activities based on results of investigations on musculoskeletal hazards
Health Management	Operate a healthcare center	Remain prepared for emergencies with capabilities for providing first aids and manage employee health by operating a healthcare center
	Flu vaccinations	Free flu vaccination for employees and their spouse
	Provide health counseling for persons with clinical symptoms	Improve employee health through health counseling for persons with clinical symptoms based on health screening results

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Technological Innovation

HL Klemove aims to lead the mobility sector through quality innovation. Based on our unique quality philosophy and principles, we have established a quality management system and monitoring processes, such as Monthly Quality Review, and created a systematic verification system to manage the quality of our products. We will continue to strive to provide the highest quality products by internalizing quality management practices.

Link to UN SDGs

8.2   Achieve higher levels of economic productivity through diversification, technological advancement and innovation

9.4   Upgrade infrastructure and retrofit industries to make them sustainable, with increased efficiency and greater adoption of clean technologies and industrial processes

9.5   Enhance scientific research and upgrade the technological capabilities of industrial sectors in all countries

Percentage of worksites certified against IATF 16949 (Quality Management System)

100 %

*Based on global operations

Number of Themed Agendas of Monthly Quality Review

12 agendas

*Based on global operations

Annual Quality Assurance Budget

KRW **17.1** billion

*Based on global operations

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2023 HL Klemove
Sustainability Report

Quality Management

Quality Management Strategy

HL Klemove aims to earn customers' trust and uphold the highest level of quality through leading quality innovation. Recognizing the significance of safety in quality, we have established "MOVE for Safety" as our quality philosophy, which is executed according to four principles : continuous monitoring (Monitoring), systematic quality management (Organization), thorough validation (Validation), and gradual improvement (Evolution).

| Quality Management Strategy System

QUALITY MISSION

Higher Level Quality, with Klemove

QUALITY VISION

Keeping trust by Leading quality innovation Everyday

QUALITY PRINCIPLE

MOVE for Safety

Monitoring
Monitoring is the first step to ensure the quality of safety.

Organization
The basics of quality are consolidated through organization.

Validation
Safety quality is secured through thorough validation.

Evolution
Continuous evolution ensures ongoing improvements in safety and quality.
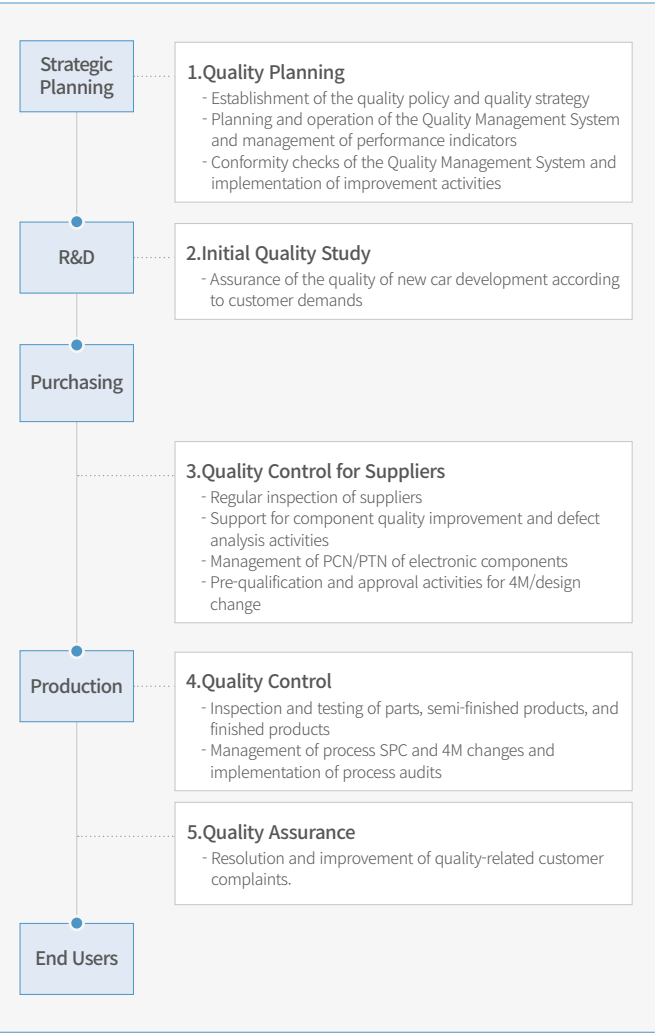
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Quality Management

Monitoring

Quality Control System

HL Klemove has categorized the requirements and procedures for product design and production into 10 stages according to quality management process regulations. Based on this categorization, the company manages quality rigorously at every stage, including strategic planning, R&D, purchasing, production, and sales. The goal is to promote optimized product design and quality management processes that meet customer requirements and comply with the requirements of ISO 26262, the international standard for road vehicle functional safety.

The received quality issues are reported to the management, including the CEO who serves as the general manager of the Quality Division, and are managed thoroughly according to documented workflow procedures and quality issue registration methods. The company's Key Performance Indicators (KPIs) include the number of major quality issues, rate of defects identified at customer assembly lines, defect rate for new cars, mass production field defect rate, Q-Cost, software defect rate, and process defect rate. The status of KPI implementation is reported to the management through the monthly quality conference called "Monthly Quality Review."

| Quality Control Process

Strategic Planning

1.Quality Planning
- Establishment of the quality policy and quality strategy
- Planning and operation of the Quality Management System and management of performance indicators
- Conformity checks of the Quality Management System and implementation of improvement activities

R&D

2.Initial Quality Study
- Assurance of the quality of new car development according to customer demands

Purchasing

3.Quality Control for Suppliers
- Regular inspection of suppliers
- Support for component quality improvement and defect analysis activities
- Management of PCN/PTN of electronic components
- Pre-qualification and approval activities for 4M/design change

Production

4.Quality Control
- Inspection and testing of parts, semi-finished products, and finished products
- Management of process SPC and 4M changes and implementation of process audits

5.Quality Assurance
- Resolution and improvement of quality-related customer complaints.

End Users

Monthly Quality Review Operation

For systematic and proactive quality control, HL Klemove operates the "Monthly Quality Review." The heads of centers and managers, including the CEO, gather on a monthly basis to discuss the previous month's instructions, quality KPIs and monthly quality status; announce countermeasures for major quality issues; and discuss various quality agendas periodically to strengthen preemptive activities for prevention of quality issues.

In 2023, the company conducted the 'Monthly Quality Review' every month, and also held the Global Monthly Quality Meeting, which involved overseas subsidiaries, every quarter. The meeting covered a total of 12 quality-themed agendas, including discussions on major quality issues, quality improvement measures, analysis of field quality trends for key products, and internal and external system changes. In 2024, HL Klemove will strive to select appropriate agenda items carefully for the conference and operate the conference effectively to ensure that the meetings continue to contribute to the company's growth.

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Quality Management

Organization

Standardization of Global Processes

In 2022, HL Klemove integrated and reorganized the company's quality management system processes. In line with the rapidly changing and growing global trend, in 2023, the company carried out activities for standardization of global processes, such as global expansion and attracting new customers, to provide systematic and efficient support and management for overseas subsidiaries. In addition, an analysis of each overseas subsidiary's organization and functions was conducted while standardizing a total of 382 Quality Management System documents based on the results of analyzing the differences between the processes used by each subsidiary. In 2024, HL Klemove plans to ensure the integrity and compliance of the processes by conducting compliance checks on the standardized documents under the oversight of the headquarters and improving any non-conformities identified during the inspection. HL Klemove will make steady improvements to establish mature processes that all employees can follow, taking into account the rapidly changing nature of the industry.

Management System Based on GQCS Grades

HL Klemove implements a graded management system for customer and process defect issues, categorizing them into five grades from A to E based on severity. Grade E corresponds to general customer-related or process quality issues, which are reported to the team leader and registered in the computer for management. Grade D applies to quality issues worth less than KRW 50 million and reported by customers, such as those identified in pre-shipment or pre-sale inspections, poor lot quality, quality cost risks, and cyber security issues. Process quality issues that occur more than 10 times consecutively or exceed 10% per hour are categorized under Grade D. Issues categorized as Grade D or higher are placed on the monthly quality meeting agenda and reported to the management, including the CEO. Grade C encompasses one-time safety issues, customer quality concerns like customer shipments or line stops, and process quality issues such as potential lot quality problems and customer line stops. Grade B is designated for lot safety issues, and Grade A for safety recalls and field campaigns. Issues categorized as Grade C and above are integrated into and managed as company-wide KPIs. If necessary, countermeasures are announced and aligned with quality stabilization and prevention activities.
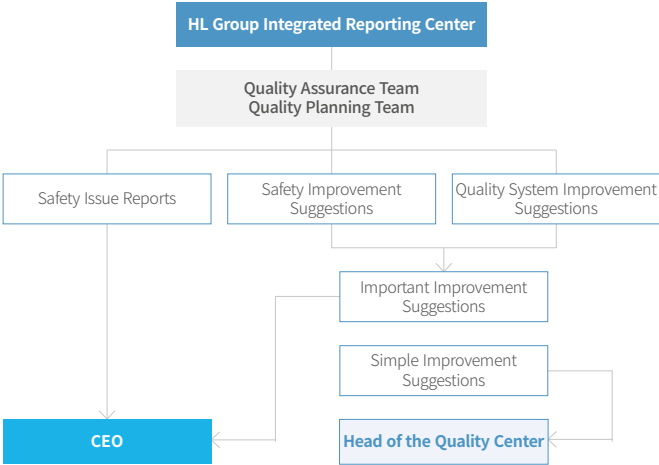
Procedure for Handling Quality Safety Issues

The company has established a process for handling customer complaints to receive and address quality and safety issues. Customers can report quality issues through the HL Group Integrated Reporting Center following prescribed reporting procedures. The received reports are classified into three types by the Quality Assurance Team and Quality Planning Team. 'Safety issue reports' are promptly escalated to the CEO, while 'safety improvement suggestions' or 'quality system improvement suggestions' are further categorized into simple or important improvement suggestions based on their significance. Simple suggestions for improvement are reported to the head of the quality center, whereas important suggestions for improvement are reported directly to the CEO. All reported issues undergo final decision-making, and the results along with response plans are communicated to the informant. The company encourages customer suggestions and actively collects feedback by ensuring the informant's anonymity.

| Management System Based on GQCS Grades

Grade	KPI	Action	Reporting Line
E	-	Registered in system (Prepare countermeasures)	Team leader
D	-	Reported to the Monthly Quality Review	
C	Integrated into company-wide KPIs	Reported to the Monthly Quality Review	Management, including the CEO
B			
A			

| Quality Safety Issue Handling Process

HL Group Integrated Reporting Center

Quality Assurance Team
Quality Planning Team

Safety Issue Reports

Safety Improvement Suggestions

Quality System Improvement Suggestions

Important Improvement Suggestions

Simple Improvement Suggestions

CEO

Head of the Quality Center

Quality Management

Validation

Autonomous Driving Validation through the HILS[1] System

We conduct ADAS[2] and AD[3] validation by leveraging the HILS system that allows us to verify automotive software and electronic parts in a virtual environment prior to testing. By using the HILS system, HL Klemove has been able to address the challenges of requiring expensive facilities and installation spaces, and has overcome limitations in vehicle modeling and sensor verification for precise implementation. In addition, we have been able to reduce the cost and time, conduct repeated testing under the same conditions, and most of all, strengthen driver safety significantly. To ensure our mass-production quality, we deploy validation equipment and perform validation on all our ADAS products in the mass-production phase - FCM[4], FRM[5], ADCU[6] – as well as SPAS[7], one of the first mass-produced ADAS products.

1) HILS : Hardware in the loop Simulation
2) ADAS : Advanced Driver Assistance Systems
3) AD : Advanced Driver
4) FCM : Front Camera Module
5) FRM : Front Radar Module
6) ADCU : Automated Driving Control Unit
7) SPAS : Smart Parking Assist System

Real-World ADAS Verification

To meet customer requirements based on the type and function of vehicles, HL Klemove conducts verification of specifications at each stage of development and ensures that past issues have been addressed and improved. We also conduct system tests to evaluate robustness of the system under extreme functional and environmental conditions and verify whether our products function according to the set specifications even in failure mode. In addition, on-road tests are performed to evaluate the reliability of sensors and systems under varying road and traffic conditions, along with performance validations conducted in domestic and overseas ADAS test sites. We also respond to regional New Car Assessment Programme (NCAP) assessments made in North America, Korea, China and other countries.

Quality Management System Certification

In the product development stage, HL Klemove adheres to A-SPICE, an international standard for the development of automotive software, and ISO 26262, an international standard for automotive functional safety, while conducting internal audits and certification audits based on IATF 16949 (Automotive Quality Management System). Additionally, we analyze potential failure effects during design and process stages to prevent product safety issues proactively. The company is committed to continuous improvement of our quality management system to ensure product quality and provide the best services.

| Quality Management System Certification

Category		Location	IATF 16949 Certification
Domestic	Songdo	Plant 1	O
		Plant 2	O
International	China	KLS	O
	India	KLI	O

HILS LAB

Real-World ADAS Verification

Quality Management Certification Review Meeting

IATF 16949 Certificate

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Quality Management

Evolution

Quality Reporting and Reward Programs

The HL Klemove Quality Center operates two quality reward systems, the Quality Excellence Line category and the Quality Reporting category, to motivate employees in quality management and encourage quality improvement activities. In the Quality Excellence Line category, the top three production lines that produced the most exceptional outcomes based on quality assessment criteria are chosen and line workers and relevant personnel rewarded on a semi-annual basis. In the Quality Reporting category, production technicians who identify and report non-conforming products to prevent their release are rewarded individually. In 2023, rewards were distributed semi-annually in the Quality Excellence Line category and quarterly in the Quality Reporting category. In 2024, we plan to further refine the criteria for operating the reward system.

Anti-ESD Training

In 2023, we provided 60 new employees with training to prevent Electrostatic Discharge (ESD), which affects our production quality. We conduct this training for employees who come into contact with or handle materials that are highly sensitive to ESD. Following the training, employees are required to take tests, and only those who score 80 points or higher are permitted to work with sensitive materials. Those who score below 80 points undergo re-training to strengthen their qualification. Employees in manager position and technicians who have access to EPA zones receive annual ESD refresher training.

Improving Awareness on Quality Management

HL Klemove publishes a quarterly quality newsletter to share updates on quality performance and internal quality-related news, and to summarize domestic and international trends related to quality. In particular, after standardizing the quality management system process in 2022, we conducted quality promotion activities for all employees in 2023 to encourage internalization of the process. We utilized webcomics that enable employees to easily understand the importance of processes and key procedures. Post-activity surveys indicated high employee satisfaction. In 2024, we plan to implement the same approach at overseas sites (KLS, KLI, and KLM).

Webcomics to raise awareness regarding the importance of processes

Emergency Response Process for Serious Civil Accidents

We have established guidelines for responding to serious civil accidents and operate emergency response procedures for incidents resulting in deaths or injuries due to defects in the design, manufacturing, or management of products. The company will continue to prioritize management activities that safeguard citizens' safety and lives by thoroughly implementing and continuously improving our guidelines and procedures for responding to major civil accidents.

| Procedure for Responding to Serious Civil Accidents

STEP 01 • Identify and report accident-related information to the management

STEP 02 • Review cause of the accident and its effect

STEP 03 • Submit initial comments, findings to the responding organization

STEP 04 • Conduct a joint field investigation with the responding team and organization

STEP 05 • Review the appropriateness of findings of the field investigation

STEP 06 • Establish response measures and plans for prevention of recurrence and validate their effectiveness

STEP 07 • Report results to the management and finalize the case

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2023 HL Klemove
Sustainability Report

Supply Chain

To build a sustainable supply chain, HL Klemove supports its suppliers in strengthening their ESG capabilities and implements various programs for win-win partnerships. The ESG assessment system for suppliers, established in 2022, is being upgraded step by step, and a computerized system to manage conflict minerals in the supply chain is scheduled to be introduced in the first half of 2024. We also hold exchange events such as Partners' Day and meetings, to strengthen win-win partnerships with suppliers.

Link to UN SDGs

8.3   Promote development-oriented policies that support productive activities, the creation of high quality jobs, creativity and innovation, and encourage the growth of small and medium-sized enterprises

17.16 Enhance the global partnership for sustainable development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology, and financial resources

Total Number of Suppliers (Tier 1 Suppliers)

168 companies

Purchase Amount from Suppliers

KRW **701.4** billion

Suppliers Subject to ESG Assessments

15 companies

Percentage of Suppliers Certified Against ISO 9001 (Quality Management System)

100 %

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Supply Chain ESG Management

Suppliers' Code of Conduct

In order to establish and manage a sustainable supply chain, HL Klemove has developed a Code of Conduct based on Drive Sustainability's Global Automotive Sustainability Practical Guidance. This Code of Conduct encompasses best practices in the areas of ethics, environment, human rights, safety, supply chain, and technology, and is applicable to all suppliers[1] and stakeholders with whom HL Klemove has business agreements.

We ensure active adherence to the Code of Conduct in our suppliers' business operations and management decisions through the completion of the Supplier Code of Conduct Review Confirmation Form. In addition, HL Klemove is striving to build a sustainable supply chain ecosystem by checking compliance with the Code of Conduct within legal limits, ensuring that recommended improvements are implemented, and participating in improvement activities to enable our cooperating partners to faithfully develop and execute corrective action plans.

1) HL Klemove's main upstream suppliers are raw material providers such as semiconductors and Printed Circuit Boards (PCBs), and in the case of downstream, carriers account for most of the purchases.

| Main Provisions of the Code of Conduct for Suppliers

Working Conditions and Human Rights	Ethics	Environment	Supply Chain	Management System
• Humane treatment • Non-discrimination • Prohibition of bullying • Prohibition of forced labor and human trafficking • Prohibition of child labor • Fair wage and benefits • Fair working hours • Occupational health and safety • Hygiene management • Freedom of association • Political neutrality	• Fair competition and anti-cartel • Prohibition on the use of counterfeits • Prohibition of corruption, extortion and bribery • Tax compliance • Compliance with export sanctions • Financial responsibility and anti-money laundering • Documentation and records • Disclosure • Prevention of conflicts of interest • Anonymity and non-retaliation	• Development and dissemination of eco-friendly technology • Energy consumption and GHG emissions • Conservation of resources and waste management • Management of hazardous chemicals • Management of water resources • Atmospheric emissions	• Supplier management • Responsible sourcing of raw material	• Commitment • Legal and customer requirements • Training • Corporate social responsibility • Risk assessment and management

Supply Chain ESG Management

Supplier Assessment

Suppliers ESG Assessment System

HL Klemove conducts ESG assessments for suppliers through a series of processes, including document assessment, on-site assessment, reporting of assessment results, and management of result history, for systematic management of the supply chain.

After establishing an evaluation system and conducting pilot assessments in 2022, we assessed 15 suppliers with a purchase amount exceeding KRW 1 billion in 2023, in collaboration with an external specialized organization.

In 2024, we plan to expand the scope of assessment to include over 20 companies by adjusting the selection criteria and incorporating strategic key suppliers, such as those targeting to become regular suppliers and those expected to see an increase in the transaction amount. In addition, the company is establishing its own ESG assessment system to internalize the management of ESG risks among suppliers. By 2024, with the goal of implementing this system in 2025, we will develop capabilities for internal audits through joint assessments with an external organization. The procurement councils of the three HL companies (HL Mando, HL Klemove, and Mandobrose) will create their own C/sheets (criteria sheets). Based on the developed C/sheets (criteria sheets), we will conduct a pilot assessment in 2024 and compare the results with those from external auditors to review and improve the consistency of the C/sheets. Starting from the second quarter of 2024, we have incorporated the results of ESG assessment into our supplier assessments and criteria for selection of new suppliers. By adding an ESG assessment item to the KSAS[1] system, we are managing the history of assessment results, reviewing reflection criteria, and revising the QMS process to provide additional scoring for the selection of new mass production companies.

1) KSAS : Klemove Supplier Assessment System

| Suppliers ESG Assessment Process

Q1	Q2	Q3	Q4
Select suppliers to be assessed	Conduct (internal) online document/ on-site assessment	Support Level-Up for suppliers with major risks	Report results and continue monitoring

Strengthening Suppliers' ESG Capabilities

Based on the results of the ESG assessment for suppliers, HL Klemove will provide consulting to high-risk suppliers to support their ESG management practices. We will continue conducting management and support activities to enhance our suppliers' ESG capabilities.

Conflict Minerals Management

Conflict Minerals Policy

As a global autonomous driving components company, HL Klemove has established a conflict minerals policy based on international guidelines, including the OECD Due Diligence Guidance, and is at the forefront of responsible mineral sourcing. We prohibit the use of conflict minerals to eliminate environmental destruction and violations of human rights in conflict areas, and also manage the ethical procurement status of suppliers. The company will continue to monitor responsible mineral trends and enhance the scope of its management and systems based on these trends.

Conflict Minerals Risk Management

The company has established relevant norms and management guidelines to raise suppliers' awareness of conflict minerals, and conducts briefings and training sessions. Additionally, HL Klemove conducts CMRT[1], CRT[2], and EMRT[3] research and monitoring to track conflict minerals and identify smelters in high-risk areas, allowing the company to manage associated risks proactively.

In 2024, we plan to implement a computerized system for the management of conflict minerals and further strengthen our management system by incorporating conflict minerals into the ESG assessment of our suppliers.

1) CMRT : Conflict Minerals Reporting Template
2) CRT : Cobalt Reporting Template
3) EMRT : Extended Minerals Report Template

Establishment of a Conflict Mineral Data System

In 2023, we established a computer system for conflict minerals management tailored to our business format to enhance our capabilities for the management of conflict minerals risks. This system allows us to receive conflict mineral reports and manage the data using a database, enabling us to respond quickly and accurately to the needs of OEMs and Tier 1 suppliers.

In the first half of 2024, HL Klemove will provide training to suppliers on how to use the system effectively, and following the training, we plan to fully implement the system to manage conflict mineral risks systematically.
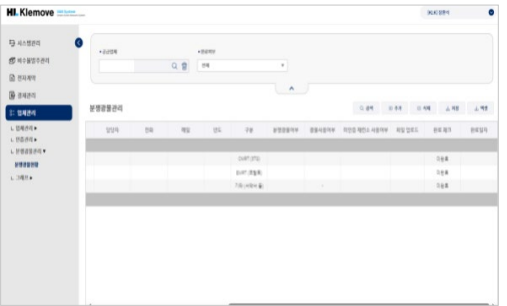
Conflict Mineral Data System Pilot Operation Screen

2023 HL Klemove
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Win-Win Partnership

Mutual Growth Strategy

HL Klemove has established and promotes "Building a culture of fair trade, enhancing the competitiveness of suppliers, and creating trusting relationships" as the core three strategies for mutual growth. We aim to strengthen our partnership with suppliers by expanding the scope of each strategy every year.

| Top 3 Strategies and Initiatives for Mutual Growth

Culture

Establish a culture of fair trade
- Comply with the four action principles
- Provide training for employees
- Spread the integrity management culture

Competitiveness

Bolster suppliers' competitiveness
- Improve payment conditions
- Promote quality and safety management

Trust

Build trust-based relationships
- Host Partners' Day
- Resolve grievances promptly
- Convene discussion meetings for suppliers

Establishment of a Fair Trade Culture

Fair Subcontracting

To establish fair subcontracting practices, HL Klemove enters into fair trade agreements with its suppliers and actively adopts and implements the four practices established by the Fair Trade Commission.

| Four Subcontracting Practices

01 Sign desirable contracts
• Describe unit price adjustments based on fluctuations in raw material prices and ensure compliance with the payment terms

02 Select and manage suppliers in a fair manner
• Establish and publicly disclose policies regarding fairness in the selection process

03 Establish/operate the internal deliberation committee
• Disclose the operation of the internal review committee for subcontracting transactions, along with related internal policies and procedures

04 Issue and retain proper paper documents
• Introduce and apply standard subcontracting agreements and develop plans to operate a contract management system

Fair Trade Training for Employees

The company conducts fair trade education to foster horizontal relationships with suppliers based on mutual respect and integrate the approach into the corporate culture. This includes providing training in business etiquette, including basic concepts of negotiation, identification of stakeholders and counterparty behavior, strategies for changing perceptions, as well as training related to subcontracting law.

Distribution of the Integrity Management Practice Messages

As part of strengthening ESG management, HL Klemove distributed "Integrity Management Practice Messages" to key suppliers during holidays such as Lunar New Year and Chuseok, encouraging them to practice ethical management and laying the foundations for mutual growth.
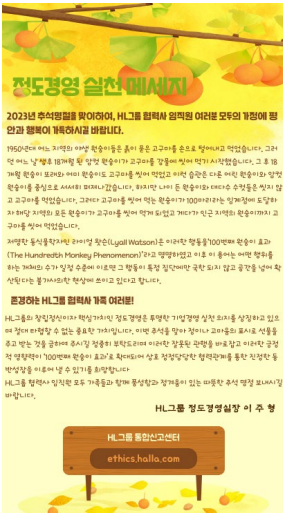
Integrity Management Practice Message

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Win-Win Partnership

Bolstering Suppliers' Competitiveness

Complying with Payment Conditions

HL Klemove is striving to improve payment terms to ensure smooth cash flow for suppliers. For Small and medium enterprises, we pay within 3 days from the payment due date for amounts of KRW 13.2 million or less, including VAT. For amounts exceeding this threshold, we adhere to the principle of paying within 50 days from the date of issuing the tax invoice for both consignment and subcontract transactions.

Managing Supplier Quality and Employee Safety

HL Klemove encourages suppliers to obtain the ISO 9001 certification to enhance their quality capabilities. Additionally, we provide development and quality training to new suppliers to enhance their development capabilities and expertise. In 2023, we conducted APQP[1] and PPAP[2] training for a total of 7 suppliers, and in 2024, we plan to conduct FTA[3] training and additional PPAP training.

We also manage ISO 14001 certification status to ensure that suppliers' employees work in a safe environment.

1) APQP : Advanced Product Quality Planning
2) PPAP : Production Part Approval Process
3) FTA : Free Trade Agreement

Training Session for Suppliers

Building Trust-based Relationships

Hosting Partners' Day

We host Partners' Day annually for key suppliers to share our business plans, quality goals, and mid/long-term roadmap transparently and build trust-based relationships with them as business partners.

Partners' Day

Supplier Discussion Meetings

HL Klemove conducts meetings with key suppliers to share information and strengthen relationships. In November 2023, we discussed our supply chain operations with five suppliers in the electronics domain and five others in the equipment/outsourcing domain. We plan to continue these meetings to foster trust-based relationships with our suppliers.

Supplier Discussion Meeting

Collecting Supplier Grievances

We visit suppliers regularly to listen to their concerns and implement improvement activities. In addition, we have posted an email address (withhlklemove@hlcompany.com) on our website so that suppliers can submit grievances at any time and from any location.
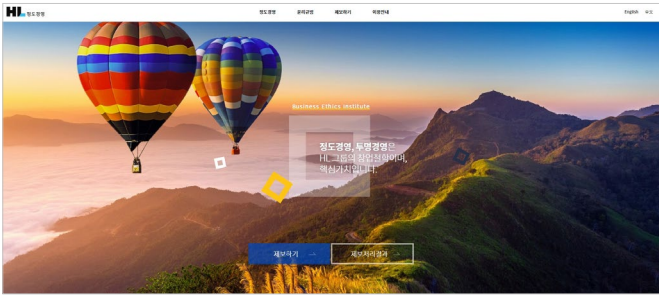
Integrity Management Website
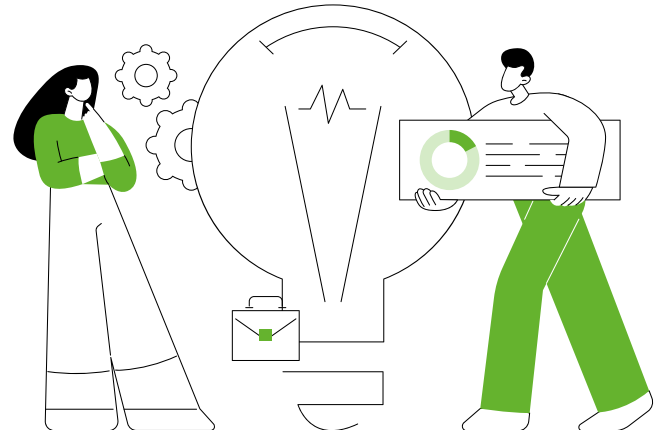
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Labor Rights

Labor 56
Human Rights 63

HL Klemove values the dignity, value, and rights of all stakeholders. We comply with the Universal Declaration of Human Rights (UDHR), the UN Guiding Principles on Business and Human Rights (UNGPs), and all labor principles recommended by the International Labor Organization (ILO) and adopted by member states, while conducting various activities to provide a quality working environment for employees and prevent harassment and discrimination in the workplace. For example, we conduct company-wide human rights impact assessments to proactively identify human rights risks and make improvements based on them to create a healthy environment where employees can focus on their work.

Link to UN SDGs

4 QUALITY EDUCATION
5 GENDER EQUALITY
8 DECENT WORK AND ECONOMIC GROWTH
10 REDUCED INEQUALITIES

4.4 Increase the number of youth and adults who have relevant skills, including technical and vocational skills, for decent jobs and entrepreneurship

5.4 Recognize and value unpaid care and domestic work through the promotion of shared responsibility within the household

8.5 Achieve full employment and decent work for all, and equal pay for work of equal value

10.2 Promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or other status

Percentage of Worksites Conducting Human Rights Impact Assessment
100 %
*Based on global operations

Percentage of Employees who Attended Human Rights Training
100 %

Percentage of Grievances Handled
100 %

Average Welfare Expenses per Employee
KRW **3.77** million

Percentage of Employees with Disabilities
1.8 %

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Labor

Talent Management Strategy

With the transition to the era of SDV (Software Defined Vehicle), it is essential to secure software talent and develop competencies based on a software culture. Additionally, workers' perspectives on job values are shifting from the concept of work-life separation to one of work-life balance. To respond to these changes in the external environment, HL Klemove has set "Pro Sport Team" as its goal and established a talent management strategy based on G-PATH (Path to Growth) as its core value. By continuously identifying and implementing tasks in the four areas of culture, organization, talent, and leadership, we strive to recruit and nurture the right talents for the company. The company aims to ensure that all employees work with a professional spirit and move forward as a team through communication and cooperation.

| Talent Management Goals and Strategies

• Goals •
Pro Sports Team

| Encourage Growth and Accomplishments through Work | Ownership & Winning Spirit & Star Player | Explore Changing Environment and Respond with Agility & Flexibility | One Team Spirit through Communication & Collaboration | Respect Individuals and Embrace Diversity |

Growth · **P**rofessional · **A**gility · **T**eamwork · **H**umanity

Culture	**Organization**	**Talent**	**Leadership**
'Internalize the Pro Sports Team culture'	'Build an Agile and Efficient Work Environment'	'Build Pipeline for Talent Growth'	'Internalize Inclusive Leadership'

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Talent

Enhancing Recruitment Competitiveness

HL Klemove is committed to recruiting talent that is suitable for the mobility industry and aligns with the organizational culture of the company. We have secured an excellent talent pool by strengthening industry-academia collaboration activities, promoting training programs for software manpower, and introducing promotional measures tailored to younger generations such as Gen Z. We will continue to enhance diversity by increasing the recruitment of foreigners and women in Korea and expand our hiring efforts through in-house recruitment and recruitment-linked internship programs.

| Strategy for Securing Top Talent

Category	Details of Achievements
Industry-Academia Cooperation	· Support SW Career Scholars · Implemented 4 industry-academic assignments · Conducted 2 industry seminars · Hosted 2 industry-academia roundtables · Run a relevant graduate lab exchange program
Bolstering Branding	· Conduct branding activities for Gen Z using social media channels such as YouTube and recruitment platforms · Utilize on-campus facilities for promotional activities such as university newspapers, sponsorship of academic conferences, coffee truck events, promotion using on-campus facilities (e.g. kiosks), etc. · Host company tours for college and graduate students · Operate a KakaoTalk channel for 1-on-1 consultation 365 days a year
Advancing the process	· Introduce SW competency verification tools, such as practical customized coding tests and AI tests for developers.

Customized Self-Development Program for Each Generation

In addition to our existing job training program, HL Klemove is actively improving self-development programs to enable employees boost their self-efficacy. In 2023, we introduced Class101 to cater to employees' diverse content needs. Moving forward, we plan to introduce an AI-based learning platform to foster a culture of self-directed learning.

HalLab

In collaboration with the HL Human Resources Development Center, HL Klemove runs HalLab, a learning and research community aimed at fostering a culture of continuous learning and enhancing the knowhow and skills of our staff engaged in automotive R&D. This program emphasizes autonomous learning and motivation, catering to the values of growth, fun, autonomy, and responsibility that resonate with millennials and Gen Z. In 2023, a total of 346 employees from HL Group affiliates, including 91 from HL Klemove.

HIGHLIGHT

Intelligent Vehicle School

In line with the increasing complexity of the value chain based on the continual growth of the software and mobility software market, the demand for recruiting talented software professionals is increasing. In response to this need, HL Klemove is conducting the "Intelligent Vehicle School," a software manpower training program, as a member of the K-Digital Training Digital Leading Company Academy—a project operated with support from the Ministry of Employment and Labor.

Since November 2023, a total of 19 trainees have been participating in courses focused on embedded software and autonomous driving software. We expect these trainees to develop into skilled professionals in the future mobility industry through systematic and professional training, as well as the development of practical skills.

Training Program Webpage

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Leadership

Leadership Program

In 2023, HL Klemove conducted a leadership training program for 59 team leaders at the headquarters to enable them recognize the changing role of leaders in times of change and growth and to foster leadership that coaches team members toward growth and success. The program covered inclusive leadership and one-on-one coaching focused on assessment, feedback, and forward-thinking skills. In 2024, we plan to expand training to include self-awareness, empathy, conflict management, and coaching leadership, utilizing various media such as books and online magazines for learning.

Leadership Program

HL Business School

The HL Business School (HBS), operated by the HL Human Resources Development Center, focuses on nurturing future leaders who can drive sustainability management. For about 6 to 10 months, intensive training focused on MBA curriculum such as strategy, financial accounting, marketing, and HR is conducted for each position such as manager level (HBS) and executive level (HBS PLUS).

Future Leader

Initiated in 2020, our Future Leader program aims to cultivate young, talented individuals who will spearhead the growth of HL Klemove. Selected employees receive personalized career coaching, high-quality job training, and guidance from internal job experts, with all aspects of the program tailored to their individual career aspirations, circumstances, and organizational needs. Additionally, they have the opportunity to engage in discussion meetings with the Group Chairman, where they can benefit from his valuable insights and management philosophy.

Organization

On-Boarding

HL Klemove operates On-Boarding and Off-Boarding programs to ensure positive employee experiences throughout employee lifecycle. To help new employees adapt to company life, we established an On-Boarding site that offers timely information about work and the work environment, along with a glossary of work-related terms and abbreviations. In 2023, we developed video content tailored for Gen Z and improved mobile accessibility. We plan to enhance the program in 2024 by integrating it into the Welcome Book and providing step-by-step missions to help new hires adapt to company life. Additionally, we conduct quarterly meetings for employees in their first year of employment to address their work-related concerns and facilitate networking among colleagues. In 2023, a total of five meetings were held, with 66 employees participating.
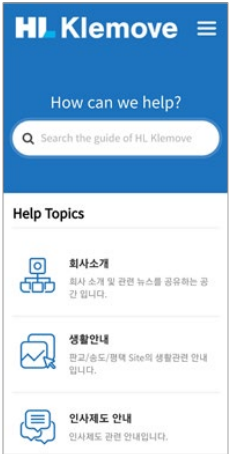
On-Boarding Mobile Website

Off-Boarding

In 2023, we conducted the Off-Boarding program as a pilot initiative. In collaboration with external experts, HL Klemove conducted interviews, consultations, and diagnosis of employee experience with employees who left the company to identify organizational issues objectively. A total of 6 employees participated in the program, and we plan to expand it

into a regular program in 2024.

We are also considering the introduction of retirement support programs such as entrepreneurial activities or reemployment training for retirees.

Culture Board & Culture Lab

HL Klemove launched Culture Board and Culture Lab, two employee-led organizations that conduct research into the corporate culture, by reorganizing the Open Committee, which produced and shared introductory videos for each organization. Culture Board, a company-wide research council, is responsible for identifying and promoting initiatives to shape a unique corporate culture and providing the management with ideas for creating a youthful corporate environment. Culture Lab, a center-level council, plans and operates programs to enhance communication among centers. One of the best examples of the Culture Lab program in 2023 was Movie Day, which allowed center employees to use working hours to watch movies together and refresh themselves. HL Klemove will continue to support the creative activities of the two councils to add innovation to the corporate culture and foster the next generation of leaders.

| Culture Board, Culture Lab Activity

Culture **Board**	Culture **Lab**
• **Members** 8 employees	• **Members** 26 employees
• **Tasks** Identify and drive unique culture-shaping challenges	• **Tasks** - Run center-specific programs to activate communication - Facilitate town hall meetings
• **Details** Enterprise work maps, work streamlining, Klemove YouTube, etc.	• **Details** Movie days, guerrilla picnics, coffee events, etc.

Best Practices for Culture Lab Activities

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Culture

Vision Workshop

HL Klemove has been conducting company-wide Vision Workshops since 2022 to build consensus on the corporate vision and create emotional connection among employees. In the first half of 2023, a total of 15 workshops were held, where 640 employees took part in various activities to get to know each other and share their opinions on the company's vision and strategy.

Vision Workshop

Deep Dive Workshop

Following the Vision Workshop, we held a Deep Dive Workshop to enable members internalize the company's core values. The goal was to establish a vision and strategy for each team by linking the company's unique culture to their work through Board games, and to improve team culture by encouraging interaction during the workshop. In 2023, a total of 10 teams and 136 employees participated in the pilot program. In 2024, we plan to expand the program to further strengthen teamwork and promote internalization of corporate culture among individuals.

| Highlights of the Workshop
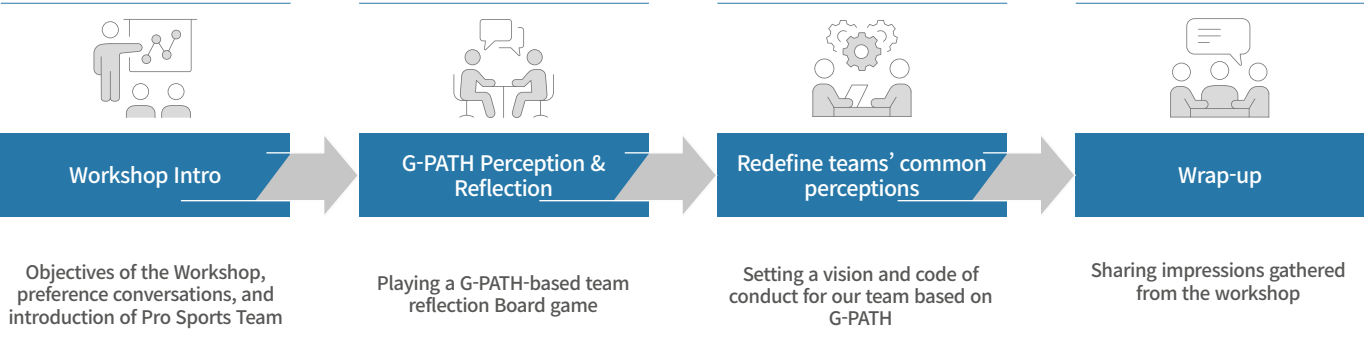
Workshop Intro	G-PATH Perception & Reflection	Redefine teams' common perceptions	Wrap-up
Objectives of the Workshop, preference conversations, and introduction of Pro Sports Team	Playing a G-PATH-based team reflection Board game	Setting a vision and code of conduct for our team based on G-PATH	Sharing impressions gathered from the workshop

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2023 HL Klemove
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Culture

In-Group Training for New Employees

HL Klemove held an In-Group training program to enable new employees develop the right mindset and to foster networking among them. Employees completed the training program in two rounds, with the goals of enhancing self-leadership, acquiring an understanding of business etiquette, and fostering a sense of belonging to the company. According to the training satisfaction survey, the program was evaluated positively, with 96% of respondents stating that it was '(very) helpful.' In 2024, we plan to expand the training to one round each in the first and second half of the year.

Town Hall Meeting

To enhance employees' sense of stability and respect, we hold town hall meetings where executives share the company's direction. These meetings are conducted in a casual, talk concert format to convey the company's vision and strategy. Various methods, such as Card News promotion and live broadcasting on YouTube, have been introduced to encourage participation from all employees. In 2023, the CEO Town Hall Meeting was held under the theme of '2023 Management Policy and R&D Vision,' with a total of 508 employees attending both online and offline to gain a better understanding of the company's management direction. In addition to the company-wide program, we held eight center-specific town hall meetings in 2023. HL Klemove plans to continue diversifying these meetings to provide a platform for the management to communicate its intentions and for employees to engage with the management.

Cross-Hierarchical and Inter-Departmental Exchange Program

The company is expanding interaction across hierarchies and departments by conducting various exchange programs. In 2023, a total of 12 teams participated in inter-departmental exchange programs, and we plan to expand these initiatives in 2024. Additionally, to promote communication and foster work innovation among teams, we encouraged a casual culture of coffee time interactions among employees and launched the "Coffee Chat" campaign, where employees have coffee time with the HR department.

In-Group Training Session

Town Hall Meeting

Coffee Chat Promotional Poster

Labor

HR Management

Employee Referral Program

HL Klemove operates an Employee Referral program as an official channel for employees to recommend suitable candidates for open job roles. The internal referral program formalizes the process of employees recommending talented individuals. Through this system, helping us identify qualified personnel and secure top-tier R&D talent while providing recommendation bonuses to employees who contribute to talent acquisition. Employees may recommend individuals who meet the required qualifications and possess the necessary competencies for the role. In recognition of their contribution to talent acquisition, we offer referral grants. The recommended employee goes through the same recruitment process as other applicants and receives referral grants based on their job level when selected as the final candidate. In 2023, we successfully selected 11 talented individuals through this program.

Job Posting

We optimize workforce operations by leveraging the capabilities of our internal top-tier talent and offering opportunities for self-directed career development, thereby enhancing job satisfaction. Our Job Posting program remains strictly confidential throughout the entire process including applicants' identity and details of progress. This program follows a cycle of application screening, selecting qualified candidates, determining the best candidate, and making appointments. Employees interested in applying for job postings can do so via email.

Human Resource Development Committee

HL Klemove operates the Committee to make decisions on HR-related matters, including promotion, appointment, rewards, and disciplinary action, and convenes the Committee when its decisions are required for HR issues. The Committee is chaired by the CEO or those delegated by the CEO and has one personnel manager as its secretary. In 2023, the Committee met eight times.

Fair Compensation System

The company manages and prevents inequalities proactively to ensure that employees performing the same tasks, regardless of gender, nationality, or employment status, do not experience disparities in working conditions. Pay raises are determined based on internal and external factors, ensuring equality between men and women. These raises are differentiated according to assessments of individual performance. Additionally, we recognize top-performing employees bi-monthly through the Small Victory program, which grants special rewards to Group affiliates in appreciation of their contributions.

Performance Evaluation and Management

Through our performance management system (MBO[1]), we encourage employees to set and manage their own individual work goals based on the company's vision, strategy, and business plan. This process encourages employees to take ownership of their work toward achieving the company's business goals and fosters personal growth through quarterly reviews and feedback. Achievements are measured through sufficient one-on-one meetings with leaders. The final evaluation results are used as the basis for individual performance bonuses and annual increases in salary and are also reflected in promotion screenings.

In addition, the entire performance management process is operated through our own online HR system, and we are striving to improve the system's fairness and convenience for employees. We are planning to launch a new HR system in 2024, which is expected to further enhance the efficiency and convenience of the performance management system.

1) MBO : Management by Objectives
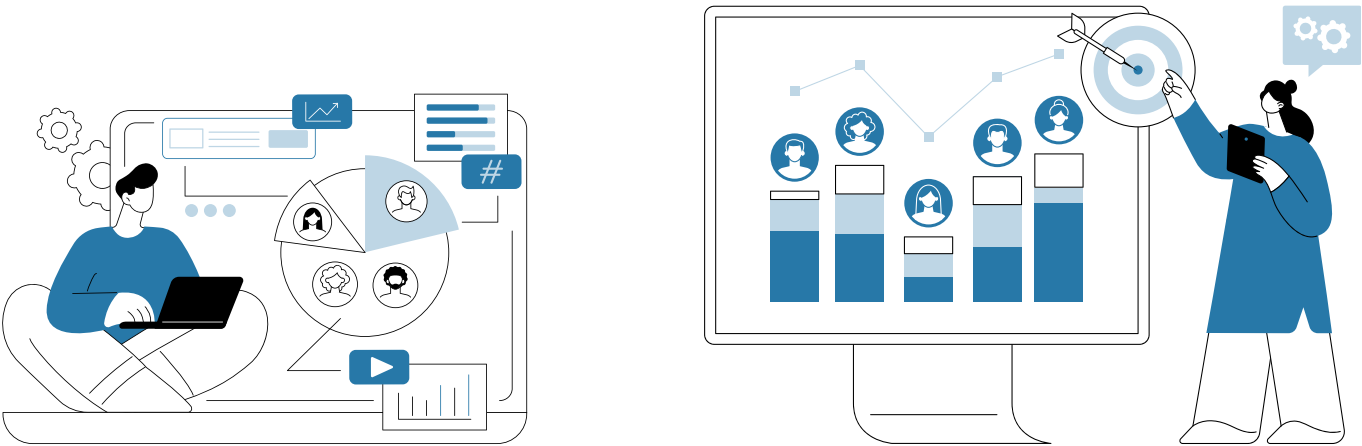
2023 **HL Klemove**
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Labor

Pursuing Work-Life Balance

Welfare Programs

HL Klemove operates various benefit programs, including healthcare, education, and cultural support, to improve employees' quality of life and enhance their work satisfaction. These programs are available to both regular and contract employees, and we actively consider employees' opinions when introducing improvements to the system.

| Welfare Programs

Health Care
• Medical expense support
• Flu vaccination
• Comprehensive health check-ups

Education/Culture
• Foreign language courses
• Tuition support
• Support for hobby clubs

Life/Convenience
• Housing loan
• Livelihood stability loans
• Holiday/Birthday gifts

Family
• Family allowances (Spouse/Parents/Children)
• Expenditure/Leave for congratulations and condolences
• Condolences support

Others
• Support for long-term employees/retirees
• Early retirement withdrawal
• Corporate dining, gift cards

Flexible Work Arrangement

The company offers flexible work arrangements, such as flexible working hours and hybrid work, to help employees work with greater engagement and efficiency. The Flexible Work system requires mandates core working hours at each workplace, allowing employees to set their own commute times outside of these hours. The Hybrid Work system allows employees to choose freely where to work twice a week, either from home or a designated office location, depending on their work environment and the characteristics of their job. HL Klemove will continue to promote various programs to enhance employees' work abilities and improve their working styles.

Supporting Employees' Emotional Health

In April 2023, we conducted a mental health checkup for all employees to enable them maintain emotional well-being and foster a healthy corporate culture. We assessed employees' mental stress through four tests : the stress perception scale, depression test, job stress factor test, and insomnia test. Based on the diagnosis results, we reviewed and recommended improvement plans for each organization.

Family-friendly Workplace

To create and maintain a family-friendly work environment, HL Klemove operates maternity and paternity leave systems and childcare support programs. We offer a paid maternity and parental leave system. Employees with children aged 6 to 7 receive foster care fees when using external daycare centers authorized by the Ministry of Health and Welfare. Additionally, the Pangyo Plant operates an in-house daycare center for children aged 4 and under, guaranteeing daycare facilities for selected children for up to 2 years.

Labor Relations

Win-Win Partnerships between Labor and Management

HL Klemove respects and upholds the labor rights guaranteed by the Constitution, including the right to organize, the right to collective bargaining, and the right to collective action. We strictly adhere to applicable laws, such as the Trade Union and Labor Relations Adjustment Act, to protect our employees' right to join or leave labor unions without interference from the management. In support of the right to collective bargaining, we engage in negotiations with labor unions in a sincere manner, following the prescribed regulatory process, which includes providing notice of negotiations, confirming the participation of unions, and establishing a unified bargaining platform. In addition to these constitutional labor rights, we also operate the Labor-Management Council on a quarterly basis, as mandated by the Act on the Promotion of Employees' Participation and Cooperation.

Furthermore, we have established an Occupational Health and Safety Committee in accordance with the Industrial Safety and Health Act. We conduct annual presentations to share our business plans and management conditions with employees. Additionally, we hold monthly production operation briefings and semi-annual management environment briefings to ensure that both labor and management are well-informed about the company's operations and can work together towards achieving our business objectives.
Moving forward, we will continue to do our best to enhance working conditions and establish a safe workplace through communication and cooperation between labor and management.

Labor-Management Council

HL Klemove conducts quarterly labor-management meetings to promote workers' participation and collaboration. In 2023, the Council successfully convened four meetings, addressing a total of 10 agenda items.

Collective Bargaining

HL Klemove manages collective bargaining in accordance with relevant laws and regulations. The collective agreement remains in effect for two years from the date of signing, and our labor union initiates the request for collective bargaining three months prior to the agreement's expiration. In 2023, a total of eight collective bargaining sessions were held, and labor and management amicably reached an agreement without disagreements. With the aim of fostering trust and mutually beneficial labor relations, we approach negotiations with an open mind and take all measures to fulfill the commitments we make.

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Human Rights

Human Rights Management System

Human Rights Management Declaration

HL Klemove values the human rights of all stakeholders, including customers, employees, shareholders, investors, partners, and local communities, and respects their rights to value and pursue happiness. We declared our firm commitment to human rights management by sharing our Human Rights Management Declaration at the regular BOD meeting in April 2023. The Declaration conforms with international standards on human rights, including the Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights, and the International Labor Organization standards, and applies to all employees and stakeholders in business relationships with HL Klemove. We will practice human rights management in accordance with the nine principles of the Declaration and pursue sustainable development based on respect for human rights.

| 9 Principles of the Human Rights Management Declaration

Principle1	Principle2	Principle3
Respect for Human Rights	Prohibition of Discrimination	Prohibition of Forced Labor and Child Labor
Principle4	Principle5	Principle6
Compliance with Labor Laws/ Assurance of Freedom of Association	Health and Safety	Responsible Supply Chain Management
Principle7	Principle8	Principle9
Protection of Stakeholder Information	Guarantee of Environmental Rights	Protection of Human Rights in Local Communities

Code of Conduct

We established a Code of Conduct to reinforce the ethical responsibility and human rights management practices of the company and its employees. This Code was implemented in November 2023 following a review by the ESG Labor Rights Steering Committee. Based on the Code, we will promote the institutionalization of human rights management throughout our business activities.

| Human Rights Management Code of Conduct

Category			Content
Chapter 1 General Provisions			Purpose, Applicability, and Governing Organization
Chapter 2 Main Provisions	Sec 1	Working Conditions and Human Rights	Work Environment, Respect for Human Rights, Freedom of Association, Political Neutrality, Health and Safety
	Sec 2	Corporate Ethics	Fair Competition and Trade, Transparency, Protection of Company Information and Assets, Prevention of Conflict of Interest, Identity Protection and Non-Retaliation, Prohibition of Counterfeit Parts
	Sec 3	Environment	Tackling Climate Change, Management of Environmental Impact
	Sec 4	Supply Chain	Supply Chain Management
	Sec 5	Management System	Legal Compliance, Education, Workers' Participation and Handling of Grievances, Social Contributions

Human Rights

Human Rights Impact Assessment

Human Rights Impact Assessment

HL Klemove has been conducting assessments of human rights impact since 2022 to identify and address the internalization of human rights management and related risks proactively. Following a pilot assessment in 2022, the scope was expanded in 2023 to include domestic and overseas subsidiaries, along with the headquarters. The Human Rights Impact Assessment, comprising 178 items across 10 categories, involves a process by which self-assessment results are verified by the Group's lead organization, and identified issues are addressed through subsequent improvements. Additionally, starting in 2023, the top decision-making authority for human rights management policies and related risks was transferred from the CEO to the Board of Directors to enhance oversight of human rights management.

| Human Rights Impact Assessment Process

STEP 01

Conduct self-assessments and vulnerability analysis

• Conduct self-assessment of the department responsible for the checklist
• Aggregate assessment results and analyze vulnerabilities

STEP 02

Perform validation

• Conduct group-led validation of results

STEP 03

Identify challenges

• Analyze the performance results
• Establish improvement plans/goals

STEP 04

Conduct improvement activities

• Implement improvement activities based on the plans and goals

STEP 05

Monitor results

• Monitor activity performance

STEP 06

Analyze effectiveness

• Analyze the effectiveness of assessment
• Share the results externally

| Results of Human Rights Impact Assessment

Category	2022	2023	Rate of Y-o-Y Improvement
1. Establishing a human rights management system	80.6	100	19.4
2. Non-discrimination in recruitment	92.1	100	7.9
3. Guaranteeing the freedom of association and collective bargaining	100	100	-
4. Prohibition of forced labor	100	100	-
5. Prohibition of child labor	100	100	-
6. Ensuring occupational safety	97.5	100	2.5
7. Responsible supply chain management	70	85	15
8. Protecting stakeholders' human rights	100	100	-
9. Protecting environmental rights	100	100	-
10. Protecting consumers and employee data	100	100	-

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Human Rights

Internalizing the Human Rights Policy

Whistleblowing and Initiatives to Mitigate Risks Associated with Human Rights

In cases of human rights infringement, HL Klemove investigates reported incidents thoroughly and takes necessary action to protect those affected. This involves investigation of the facts, reporting of the case, convening disciplinary action committees, determining appropriate disciplinary measures, and providing preventive training. Specifically, disciplinary measures are taken based on the severity of the wrongdoing, including measures such as separating the perpetrator from the victim.

Grievances Handled		(Unit : Case, %)
Category	2022	2023
Number of grievances submitted	3	3
Number of grievances handled	3	3
Disciplinary actions	1	1
Actions below warning level	2	2
Percentage of grievance handled	100	100

Human Rights Management for Suppliers

Our assessment of human rights impact extends to suppliers and consumers, in addition to our own employees. When making investments contracts with suppliers, we recommend that they implement human rights management as stipulated in our Supplier Code of Conduct and provide us with detailed information on activities in written form. To ensure the protection of human rights, we conduct on-site visits to specific worksites and sites of suppliers at higher risks of child labor and forced labor. In cases where human rights violations are identified, we demand corrective action and we suspend business relationships if no action is taken.

Human Rights Training

HL Klemove provides annual human rights education to our employees, covering topics such as prevention of workplace harassment and sexual harassment, disability awareness, and personal information protection. Specifically, we aim to address human rights risks proactively by explaining various types of harassment, relevant laws and regulations, and appropriate responses.

Furthermore, we address the concerns and challenges faced by our team members through awareness surveys and questionnaires to assess the effectiveness of preventive education related to gender equality, sexual harassment, workplace harassment, and a culture of respect for human rights. Moving forward, we will remain committed to fostering a corporate culture centered on respect for human rights.

Completion rate for human rights training
100%
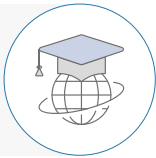
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Sustainability Report

Human Rights

Special Page

Expanding DEI Culture

Establishing Diversity Policy

HL Klemove respects diversity and prohibits discrimination based on gender, age, race, color, or nationality of employees in all personnel processes, including recruitment, compensation, and promotion. Specifically, to prevent discrimination during recruitment, professional development, and promotion, we have established human rights management principles within the Human Resources Management Declaration to explicitly prohibit discrimination. In 2024, we will establish a diversity policy and management indicators to systematically foster a culture of Diversity, Equity, and Inclusion (DEI).

Expanding Employment of Foreigners and Women →

As part of our efforts to enhance diversity within our foreign workforce, we will deploy reverse expatriates from HL Klemove's India R&D center in Bengaluru to our headquarters in Korea. Beyond the R&D center, we are committed to developing the capabilities of our foreign local employees across various areas, including production operations.

We are expanding our recruitment of foreign talent not only overseas but also at our domestic headquarters, and we are investing in their training and development to groom them as future local leaders. In 2024, we will further strengthen initiatives to attract and nurture a diverse foreign workforce.

To increase the recruitment of women, we are integrating women's colleges into our career fairs, which have traditionally targeted engineering faculties. Additionally, we are planning female-focused recruitment events such as the Female Engineer Career Fair and SW Camp.

Operating Teams of Athletes with Disabilities

HL Klemove directly employs athletes with severe disabilities to operate its athletic teams. We have selected disabled athletes in taekwondo, billiards, and Sjoelen sports as recommended by the National Association of Sports for the Disabled, applying relevant labor regulations and contracts that reflect the nature of their work. Additionally, we establish an annual work plan and monitor their health and attendance weekly through dedicated coaches.

In particular, dedicated coaches and managers work together to address athletes' grievances, and regular meetings are held to promote emotional stability of the athletes. During the 2023 meeting, we distributed uniforms and gifts to the athletes and visited individual workplaces to assess the working conditions of new employees. We retained the same athletes from 2022 and 2023, and have on board 17 athletes with disabilities.

HL Klemove's Sports Team of Athletes with Disabilities

Recruiting IT Employees with Disabilities

HL Klemove conducts software development and recruitment of the testing workforce through an agreement with the Korea Employment Agency for Persons with Disabilities (KEAD) based on the Disability Adjustment Training Program (SIAT[1]). HL Klemove is the first and only automobile company among the 20 participating companies, expanding the horizons of the industry by combining IT and the automotive sector. A total of 19 trainees completed a six-month software development course, resulting in one successful hire.

In 2024, we plan to launch a specialized training course tailored to our business needs, aiming to hire two individuals with disabilities after a three-month training period. We are committed to gradually increasing the number of individuals with disabilities hired through this program.

1) SIAT (Smart IT Advanced Training) : IT-Customized Employment Support Training for Young Adults with Disabilities
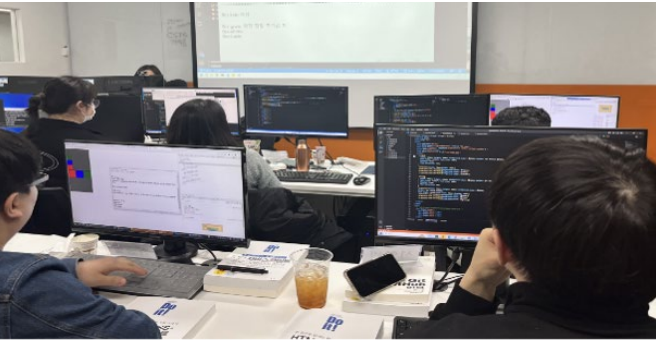
Tailor-made Program for People with Disabilities

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Governance & Ethics

HL Klemove prioritizes transparent Board of Directors operations and the realization of public interest values by internalizing Integrity Management. We prevent fraudulent activities through operational evaluations of all board activities and internal audits. We emphasize fair and transparent business conduct for all stakeholders by establishing a corporate code of ethics and forming a dedicated ethics management team. Additionally, we aim to protect important information assets and customer information by upgrading our information security management system and implementing preventive activities such as mock hacking.

Link to UN SDGs

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

16.3 Promote the rule of law at the national and international levels and ensure equal access to justice for all

16.5 Substantially reduce corruption and bribery in all their forms

16.6 Develop effective, accountable, and transparent institutions at all levels

BOD Attendance Rate

100%

Number of Employees who Completed Ethics Training

794employees

Percentage of Employees who Completed Personal Data Privacy Training

100%

Information Security Breaches

0case

*Based on global operations

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Governance

Board of Directors

BOD Composition and Role

As the highest decision-making body of HL Klemove, the Board of Directors plays the role of supervision and oversight in corporate management and business operations. The Board consists of 5 members : 4 inside directors and 1 outside director.

The Board of Directors convenes every quarter, with special meetings called for urgent matters. In 2023, 6 Board meetings were held, and 18 resolutions and 14 reports were presented at the meetings.
Directors meet the qualification standards stipulated by laws and regulations and are appointed in accordance with relevant legal procedures, including stipulations of the Commercial Act. Appointed directors uphold ethical standards, representing the rights and interests of all shareholders and stakeholders, and contribute to enhancing corporate value and shareholders' interests. The term of office is set at three years according to Article 20 of the Articles of Incorporation. The CEO is appointed by resolution of the Board of Directors and oversees all business affairs of the company.

| Board of Directors

As of Mar. 2024

Category	Name	Position	Expertise	Relationship with the largest shareholder or major shareholder	Date of Termination of Tenure
CEO, President (Board Chair)	Pal-Joo Yoon (Male)	CEO of HL Klemove	Autonomous driving technology and management	Executive at affiliate	Aug.02,2024
Inside Director	Mong-Won Chung (Male)	Chairman of HL Group	Stable external operations	Specially related person	Dec.02,2024
	Seong-Hyeon Cho (Male)	CEO of HL Mando, Head of Automotive Sector	Management	Executive at affiliate	Aug.02,2024
	Jae-Young Chung (Male)	Head of Corporate Management of HL Mando	Management strategy and finance	Executive at affiliate	Mar.26,2027
Outside Director	Moo-Sang Kim (Male)	Professor of Mechanical Engineering, University of Siegen, Germany (Former Lecturer)	Knowledge and technological skills in the automotive industry	-	Mar.29,2025

Diversity, Expertise, and Independence of the BOD

The Board of Directors comprises experts with a strong understanding of the automotive industry. During the process for selection of directors, we do not discriminate candidates based on gender, race or ethnicity, religion, or national origin. Moving forward, we plan to appoint experts from various fields, such as ESG and IT, as outside directors. We provide necessary training to facilitate efficient and strategic decision-making.

In appointing outside directors, we select candidates without any conflicts of interest with HL Klemove. Outside directors participate independently in major decision-making processes. In the future, we will further increase the proportion of outside directors to enhance the independence of the Board of Directors.

| BOD Meetings

Sessions	Opening Date	Agenda	Status	Rate of Approval	Rate of Attendance
118th	Feb. 09, 2023	Reporting on the appointment of a new external auditor	Reported	-	
		Reporting on the results of the evaluation survey on Board of Directors' operations	Reported	-	
		Approval of the financial statements and business report for the year 2022	Approved		
		Approval of (proposed) dividends for the year 2022	Approved		
		Approval of the business plan for the year 2023	Approved	100%	
		Approval of the compensation limit for directors and auditors	Approved		
		Convening the 15th Annual General Meeting of Shareholders and approval of the agenda	Approved		
119th	Mar. 08, 2023	Reporting on the operation status of the Internal Accounting Management System	Reported	-	
		Reporting on the evaluation results of the Internal Accounting Management System	Reported	-	
		Approval of capital increase for the construction of KLS Plant 2	Approved		
		Approval of guarantees for subsidiaries	Approved	100%	
		Approval of tax policy formulation	Approved		
120th	Apr. 21, 2023	Reporting on the status and plans for sustainable ESG management promotion	Reported	-	
		Interim report on the growth strategy for China AD	Reported	-	
		Reporting on the quality status	Reported	-	
		Reporting on business performance for the first-quarter of 2023 and annual forecast	Reported	-	100%
		Approval of the disposal of financial assets	Approved		
		Approval of the renewal of won-denominated borrowings	Approved		
		Approval of guarantees for subsidiaries	Approved	100%	
		Approval of the limit for forward exchange contracts	Approved		
		Approval of the Human Rights Management Declaration	Approved		
121th	Jul. 26, 2023	Reporting on the status and expansion review of KLM	Reported	-	
		Reporting on the construction status of KLS Plant 2	Reported	-	
		Reporting on the operation plan for forward exchange contracts	Reported	-	
		Reporting on business performance for the first-half of 2023 and annual forecast	Reported	-	
		Approval of the refinancing of KLK borrowings	Approved	100%	
122th	Oct. 24, 2023	Reporting on the status and plans for sustainable ESG management promotion	Reported	-	
		Report on the management performance for 2023	Reported	-	
		Approval of borrowings	Approved		
		Approval of guarantees for subsidiaries	Approved	100%	
		Approval of the Safety and Health Plan in 2024	Approved		
123th	Dec. 22, 2023	Approval of internal transactions between affiliates in 2024	Approved	100%	

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Governance

BOD Assessment & Remuneration Systems

Assessment of BOD Operations

HL Klemove conducts an annual assessment of BOD operations to ensure that the roles and responsibilities entrusted to the Board are performed adequately, and that the Board has the required authority and resources to properly fulfill its critical functions as a key decision-making and oversight body of the company. This evaluation involves soliciting feedback from the entire Board through questionnaires and surveys, covering topics related to the Board's roles and responsibilities, Board structure, Board operations, and Board committees. Based on the assessment results, HL Klemove derives and implements improvement measures for Board operations, striving to enhance the efficiency and transparency of Board moving forward.

Regulations on BOD Remuneration

The remuneration of directors and auditors complies with the limits set by the general meeting of shareholders, as specified in the Directors' Remuneration Regulations and the Outside Directors' Remuneration Regulations. Remuneration is determined comprehensively, considering factors such as duties, position, contribution to the company, and leadership. For registered directors, remuneration takes into account management performance and contributions, while expertise in specialized fields and participation in various committees are considered for outside directors. The CEO's performance-based compensation is tied to metrics such as ROIC, operating margin, corporate value, and ESG management activities.

| Board Remuneration | (Unit：KRW 1 million)

Category	Member	Total Remuneration	Average Remuneration per person
Registered directors	4	2,137	534
Outside directors	1	69	69
Auditors	1	-	-

Audit Body

HL Klemove does not operate a separate audit committee and has appointed one auditor in accordance with relevant laws, regulations, and the Articles of Incorporation. The appointed auditor is an accounting expert with over 20 years of experience, and is responsible for auditing the company's accounting and business affairs, as well as supervising the execution of duties to support directors and the management in making informed management judgment. In the future, we plan to enhance the audit system as an internal control organization by establishing an audit committee and consulting with external experts.

| Auditor Profile

Position	Name	Background	Conflicts of Interest with The Company	Relationship with the Largest Shareholder or Major Shareholder	Date of Termination of Tenure
Auditor	Joo-Hyung Lee (Male)	• Bachelor of Business Administration, Chung-Ang University, • (Former) Head of Finance at Halla Holdings Co., • (Former) Head of Mando Global Accounting Center, • (Current) Head of HL Group Integrity Management Center	None	Executive at affiliate	Until the 2024 Annual Meeting of Shareholders

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Ethics and Compliance Management

Ethics Management

Ethics Policy

HL Klemove places the realization of public interest values at the core of its mission, and all employees are required to practice Integrity Management. We have established the Code of Corporate Ethics to define standards of proper behavior and value judgment for all stakeholders, including suppliers. Additionally, the Ethical Guidelines stipulate specific responsibilities and obligations toward the country, society, customers, and shareholders, as well as principles of fair competition and transactions, basic ethics for employees, and disciplinary measures for non-compliance with the Code. We will continue our endeavor to cultivate an advanced corporate culture grounded in ethical decision-making and behavior.

Anti-Corruption, Anti-Bribery Policy

Employees are expected to fulfill their duties and responsibilities in accordance with the Ethical Guidelines, performing their roles honestly and fairly. They should not seek or provide any form of nominal economic benefit or undue convenience beyond customary practices. Additionally, employees must refrain from seeking personal gain through practices such as delaying tasks, nepotism, leveraging academic connections, manipulation of documents or data, or misuse of company assets or personal information.

Due to the high emphasis HL Klemove places on these principles of professional ethics for all employees, we did not have any instances of unfair trade practices in 2023. We remain committed to enhancing our efforts to eliminate corruption risks, recognizing that a fair competition system fosters exceptional performance.

Ethics Management Organization

We have established a dedicated organization, the Integrity Management Division, to ensure the fair and systematic management of our ethical standards and Code of Conduct. This Division is responsible for conducting comprehensive audits, and we involve employees from various departments as well as external organizations to perform third-party and joint audits. To establish transparent and appropriate working principles, we have stipulated the responsibilities and obligations of Integrity Management, implemented a robust reporting system, and put in place appropriate attribution, rewards, and penalties that can be applied company-wide including all organizational units and employees.

Ethics Training for New Hires

We offer ethics training to new hires to prevent unethical behavior, including corruption, proactively. In 2023, we implemented the company-wide Code of Conduct Training Program and all employees completed the training.

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Ethics and Compliance Management

Ethics Management

Whistleblowing Channel for Non-compliance with Ethical Standards

HL Klemove has established the Cyber Audit Office, an ethics reporting channel, to monitor ethical risks continuously. Through this channel, we receive reports from employees and external stakeholders regarding violations of the Code of Ethics and Ethical Guidelines, such as unfair trade practices. Upon receiving a report, we conduct investigations according to our procedures and implement improvement activities. We aim to eliminate ethical violations by publishing guidelines on our website and actively promoting the Cyber Audit Office for use by various stakeholders, not just employees. No reports were received through the reporting channel in 2023.

| Report Type

Monetary or material exchanges/Entertainment

Embezzlement/Misappropriation of assets

Harassment/Bullying

Violation of safety and quality principles

Breaches of information security

Unfair trading practices

| Handling Process

Receive Reports

Check the Details
• Conduct preliminary procedures such as checking with relevant departments under the principle of protecting the whistleblower's identity.

Initiate an Investigation
• Proceed sequentially based on the order of received reports. Commence the investigation after finalizing the investigation plan, including determining the required number of investigators and timeframe.

Complete the Investigation
• Obtain objective evidence and conduct an investigation to confirm the veracity of the report.

Confirm the Results
• After completing the investigation and finalizing disciplinary actions in accordance with internal policies, close the case and confirm the outcomes.

Protection of Whistleblowers

We do not disclose any information that reveals or implies the identity of the whistleblower without their consent, and we compensate the whistleblower for any disadvantages occurred due to our failure to comply with this policy.

| Protection Program of Whistleblowers

Confidentiality Obligations

• We prohibit the disclosure of personal information or any details that imply the identity of internal reporters.
• All employees of the Integrity Management Office are required to adhere to these guidelines and sign a confidentiality agreement.

Reduction of Liability for Voluntary Whistleblowers

• Voluntary whistleblowers are allowed the mitigation of responsibility to a certain level when imposing disadvantages based on the severity of misconduct, general work attitude, and degree of reflection.
• We facilitate their self-reflection and provide new opportunities for whistleblowers who engage in voluntary reporting, and also give the benefit of strict confidentiality measures.

Non-adverse Action Obligations

• No one may take any adverse action against a whistleblower for reporting a violation, including penalties using authority, administrative measures, or economic penalties.
• The option to "request prevention of adverse action" is available if there is a clear risk of adverse action.

Ethics and Compliance Management

Tax Transparency

Tax Policy

HL Klemove has established a tax policy and adheres to the tax laws and regulations of each country in which the company operates. The fundamental principles of this policy are to comply with applicable tax laws, pay taxes in good faith, adhere to transfer pricing guidelines, conduct transparent tax operations, and foster cooperative relationships with stakeholders. By conducting tax affairs in line with our tax policy, we aim to maintain transparent communication with stakeholders, including tax authorities. Additionally, we monitor and revise the policy continuously in response to changes in the internal and external tax environment to ensure effective implementation.

Management of Tax Risks

The company interprets tax laws rigorously and files and pays taxes diligently to manage tax risks. For new or significant transactions, we conduct preliminary discussions with the tax and finance departments and communicate with tax authorities. In the event of tax adjustments, we assess compliance with domestic tax policies, prepare a Base Erosion and Profit Shifting (BEPS) report, and evaluate adherence to international tax policies.

Additionally, HL Klemove engages external tax experts regularly to assess our compliance with tax laws and risks. All domestic and overseas subsidiaries obtain advice from tax experts with a certain level of qualification. For the disclosed income tax expense, we conduct verification through accounting audits, and we also have systematic verification procedures in place for taxes paid, including corporate income tax and value-added tax.

| General Principles of Tax Policy

General Principles

Abide by tax laws and pay taxes honestly
• Based on the management philosophy of "Integrity Management", we strictly comply with tax laws and regulations when paying taxes. Our domestic and overseas subsidiaries perform business in accordance with the laws of each country where they operate, following the policies of the parent company, and fulfill their tax obligations in good faith.

Comply with transfer pricing guidelines
• We do not engage in transactions or contracts to exploit differences in tax laws or loopholes in international tax systems to avoid taxes. Instead, we ensure that the value created and taxable income are allocated consistently in each country of operation. Transactions with related parties are conducted based on the arm's length principle, as outlined in the OECD's transfer pricing guidelines and local laws and regulations. These transactions are reviewed by external experts when necessary to ensure transparency.

Ensure transparent tax operations
• All transactions are accounted for according to Korean International Financial Reporting Standards (K-IFRS). Relevant information is recorded in the accounting and taxation system, and we provide legitimate evidence in good faith when requested by tax authorities. Furthermore, we do not engage in business activities in tax havens that exploit tax law loopholes or withhold tax information.

Build partnerships with stakeholders
• Our tax-related personnel adhere to tax laws in line with our tax policy and maintain cooperative relationships with stakeholders, including tax authorities, through transparent communication.

Information Security

Information Security Management System

Information Security Guideline

To protect information assets securely from internal and external intruders, HL Klemove has established a management system aligned with information security guidelines and formed a dedicated organization to oversee practical information security activities. We specify essential measures to protect important information assets and customer information, ensuring compliance from all internal employees and related parties. Additionally, we protect the company's tangible and intangible assets through comprehensive inspection activities.

| Highlights of the Guideline

• Ensure secure and reliable management of system operations and applications, including networks, computer systems, databases, documentation, and controlled areas within the computer network.

• Limit access of all information assets to authorized users and restrict external-to-internal access to business-related purposes and pre-approved activities.

• Implement appropriate security measures in advance to mitigate breaches of the internal network.

• Develop a business continuity plan to ensure the safety and reliability of information assets in the event of various disasters and failures.

• Conduct periodic testing to verify validity and perform regular checks to ensure compliance with policies and guidelines.

Information Security Policy

The information protection policy and related guidelines are announced periodically to ensure awareness among all employees, including those employed directly by the company and those working for contractual partners. The information protection policy undergoes regular annual reviews by the Chief Information Protection Officer, and the company-wide department in charge of information protection management reviews and revises the policy when changes occur that affect the risk analysis and assessment process of information assets.

Information Security Organization

HL Klemove has established an information security organizational system to implement information security activities systematically. The Chief Information Security Officer (CISO) is appointed to oversee and supervise these activities, and is supported by qualified executives as required by relevant laws such as the Promotion of Information and Communication Network Utilization and Information Protection Act. The CISO and staff responsible for information security possess expertise in management, physical security, and technical security. The information security division is composed of personnel with appropriate competencies, including expertise in information security, cybersecurity, and consulting experience. Furthermore, we emphasize the responsibility of protecting information assets by incorporating company-wide information security and cybersecurity performance into the evaluation of key performance indicators (KPIs) for information security officers and team leaders.

| Information Security Management System
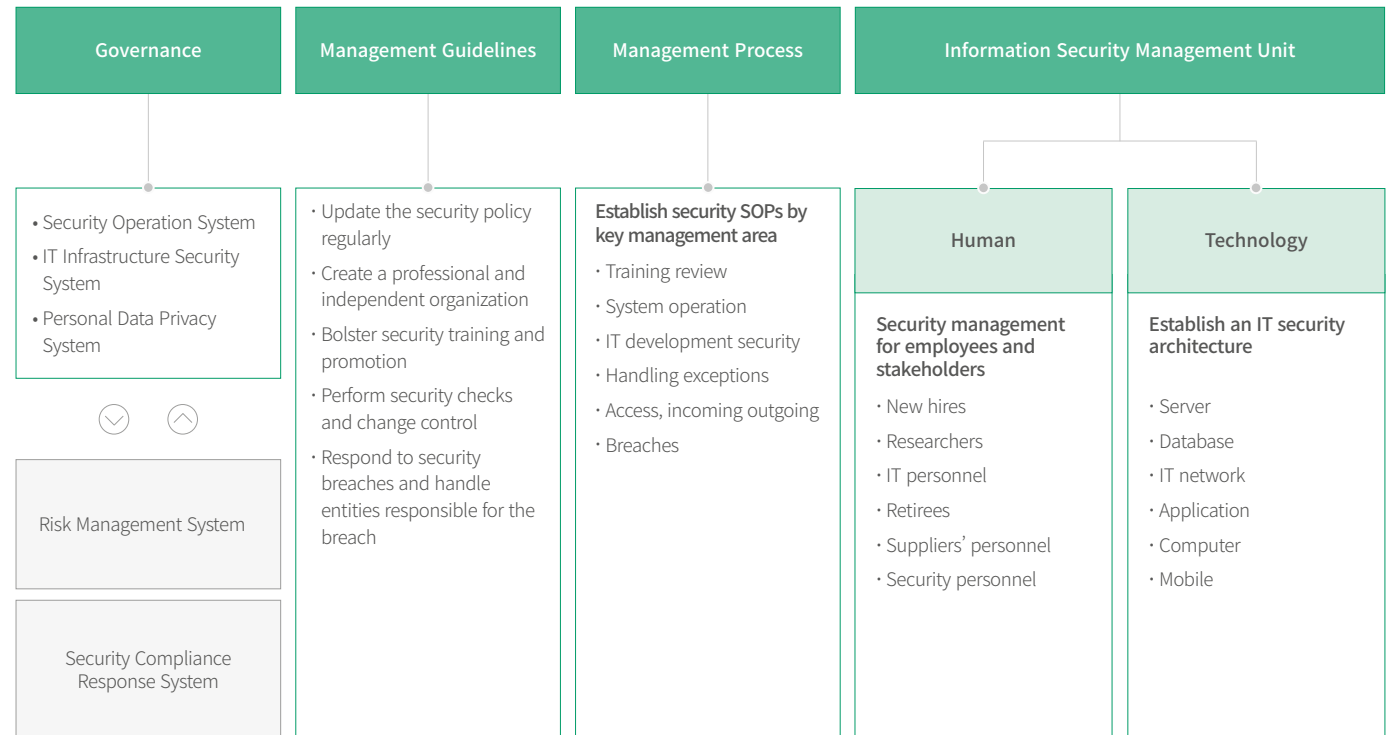
Governance	Management Guidelines	Management Process	Information Security Management Unit	
• Security Operation System • IT Infrastructure Security System • Personal Data Privacy System	• Update the security policy regularly • Create a professional and independent organization • Bolster security training and promotion • Perform security checks and change control • Respond to security breaches and handle entities responsible for the breach	**Establish security SOPs by key management area** · Training review · System operation · IT development security · Handling exceptions · Access, incoming outgoing · Breaches	**Human** **Security management for employees and stakeholders** · New hires · Researchers · IT personnel · Retirees · Suppliers' personnel · Security personnel	**Technology** **Establish an IT security architecture** · Server · Database · IT network · Application · Computer · Mobile

Risk Management System

Security Compliance Response System

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Information Security

Information Security Risk Management

Information Security System Certification

As part of our efforts to enhance the security of our information assets, HL Klemove obtained ISO 27001 certification, an international standard for information security management systems, in 2022. In 2023, the effectiveness of this certification was verified through the first post-audit.

ISO 27001 Certificate

Personal Data Privacy Management

In accordance with Article 29 of the Personal Information Protection Act, we established the Internal Management Plan Guidelines for Personal Information Protection in 2022 to systematically manage personal information and prevent incidents such as the loss or theft of personal information. These guidelines ensure that personal information handlers, including employees and temporary workers, safely manage personal information and comply with relevant laws and regulations. Additionally, HL Klemove appointed an executive from the Human Resources Department as the personal information protection officer responsible for handling personal information. No leaks of personal information occurred in 2023.

Prevention of Information Security Incidents

The information security organization prevents information security incidents by establishing an integrated information security management system and enterprise-wide security goals. Through continuous monitoring, the company identifies risks or risk owners related to the loss of confidentiality, integrity, and availability and determines all necessary control measures by adopting appropriate methods for handling risk based on the results of risk assessment. We conduct vulnerability checks led by the CISO once a year to identify security vulnerabilities in our information systems in advance and implement appropriate corrective measures. Additionally, the information security management department conducts employee education and public relations activities to prevent security accidents. The IT operations departments request security reviews from the enterprise-wide information security management department when introducing, changing, or retiring systems to address security issues proactively.

Response to Information Security Incidents

In the event of an information security incident, employees must report the matter immediately through the information security management department. The information security organization, led by the Chief Information Officer, establishes a response system and action points to prevent further damage through prompt response. For major issues and cases requiring specialized skills, CERT[1] is convened with the approval of the information protection manager. Efforts are made to prevent recurrence by involving representatives from related departments depending on the case.

1) CERT : Computer Emergency Response Team

Raising Information Security Awareness

Information Security System Hacking Simulation

As per Article 49 (Security Review and Vulnerability Management) of our information security guidelines, HL Klemove conducts security reviews at each stage of our work processes, ensuring the integration of review outcomes to safeguard the security of our IT system during projects for development and maintenance of application systems. Our information security management department conducts regular reviews including annual hacking simulations to assess security vulnerabilities. In September 2022, 3 external web systems within the Group underwent regular hacking simulations in the technology and personal data domains. For the technology domain, we conducted manual reviews of 29 vulnerability assessment items, utilizing both international standards (OWASP Top 10) and domestic standards (KISA). Additionally, we reviewed our compliance with the requirements outlined in personal data privacy regulations applicable to the personal data domain. As a result, we identified 4 vulnerabilities and swiftly implemented action plans to address them. Moving forward, we will continue to respond proactively to risk factors.

Information Security Training

We conduct regular information protection training at least once a year to enhance employees' understanding of our information protection policy. Additionally, we provide ad-hoc training when specific information protection issues arise. We educate employees on critical aspects of information protection, such as safeguarding personal information, preventing internal data leaks, and adhering to policies and guidelines for information protection. This education is delivered through various methods including internal and cyber education (e-learning), broadcast media, and on-site sessions with invited experts. In 2023, we held information security training for all employees and emphasized the importance of information security, encouraging active engagement in information protection practices through the development of a security pledge.

IP Compliance Training

In line with our IP compliance policy, we require all employees to undergo annual training in IP compliance. The training covers important aspects such as necessary precautions to take in acquiring and using third-party IP information, introduction of our IP compliance policy, and potential liabilities for non-compliance.

Personal Data Privacy Training

HL Klemove conducts privacy training at least once a year using various methods such as online training and groupware sessions. If necessary, we engage external specialized organizations or personnel to conduct training. In 2023, we conducted an online training course on protection of personal information, and all 795 participants completed 100% of the training. This course covered topics including the meaning and scope of personal information, changes in laws and regulations, rights of information subjects, and remedies for damages. The training significantly enhanced employees' awareness regarding the importance of information protection and personal information security.

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Corporate Social Responsibility

CSR   76

HL Klemove is implementing various activities under its social contribution vision of 'delivering greater comfort and safety through trusted and dependable mobility.' In 2023, in line with our action strategies - MOVE TOGETHER, GREEN TOGETHER, GROW TOGETHER, and SUSTAIN TOGETHER, we carried out activities such as 'donating transport card,' 'pet tree sharing project,' 'autonomous driving mobility contest,' and 'volunteering for meal distribution'. We will continue to carry out social contribution activities that meet our goals to become a company that can provide safety and convenience to local communities.

Link to UN SDGs

| 1 NO POVERTY | 2 ZERO HUNGER | 3 GOOD HEALTH AND WELL-BEING | 4 QUALITY EDUCATION |

1.2 Reduce the number of people living in poverty, in all its dimensions

2.2 End all forms of malnutrition and address the nutritional needs of adolescent girls, pregnant and lactating women and older persons

3.6 Reduce the number of deaths and injuries from road traffic accidents worldwide

4.1 Ensure that all girls and boys complete free, equitable and quality primary and secondary education

Amount of Donation for Community

KRW **460** million

*Based on global operations

Total Hours of Employees Participated in Volunteer Activities

1,643 hours

*Based on global operations

Amount of Donation for the Day of People with Disability

KRW **5** million

Scholarships Contributed

KRW **20** million

Amount of Essential Goods Kits Shared

250 ea

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CSR

CSR System

CSR Strategies

HL Klemove has established a social contribution vision of being 'a company that provides more comfort and safety through activities that everyone trusts and relies on', and practices social contribution based on three core principles : Trust, Comfort, and Togetherness. We are implementing strategies such as MOVE TOGETHER, GREEN TOGETHER, GROW TOGETHER, and SUSTAIN TOGETHER to achieve our vision.

In 2023, we expanded our employee volunteer activities and organized a total of 8 donation events. In 2024, we also plan to conduct about 30 donation events.

CSR Organization

To promote strategic CSR activities, we have established the General Affairs Team and Employee Relations Team dedicated to CSR activities. The CSR Champion (Head of the HR Center) and the Secretary, who leads the General Affairs Team, report annually to the CEO on the plans and outcomes of our social contribution activities.

Community Donations

Total KRW

460 million

Employee Participation in Volunteer Activities

Total

1,643 hours

| CSR Vision House

VISION & SLOGAN	**Together** Deliver greater comfort and safety through trusted and dependable mobility
PRINCIPLE	Trust from Safety / Transition beyond Comfort / Together with Neighbors

SECTION	MOVE TOGETHER	GREEN TOGETHER	GROW TOGETHER	SUSTAIN TOGETHER
	Provide daily convenience to the mobility-challenged/ socially-underprivileged	Respond to climate change and preserve sustainable ecosystems	Support and nurture future generations to build a better world	Resolve social issues and lead the change through collaboration with the community
ACTION	• Donate vehicles for people with disabilities • Donate transport cards • Donate supplies for people with disabilities	• Donate pet trees • Create a forest of pet trees • Develop and implement environmental conservation activities	• Talent donation program • Happy study room support project	• Meal distribution • Summer kimchi/kit donation • Woosoori Happiness

UN SDGs

1 NO POVERTY / 2 ZERO HUNGER / 3 GOOD HEALTH AND WELL-BEING / 4 QUALITY EDUCATION / 10 REDUCED INEQUALITIES / 13 CLIMATE ACTION / 15 LIFE ON LAND

PREREQUISITES	Leadership of the management + Corporate institutions and support + Employee interest and participation

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CSR

CSR Activities

Move Together

> **Supporting the daily convenience of transportation-disadvantaged and socially vulnerable individuals**

Donating Transport Cards

HL Klemove aims to eliminate the inconvenience of using public transportation for vulnerable people in the community and ensure their freedom of movement. Therefore, we have continued the transportation card support project for recipients of basic living in Sujeong-gu, Seongnam City, which has been ongoing since 2022. We will persist in conducting community-oriented social contribution activities to facilitate the comfortable and safe movement of our neighbors.

Donating Transport Cards

Donating Vehicles for People with Disabilities

To make a small contribution towards ensuring mobility rights for the transportation disadvantaged, the labor and management raised funds together and donated a special vehicle that can accommodate wheelchairs to Incheon Community Rehabilitation Center in February 2023.

[Donating a Special Vehicle for People with Disabilities

Donating on the Day of People with Disabilities

In April 2023, we donated about KRW 580 million with 9 companies in Seongnam City to purchase grains and other goods for the operation of the event on the occasion of the Day of People with Disabilities

Donation on the Day of People with Disabilities
KRW **5** million

Green Together

> **Participation in responding to climate change and conservation of sustainable ecosystems**

Donating Pet Trees

HL Klemove's eco-friendly social contribution program, the Pet Tree Sharing Program, involves employees nurturing pet trees for eight weeks and delivering them with messages of support to the underprivileged who are unable to go out. In 2023, a total of 207 employees participated in the program, recording 708 hours of volunteer work. Through this initiative, we were able to extend a helping hand to those in need while protecting endangered plants. The company plans to expand our eco-friendly social contribution practices by promoting the pet tree sharing project and creating a forest of pet trees.

Plogging

Employees and their families conduct plogging activities, walking around parks and trails in the local community to collect trash. To increase participation, HL Klemove provides eco-friendly plogging kits. This activity has helped participants recognize the importance of the environment and the significance of responding to climate change.

Plogging Activity

2023 **HL Klemove**
Sustainability Report

CSR

Grow Together

" Supporting future generations to create a better world "

Hosting Halla University Autonomous Mobility Contest

"The HL Group Autonomous Mobility Contest", held annually since 2021 to foster the autonomous mobility workforce, provides high school and university students interested in the autonomous mobility sector with the opportunity to learn about related technologies through online education. In 2023, the contest was held in 4 categories: line camera, artificial intelligence, autonomous driving simulators, and future mobility startups. Prizes were awarded to teams that demonstrated excellent technical skills in each category. Through the contest, HL Klemove provided a learning environment for students to cultivate skills in core technologies and essential knowledge in the field of mobility and contributed to fostering software professionals by leveraging the knowledge, technology, and infrastructure of autonomous driving companies.

Contributing Scholarships to Halla University

HL Klemove contributes scholarships to Halla University every year to foster human resources. We plan to continue working together to support and foster future generations.

Scholarship Contributed
KRW **20** million

Happy Study Room Support Project

HL Klemove is participating in the "IFEZ-Happy Study Room" project, a project to support companies located in the Incheon Free Economic Zone (IFEZ), to renovate the original study room for students with poor living conditions in the city and provide educational equipment such as tablet PCs. Starting with four households in 2023, we plan to continue providing support every year.

Sustain Together

" Collaborating with the community to solve social problems and drive change "

Volunteering for Meal Distribution

To further expand our employee participation in social contribution activities, we have been visiting the Seongnam Wirye General Social Welfare Center every third Thursday of each month since May 2023 to provide meals. We remain committed to collaborating with the local community to address social issues proactively.

Meal Distribution Activity

Sharing Love Briquettes

As part of the '2023 Incheon Free Economic Zone (IFEZ) Love Briquette Sharing' event, employees hand-delivered briquettes to vulnerable residents living in Hakik-dong, Michuhol-gu, spreading warmth and lending a helping hand.

Love Briquettes Event

Sharing Essential Goods Kit

In December 2023, in collaboration with the Seongnam Volunteer Center, the company donated 250 'Winter Essential Goods Kits' to residents in need in Seongnam City. These kits included various food items, and approximately 30 employees of HL Klemove participated in the packaging process. HL Klemove is committed to enhancing the well-being of vulnerable citizens and will continue to implement various initiatives.

Essential Goods Kit Sharing Activity

Essential Goods Kit Shared
250 ea

Donating Funds For Recovery and Relief of Damage Caused by Natural Disaster

In July 2023, together with HL Group and its major affiliates, we donated KRW 500 million for relief and recovery of victims who suffered damage from severe rains across the country. In addition, in August 2023, we donated USD 100,000 to help recover from the Slovenian flood damage with HL Group and its major affiliates. We will fulfill our corporate social responsibility by actively participating in donations for relief to overcome natural disasters in Korea and abroad.

Appendix

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2023 **HL** Klemove
Sustainability Report

ESG Data

Economy

Financial Statement

Category	Unit	2022	2023
Assets	KRW 100 million	8,712	10,084
Cash and cash equivalents	KRW 100 million	784	282
Liabilities	KRW 100 million	5,937	6,825
Debt	KRW 100 million	1,998	2,471
Net debt	KRW 100 million	254	472
Equity	KRW 100 million	2,775	3,259
Capital	KRW 100 million	138	138
Debt-to-equity ratio	%	213.9	209.4
Net debt-to-equity ratio	%	9.1	14.5

Sales

Category		Unit	2022	2023
By region	Korea	KRW 100 million	10,501	12,438
	China	KRW 100 million	2,548	2,658
	US	KRW 100 million	627	608
	India	KRW 100 million	1,068	1,382
	Other	KRW 100 million	12	45
Subtotal		KRW 100 million	14,757	17,130
(Related transactions excluded)		KRW 100 million	1,095	1,763
Consolidated sales		KRW 100 million	13,662	15,367

Profit and Loss Statement

Category	Unit	2022	2023
Sales	KRW 100 million	13,662	15,367
Cost of sales	KRW 100 million	11,348	13,162
Operating profit	KRW 100 million	679	469
	%	5.0	3.1
EBITDA	KRW 100 million	1,123	976
	%	8.2	6.4
Net income	KRW 100 million	610	664
	%	4.5	4.3

Sales Breakdown

Category		Unit	2022	2023
By customer	Hyundai/Kia	%	51	53
	Mando	%	32	28
	North America OEM/Tier1	%	1	2
	China OEM/Tier1	%	6	7
	Other OEM/Tier1	%	11	9
By parts	Brake	%	17	16
	Steering	%	17	15
	Sensor & Electronics	%	8	8
	ADAS	%	55	59
	Other	%	2	2

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2023 HL Klemove
Sustainability Report

ESG Data

Environment*

*Relocation of data based on global operations

GHG Emissions*

Category		Unit	2021	2022	2023
Total GHG emissions		tCO$_2$eq	315,080	422,312	412,050
Scope 1		tCO$_2$eq	1,853	2,610	2,499
Scope 2		tCO$_2$eq	22,136	22,463	20,691
Scope 3		tCO$_2$eq	291,091	397,238	388,860
GHG Intensity	Scope 1	tCO$_2$eq/ KRW 1 million	-	0.001769	0.001462
	Scope 2	tCO$_2$eq/ KRW 1 million	-	0.015222	0.012100

*Data update according to the operational guidelines for the reporting and certification of emissions under the emissions trading scheme

GHG Emissions Reduction

Category	Unit	2023
Total GHG emissions reduction	tCO$_2$eq	10,261
Scope 1	tCO$_2$eq	111
Scope 2	tCO$_2$eq	1,772
Scope 3	tCO$_2$eq	8,378
Y-o-Y reduction in GHG emissions (intensity)	%	2.5
Amount invested annually for carbon reduction purposes	KRW 1 million	634.6

Air Pollutants

Category	Unit	2021	2022	2023
Total air pollutants emissions	kg	-	-	-
NOx emissions	kg	-	-	-
SOx emissions	kg	-	-	-
Dust emissions	kg	-	-	-
VOCs emissions	kg	-	-	-

Energy Consumption*

Category		Unit	2021	2022	2023
Total energy consumption		TJ	283.1	283.7	278.8
Total non-renewable energy consumption		TJ	283.1	281.8	266.1
Liquid fuel		TJ	3.6	3.9	6.3
Gas fuel		TJ	3.6	3.5	3.3
Electricity		TJ	273.3	272.1	254.4
Steam		TJ	2.7	2.3	2.1
Total renewable energy consumption		TJ	-	1.9	12.7
Renewable energy consumption rate		%	-	0.7	4.6
Energy Intensity	Non-renewable energy	TJ/KRW 1 million	-	0.0001910	0.0001556
	Renewable energy	TJ/KRW 1 million	-	0.0000013	0.0000074
Y-o-Y reduction in energy consumption (intensity)		%	-	-	22.7

*Data has been adjusted as the intensity metric was changed from production volume to revenue.

ISO 14001 Certification

Category	Unit	2021	2022	2023
Sites subject to ISO 14001	Sites	3	4	4
Sites certified to ISO 14001	Sites	3	4	4
ISO 14001 certification rate	%	100	100	100

ESG Data

Waste & Recycling*

Category	Unit	2021	2022	2023
Waste discharge	ton	823	881	916
Designated waste	ton	74	150	36
General waste	ton	750	730	880
Waste discharge (intensity)	ton/KRW 1 million	-	0.0006	0.0005
Y-o-Y reduction in waste discharge (intensity)	%	-	-	11.4
Waste disposal	ton	823	881	916
Recycling	ton	662	672	792
Incineration	ton	162	209	124
General waste disposal	ton	753	730	880
Recycling	ton	608	576	785
Incineration	ton	145	154	95
Designated waste disposal	ton	74	150	36
Recycling	ton	57	124	7
Incineration	ton	17	26	29
Waste recycling rate	%	80.4	76.3	86.5
Non-recycling waste	ton	162	209	124
Non-recycling waste rate	%	19.7	23.7	13.5

*Data has been adjusted as the intensity metric was changed from production volume to revenue.

Consumption of Hazardous Chemicals*

Category	Unit	2021	2022	2023
Consumption of hazardous chemicals	kg	2,149	809	385
Consumption of hazardous chemicals (intensity)	kg/KRW 1 million	-	0.00055	0.00023
Y-o-Y reduction in the consumption of hazardous chemicals (intensity)	%	-	-	143.5
Chemical discharge	kg	13,920	22,280	24,120

*Data has been adjusted as the intensity metric was changed from production volume to revenue.
*Data has been adjusted due to consumption data calculation error

Water Resources*

Category	Unit	2021	2022	2023
Water Withdrawal	m³	69,009	71,268	61,880
Waterworks	m³	69,009	71,268	61,880
Underground water	m³	-	-	-
Industrial water	m³	-	-	-
Water consumption (Intensity)	m³/KRW 1 million	-	0.0483	0.0362
Y-o-Y water consumption reduction (intensity)	%	-	-	33.5
Total water pollutants discharge	kg	-	-	-
COD	kg	-	-	-
BOD	kg	-	-	-
SS	kg	-	-	-

*Data has been adjusted as the intensity metric was changed from production volume to revenue.

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ESG Data

Safety*

*Based on domestic operations

Health & Safety Risk Assessment

Category	Unit	2021	2022	2023
Target Sites	Sites	2	2	2
Sites assessed	Sites	2	2	2
Percentage of sites assessed	%	100	100	100

Health & Safety Training

Category	Unit	2021	2022	2023
Employees subject to training	Employees	772	1,146	1,163
Percentage of employees who completed the training to the total number of employees	%	100	100	100
Safety training hours per person	Hours	24	24	24

ISO 45001 Certification*

Category	Unit	2021	2022	2023
Sites subject to ISO 45001	Sites	3	4	4
Sites certified to ISO 45001	Sites	3	4	4
ISO 45001 certification rate	%	100	100	100

*Based on global operation

Injuries*

Category	Unit	2021	2022	2023
Number of full-time workers	Employees	1,458	1,993	2,055
Total hours worked per year	Hours	2,762,220	3,744,619	4,039,882
Workplace injuries	Employees	3	1	3
Fatalities	Employees	-	-	-
Injuries	Employees	3	1	3
Work-related illnesses	Employees	-	-	-
Total injuries	Cases	3	1	3

*Based on global operations

Occupational Health & Safety Performance*

Category	Unit	2021	2022	2023
Number of workdays lost	Days	114	44	116
Occupational incident rate	%	0.21	0.05	0.15
Total Recordable Injury Frequency Rate (TRIFR)	Cases/million hours worked	1.41	0.27	0.99
Lost Workday Rate (LWR)	-	0.07	0.01	0.01
Frequency Severity Index (FSI)	-	0.10	0.05	0.09
Lost-Time Injuries Frequency Rate (LTIFR)	Cases/million hours worked	1.41	0.27	0.99
Occupational Illness Frequency Rate (OIFR)	Cases/million hours worked	-	-	-

*2021 data are based on domestic operations, and 2022~2023 data are based on global operations

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ESG Data

Technological Innovation*

*Based on global operations

R&D Investments

Category	Unit	2021	2022	2023
R&D personnel	Employees	451	580	722
Total R&D investments	KRW 1 billion	35	101	93
Percentage of R&D expenses against sales	%	4.7	7.4	6.1

Patent

Category	Unit	2021	2022	2023
Registrations	Case	144	146	213*
Applications	Case	193	232	139

*101 out of 213 cases are patent purchases

Quality Assurance

Category	Unit	2021	2022	2023
Annual QA budget	KRW 1 billion	6.53	9.70	17.14
Annual QA expenses	KRW 1 billion	4.73	6.28	16.82
Percentage of QA expenses against sales	%	0.39	0.45	1.02

LCA (Life Cycle Assessment)*

Category	Unit	2021	2022	2023
Total number of programs for the current year	Programs	-	-	1
Number of programs completed with Simplified LCA for the current year	Programs	-	-	1
Percentage of programs completed with Simplified LCA for the current year	%	-	-	100

*Based on domestic operations

IATF 16949 Quality Management System Certification

Category	Unit	2021	2022	2023
Sites subject to IATF 16949	Sites	4	4	4
Sites certified to IATF 16949	Sites	4	4	4
IATF 16949 certification rate	%	100	100	100

ESG Data

Supply Chain Management*

Transactions with Suppliers

Category		Unit	2021	2022	2023
Total suppliers (tier 1 suppliers)		Companies	145	150	168
Major suppliers		Companies	48	52	51
Total transaction amount		KRW 100 million	4,020	7,027	7,014
Transaction amount by category	Parts	KRW 100 million	4,020	7,027	7,014
	Raw materials	KRW 100 million	-	-	-
Purchase amount from major suppliers (tier 1) out of total purchase amount	Purchase amount from major suppliers (tier 1)	KRW 100 million	3,802	6,792	6,783
	Percentage of purchase amount from major suppliers (tier 1) out of total purchase amount	%	95	97	97

Communication

Category	Unit	2022	2023
Discussion meetings held	Meetings	1	1
Grievances submitted	Cases	-	-
Grievances resolved	Cases	-	-
Percentage of grievances resolved	%	-	-

Sustainable Purchasing

Category		Unit	2022	2023
Signing of sustainable procurement charter/ supplier code of conduct	Suppliers who signed the sustainable procurement charter/supplier code of conduct	Companies	-	30
	Percentage of suppliers who signed the sustainable procurement charter/supplier code of conduct	%	-	18

Raw Materials

Category	Unit	2022	2023
Suppliers to be verified for conflict minerals related information	Companies	122	148
Suppliers verifiable for conflict mineral related information	Companies	122	148
Percentage of Suppliers verifiable for conflict mineral related information	%	100	100
Sales proportion of products containing minerals from high-risk areas with conflicts out of total product sales	%	-	-
Sales proportion of products sourced from conflict-free verified suppliers in high-risk areas with conflicts out of total product sales	%	-	-

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ESG Data

Supplier Assessment

Category	Unit	2022	2023
Suppliers who received ESG assessments	Companies	24	15
Percentage of suppliers who received ESG assessments	Companies	16	9
Suppliers assessed within the past 3 years based on suppliers for the pertinent year	Companies	24	39
Percentage of Suppliers assessed within the past 3 years based on suppliers for the pertinent year	%	16	23
On-site ESG due diligence Number of suppliers	Companies	-	15
On-site ESG due diligence Percentage of suppliers	%	-	8.9
Suppliers rated excellent in ESG assessments	Companies	1	4
Percentage of Suppliers rated excellent in ESG assessments	%	4.2	26.7
Suppliers identified for risk (E,S,G)	Companies	1	1

Supplier Support

	Category	Unit	2022	2023
Supplier quality certification	Suppliers certified to quality system certification	Companies	121	148
	Percentage of quality system certifications obtained compared to the total number of suppliers subject to certification	%	100	100
Competency training	Suppliers who received training	Companies	-	7
	Percentage of suppliers who received training	%	-	4.2
	Supplier employees who received training	Employees	-	24

Supplier Occupational Health and Safety

Category	Unit	2022	2023
Occupational incident rate	%	-	-
Total Recordable Injury Frequency Rate (TRIFR)	Cases/million hours worked	-	-
Lost Workday Rate (LWR)	-	-	-
Frequency Severity Index (FSI)	-	-	-
Lost-Time Injuries Frequency Rate (LTIFR)	Cases/million hours worked	-	-
Occupational Illness Frequency Rate (OIFR)	Cases/million hours worked	-	-

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ESG Data

Labor Rights*

*Based on global operations

Total Employees

Category		Unit	2021	2022	2023
Total employees		Employees	1,859	2,152	2,055
Types of employment	Total permanent employees	Employees	1,512	1,819	1,844
	Male	Employees	1,240	1,470	1,499
	Female	Employees	272	349	345
	Total temporary employees*	Employees	156	150	66
	Male	Employees	127	119	46
	Female	Employees	29	31	20
	Total dispatched employees**	Employees	191	183	145
	Male	Employees	115	114	83
	Female	Employees	76	69	62
Types of work	Office	Employees	1,044	1,205	1,159
	Production	Employees	815	947	896
By gender	Male	Employees	1,482	1,703	1,628
	Female	Employees	377	449	427
By age group	Under 30	Employees	565	768	585
	Under 30	%	30.4	35.7	28.5
	30-under 50	Employees	1,245	1,334	1,401
	30-under 50	%	67.0	62.0	68.2
	50 and over	Employees	49	50	69
	50 and over	%	2.6	2.3	3.4

*Temporary employees : Role of business support such as office support (executive affairs) and research assistance (test trivers, etc.)
**Dispatched employees : Office and production support personnel

Breakdown of Employees by Nationality

Category	Unit	2022	2023
Korean nationals	Employees	1,175	1,176
Percentage of Korean nationals	%	54.60	57.23
Korean nationals in management positions	Employees	806	852
Percentage of Korean nationals in management positions	%	91.90	92.51
Chinese nationals	Employees	531	528
Chinese nationals	%	24.67	25.69
Chinese nationals in management positions	Employees	30	32
Percentage of Chinese nationals in management positions	%	3.42	3.47
Indian nationals	Employees	446	351
Percentage of Indian nationals	%	20.72	17.08
Indian nationals in management positions	Employees	41	37
Percentage of Indian nationals in management positions	%	4.68	4.02

Localization

Category	Unit	2021	2022	2023
Employees in manager positions*	Employees	47	83	75
Locally-hired employees in manager positions	Employees	37	69	43
Percentage of locally-hired employees in manager positions	%	79	83	57

*Manager positions : internal management positions and up
*Some reported figures have been changed due to the recalculation 2021 and 2022 data

Wage

	Category	Unit	2021	2022	2023
Gender	Median male hourly pay	KRW	17,382	14,628	13,586
	Median female hourly pay	KRW	12,804	10,661	10,206
	Gender-based difference in median hourly pay	KRW	4,578	3,967	3,380
	Wage gap by gender	%	73.7	72.9	75.1
CEO's total annual compensation against all employees*		Folds	-	8	8

*Based on domestic operations

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ESG Data

New hires

Category		Unit	2021	2022	2023
Total new hires		Employees	477	459	291
By gender	Male	Employees	339	320	224
	Female	Employees	138	139	67
By age group	Under 30	Employees	301	242	141
	30-under 50	Employees	169	215	144
	50 and over	Employees	7	2	6

Employee Diversity

Category		Unit	2021	2022	2023
Gender diversity	Percentage of female employees out of total	%	20	21	21
	Female new hires	%	28.9	30.3	23.0
	Female managers	Employees	4	5	11
	Percentage of female managers out of total managers	%	2	2	4
	Female executives	Employees	-	-	6
	Total female R&D Engineer	Employees	58	62	73
	Total R&D Engineer	Employees	451	580	546
	Percentage of female engineer	%	13	11	13
Special recruitments and vulnerable employees	Employees with disabilities*	Employees	3	37	37
	Percentage of employees with disabilities	%	0.2	1.7	1.8
	Employees entitled to national merit**	Employees	4	4	6
	Employees entitled to national merit**	%	0.4	0.3	0.5

Turnover

Category		Unit	2021	2022	2023
Total turnover		Employees	341	341	224
By gender	Male	Employees	249	266	178
	Female	Employees	92	75	46
By age group	Under 30	Employees	190	161	97
	30-under 50	Employees	146	175	123
	50 and over	Employees	5	5	4
Turnover rate		%	18	16	11
Voluntary turnover		Employees	341	341	155
By gender	Male	Employees	249	266	123
	Female	Employees	92	75	32
By age group	Under 30	Employees	190	161	53
	30-under 50	Employees	146	175	99
	50 and over	Employees	5	5	3
Voluntary turnover rate		%	18	16	69
Number of positions required for new hires	Turnover due to replacement of resigning employees	Employees	341	341	158
	Turnover due to new tasks	Employees	136	118	158
Number of positions filled through internal transfers among required new hires	Number of internal fills to replacement of resigning employees	Employees	1	1	6
	Number of internal fills due to new tasks	Employees	-	-	3
Percentage of positions filled through internal transfers among required new hires	Percentage of positions filled through internal transfers among required new hires	%	0.2	0.2	2.9

*Some reported figures have been changed due to the recalculation 2021 and 2022 data
**Based on domestic operations

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ESG Data

Parental Leave*

Category		Unit	2021	2022	2023
Employees eligible for parental leave		Employees	162	185	119
Gender	Male	Employees	154	180	113
	Female	Employees	8	5	6
Employees who took parental leave		Employees	20	12	20
Gender	Male	Employees	12	7	14
	Female	Employees	8	5	6
Employees who are expected to return to work after parental leave		Employees	19	15	27
Gender	Male	Employees	11	9	18
	Female	Employees	8	6	9
Employees who returned to work after parental leave		Employees	19	15	-
Gender	Male	Employees	11	9	-
	Female	Employees	8	6	-
Percentage of employees who returned to work after parental leave		%	100	100	-
Gender	Male	%	100	100	-
	Female	%	100	100	-
Employees who worked 12 or more months after parental leave		Employees	14	15	-
Gender	Male	Employees	9	9	-
	Female	Employees	5	6	-
Percentage of employees who worked 12 or more months after parental leave		%	74	100	-
Gender	Male	%	82	100	-
	Female	%	63	100	-

*Based on domestic operations
*Some reported figures have been changed due to the recalculation 2021 and 2022 data

Maternity Leave*

Category		Unit	2021	2022	2023
Employees who took maternity leave		Employees	42	44	61
Gender	Male	Employees	41	40	56
	Female	Employees	1	4	5
Employees who returned to work after maternity leave		Employees	42	44	61
Gender	Male	Employees	41	40	56
	Female	Employees	1	4	5
Percentage of employees who returned to work after maternity leave		%	100	100	100

*Based on domestic operations
*Some reported figures have been changed due to the recalculation 2021 and 2022 data

Working Hours

Category	Unit	2021	2022	2023
Annual hours worked per person	Hours	2,053	2,107	2,010
Average weekly hours worked	Hours	43	43	40
Number of employees utilizing flexible hours*	Employees	708	744	783
Percentage of employees utilizing flexible hours*	%	63	64	67.33

*Based on domestic operations

Performance Appraisals*

Category	Unit	2021	2022	2023
Employees subject to MBO-setting	Employees	673	675	860
Employees who set an MBO with their boss	Employees	673	675	860
Percentage of employees who set an MBO with their boss	%	100	100	100

*Based on domestic operations
*Some reported figures have been changed due to the recalculation 2021 and 2022 data

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ESG Data

Benefits*

Category		Unit	2021	2022	2023
Average benefit expenses per person		KRW 1 million	2.91	3.89	3.77
Operation of daycare center	Sites with daycare center operation	Sites	1	1	1
	Number of children in daycare centers	Persons	93	75	75
	Number of daycare center staff**	Persons	17	17	17

*Based on domestic operations
**Some reported figures have been changed due to the recalculation 2021 and 2022 data

Human Rights

Category		Unit	2021	2022	2023
Human rights impact assessment	Worksites subject to human rights impact assessment or review	Sites	-	3	5
	Worksites that received human rights impact assessment	Sites	-	3	5
	Proportion of worksites that received human rights impact assessment	%	-	100	100
	Incidences of human rights risk	Cases	-	-	-
	Improvements made	Cases	-	-	-
	Proportion of improvements made	%	-	-	-
Human rights violation prevention program*	Grievances submitted	Cases	3	-	3
	Grievances resolved	Cases	3	-	3
	Resolution rate	%	100	-	100
Human rights training*	Employees who attended human rights training	Employees	1,080	1,162	1,163
	Proportion of employees who attended human rights training	%	97	100	100

*Based on domestic operations

Labor Relations*

Category	Unit	2021	2022	2023
Employees eligible for labor union membership	Employees	292	293	286
Employees who joined labor unions	Employees	243	248	280
Labor union membership	%	83	85	98
Labor-management discussion meetings	Cases	26	26	34

*Based on domestic operations

Employee Training

Category		Unit	2021	2022	2023
Total number of training participants		Employees	733	1,213	1,824
Percentage of training participants		%	39	56	89
By age group	Under 30	Employees	113	256	401
	30-under 50	Employees	579	902	1,355
	50 and over	Employees	41	55	68
By gender	Male	Employees	564	958	1,431
	Female	Employees	169	255	393
By training type	Technology and task training	Employees	457	1,166	857
	Competency training	Employees	398	460	1,163
	Retiree training	Employees	-	-	3
By position	Below manager	Employees	335	283	354
	Manager	Employees	294	394	518
	Leader (partial leader/ team)	Employees	104	198	29
Training hours completed per person		Hours	41	28	22
Total training expenses		KRW 1 million	369	1,542	1,380
Training expenses per person		KRW 1 million	0.50	1.27	0.76

*Based on domestic operations

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ESG Data

Governance & Ethics*

*Based on domestic operations

Anti-corruption/Ethics

	Category	Unit	2021	2022	2023
Corruption	Incidences of corruption (legal criteria)	Cases	-	-	1
	Measures taken (pay cuts and/or more severe)	Cases	-	-	1
	Percentage of measures executed (pay cuts and/or more severe)	%	-	-	100
Non-compliance with the Code of Conduct	Non-compliance with the Code of Conduct (internal criteria)	Cases	-	1	1
	Measures taken (pay cuts and/or more severe)	Cases	-	1	1
	Percentage of measures executed (pay cuts and/or more severe)	%	-	100	100
Reports on Anti-corruption	Whistleblowing reports on corruption	Cases	-	-	2**
	Whistleblowing reports on corruption handled (pay cuts and or more severe)	Cases	-	-	-
	IPercentage of whistleblowing reports on corruption handled (pay cuts and/or more severe)	%	-	-	-
Internal audit* (ethics/ work)	Worksites subject to audits	Sites	-	1	3
	Worksites audited	Sites	-	1	3
	Implementation rate	%	-	100	100

*Based on global operations
**After the integrity management investigation, the treatment was terminated with "no consultation"

Ethics Training

Category	Unit	2021	2022	2023
Employees who completed ethics training*	Employees	-	112	794

*All executives and employees have completed the training as of the time of training

Information Security

Category		Unit	2021	2022	2023
Information security management system certification (ISO 27001)	Worksites subject to certification	Sites	-	1	1
	Worksites certified	Sites	-	1	1
	Certification rate	%	-	100	100
Information security vulnerability reviews made		Cases	-	1	1
Information security breaches		Cases	-	-	-
Employees who completed information security training*		Employees	701	1,162	835

*All executives and employees have completed the training as of the time of training

Compliance

Category		Unit	2021	2022	2023
Non-compliance with environmental regulations	Cases	Cases	-	-	-
	Penalties	KRW 1 million	-	-	-
Non-compliance with fair trade regulations	Cases	Cases	-	-	-
	Penalties	KRW 1 million	-	-	-
Non-compliance with safety regulations*	Cases	Cases	-	1	1
	Penalties	KRW 1 million	-	8	10
Non-compliance with personal data privacy regulations	Cases	Cases	-	-	-
	Penalties	KRW 1 million	-	-	-
Non-compliance with customer (OEM) data-related information security regulations	Cases	Cases	-	-	-

* 2022 data have been adjusted (1 case of hazard risk management plan was unsubmitted)

ESG Data

CSR*

Donations

Category	Unit	2021	2022	2023
Total corporate donations made	KRW 1 million	44	66	464
Cash	KRW 1 million	44	16	455
In-kind	KRW 1 million	-	50	9
Percentage of donations against sales	%	0.006	0.006	0.027
Investments made in community development (activity expenses)	KRW 1 million	44	16	226
Percentage of investments made in community development against sales (activity expenses)	%	0.006	0.001	0.013
Expenses for business-related CSR activities (public marketing, etc.)	KRW 1 million	-	-	238

Volunteer Work

Category		Unit	2022	2023
Volunteer hours	Total employee volunteer hours	Hours	589	1,643
	Volunteer hours per person	Hours	0.27	0.80
Employee volunteers	Employee volunteers	Employees	224	1,082
	Percentage of employee volunteers out of total	%	23.5	52.7

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GRI Index

GRI 2: General Disclosures 2021

Topic	NO.	Indications	Page & Description	Remarks
The Organization and its Reporting Practices	2-1	Organizational details	6p, 8p	
	2-2	Entities included in the organization's sustainability reporting	2p	
	2-3	Reporting period, frequency and contact point	2p	
	2-4	Restatements of information	81p	Data update according to the operational guidelines for the reporting and certification of emissions under the emissions trading scheme
	2-5	External assurance	99-101p	
Activities and Workers	2-6	Activities, value chain and other business relationships	10-17p, 51p	
	2-7	Employees	87p	
	2-8	Workers who are not employees	87p	
Governance	2-9	Governance structure and composition	19p, 68p	
	2-10	Nomination and selection of the highest governance body	68p	
	2-11	Chair of the highest governance body	19p	
	2-12	Role of the highest governance body in overseeing the management of impacts	19p, 68p	
	2-13	Delegation of responsibility for managing impacts	19p, 68p	
	2-14	Role of the highest governance body in sustainability reporting	19p	
	2-15	Conflicts of interest	68p	
	2-16	Communication of critical concerns	19p, 68p	
	2-17	Collective knowledge of the highest governance body	NA	
	2-18	Evaluation of the performance of the highest governance body	69p	
	2-19	Remuneration policies	69p, Business report – Information related to employees	
	2-20	Process to determine remuneration	69p	
	2-21	Annual total compensation ratio	87p	
Strategy, Policies, and Practices	2-22	Statement on sustainable development strategy	5p	
	2-23	Policy commitments	38p, 41p, 51p, 63p 70p, 72p, 73p	
	2-24	Embedding policy commitments		

GRI Index

Topic	NO.	Indications	Page & Description	Remarks
Strategy, Policies, and Practices	2-25	Processes to remediate negative impacts	71p	
	2-26	Mechanisms for seeking advice and raising concerns	54p	
	2-27	Compliance with laws and regulations	91p	
	2-28	Membership associations	98p	
Stakeholder Engagement	2-29	Approach to stakeholder engagement	25p	
	2-30	Collective bargaining agreements	90p	

GRI 3: Material Topics 2021

Topic	NO.	Indications	Page & Description	Remarks
Disclosures on Material Topics	3-1	Process to determine material topics	22p	
	3-2	List of material topics	23p	
	3-3	Management of material topics	24p	

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GRI Index

Topic-Specific Disclosures

Topic	NO.	Indications	Page & Description	Remarks
Topic 1: Climate Change Mitigation	3-3	Management of material topics	26-30p	
	201-2	Financial implications and other risks and opportunities due to climate change	26-30p	
	305-1	Direct (Scope 1) GHG emissions	81p	
	305-2	Energy indirect (Scope 2) GHG emissions	81p	
	305-3	Other indirect (Scope 3) GHG emissions	81p	
	305-4	GHG emissions intensity	81p	
Topic 2: Energy	3-3	Management of material topics	27p	
	302-1	Energy consumption within the organization	81p	
	302-3	Energy intensity	81p	
Topic 3: R&D	3-3	Management of material topics	31-35p	
	Non-GRI	-	-	
Topic 4: Occupational Health and Safety	3-3	Management of material topics	41-42p	
	403-1	Occupational health and safety management system	42p	
	403-2	Hazard identification, risk assessment, and incident investigation	42p	
	403-3	Occupational health services	43p	
	403-4	Worker participation, consultation, and communication on occupational health and safety	41-43p	
	403-5	Worker training on occupational health and safety	43p	
	403-6	Promotion of worker health	43p	
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	42-43p	
	403-8	Workers covered by an occupational health and safety management system	83p	
	403-9	Work-related injuries	83p	
Topic 5: Working Condition	3-3	Management of material topics	56-62p	
	401-1	New employee hires and employee turnover	87p	
	401-3	Parental leave	91p	
Topic 6: Equal Opportunity	3-3	Management of material topics	66p	
	405-1	Diversity of governance bodies and employees	87p	
	405-2	Ratio of basic salary and remuneration of women to men	87p	

GRI Index

Topic	NO.	Indications	Page & Description	Remarks
Topic 7: Training and Competency Development	3-3	Management of material topics	56p	
	404-1	Average hours of training per year per employee	90p	
	404-2	Programs for upgrading employee skills and transition assistance programs	57-60p	
Topic 8: Waste and Resource Circulation	3-3	Management of material topics	40p	
	306-2	Management of significant waste-related impacts	40p, 82p	
	306-3	Waste generated	82p	
	306-4	Waste diverted from disposal	82p	
	306-5	Waste directed to disposal	82p	
Other General Reporting Issues				
Procurement Practices	204-1	Proportion of spending on local suppliers	85p	
Anti-corruption	205-3	Confirmed incidents of corruption and actions taken	91p	
Anti-competitive Behavior	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	91p	
Tax	207-1	Approach to tax	72p	
	207-2	Tax governance, control, and risk management	72p	
Water and Effluents	303-3	Water withdrawal	82p	
Product Safety and Quality	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	91p	
Information Security	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	91p	

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SASB Index

Sustainability Disclosure Topics

Topic	Code	Accounting Metric	Page
Energy Management	TR-AP-130a.1	(1) Total energy consumed (2) Percentage grid electricity (3) Percentage renewable	81p
	TR-AP-150a.1	(1) Total amount of waste from manufacturing (2) Percentage hazardous (3) Percentage recycled	82p
Materials Sourcing	TR-AP-440a.1	Description of the management of risk associated with the use of critical materials	52-53p
Competitive Behavior	TR-AP-520a.1	Total amount of monetary losses as a result of legal proceedings associated with anti-competitive behavior regulations	91p

Accounting Metrics

Topic	Code	Content
Area of Manufacturing Plants	TR-AP-000.C	39,627㎡

Awards and Associations

Awards

Date	Award	Host	Country
Apr. 22, 2022	Science and Technology Award 2022	Ministry of Science and ICT	Korea
Jul. 21, 2022	Industry Technology Innovation Award 2022	Ministry of Trade, Industry and Energy	Korea
May 2, 2023	Commendation of the Minister of Science and ICT on 56th Science Day in 2023	Ministry of Science and ICT	Korea
Dec. 06, 2023	Industrial Contribution Award at Korea Industrial Technology R&D Expo	Ministry of Trade, Industry and Energy	Korea

Associations

NO.	Organization	Purpose of Membership
1	ADASIS	Obtain information on ADAS Map-related standards
2	Korea Association of Autonomous Mobility Industry (KAAMI)	Communicate and collaborate with a host of private sector organizations, universities, and relevant organizations in the field of autonomous driving
3	Korea Automobile Manufacturers Association (KAMA)	Promote technology development through networking and academic conferences in relation to automobiles
4	Institute of Electrical and Electronics Engineers (IEEE)	Identify global electrical/electronic R&D trends
5	Korea Industrial Technology Association (KOITA)	Maintain and manage associated technology research centers

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2023 HL Klemove
Sustainability Report

Independent Assurance Statement

To: The Stakeholders of HL Klemove.

Overview

The British Standards Institution (hereinafter referred to as the "Assurer") was requested to verify the 2023 HL Klemove`s ESG Report (hereinafter referred to as the "Report"). The Assurer is independent to and has no major operational financial interest other than the assurance of the Report. This assurance opinion statement is intended to provide information related to the assurance of the HL Klemove's report relating to the environment, social and governance (ESG) to the relevant stakeholders and may not be used for any other purpose. This assurance opinion statement is prepared based on the information presented by the HL Klemove. The verification does not extend beyond such information and is solely based on it. In performing such verification, the Assurer has assumed that all such information is complete and accurate.

HL Klemove is responsible for managing the relevant information contained within the scope of assurance, operating the relevant internal control procedures, and for all information and claims contained in the Report. Any queries that may arise by virtue of this independent assurance opinion statement or matters relating to it should be addressed to HL Klemove only.

The Assurer is responsible for providing HL Klemove's management team with an independent assurance opinion containing professional opinions derived by applying the assurance methodology to the scope specified, and to provide the information to all stakeholders of HL Klemove. The Assurer will not, in providing this independent assurance opinion statement, accept or assume responsibility (legal or otherwise) or accept liability for or in connection with any other purpose for which it may be used, or to any person or party by whom the independent assurance opinion statement may be read.

Scope

The scope of engagement agreed upon with HL Klemove includes the following :

- Report contents during the period from January 1st to December 31st 2023 included in the Report, some data of 2024 are included.
- Major assertion included in the Report, such as sustainability management policies and strategies, goals, projects, and performance, and the Report contents related to material issues determined as a result of materiality assessment.
- Appropriateness and consistency of processes and systems for data collection, analysis and review.
- Confirmation of the Report's compliance with the AA1000 Accountability Four Principles and, where applicable, the reliability of the sustainability performance information contained within the Report, based on the type of sustainability assurance performed in accordance with AA1000 AS v3.

The following contents were not included in the scope of assurance.

- Financial information in Appendix.
- Index items related to other international standards and initiatives other than the GRI.
- Other related additional information such as the website, business annual report.

Assurance Level and Type

The assurance level and type are as follows;

- Moderate level based on AA1000 AS and Type 2 (confirmation to the four principles as described in the AA1000 Accountability Principle 2018 and quality and reliability of specific performance information published in the report.)

Description and sources of disclosures covered

Based on the scope and methodology of assurance applied, the Assurer reviewed the following disclosures based on the sampling of information and data provided by HL Klemove.

> **[Universal Standards]**
> 2-1 to 2-5 (The organization and its reporting practices), 2-6 to 2-8 (Activities and workers), 2-9 to 2-21 (Governance), 2-22 to 2-28 (Strategy, policies and practices), 2-29 to 2-30 (Stakeholder engagement), 3-1 to 3-3 (Material Topics Disclosures)
> **[Topic Standards]**
> 201-2, 204-1, 205-3, 206-1, 207-1&2, 302-1&3, 303-3, 305-1~4, 306-2~5, 401-1&3, 403-1~9, 404-1&2, 405-1&2, 416-2, 418-1

Methodology

As a part of its independent assurance, the Assurer has used the methodology developed for relevant evidence collection in order to comply with the verification criteria and to reduce errors in reporting. The Assurer has performed the following activities;

- Validation of the materiality assessment and internal analytical process for determining assurance priorities, and a top-level review of issues that may be raised by external stakeholders in the context of sustainability.
- Discussion with managers and representatives on stakeholder engagement.
- Review of the supporting evidence related to the material issues through interviews with senior managers in the responsible departments.
- Review of the system for sustainability management strategy process and implementation.
- Review of the materiality issue analysis process and prioritization and verifying the results.
- Verification of data generation, collection and reporting for each performance index and document review of relevant systems, policies, and procedures.
- An assessment of HL Klemove's reporting and management processes against the principles of Inclusivity, Materiality, Responsiveness and Impact as described in the AA1000 Accountability Principles Standard (2018).
- Visit of the Pangyo office of HL Klemove to confirm the data collection processes, record management practices.

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Independent Assurance Statement

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Limitations and approach used to mitigate limitations

The Assurer performed limited verification for a limited period based on the data provided by HL Klemove. It implies that the Assurer is therefore subject to limitations relating to inherent risks that may exist without the identification of material errors. The Assurer does not provide assurance on possible future impacts that cannot be predicted or verified during the verification process and any additional aspects related thereto.

Competency and Independence

British Standards Institution (BSI) is a leading global standards and assessment body founded in 1901. BSI is an independent professional institution that specializes in quality, health, safety, social and environmental management with over 120 years history in providing independent assurance services globally. No member of the assurance team has a business relationship with HL Klemove. The Assurer has conducted this verification independently, and there has been no conflict of interest. All assurers who participated in the assurance have qualifications as an AA1000AS assurer, have a lot of assurance experience, and have in-depth understanding of the BSI Group's assurance standard methodology.

Opinion Statement

- The assurance was conducted by a team of sustainability report assurers in accordance with the AA1000 Assurance Standard v3. The Assurer planned and performed the verification and collected sufficient evidence to explain HL Klemove's approach to the AA1000 Assurance Standard and to provide confidence in its self-declaration of compliance with the GRI Standards.

- On the basis of our methodology and the activities described above, it is our opinion that the information and data included in the Report are accurate and reliable and the Assurer cannot point out any substantial aspects of material with mistake or misstatement. We believe that the economic, social and environment performance indicators are accurate and are supported by robust internal control processes.

Conclusions

The Report is prepared in accordance with the GRI Standards. (Reporting in accordance with the GRI standards). A detailed review against the AA1000 Accountability Principles of Inclusivity, Materiality, Responsiveness and Impact and the GRI Standards is set out as below.

Inclusivity : Stakeholder Engagement and Opinion

HL Klemove has selected shareholders and investors, employees, customers, partner companies, local community, government agencies/associations, NGOs, etc. as key stakeholders. HL Klemove operate communication channels for each stakeholder and gather various opinions and expectations of key stakeholder groups through the stakeholder participation process. The main issues derived are reflected in decisions related to sustainability, and this process is disclosed through reports.

Materiality : Identification and reporting of material sustainability topics

HL Klemove has built a process to establish strategies related to sustainable management and derive reporting issues. Based on the results of global initiatives (GRI Standards, ISO 26000, UN SDGs, etc.) and ESG evaluation indicators (MSCI, KCGS, DJSI, SASB, etc.), media research focus group interviews, and legal regulation reviews. HL Klemove conducted an environmental-social impact assessment (Impact materiality assessment) and financial impact assessment (Financial materiality assessment) evaluation. Through a dual materiality assessment, HL Klemove has disclosed 8 issues and 3 materiality issues in its report.

Responsiveness : Responding to material sustainability topics and related impacts

HL Klemove has selected the top three issues (climate change mitigation, energy, research and development) based on the results of the double materiality assessment. The environmental-social importance (impact materiality assessment) and financial importance (financial materiality assessment) of these issues have been identified in the context of sustainability for HL Klemove. HL Klemove is disclosing its response results through reports, including the achievement of carbon neutrality by 2050, the construction of a global greenhouse gas inventory, the expansion of the transition to renewable energy, policies on high-performance autonomous driving platforms (HPC), task performance, activity results, and improvement plans.

Impact : Impact of an organization's activities and material sustainability topics on the organization and stakeholders

HL Klemove has established a process to understand and evaluate the impact on organizations and stakeholders related to core issues. The results of the analysis of the impact, risks, and opportunities of core issues are used in decision-making for the establishment of response strategies for each issue, and this disclose this process through reports.

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Independent Assurance Statement

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Findings and conclusions concerning the reliability and quality of specified performance information

• Among the GRI Topic Standards, an assurance Type 2 were conducted against the following discloursers based on the information and data provided by HL Klemove. In order to verify the reliability and accuracy of the data and information, internal control procedures related to data processing, and management were verified through interviews with the responsible department, and accuracy was verified through sampling. Errors and intentional distortions in sustainability performance information included in the Report were not found through assurance processes. The HL Klemove manages the sustainability performance information through reliable internal control procedures and can track the process of deriving the source of the performance. Errors and unclear expressions found during the assurance process were corrected and the Assurer confirmed the final version of the Report prior to its final publication.

  - GRI Topic Standards : 302-1&3, 305-1~4, 306-2~5, 401-1&3, 403-1~9, 404-1&2, 405-1&2

Recommendations and Opportunity for improvement

The Assurer provides the following observations to the extent that they do not affect the assurance opinion;

- The assurance team recommends further developing the sustainability governance structure by clarifying the responsibilities within the board of directors and enhancing the connection between sustainability and HL Klemove's strategy and business planning activities, based on a systematic understanding of business risks and opportunities. This can be further improved by ensuring that the results of the materiality process are effectively integrated into the management decision-making process.
- We have seen good progress in providing information to help stakeholders understand the relative sustainability impacts of its products and the link to future product strategies particularly in relation to eco-product design. We recommend that in the future the report should provide clearer information on how the growth of these products together affect the main sustainability issues identified and the company's plans to manage these.

GRI-reporting

HL Klemove has self-declared compliance with GRI Standards. Based on the data and information provided by HL Klemove, the Assurer confirmed that the Report is prepared in accordance with the GRI Standards, and confirmed there are no errors in the disclosures related to the Universal Standards and Topic Standards Indicators. No sector standard is applied.

05/06/2024
BSI representative

Sangwoo Nam, Lead Assurer | **Seonghwan Lim,** Managing Director of BSI Korea

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GHG Assurance Statement

Relating to HL Klemove Corporation's Report for the calendar year 2023

Terms of Engagement

This Assurance Statement has been prepared for HL Klemove Corporation.

LRQA was commissioned by HL Klemove Corporation (HL Klemove) to assure its GHG Report for the calendar year 2023 (hereafter referred to as "the Report").

The Report relates to direct GHG emissions and indirect GHG emissions.

HL Klemove's geographical boundary includes its operations in the head office and Pangyo office in Korea, and in four manufacturing plants located in Korea, China and India. The main activities of the organization include production of automotive parts and the GHG emissions have been consolidated using an operational control approach.

Management Responsibility

HL Klemove's management was responsible for preparing the claim, report and conformity with ISO 14064-1:2018 and Corporate Value Chain (Scope 3) Accounting and Reporting Standard1, and for maintaining effective internal controls over the data and information disclosed. LRQA's responsibility was to carry out an assurance engagement on the Report in accordance with our contract with HL Klemove.

Ultimately, the Report has been approved by, and remains the responsibility of HL Klemove.

1) https://ghgprotocol.org

LRQA's Approach

Our verification has been conducted in accordance with ISO 14064-3:2019, 'Specification with guidance for verification and validation of greenhouse gas statements' to provide limited assurance that GHG data as presented in the Report have been prepared in conformance with ISO 14064-1:2018, 'Specification with guidance at the organizational level for quantification and reporting of greenhouse gas emissions and removals' and Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

To form our conclusions the assurance engagement was undertaken as a sampling exercise and covered the following activities:

• reviewed processes related to the control of GHG emissions data and records;

• reviewed summarized source data;

• interviewed relevant staff of the organization responsible for managing GHG emissions data and records;

• verified emission factors were appropriately selected from recognized sources;

• visited HL Klemove's head office and reviewed additional evidence made available by HL Klemove; and

• verified historical GHG emissions data and records at an aggregated level for the calendar year 2023.

Level of Assurance & Materiality

In accordance with our contract agreement, the assurance was conducted at a limited level of assurance at a materiality of 5% for Categories 1 - 5. The opinion expressed in this Assurance Statement has been accordingly formed.

LRQA's Opinion

Based on LRQA's approach nothing has come to our attention that would cause us to believe that the GHG emissions for Categories 1-5 disclosed in the Report as summarized in Table 1 below are not materially correct and that the Report has not been prepared in conformance with ISO 14064-1:2018 and Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

GHG Assurance Statement

Table 1. Summary of HL Klemove, GHG Report 2023

Scope of GHG emissions	Tonnes CO_2e
Direct GHG emissions (Category 1)	2,499
Indirect GHG emissions from imported energy (Category 2, Location-based)	22,142
Indirect GHG emissions from imported energy (Category 2, Market-based)	20,691
Indirect GHG emissions from transportation (Category 3) • Upstream transportation - transportation of raw materials and parts purchased • Downstream transportation – transportation of automotive parts sold • Employee commuting • Business travel	25,793
Indirect GHG emissions from products used by organization (Category 4) • Purchased goods and services – raw materials, parts, water and services • Fuel- and energy-related activities (not included in scope 1 or scope 2) • Waste generated in operations - treatment of waste generated from four plants • Upstream leased assets - Pangyo office • Capital goods	196,154
Indirect GHG emissions associated with the use of products from the organization (Category 5) • Use of sold products – GHG emissions allocated to automotive parts sold based on the total GHG emissions during the stages of automobile usage • Processing of sold products • End-of-life treatment of sold products • Investments	166,913

Location-based and market-based are terminologies from Annex E of ISO 14064-1 : 2018.
The subcategories of Categories 3 - 5 from ISO 14064-1:2018 correspond to the Scope 3 categories presented in the Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

14 May 2024

Tae-Kyoung Kim LRQA Lead Verifier
On behalf of LRQA Limited
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