

BRING A NEW ERA IN MOBILITY

2022 [HL](#) Klemove Sustainability Report

HL Klemove



About This Report

HL Klemove specializes in autonomous driving parts as a global supplier to major car OEMs. In 2022, we publicly launched our commitment to sustainability management, aiming to go beyond automobiles towards a new era of mobility in diverse forms. Furthermore, we present our first sustainability report to communicate our sustainability management activities and achievements with stakeholders. Guided by our mission to ‘Manifest a World Where Your Most Comfortable Movement is Your Safest Moment’, this report outlines our performance around the six focus areas of sustainability management - Environment & Safety, Technological Innovation, Supply Chain, Labor Rights, Governance & Ethics, and Corporate Social Responsibility.

Official Website [↗](#)

HL Klemove Youtube [↗](#)

HL Klemove LinkedIn [↗](#)

2022 Annual Report [↗](#)

Articles of Incorporation [↗](#)

2022 Audit Report (consolidated) [↗](#)

2022 Audit Report (non-consolidated) [↗](#)

Reporting Standards

This report was prepared in accordance with the international sustainability reporting framework of the GRI (Global Reporting Initiative) Standards and in reflection of ISO 26000, the UN SDGs, the UNGC, and the SASB.

Reporting Boundary

HL Klemove headquarters and global R&D centers (some data were prepared based on global operations and were separately noted as such).

Reporting Period

Jan. 1, 2022 – Dec. 31, 2022 (including a portion of the data from the first half of 2023)

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Reporting Cycle

Annually (first publication in June 2023)

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 which bears no interest in HL Klemove. The assurance results appear in the assurance statement section of this report (96~98p).

Disclosure on Management Information

HL Klemove transparently discloses management-related data on its corporate website 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.



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CEO Message



The Most Trusted Company in Intelligent Mobility



Confronted with a multitude of uncertainties and challenges, including the prolonged pandemic, rising raw material and logistics costs, and the pervasive disruption in global semiconductor supply chains, HL Klemove fearlessly embarked on a transformative journey on December 1, 2021, rebranding and setting forth our initiative known as STRIDE. This marked the start of our steadfast commitment to sustainability management in 2022, a critical juncture that prompted reflection on our impact after one year of operation. In order to align our sustainability management with global standards, our focus has been the establishment of a robust human rights management system: we crafted our human rights policy in alignment with the UN Guiding Principles on Business and Human Rights, and subsequently announced our commitment to this policy through a public declaration. Moreover, to fortify our sustainable partnerships with suppliers, we have implemented and distributed a Supplier Code of Conduct. Further illustrating our dedication to sustainability, HL Klemove became a member of the UN Global Compact in May 2023, underscoring our commitment to its ten guiding principles spanning four areas: human rights, labor, environment, and anti-corruption.

With the release of this inaugural sustainability report, we pledge to engage in open dialogue with our stakeholders about our six key areas of sustainability management - Environment & Safety, Technological Innovation, Supply Chain, Labor Rights, Governance & Ethics, and Corporate Social Responsibility. We extend our heartfelt gratitude for the unwavering interest and substantial support that have accompanied our fresh start as HL Klemove.

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Building a business infrastructure for the upcoming era of intelligent mobility

The vision of mobility that HL Klemove envisions extends far beyond conventional automobiles. We anticipate and embrace diverse forms of autonomous driving. To this end, we are developing business infrastructure in step with the rapidly-shifting paradigm of the automobile industry. In December 2022, we opened Next M, our new corporate building, under the slogan of ‘**New Experiment Team of Mobility**’. Next M, that houses cutting-edge autonomous driving equipment and open innovation areas, will provide a springboard from which we can launch our worldwide operations as our global strategy and R&D headquarters. Our research center in India and China and Mexican subsidiary have been opened in the first half of 2022, along with another research center in the U.S. in the Silicon Valley, which all pave and ready our way for further global growth.

Pursuing intelligent mobility business as a new growth driver

To keep current with the evolving automotive industry paradigm correlated with electrification and autonomous driving, we develop key mobility solutions and create a stable and balanced business portfolio. In July 2022, we received the prestigious Industrial Innovation Technology of the Year Award, acknowledging our accomplishments in independently developing mid-range radar technology and integrating L2 autonomous driving into the mainstream. Going forward, we will develop ultra-high-performance sensors and HPC (High Performance Computing) Unit to lead cutting-edge technologies for autonomous driving.

Advancing a multifaceted green management approach towards net zero emissions by 2050

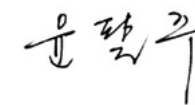
We established an organization dedicated to Environment & Safety issues and implemented specific strategies in line with the 2050 net zero initiative. In 2022, we were chosen by the Ministry of Environment to participate in the Korean version of the EV100, K-EV100, and will transition to zero-emission vehicles for all our owned or leased vehicle fleets by 2030. To align with K-EV100, we will change all our owned and leased vehicles into zero-emission vehicles by 2030. Moreover, we have been issuing green bonds since 2021 to fund facility investments and R&D associated

with eco-friendly automotive parts. Our green bonds maintained Green 1 ratings through the regular surveillance audit conducted in December 2022. In January 2023, an LCA (Life Cycle Assessment) taskforce team was formed to minimize our environmental impact all the way from the product design phase.

Implementing sustainability management in line with global standards for social responsibility

We established a supplier ESG assessment system to preemptively manage labor, human rights and other ESG risks inherent to our supply chains, and are selecting our suppliers according to their ESG performance. In tandem with this, we will assist our suppliers in undertaking their ESG activities through the joint operation of a range of communication channels. To abide by international human rights/labor standards and principles, we conducted human rights impact assessment on our domestic subsidiaries in 2022. Furthermore, we endeavored to contribute to job creation for people with disabilities. We established a corporate sports team, which comprises athletes with disabilities, while implementing customized training programs to foster and recruit individual with disabilities as software testing personnel. Additionally, we defined our in-house corporate social responsibility vision house to share our resource with local communities.

HL Klemove remains committed to advancing towards its goals and growth strategy. We will persistently deliver results in six key areas of sustainability management aiming to earn the distinction of the most trusted company in the intelligent mobility industry. As we position ourselves at the threshold of a new journey, we kindly solicit your continued interest and robust support.



June 2023

Pal-Joo, Yoon
CEO, HL Klemove



Company Overview

HL Klemove delivers key hardware/software solutions for ADAS¹⁾ and Autonomous Driving, setting the innovation trends for the future of the mobility industry. Our operations span China, India, North America, and the wider world, and we do business with global car OEMs and parts makers. In response to the SDV (Software Defined Vehicle), a crucial focal point in the automotive industry, we fully dedicate ourselves to partnering with third parties and advancing E/E Architecture, SoC, communication, and Cloud, which serve as essential software enablers for SDV implementation. Going forward, we will lead the upcoming mobility industry to manifest a world where the most comfortable movement becomes the safest moment.

1) ADAS : Advanced Driver Assistance Systems

HL Klemove at a Glance

As of Dec. 2022

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	15 locations in 5 countries
Business Area	Design, manufacture and sale of automotive part
Total Assets	KRW 871.2 billion
Capital	KRW 13.8 billion
Sales	KRW 1,365 billion
Credit Rating	AA ⁻³⁾
Employee Count	2,152 persons

2) The integrated corporation was established on December 1, 2021.

3) Based on joint bonds issued by Mando

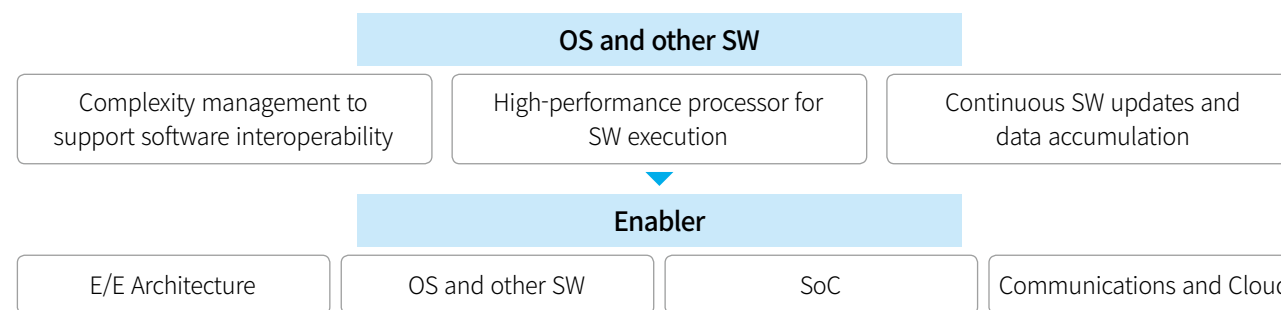
Heritage

- Global automotive parts maker with 60-year history and R&D capability
- Expertise in automotive chassis and ADAS technology
- Expertise in braking, steering, and suspension technology
- DNA of HL that has shaped Korea's history of heavy industries



- Joint Venture with Hella in Germany known for its expertise in automotive electronics with 110-year history

SDV(Software Defined Vehicle) Realization



“Provide technology and products that integrate comfort with safety ”

Improve vehicle performance and add new functionality through continuous SW updates

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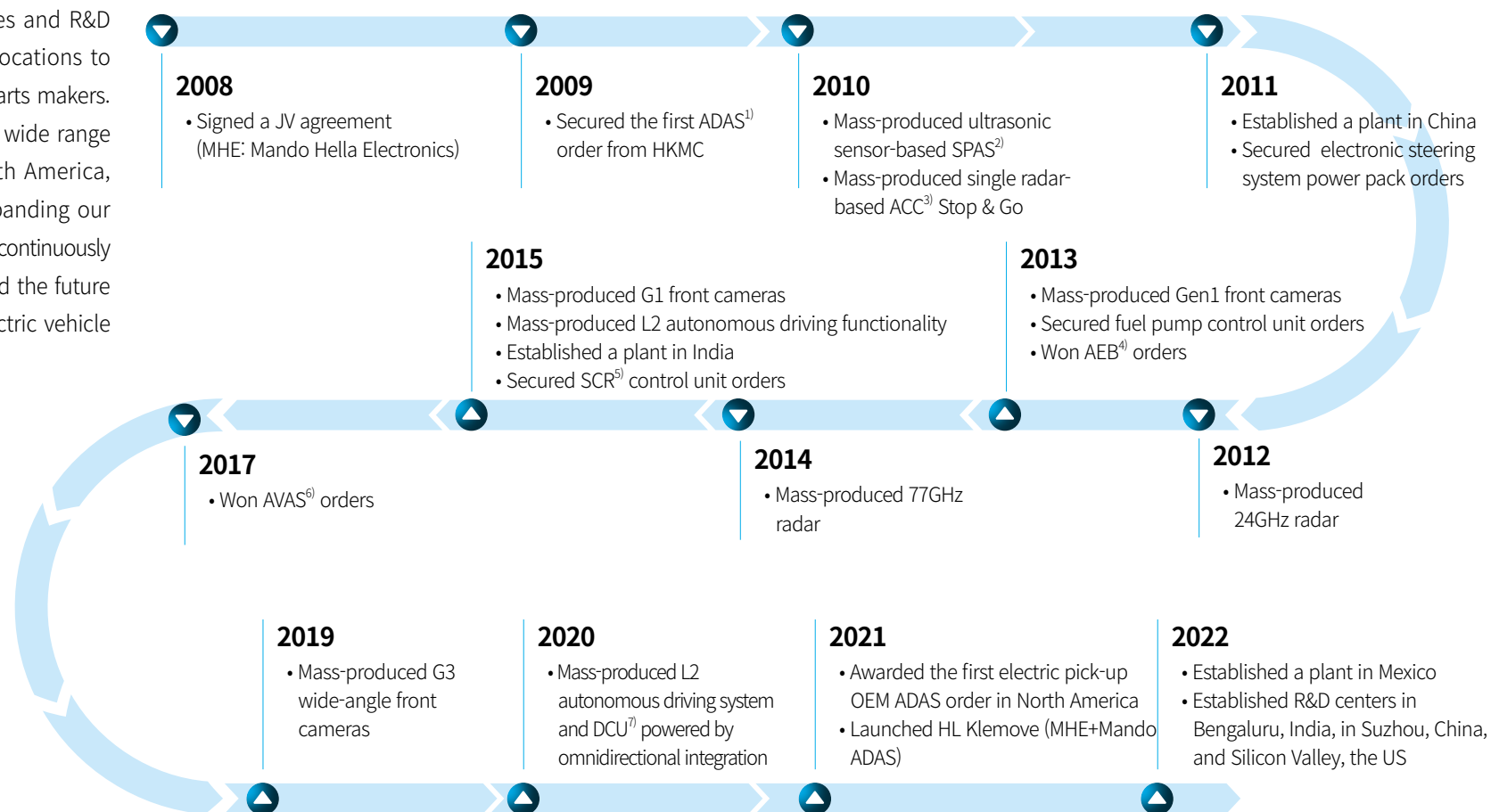
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History

HL Klemove has built a sales and R&D network across global key locations to serve global car OEMs and parts makers. Our revenue stream spans a wide range of customers in Korea, North America, China and India. We are expanding our infrastructure investment while continuously developing technology to lead the future autonomous driving and electric vehicle markets.



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

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Awards History

It's been a decade since HL Klemove was first named a top 100 technology leader for the future to lead Korea's industry landscape back in 2013. In 2022, we were awarded at the Industry Innovation Technology of the Year Awards 2022 in recognition of our contribution to ceaselessly engaging in R&D on new technology and our industry leadership. Going forward, HL Klemove will go beyond the automotive industry to pioneer autonomous driving in all forms of mobility that we've ever dreamed and desired.

<p>Dec. 2013 Made the top 100 as a future technology leader for the nation in 2020 - Automotive industry, social safety categories</p> 	<p>Dec. 2015 \$70 Million Export Tower Award</p>	<p>Mar. 2016 IR52 Jang Young-shil Award¹⁾ - Automotive long-range radar sensor</p>	<p>May 2016 Commendation of the Minister of Science, ICT and Future Planning (51st Invention Day) - Patent developed on front camera and autonomous driving systems</p> 	<p>May 2019 Industry Contribution Award (54th Invention Day) - Patent developed on an automotive radar sensor for the localization of this key autonomous driving component</p> 
<p>Oct. 2021 100 national R&D best practices in 2021 - Mass-production of radar sensors for autonomous driving (enabling L2/L3 autonomous driving)</p>	<p>Apr. 2022 Science and Technology Contribution Award 2022 (Hyung Jin-Kang, CTO) - Contribution to R&D on autonomous driving</p>	<p>Jul. 2022 Industry Innovation Technology of the Year Awards 2022, commercialization technology category - First Korean company succeeded in development and mass production of mid-range radar</p> 	<p>May 2023 Commendation of the Minister of Science and ICT on Science Day 2023 (Han-Yeol Yu, AD Sensor R&D Center Head) - Korea's first to independently develop and commercialize radar for autonomous driving</p> 	<p><small>1) This award is given to domestic companies and research institutes that have taken the lead in industrial technology innovation through the development and commercialization of new technology products. IR stands for Industrial Research, and 52 means awards are given every week for 52 weeks a year.</small></p>

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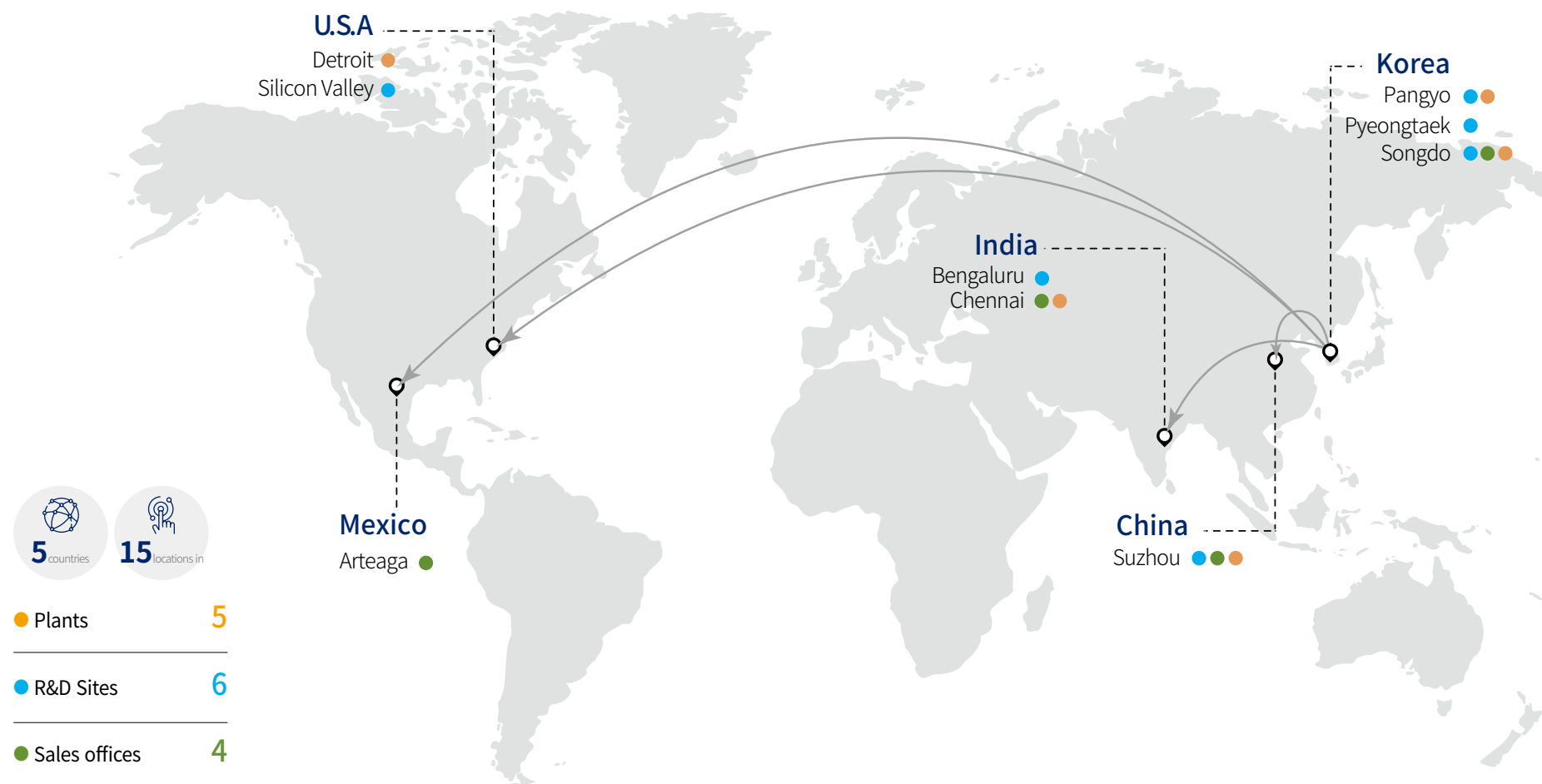
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Global Network

HL Klemove is developing cutting-edge products with our Pangyo R&D Center playing a pivotal role as the headquarters, and broadening our business presence across the world, establishing R&D centers in such key overseas locations as China, India, and the US. As of March 2022, our network consisted of 15 locations in five countries. Specifically, we aim to establish R&D centers nearby our major customers to provide tailored engineering services.



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Bring a New Era in Mobility

Value System

Guided by our mission ‘To Manifest a World Where Your Most Comfortable Movement is Your Safest Moment’, HL Klemove aims to become the most trusted company in intelligent mobility. Fueled by unwavering commitment, all our employees embrace challenges, proactively seek solutions, and deliver exemplary outcomes. We also prioritize collaboration with communities and stakeholders based on consideration and communication.

Heritage

HL Klemove

Inherit Halla’s Heritage

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

Clever + Move

Remain agile and smart in responding to the uncertain and evolving future mobility industry while generating industry-leading results

Vision House

Mission



Slogan



Goal



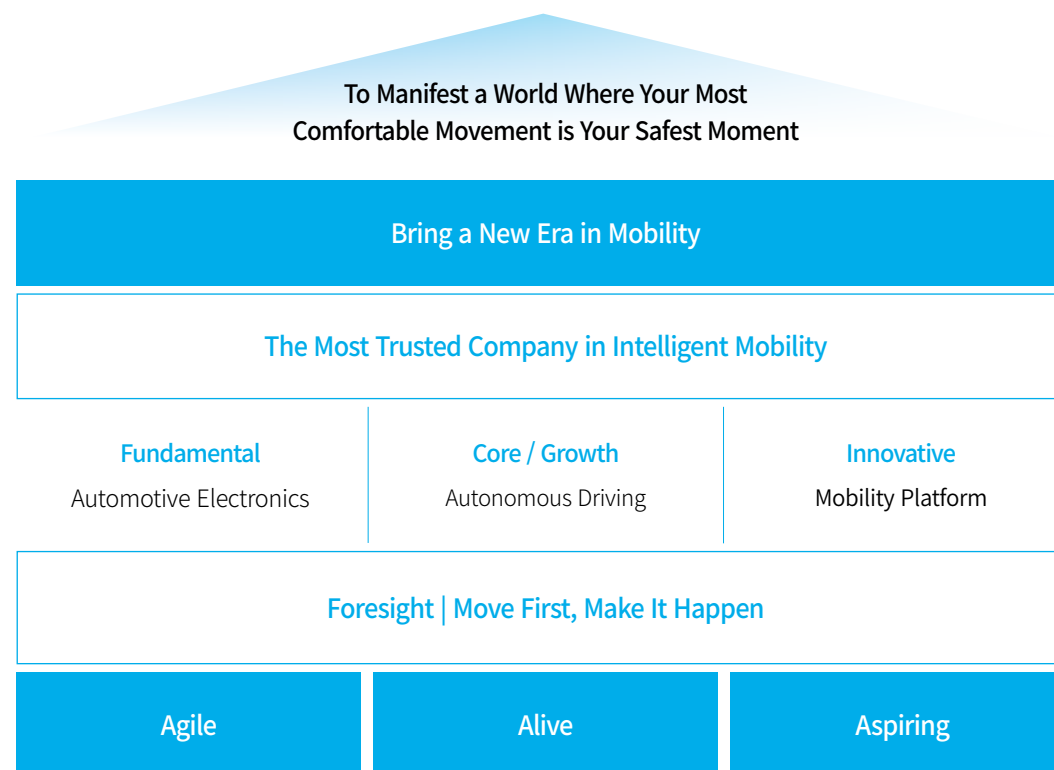
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Identity



Growth Mindset



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The Most Trusted Company in Intelligent Mobility

Autonomous driving solutions and technology innovations ultimately aim to manifest a ‘world where your most comfortable movement is your safest moment’. To this end, our business operations are organized into autonomous driving solutions, automotive electronics solutions, and mobility solutions. As we pursue solution innovation across our diverse business areas, we take one step closer to bring a new era of mobility.

Business Area



Autonomous Driving Solutions

- Autonomous Driving Solutions
- Active Safety Solutions
- Parking Solutions
- In-cabin Monitoring System

Main Product

Radar, camera, lidar, domain control, etc.



Automotive Electronics Solutions

- AVAS¹⁾ solutions for xEVs
- Fuel and diesel exhaust fluid control solutions
- Electronic automotive chassis control

Main Product

Electronic control units, chassis ECU²⁾, etc.



Mobility Solutions

- Industrial/robotic sensing and control system
- Autonomous transport system
- Autonomous ship navigation system

Main Product

Industrial camera, radar, lidar, high-performance control unit

1) AVAS : Acoustic Vehicle Alert System
2) ECU : Electronic Control Unit

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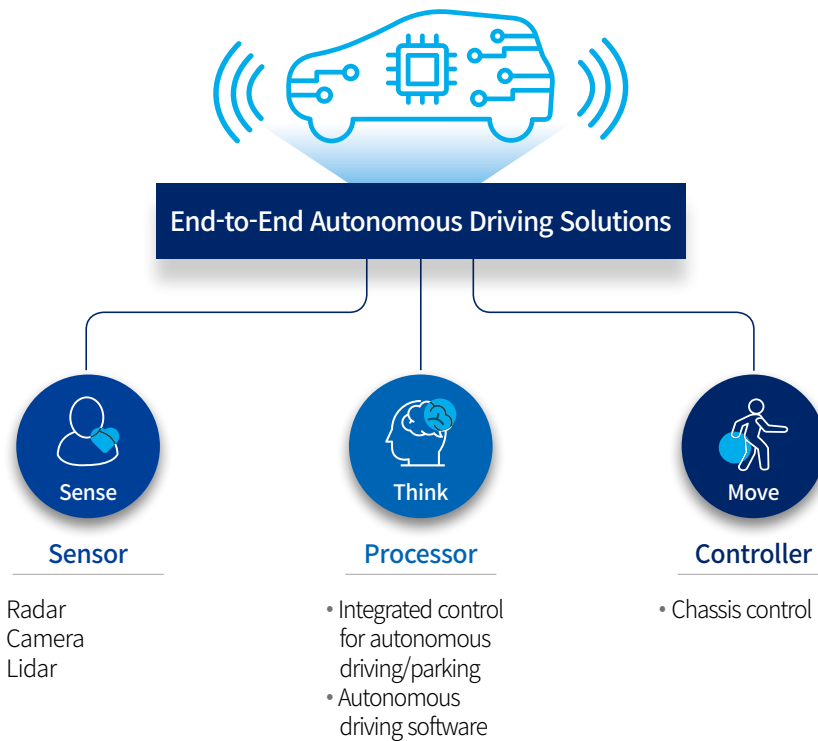
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Autonomous Driving Solutions

HL Klemove takes the lead in the autonomous driving market, dedicating significant efforts to R&D to ultimately deliver fully autonomous mobility trusted by drivers. We focus on the development of core hardware/software technology performing perception, decision-making, and control functions to enable autonomous driving. With our wide-ranging sensors, autonomous driving/parking control units, and Chassis ECUs, HL Klemove offers mobility solutions equipped with autonomous, eco-friendly, and enhanced functionalities



① Front Radar

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



② Corner Radar

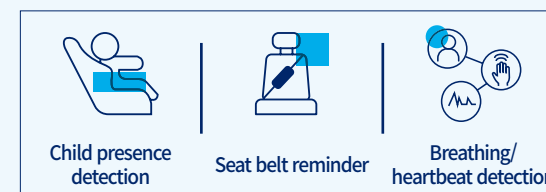
Our wide FoV corner radar can sense the full 360-degree surroundings of its location with four corner radars. Notably, our ultra-wide FoV corner radar fitted with a 3-dimensional antenna can detect objects 13% wider, 50% further, and 100% more clearly than that of conventional models.



1) ECE-79 for Automatic Lane Change

③ In-cabin Radar

Our in-cabin radar monitors and detects the motions of rear seat passengers and alarms drivers so that no children are left unattended.



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④ High-resolution Front Camera

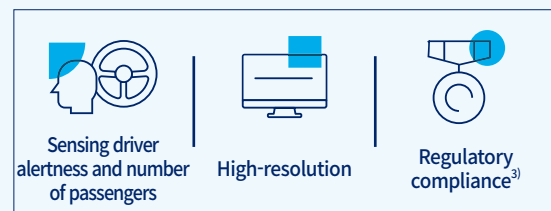
Supporting a wide FoV of upwards of 120 degrees and eight mega pixel high-resolution image processing capability, our front camera registers the proximity of other vehicles, motorcycles, bikes, and pedestrians, not to mention lane markers and traffic signs. This alerts the driver and activates autonomous emergency braking to preemptively prevent accidents.



2) NCAP (New Car Assessment Program), Autonomous driving regulations

⑤ In-cabin Camera

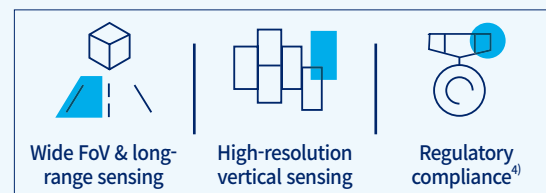
The in-cabin camera located just in front of the driver’s seat recognizes the positioning of the driver’s head, in addition to optical movements such as gazing and blinking, while it monitors and transmits safety alarms when the driver’s alertness appears compromised. It can also sense how many passengers are in the car and comes equipped with seat belt alarms, heated seats, and A/C controls.



3) NCAP (New Car Assessment Program), Autonomous driving regulations

⑥ 3D Scanning Lidar

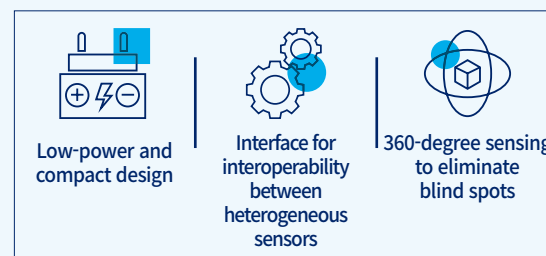
Our 3-dimensional scanning lidar precisely measures the three-dimensional location of objects. Enabled by vertical resolution performance over 10 times more accurate than commercial lidars on the market, our 3D scanning lidar accurately identifies objects based on high-resolution point cloud data.



4) Eye-Safety Class 1

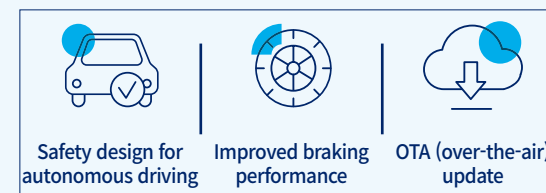
⑦ Automated Parking Control Unit

This high-performance platform enables advanced autonomous parking and parking assistance. Leveraging data collected by surround cameras and ultrasonic sensors, our automated parking control unit accurately perceives the surroundings and performs automated parking controls.



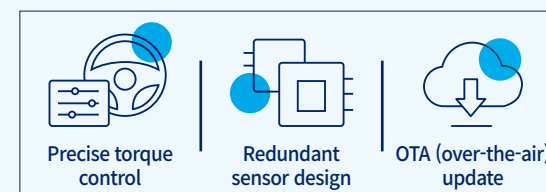
⑧ Integrated Dynamic Brake

Our Integrated Dynamic Brake (IDB) serves as an integrated electronic brake system to directly drive the pressure piston through the motor and generate braking pressure in the process. This integrated design replaces conventional vacuum boosters and combines all ESC functions into a single brake control unit.



⑨ Steering Control Unit

Our electric power steering system controls the output of motors in alignment with the driver's steering power and the vehicle's signals (driving speeds, LKAS, etc.) to assist the driver in steering the vehicle. This system also enables steering control based on the steering signals generated from the vehicle.



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10 Autonomous Driving Software

HL Klemove delivers autonomous driving software for active safety, parking, and other features. As safety is foundational to our business philosophy, we are fully committed to doing our part to mitigate dangerous and unnecessary driving accidents. This is why we strive to develop advanced active safety features that enable vehicles to safely and autonomously drive and alert drivers of potential collision. To this end, we will continue to do our utmost to render autonomous driving that is ever more rigorous and provide a convenient riding experience. We offer end-to-end autonomous driving solutions, ranging from electronic components that essentially serve as a second line of defense to the human nervous system - to sensors and control units that mimic the human eye and brain - while continually engaging in research and development. Finally, we take the stress out of parking, especially for those unaccustomed to navigating tight spaces. Our wide-ranging parking solutions help prevent potential safety issues and reduce any potential accidents in the parking lot.

Active Safety Solutions



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 assistance system

Autonomous Driving Solutions



Adaptive Cruise Control (ACC)

Maintain the speed and/or distance set by the driver according to road conditions for a more convenient driving experience



Lane Centering assist System (LCS)

Senses the lane and the vehicle ahead to keep the car centered in its lane through assisted steering control



Highway Assist (HWA)

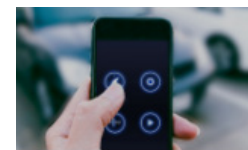
Assist the driver to follow the set navigation routes with the help of partial highway driving automation technology



Highway Pilot (HWP)

Offer a hands-free driving mode on congested highways with the help of an advanced autonomous driving system

Parking Solutions



Remote Parking Assist

Provide remote parking functions to support ease and safety in parking while improving entry and exit in and out of the car



Rear-Autonomous Braking

Prevent collisions through emergency braking when a vehicle's path is obstructed while backing out of a parking spot



Surround view Monitoring


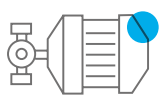

Display 2/3-dimensional imaging of the surrounding area when parking or traveling at low speeds



Automotive Electronics Solutions

HL Klemove develops core technologies that enable environmental friendly electronic sensors and fuel supply systems, as well as vehicle alert systems designed for pedestrian safety. With the automotive electronic parts market growing rapidly in line with the expanding EV market, we pledge to leverage our accumulated technology and credibility in the autonomous driving sector to deliver best-in-class electronic solutions.

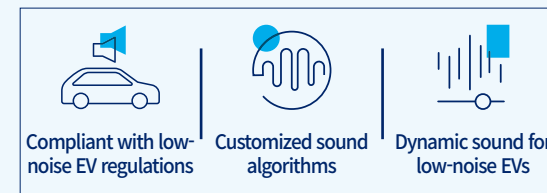
Electronics Solutions

		
Acoustic Vehicle Alert System	Selective Catalytic Reduction/Fuel Pump Controller	Torque/Torque Angle Sensor
<ul style="list-style-type: none"> • AVAS¹⁾ 	<ul style="list-style-type: none"> • SCR²⁾ • FPC³⁾ 	<ul style="list-style-type: none"> • TOS⁴⁾ • TAS⁵⁾

1) AVAS : Acoustic Vehicle Alert System
 2) SCR : Selective Catalytic Reduction
 3) FPC : Fuel Pump Controller
 4) TOS : Torque Only Sensor
 5) TAS : Torque & Angle Sensor

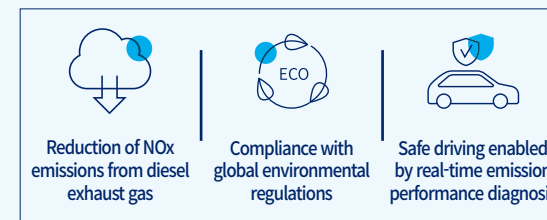
① Acoustic Vehicle Alert System

Our Acoustic Vehicle Alert System emits a virtual engine sound for low-noise EVs to safeguard pedestrians, cyclists, children and others on the road.



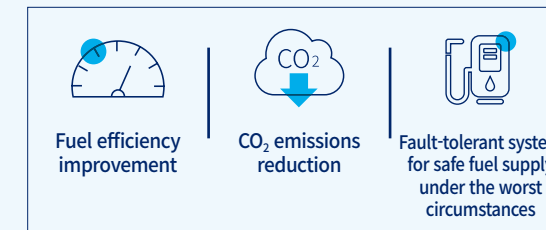
② Selective Catalytic Reduction

Selective Catalytic Reduction (SCR) controllers generate supply pressure in the Diesel Exhaust Fluid (DEF) dosing line by controlling the BLDC pump while providing a 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.



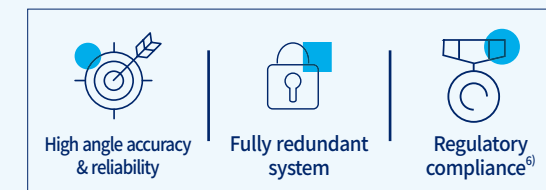
③ Fuel Pump Controller

Our fuel pump controller supplies the prescribed amount of fuel for various driving conditions to the engine through a fuel pressure control, whereas conventional fuel pump systems only generate a fixed level of fuel pressure irrespective of conditions. This ultimately contributes to mitigating CO₂ emissions and improving fuel efficiency.



④ Torque/Torque Angle Sensor

The non-contact Torque Only Sensor (TOS) transmits the steering efforts of the driver by measuring the relative shift 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 torque, angle, and speed of the steering wheel. The absolute steering wheel angle is always available even when the true power is turned on.



6) ISO 26262 ASIL-D

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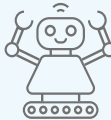


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Technology Aspirations

The freedom of mobility, as we imagine it at HL Klemove, extends well past the realm of automobiles. We ready ourselves to embrace any and all possible forms of mobility that we ever dream and desire. Our aim is to create future mobility services that allow people to fully concentrate on their priorities in daily life, going beyond the mere advantages of transportation.

<p>01</p> <p>Industrial/robotic sensing and control system</p>  <p>Sensing & control system</p>	<p>02</p> <p>Autonomous transport system</p>  <p>Autonomous transport system</p>	<p>03</p> <p>Autonomous ship navigation system</p>  <p>Autonomous ship navigation system</p>
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We leverage the technologies initially developed for automotive autonomous driving systems to pursue a range of collaborations and expand their application to a wide array of industrial and robotic solutions. (e.g., warehouse robots, industrial robots)

In the upcoming future, unmanned robots fitted with autonomous driving functionality will be everywhere to resolve the issues of excessive logistics volumes, tight delivery deadlines, and workforce shortages. This will not only improve the efficiency of logistics but also mitigate fuel consumption and carbon emissions.

The demand for autonomous navigation technology will only grow in the shipbuilding market to perceive objects and prevent maritime collisions. This helps resolve labor shortages and keep accidents at bay.

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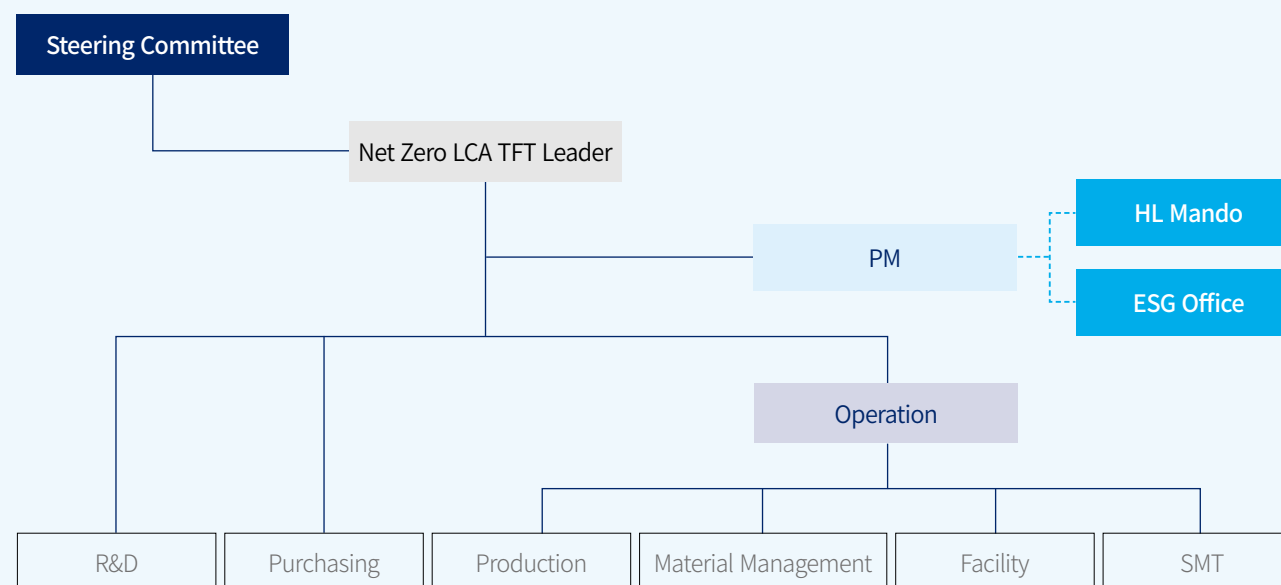


ESG Highlight Stories

E Piloting an LCA¹⁾ Taskforce Team to Participate in Reducing Carbon Footprint

In response to the request from the European OEMs to perform CFP²⁾ management and LCA assessments, we are piloting a LCA taskforce team composed in January 2023. Our parent company HL Mando created a dedicated LCA team to roll out LCA across its entire chassis product lineup, and HL Klemove is also securing internal LCA capabilities for CE³⁾ product lineup. Bi-weekly working-level and monthly meetings held by the taskforce team head is about discussing our major progress, and action plans. Online regular meeting is also being held with HL Mando's dedicated LCA organization. HL Klemove will extend the scope of LCA with a focus on the CE product lineup in sync with HL Mando's LCA roll-out plan, and review its expansion to the autonomous driving product lineup taking into account OEM needs and pilot project outcomes.

HL Klemove's LCA TFT Organizational Chart



1) LCA(Life Cycle Assessment) : Environmental impact assessment methodology concerning energy, resource consumption, emissions into the air and water systems, and waste generation along a product's lifecycle

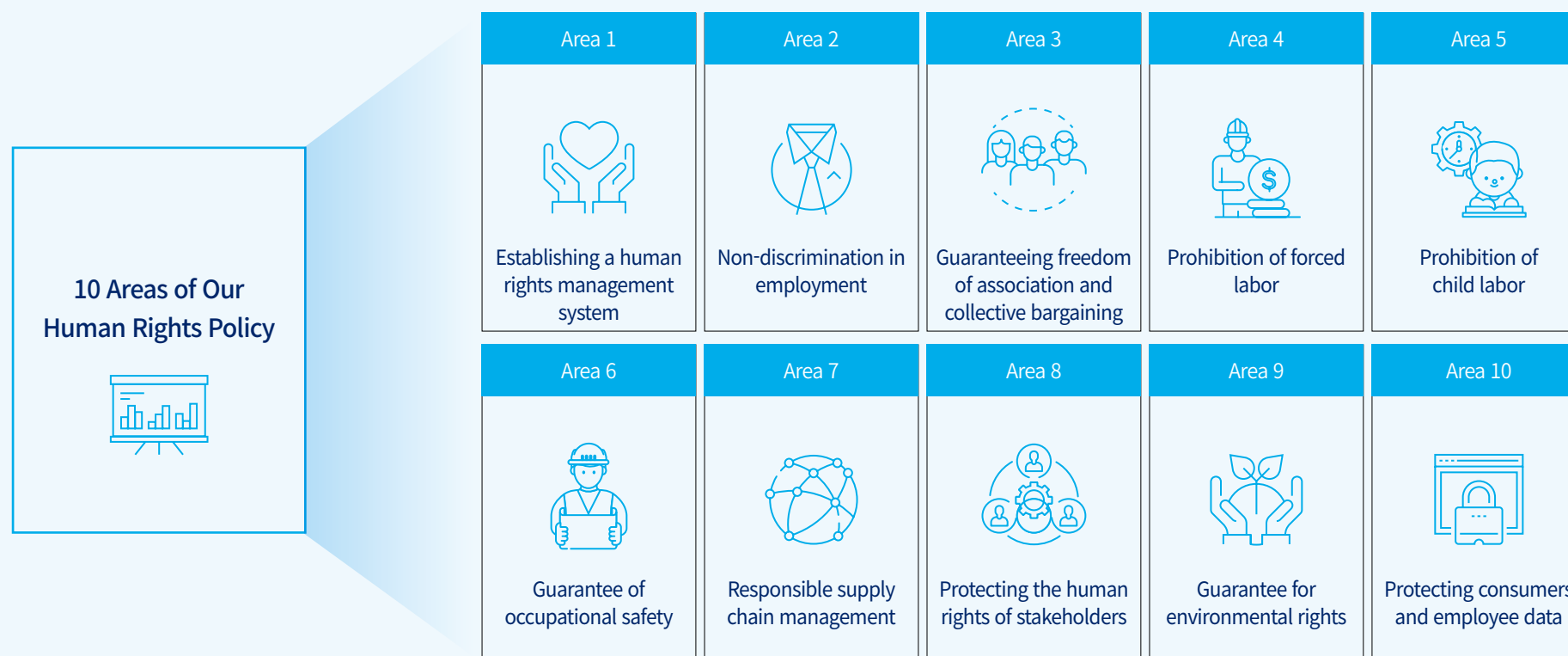
2) CFP(Carbon Foot Print) : Quantify environmental impact along the entire lifecycle ranging from material extraction to production, transport & distribution, use, and disposal

3) CE : Chassis Electronics



S Respecting Human Rights as the Basic Tenet of Our Corporate Culture

HL Klemove is committed to honoring the Universal Declaration of Human Rights, the UN Guiding principles on Business and Human Rights and all labor principles recommended by the ILO and ratified by countries around the world. In particular, we endorse the international human rights/labor standards and principles covered by the 10 principles of UN Global Compact, and established our human rights policy in accordance with these international standards in 2022. Our human rights policy stipulates provisions in 10 areas, including non-discrimination, prohibition of forced labor and human trafficking, prohibition of child labor, and guarantee of freedom of association and collective bargaining. This policy applies to our entire business operations and stakeholders, including employees, communities, suppliers, consumers and partners. In 2022, we piloted human rights impact assessment on our domestic operations based on 178 items in 10 areas. In 2023, we plan to extend such assessment to include our overseas operations to cascade human rights management.



S Launching Corporate Sports Team Comprised of Athletes with Disabilities to Pursue Diversity and Inclusion

HL Klemove fulfills its social responsibility for inclusive employment by directly hiring and operating sports teams comprised of athletes with disabilities. Through this initiative, we aim to assist these individuals in becoming valued members of society. Presently, there are 17 athletes with severe disabilities who compete in Taekwondo, billiards and Sjoelen among others. We will constantly heed any difficulties they may have to provide emotional support in consultation with dedicated coaches and personnel. We will also stipulate relevant management and operational regulations, and create a new employment contract form in reflection of the distinctive work performed by these athletes to recognize people with severe disabilities as equal members of our society.





Progress Made for Our Disability Sport Teams

	
<p>Community sport athletes receiving rehabilitation (Taekwondo/billiards/Sjoelen)</p>	<p>Directly hired 17 athletes with severe disabilities (annual contract)</p>
	
<p>KRW 10,000 in hourly pay, working for 16 hours/week (uniforms/supplies provided)</p>	<p>Hire outsourcing management companies for each sports center (health/attendance check)</p>

G Ensuring Transparency in Our Tax Policy to Strengthen the Basis for Sustainable Growth

We pursue transparency in our governance operations that underly our efforts towards carbon neutrality and social value creation. We especially keep close tabs on business ethics, compliance, fair competition, and other factors affecting corporate sustainability and remain agile in responding to them. In 2023, we established our tax policy to abide by domestic and international tax laws, regulations and systems, and to proactively manage relevant tax risks. In line with the four basic principles of our tax policy, we regularly monitor the amendments made to the tax law and perform tax assessments with external experts to manage tax-related risks on an on-going basis.

Basic Principles of Our Tax Policy

- 
▶ **01** Abide by tax laws and honestly pay taxes
- 
▶ **02** Comply with transfer pricing guidelines
- 
▶ **03** Ensure transparency in tax operations
- 
▶ **04** Build partnerships with stakeholders



ESG System

ESG Governance

We define and manage the six areas of sustainability management – Environment & Safety, Technological Innovation, Supply Chain, Labor Rights, Governance & Ethics, and CSR. To this end, our company-wide ESG Office and organizations for each of these areas identify issues concerning ESG management and risk. Global Champions are selected for each area to hold quarterly Champion meetings and monthly working-level council meetings to discuss the progress made and future improvements for sustainability management. The Board of Directors receives reports on ESG strategy and risk twice a year to bolster our C-level management and oversight on sustainability management. In 2022, our key ESG strategy and performances were reported to the Board, which approved the stipulation of our tax policy, the introduction of the Governance Charter, and the establishment of a Board activity assessment system.

Sustainability Management Governance



Highlight



Fully Advancing ESG Management with UNGC Membership

In May 2023, HL Klemove joined the UN Global Compact (UNGC), the UN-led global sustainability management initiative. As a member of the UNGC, we endorse and proactively implement its 10 principles in the four areas of human rights, labor, environment, and anti-corruption. To embed these 10 principles into our day-to-day routines, we will raise employees' ESG awareness and continuously commit ourselves to implementing and advancing sustainability management.

The Ten Principles

▶ Human Rights

Principle 1 Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2 make sure that businesses are not complicit in human rights abuses.

▶ Labor

Principle 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4 the elimination of all forms of forced and compulsory labor;

Principle 5 the effective abolition of child labor; and

Principle 6 the elimination of discrimination in respect to employment and occupation.

▶ Environment

Principle 7 Businesses should support a precautionary approach to environmental challenges;

Principle 8 undertake initiatives to promote greater environmental responsibility; and

Principle 9 encourage the development and diffusion of environmentally friendly technologies.

▶ Anti-corruption

Principle 10 Businesses should work against corruption in all its forms, including extortion and bribery.

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ESG Roadmap

In 2022, HL Klemove initiated our ESG journey and established a phased approach to ESG management, ranging from ESG 1.0 to ESG 3.0, to guide our mid- to long-term objectives. We selected short-term tasks that produce quick and tangible outcomes to encourage all our employees to join us on this journey. We will enhance ESG management through the implementation of mid to long-term tasks, including specialized initiatives in the six areas of sustainability management, performance metric alignment, and global expansion. Specifically, we are establishing an ESG collaboration system with HL Group and our parent company HL Mando to foster group-wide synergy.

Our Mid/long-term Approach to ESG Implementation



- Establish a company-wide sustainability management system
- Operate sustainability management implementation organizations (ESG Office, 6 Champions, working-level council)
- Select and implement quick wins and mid/long-term tasks
- Raise awareness
- Establish an ESG collaboration system with HL Group and HL Mando

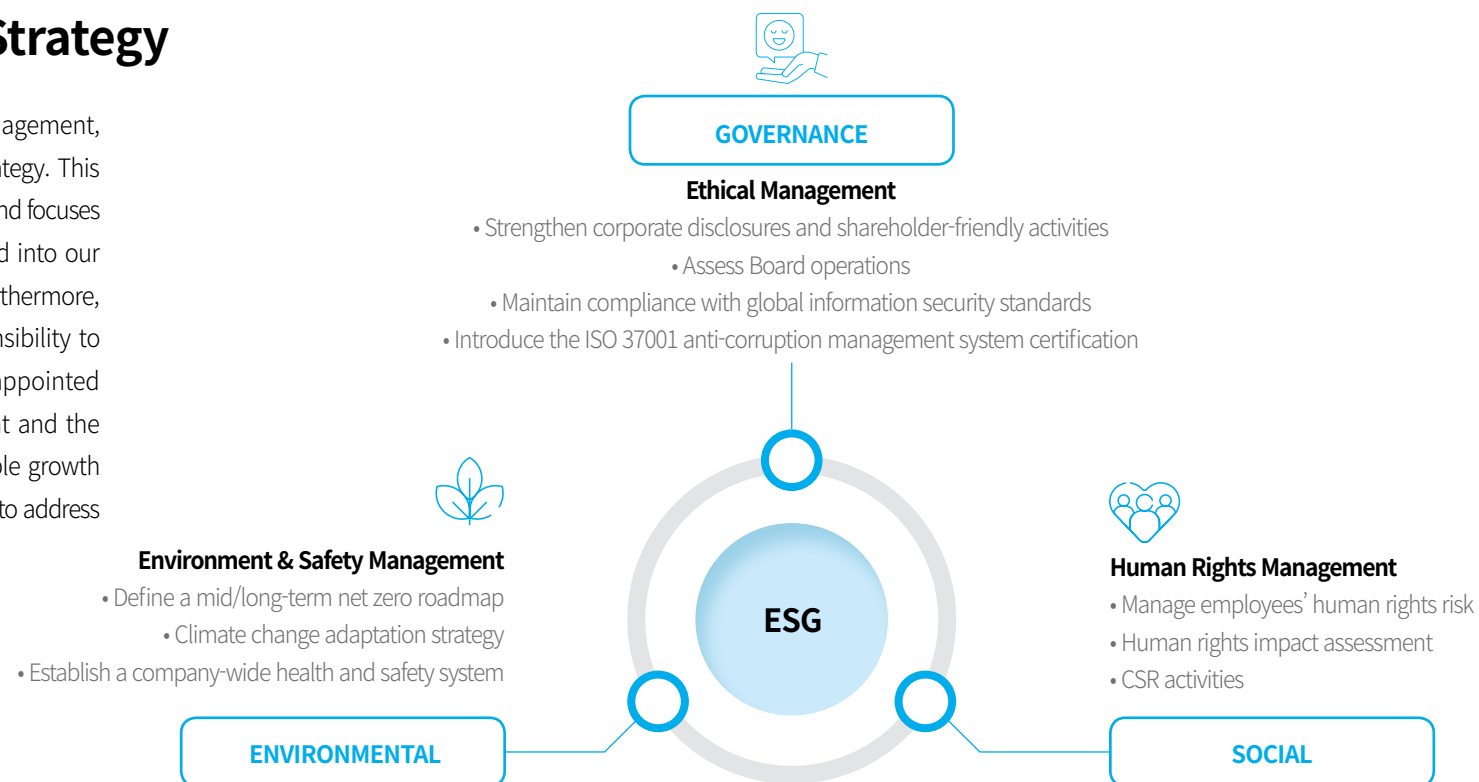
- Publish sustainability reports
- Respond to external sustainability management assessments
- Align KPIs
- Align at the global level (expand the scope)
- Identify and implement area-specific tasks
- Expand and deepen collaboration with HL Group and HL Mando

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



ESG Implementation Strategy

To create a virtuous cycle of sustainability management, we have formulated an ESG implementation strategy. This strategy encompasses a risk management system and focuses on six key areas to ensure that ESG is embedded into our unique work methods and corporate culture. Furthermore, we advance business ethics to fulfill our responsibility to stakeholders in conjunction with Champions appointed in each focus area of sustainability management and the working-level council. In our pursuit of sustainable growth through ESG management, we actively collaborate to address the global challenge of climate change adaptation.









6 Focus Areas

 <p>Environment & Safety</p> <p>To become net zero by 2050, we opt for eco-friendly energy and recyclable raw materials and manage our carbon emissions for climate change adaptation.</p>	 <p>Technological Innovation</p> <p>We build a product portfolio that enables smart autonomous driving based on Clean Tech.</p>	 <p>Supply Chain</p> <p>We strengthen supplier partnerships and manage environmental, safety, ethics, and human rights issues to establish responsible supply chains.</p>	 <p>Labor Rights</p> <p>We conduct human rights impact assessment and make improvements to prioritize labor, human rights, and safety in our pursuit of corporate growth.</p>	 <p>Governance & Ethics</p> <p>We establish governance transparency and improve ethical management in line with our core value, integrity management.</p>	 <p>CSR</p> <p>We undertake CSR activities that work to resolve social issues to drive change to preserve the value of community.</p>
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Certifications

To provide best quality products and services to customers and stakeholders, HL Klemove acquires and maintains credible certification of health & safety, environmental domains, IATF 16949, ISO 45001, ISO 14001, and others.

		
<p>ISO 14001</p>	<p>ASPICE CL2</p>	<p>IATF 16949</p>
<p>2010.06</p>	<p>2013.12</p>	<p>2018.07</p>
		
<p>ESD Cert. ¹⁾</p>	<p>ISO 45001</p>	<p>Permit for autonomous driving</p>
<p>2018.10</p>	<p>2021.03</p>	<p>(California of the US, Korea)</p>

1) ANSI/ESD S20.20 & IEC 61340-5-1

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









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UN SDGs Commitment

HL Klemove endorses the UN's Sustainable Development Goals and strives to contribute to the sustainable development of society and the global community. To this end, we identify and manage relevant UN SDGs and their targets in line with our six focus areas of sustainability management.

6 Focus Area	SDGs	Target	2022 Performance
Environment & Safety 	 	11.6. Reduce the adverse environmental impact that cities cause, closely monitor air quality and municipal and other waste management 13.1. Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries	<ul style="list-style-type: none"> - Reduced GHG emissions by 4.7% y-o-y - Achieved 66.8% in waste recycling - Identified and improved 61 health and safety risk factors
Technological Innovation 	 	8.2. Achieve higher levels of economic productivity through diversification, technological upgrading and innovation 9.4. Retrofit industries with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes 9.5. Substantially increase the number of research and development workers and research and development spending and encourage innovation	<ul style="list-style-type: none"> - Reached 7.4% in R&D to sales ratio - Reached 146 cases of patent registrations
Supply Chain 	 	8.3. Support productive activities, decent job creation, creativity and innovation, and encourage the formalization and growth of micro-,small- and medium-sized enterprises 17.16. Enhance the Global Partnership for Sustainable Development that mobilizes and shares knowledge, expertise, technology and financial resources	<ul style="list-style-type: none"> - Stipulated and circulated the Code of Conduct for all 150 suppliers - Piloted ESG assessment on 5 suppliers with an external ESG rating agency - Selected four key tasks for shared growth and worked to implement them
Supply Chain Labor Rights 	 	4.4. Increase the number of youth and adults who have relevant vocational skills for decent jobs and entrepreneurship 10.2. Promote the social, economic, and political inclusion for all, irrespective of age, sex, disability, race, ethnicity, origin, religion, or other status	<ul style="list-style-type: none"> - Declared our commitment to human rights management - Provided 19 sessions of the Vision Workshop for talent development, 640 employees in attendance, and 4.2 points in satisfaction score - Signed the SIAT1 agreement to provide tailored training for people with disabilities with the Korea Employment Agency for Persons with Disabilities - Reached 37 persons in cumulative direct employment of people with disabilities
Governance & Ethics 		16.3. Promote the rule of law and ensure equal access to justice for all 16.5. Reduce corruption and bribery in all their forms 16.6. Develop effective, accountable, and transparent institutions	<ul style="list-style-type: none"> - Stipulated our tax policy and announced it through the Board's approval - Publicly declared the Corporate Governance Charter - Ethics training completed by 112 new hires
Corporate Social Responsibility 	 	1.5. By 2030, build the resilience of the poor and those in vulnerable situations and reduce their exposure and vulnerability to climate-related extreme events and other economic, social and environmental shocks and disasters 4.3. By 2030, ensure equal access for all women and men to affordable and quality technical, vocational, and tertiary education, including university	<ul style="list-style-type: none"> - Donated 1 special vehicle designed for people with disabilities - Donated 100 transport cards for those receiving basic livelihood support - Selected one Mando Elite scholarship student at Halla University and contributed KRW 20 million to the scholarship fund - Volunteered for meal distribution 5 times, plogging joined by 90 persons

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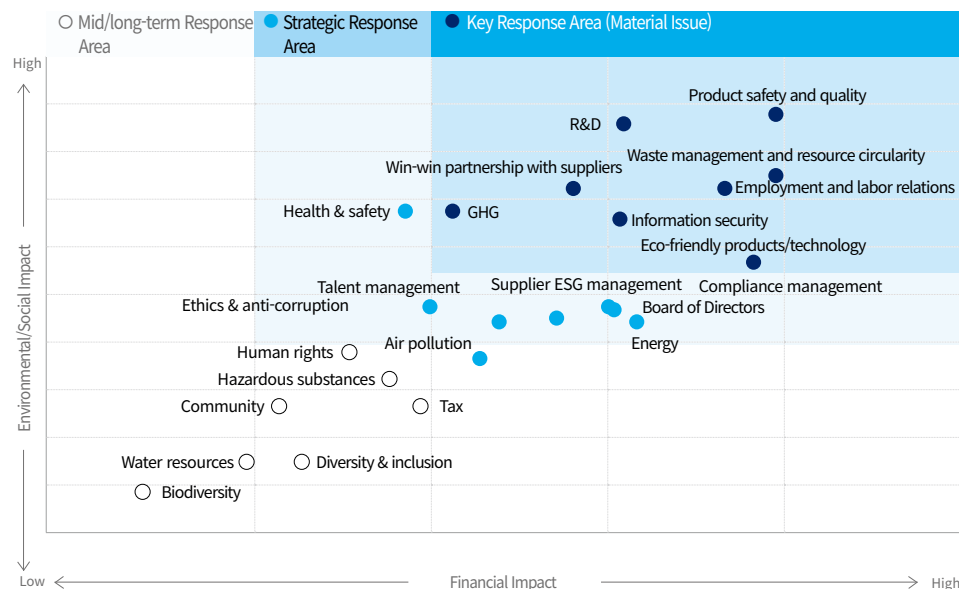
Materiality Assessment

To identify material ESG issues, we conducted double materiality assessment which considers both financial (outside-in) and environmental/social (inside-out) perspectives. Based on surveys on internal/external stakeholders, ESG assessment metrics, media analysis, and benchmarking of leading businesses, eight material issues were finalized. Detailed materiality assessment results pertaining to the first half of 2023 were reported through the Champion sustainability management meeting supervised by the CEO for final approval. Soon, company-wide engagement on each issue will be managed by each Champion from six areas.

Materiality Assessment Process



Materiality Assessment Results



Rank	Material Issue	Page
1	Product safety and quality	45-48p
2	Waste management and resource circularity	35p
3	R&D	40-44p
4	Employment and labor relations	56-62p
5	Eco-friendly products/technology	19p
6	Information security	70-72p
7	Win-win partnership with suppliers	53-54p
8	GHG	34p

*As this is our first sustainability report, any y-o-y change in material issue is not available.



ESG Risks & Opportunities

HL Klemove is taking a systematic approach to establish ESG strategies together with our ESG and working-level organizations. To be specific, each issue is analyzed in both the financial(external) and Social/Environmental(internal) aspects to identify potential risks and opportunities.

	1. Product safety & quality	2. Waste and resource circularity	3. R&D	4. Employment and labor relations
Category	Outside-in 78.8%	Outside-in 79.0%	Outside-in 63.3%	Outside-in 74.1%
	Inside-out 89.3%	Inside-out 74.9%	Inside-out 85.2%	Inside-out 72.6%
Risk	<ul style="list-style-type: none"> - Financial burden for taking action to respond to the tightening global safety regulations governing autonomous driving - Declining product/market competitiveness due to quality safety issues 	<ul style="list-style-type: none"> - Increasing waste from automotive parts including plastic and PCB - Financial burden for waste treatment 	<ul style="list-style-type: none"> - Intensifying price competition in line with the mainstreaming of L1~L2 autonomous driving in the market - Accelerating development of perception, decision-making, and control technologies in line with the growing autonomous driving market 	<ul style="list-style-type: none"> - Brain drain amid the intensifying market competition - Decreasing corporate competitiveness due to the lack of employee work engagement and innovation drivers
Opportunity	<ul style="list-style-type: none"> - Growing consumer trust in safety-guaranteed products - New customer recruitment based on quality competitiveness 	<ul style="list-style-type: none"> - Reduction in waste generation and treatment cost through waste recycling and other resource circularity activities 	<ul style="list-style-type: none"> - Established market shares of our technology and products in line with advancing autonomous driving 	<ul style="list-style-type: none"> - Market competitiveness established through retaining key talent - Motivation for employees through reasonable compensation including benefits - Facilitation of corporate culture through diversity
Strategy	<ul style="list-style-type: none"> - Develop failsafe, redundancy, and other technologies to ensure the safety of autonomous driving - Establish an integrated process to respond to regulations governing high-consequence safety disasters and public disasters - Build a quality-driven culture through quality reporting/awards and quality training 	<ul style="list-style-type: none"> - Facilitate the recycling of automotive equipment parts - Reduce waste from defective products - Disclose waste volume in line with Ministry of Environment guidelines 	<ul style="list-style-type: none"> - Develop autonomous driving solutions that support advanced autonomous driving - Prepare to tap into the new robotic mobility business - Proactively form partnerships with domestic/global leading companies and specialist startups 	<ul style="list-style-type: none"> - Operate campus recruiting and the Employee Referral program to secure top-notch R&D talent - Manage key talent - Increase inclusive employment
Performance	<ul style="list-style-type: none"> - Certified all operations to the IATF 16949 quality management system certification - Surpassed the target of reducing Q-Cost (external quality cost) by 20% year-on-year 	<ul style="list-style-type: none"> - Reached 66.8% in waste recycling in 2022 	<ul style="list-style-type: none"> - Won the Industrial Innovation Technology of the Year Award in 2022 - Obtained a temporary permit to operate L4 Auto Shuttle and piloted its operation 	<ul style="list-style-type: none"> - Provided 19 sessions of the Vision Workshop for employees - Directly hired 37 people with disabilities on a cumulative basis
Target	<ul style="list-style-type: none"> - Reduce Q-Cost by 20% in 2023 against 2022 	<ul style="list-style-type: none"> - Reduce waste from defective products by 7% in 2023 against 2022 - Reduce iron scraps in 2023 against 2022 	<ul style="list-style-type: none"> - Complete an autonomous driving high-performance sensor lineup by 2025 - Diversify regions and customers including localization in North America - Advance into new robotic mobility business 	<ul style="list-style-type: none"> - Implement leadership training for communication with millennials and Gen Z - Train and hire people with disabilities for IT software testing

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	5. . Eco-friendly products and technology	6. Information security	7. Win-win partnership with suppliers	8. GHG
Category	Outside-in 74.1%	Outside-in 62.1%	Outside-in 55.1%	Outside-in 42.5%
	Inside-out 57.5%	Inside-out 66.2%	Inside-out 71.4%	Inside-out 68.6%

Risk	<ul style="list-style-type: none"> - Intensifying competition over technology development in the global eco-friendly automotive market - Tightening regulations to improve fuel efficiency and reduce CO2 emissions mainly in overseas countries 	<ul style="list-style-type: none"> - Declining market competitiveness due to information leaks concerning key products and technology - Losses in corporate and financial value due to personal/customer data leaks 	<ul style="list-style-type: none"> - Supply chain shocks due to decreasing supplier competitiveness and product quality - Declining corporate value due to ESG risks occurring along supply chains 	<ul style="list-style-type: none"> - Tightening government regulations on GHG emissions - Increasing stakeholder demand for businesses to join in on climate change adaptation efforts
Opportunity	<ul style="list-style-type: none"> - Established competitiveness in the global eco-friendly automotive market - Securing support, including government subsidies and tax breaks, through preemptive response to environmental regulations 	<ul style="list-style-type: none"> - Information security incident prevention system to protect technology and ensure regulatory compliance - Increasing customer trust for bolstering product information security 	<ul style="list-style-type: none"> - Securing market competitiveness through win-win cooperation with suppliers - Promoting sustainable growth by preventing supply chain ESG risk 	<ul style="list-style-type: none"> - Building trust with stakeholders through preemptive climate change adaptation - Preventing lost expenses through reducing GHG emissions
Strategy	<ul style="list-style-type: none"> - Expand partnerships to develop eco-friendly mobility technology for autonomous driving - Operate talent development programs to develop eco-friendly technology - Issue green bonds to fund R&D on eco-friendly vehicles and parts 	<ul style="list-style-type: none"> - Regularly review information security risk with the company-wide information security management department head taking the lead - Stipulate internal management planning guidelines for information security 	<ul style="list-style-type: none"> - Implement conflict minerals management for semiconductor plating - Apply ESG criteria in selecting and assessing suppliers - Facilitate communication with suppliers 	<ul style="list-style-type: none"> - Replace old equipment and increase the use of high-efficiency utility
Performance	<ul style="list-style-type: none"> - Advanced the platform functionality to align eco-friendly mobility with external solutions 	<ul style="list-style-type: none"> - Achieved ISO 27001 in 2022 - Reached 100% in completion of information security training - Reached 100% in signing the security pledge 	<ul style="list-style-type: none"> - Conducted ESG assessment on 5 suppliers in 2022 - Had all suppliers certified to ISO 9001 (quality standards certification) 	<ul style="list-style-type: none"> - Selected as a participant in the K-EV100 in 2022 - Worked to join the CDP
Target	<ul style="list-style-type: none"> - Develop high-performance autonomous driving technology for L3 and beyond 	<ul style="list-style-type: none"> - Develop plans to advance the system to preemptively respond to security incident risks and prevent their reoccurrences 	<ul style="list-style-type: none"> - Develop a conflict mineral tracing system to bolster our management system - Conduct ESG assessment on 15 suppliers in 2023 	<ul style="list-style-type: none"> - Fully transition to zero-emission vehicles for owned and leased vehicles by 2030 - Become net zero by 2050

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Environment & Safety

HL Klemove is implementing a series of targeted activities to achieve carbon neutrality by 2050. We plan to consecutively join SBTi, EP100, RE100 and other global initiatives to publicly disclose our goals and commitments for carbon neutrality, energy efficiency, and transition to renewable energy. Not only we abide by environmental regulations, but also issue green bonds for investing in facilities, R&D on eco-friendly automotive parts and technologies to achieve net zero emissions. Furthermore, we foster a safe and healthy workplace and aim to establish trust in our business operations by practicing environmental and safety management that respects the human dignity and quality of life.

ISO 14001(environmental management system)
certification rate

100%

*Based on global operations

ISO 45001(health and safety management system)
certification rate

100%

*Based on global operations

Reduction in GHG emissions
(Scope1+2)

219tCO₂eq

Reduction in energy consumption

3.4TJ

Waste recycling

66.8%

In this Area

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- 7.3. Improvement of energy efficiency
- 11.6. Reduce environmental impact of cities, including air quality, 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



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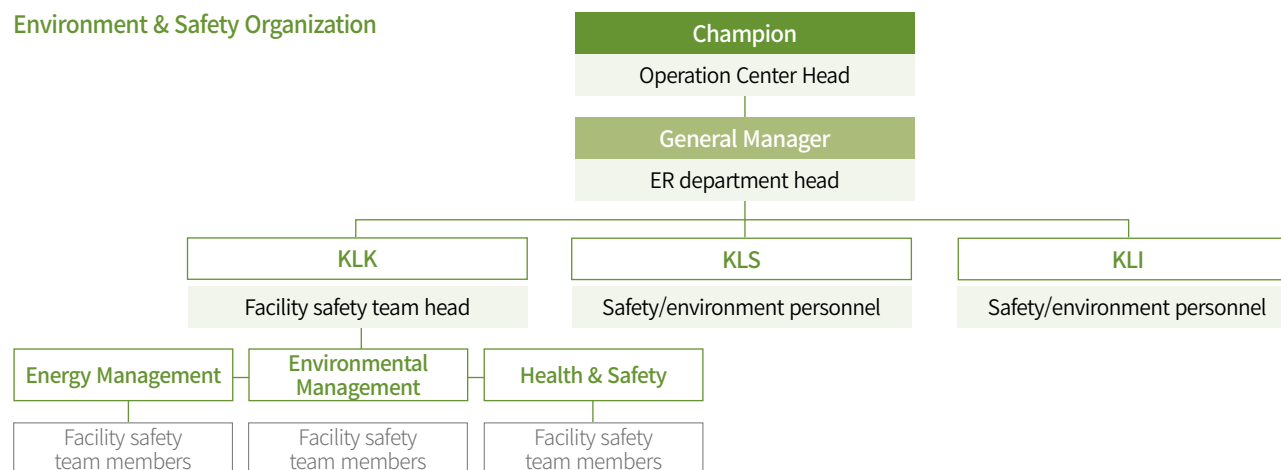
Environmental Management

Environmental Management System

Environmental Management Organization

To ensure effective and responsible sustainability management, our environmental initiatives are led by the General Manager (President), supported by Champions representing six key areas (executives in center head positions), working-level leaders, and the ESG Office. The environment and safety organization was established to facilitate communication and manage performance of environmental, and health & safety issues. The Environment & Safety committee is operated under the Supervision of the Operation Center Head along with working-level committees. The center head, department heads, team leaders attend the committee supervised by the Operation Center to convene quarterly meetings for reporting. In addition, working-level committee meetings are held in the 4th week of each month under the supervision of team heads. For overseas operation managers, we share with them the progress made at Korean operations and training materials, and hold virtual meetings when necessary. Our head of the Operation Center who is the Champion of the environmental safety organization is responsible for energy, environmental, and health & safety operations. The Employee Relations department head, who is also the general organizational manager, set courses for environmental and safety management. The facility safety team head oversees environmental and safety management committee meetings, analyzes industry best practices and trends, and supports overseas operations and working-level organizations. Our working-level personnel sets area-specific goals, develops improvement plans, analyzes quantitative data to manages relevant metrics, and provides monthly activity reports. In 2022, 12 Committee meetings were held to handle 24 agenda items. Key items include using renewable energy through the installation of PV panels at our Chinese plant, replacing low-efficiency equipment to improve energy efficiency, undertaking energy-saving activities, replacing low-efficiency facilities and reducing energy to increase energy efficiency acquiring health and safety management certification for our R&D Center, reducing the cycle of risk/compliance assessments to prevent safety accidents, and performing theme-based safety inspections on high-risk groups among others.

Environment & Safety Organization



Environment & Safety Committee Operational Plan

Committee	Committee supervised by the Operation Center Head	Working-level committee
Cycle	Quarterly	4th Wednesday each month
Methodology	Convening/ written report	Convening
Supervision	Operation Center Head	Team head
Participant	Operation Center Head, division heads, team heads	Team heads, working-level personnel



Environmental Management Certification

Pursuant to Article 42 (Climate Change Adaptation and Energy Target Management) of the Framework Act on Low Carbon Green Growth, we set goals for GHG emissions reduction, energy efficiency, energy self-reliance, and renewable energy distribution. To take a systemic management approach for low carbon green growth, we introduced an ISO 14001-compliant environmental management system in 2010. In 2022, our Chinese and Indian worksites as well as our Headquarters and Global R&D Center acquired this certification.

ISO 14001 Certificate



Environmental Regulation Management System

Environmental compliance is our utmost priority throughout our entire business operations, encompassing design, development, production, additional services, and disposal. We diligently adhere to all relevant legal and regulatory requirements. Our dedicated organization consistently monitors and assesses amendments to environmental laws and regulations on a semi-annual basis. In 2022, there was no single case of regulatory non-compliance.

Environmental Regulation Management Process

100% regulatory compliance

- ① Manage information on latest environmental laws and regulations
- ② Advance compliance management through regular monitoring of regulatory compliance

- 1 Identify latest regulatory trends
- 2 Register in the regulatory register
- 3 Distribute across the board
- 4 Monitor regulatory compliance
- 5 Make improvements

Highlight

Issuing Green Bonds

In May 2021, HL Klemove issued a 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 awarded in 2021. The green bonds that we issued were rated ‘very excellent’ in all the categories of project adequacy, appropriateness of project selection, appropriateness of fund management, completeness of external disclosures, and environmental management activities. As of December 2022, KRW 48.7 billion, which is 81.2% of the KRW 60 billion raised through the issuance of green bonds were used to fund facility investment and R&D on eco-friendly vehicle parts. We pursue the green bond guidelines of the Ministry of Environment when disclosing our GHG emissions, power consumption, and waste generation on our website.*

*URL for our key data disclosures on environmental management [\[Link\]](#)

Allocation of Green Bond Proceeds

(unit: KRW 100 million)

Category	Expected Allocation	Actual Allocation	Balance
Facility	230	204.3	25.7
R&D	340	260.3	79.7
Expenses	30	22.7	7.3
Total	616	487.3	112.7

As of Dec. 2022

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Climate Change Adaptation

Our Carbon Neutrality Goal

To achieve our 2050 carbon neutrality goal, HL Klemove is implementing a strategy in alignment with our goals set for each phase. Our plan is to reduce our Scope 1 & 2 emissions by 100% by 2050 against the 2021 baseline. To achieve this goal, we aim to make company-wide Scope 1 & 2 inventory calculations to lay the basis for climate risk management and performance measurement. Furthermore, we will consecutively join the SBTi¹⁾, EP100²⁾, RE100, and other global initiatives to publicly announce our goals and commitments for carbon neutrality, energy efficiency improvement, and renewable energy transition.

1) SBTi : Global initiative to verify a company's target set to reduce its GHG emissions
 2) EP100: Aspiring members should choose among the three commitments of doubling energy productivity, implementing an energy management system, and opting for net zero carbon buildings.

Carbon Emissions Reduction Goal (unit: tCO₂eq)

Category	2030	2040	2050
Carbon emissions	8,128	3,484	0
Scope1 emissions goal	162	70	0
Scope2 emissions goal	7,966	3,414	0
Cumulative reduction	30%	70%	100%

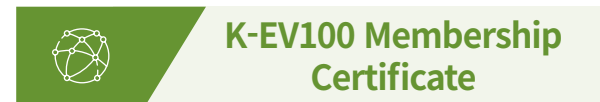
Energy Saving Activities

HL Klemove initiates climate change adaptation through energy-saving measures, starting with small actions. In 2022, we replaced fluorescent lights with high-efficiency, semi-permanent LED lights in 950 locations across our offices, plants, and locker rooms. This switch resulted in an annual power consumption reduction of 85,848 kWh and cost savings of nearly KRW 9.96 million. Additionally, by optimizing the capacity of our process water pumps, we achieved annual power savings of 218,582 kWh, amounting to KRW 23.39 million in reduced power bills¹⁾. Installing inverters on chilling pumps for flow control further contributed to annual power savings of 84,672 kWh, with a cost reduction of KRW 9 million. We have set a goal to annually reduce power consumption costs by 1% through equipment upgrades and the adoption of high-efficiency utilities, actively working towards this target.

1) 2022 data is primarily based on HL Klemove headquarters

Selected as a Participant in K-EV100

We will fully transition to zero-emission cars for our owned or leased vehicles fleet to join in the government's efforts to achieve the net zero goal. In an aim to improve the atmospheric environment and to reach net zero emissions in the transport sector, the Ministry of Environment grants certificates to companies that took such action by 2030. HL Klemove was appointed to participate in K-EV100 by the Ministry of Environment in April 2022.



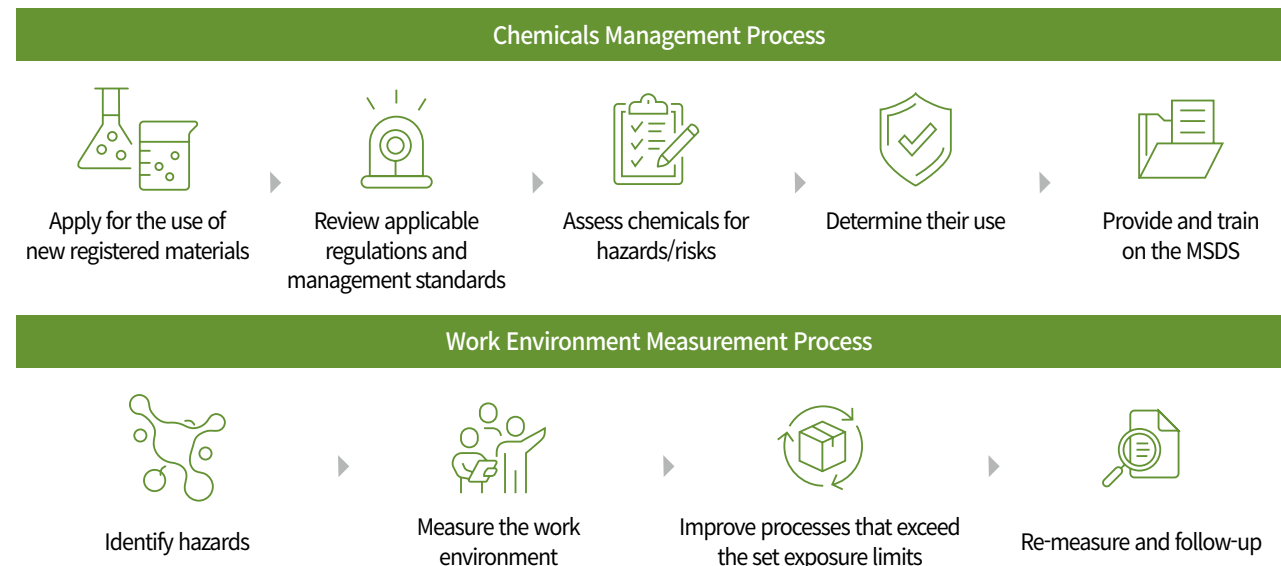
Waste Management

Based on our waste management guidelines, we identify and manage the waste generated from our business operations, products, or services. We encourage the recycling of waste to minimize our environmental impact, abiding by applicable regulations in the process. Waste is sorted and treated through outsourcing treatment companies at least once a day in compliance with environmental regulations, and we assess these outsourcing companies for their legal qualification and suitability more than once every year. Our waste treatment records are managed through the computer system of the Ministry of Environment, and the amount of waste generated and processed is reported annually. In 2022, we recycled 66.8 percent of our total waste, and aim to reduce waste by 7 percent. Weekly reviews were held to prevent waste generated by defects during the manufacturing process.

Chemicals Management

HL Klemove regulates and manages storage, transportation, and the process of handling chemicals based on our chemicals management guidelines. With a goal of achieving zero chemical accidents, we provide information on chemical hazards to prevent accidents while establishing and operating an emergency response system. When utilizing chemical substances, we review applicable legal regulations and management standards through the application process for newly registered substances and we assess the associated hazards/risks to determine their usage. The decision to use these substances is based on a comprehensive assessment of their potential hazards and risks. To conduct assessments, we distribute the Material Safety Data Sheet (MSDS) to ensure workers are aware of such information and provide training to all employees at least once a year. To eliminate any blind spots that go unnoticed in chemicals management, we appoint chemicals managers at team level, who are responsible for displaying MSDS and warning labels for the substances used by their respective teams. In 2022, we switched our manufacturing process from soldering to press-fit to minimize lead consumption, aligning with our commitment to reduce the use of hazardous chemical substances. We also implement work environment measurement to manage hazard exposure limits and implement the 5S¹⁾ activity to create a pleasant work environment.

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



Health and Safety Management

Health and Safety Management Policy

HL Klemove is making improvements within our health and safety management system to ensure life quality for employees. We consider health and safety as our top priority throughout our manufacturing process and business operations to eliminate potential risk factors. While we abide by applicable laws and regulations, we also provide safe and healthy working conditions to prevent work-related injuries or health problems. To improve our performance, we identified possible emergencies and established an emergency response system to prevent human injury and property damages. We encourage employees, employee representatives, and suppliers to participate in health and safety management. At the request of customers and stakeholders, we actively share our health and safety management policy and performance, ensuring transparency in our business practices regarding this matter.

Our ESH Goal

Ensure 100% regulatory compliance	Identify and improve all on-site risk factors
Achieve ZERO chemical accidents	Create a pleasant workplace

Health and Safety Management System

Health and Safety Management System

Pursuant to Article 14 (Report to and Approval of the Board of Directors) of the Occupational Safety and Health Act, we gain approval on our health and safety plan by the Board of Directors on an annual basis and implement this plan accordingly. In October 2022, a board meeting was held to approve our health and safety plans after reviewing relevant risks. Such plans contribute to preventing occupational injuries and improve safety performance to eventually elevate our competitiveness.

Operating the Occupational Health and Safety Committee

HL Klemove operates the Occupational Health and Safety Committee to systematically manage health and safety risk to take immediate action. We develop work standards governing safety accidents to ensure the obligation to suspend work as outlined in the Occupational Health and Safety Act while preventing any disadvantages from arising, and we review 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 2022, the Committee met four times to discuss 23 agenda items in total to keep our employees safe and prevent health injuries. Key agenda items included conducting fire evaluation drills for all employees, equipping hand carts with protectors to prevent collisions, and installing additional defibrillators for emergency and discussing their emergency

use. Improvements were also made on risk factors outside the boundary of our manufacturing operations by repairing the flooring of parking lots and installing non-slip stair treads.

Health and Safety Certification

Our plants located at our Headquarters and Global R&D Center were certified to the ISO 45001 international health and safety management system certification for their product design and production operations. This ensures that we lay the basis for systemic and professional health and safety management.



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Health and Safety Risk Prevention

Health and Safety Risk Assessment

We establish and implement risk assessment guidelines to identify potential hazards/risks, conduct risk assessment, and determine appropriate management measures so that we can prevent and effectively manage potential accidents. Annual assessments help us identify and eliminate hazards and risks, and such risks are managed through our environmental, safety and health management system. We also operate the win-win partnership program to assist our in-house suppliers in bolstering their safety management competency.

Regular risk assessments are conducted on all our worksites at least twice a year. Extemporaneous assessments are also conducted when casualties occur including work-related illnesses or when our hazard/risk environment is subject to change concerning processes, materials, services, facility layout, and regulatory amendments. Such risk assessments follow the three-step process of identifying and assessing hazards/risks for their probability and severity, and determining hazard/risk levels and management plans in line with the set assessment criteria. Hazard/risk levels are determined by assessing the probability and severity of impacts. We actively monitor these risks based on established guidelines, verify them through internal audits, report them during management reviews, and provide training on relevant hazards and risks. In 2022, we identified a total of 61 risk factors and made improvements including covering the driving parts of equipment for safety, installing interlocks on equipment doors, labelling health and safety marks, displaying the MSDS¹⁾, and taking protective measures for charging parts. While conducting risk assessments, we also receive annual ISO 45001 audits to verify the effectiveness of our health and safety operations, along with biennial safety inspections performed on high-hazard/risk devices pursuant to the Occupational Safety and Health Act. The high hazard/risk devices owned by HL Klemove includes industrial robots, pressure vessels, and conveyers and we perform safety inspections to safeguard our employees. In 2022, we examined musculoskeletal risk factors and discussed with our labor union examination results and improvement measures. No serious health and safety risk has been identified as to HL Klemove's business operations, products, and services.

1) MSDS : Material Safety Data Sheet

Health and Safety Accident Handling Process

We implement guidelines to ensure safety prior to work conducted with high-hazard/risk equipment. These guidelines are applied to inspection, maintenance, repair, construction, and other potential high-risk tasks during pilot or routine operation at worksites. Our emergency vehicles on premise are always on standby to immediately transfer patients in case accidents occur.

Hazard/Risk Elimination Process



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Improving the Work Environment to Prevent Occupational Injuries

HL Klemove is actively making improvements in the working environment to prevent occupational injuries. We manufactured hand carts to protect employees from the risk of finger fractures while replacing jigs for processing components. There is no record of work-related illnesses, and face-to-face screenings take place after prevention plans are submitted. Our occupational Health and Safety Committee also participates in reviewing relevant risks and developing improvement measures.

Embedding a Culture of Healthcare and Safety

Occupational Health and Safety Training

Annually, we develop customized health and safety training plans for each target groups, seeking 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 quarterly, while technical employees engage in two hours of offline training monthly. Besides, shopfloor employees transitioning to new work assignments receive an extra four hours of training. In 2022, we provided our employees with continuous encouragement and retraining to maintain 100% completion of occupational health and safety training.

Health and Safety Training Provided

(unit: No. of persons and hours, %)

Occupational Health and Safety Training*	2021	2022
Employees subject to training (persons)	772	1,146
Employees who completed training (%)	100	100
Safety training hours per person	24	24

*Including our employees and in-house third-party workers

Operating a Health Counseling Program

Within our in-house healthcare office, we provide support to employees diagnosed with specific medical conditions, assisting them in managing non-work-related health risk factors such as smoking, alcohol consumption, obesity, and mental disorders. Additionally, we conduct company-wide job stress surveys to gauge the overall stress levels experienced by our employees. In collaboration with hospitals, we offer a counseling program for individuals diagnosed with brain cardiovascular diseases.

Mental Health Counseling

Starting from July 2022, we have implemented a psychological counseling program to support the mental well-being of our employees. This program offers counseling services in various formats, including in-person, phone, chat, or any preferred method, allowing individuals to discuss topics such as job stress, emotional well-being, family relationships, and insomnia. Confidentiality is of utmost importance, ensuring that all counseling matters remain anonymous. Employees can seek additional counseling sessions if needed, even after the termination of the initial counseling period. Between July 2022 and March 2023, we conducted a total of 102 psychological counseling sessions, reflecting our commitment to providing mental health support.

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Technological Innovation

On the strength of our unrivaled electrification business capabilities, we promise our customers safe and convenient driving experience by delivering autonomous driving technology enabled by cutting-edge sensors and software algorithms. We also remain steady in pioneering the mobility industry and generating forward-looking performance. In 2022, we showcased our comprehensive range of autonomous driving solutions, spanning from L2 to fully autonomous L4 self-driving, in collaboration with HL Mando at CES 2023—the world's largest electronics show. Additionally, we focused on expanding our local research initiatives, tailoring them to meet specific customer requirements, and positioning HL Klemove as a global leader. To ensure future growth and acquire necessary capabilities, we actively seek partnerships with diverse entities. Moving forward, we will pursue sustainable growth by maintaining a balanced portfolio.

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Link to UN SDGs

- 8.2. Achieve higher levels of economic productivity through diversification, technological upgrading 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



Patents registered

146cases

*Based on global operations

IATF 16949 (quality management system) certification rate

100%

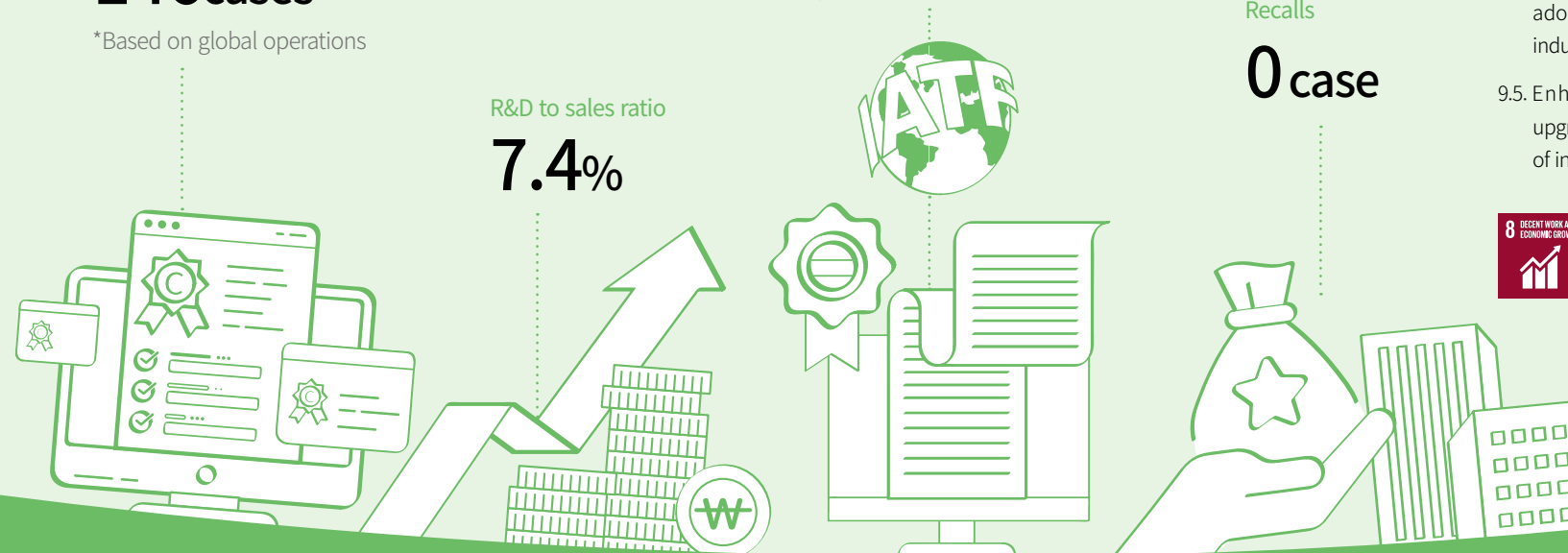
*Based on global operations

Recalls

0 case

R&D to sales ratio

7.4%



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Technology Innovation

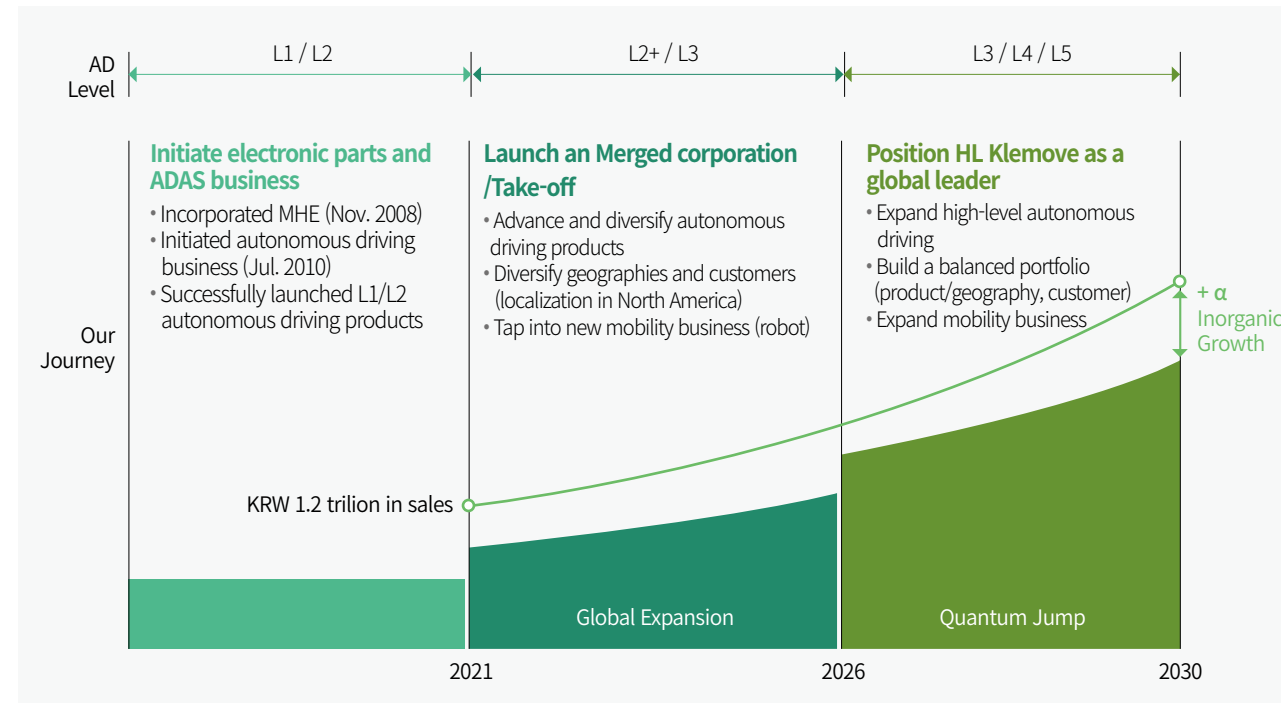
Autonomous Driving Solution

Our Growth Strategy for Autonomous Driving

We began our business for electronic parts and ADAS¹⁾ in 2010, and successfully launched L1 and L2 autonomous driving products. Since 2021, we have been diversifying our product sales geographies and customers with a goal of localizing our operations in North America to take our business operations to a new level, and harnessing our competitiveness in autonomous driving technology to tap into new robotic mobility business. Going forward, we aim to secure L3 and beyond high-performance autonomous driving technology and build a balanced product/geography/customer portfolio to emerge as a global leading company.

1) ADAS : Advanced Driver Assistance Systems

Growth Roadmap



Growth Strategy



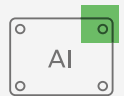
-
- 01 Deliver fully autonomous driving solutions for sophisticated autonomous driving
 - 02 Innovate continuously by leveraging autonomous driving technology and software and data solutions
 - 03 Lay the basis for stable growth by building a balanced geography/customer portfolio



Developing High-performance Automated Driving Control Units

HL Klemove’s automated driving control units facilitate higher-level of automated driving by leveraging powerful computing capabilities and employing robust safety software platforms. These units perceive the surroundings based on signal feeds retrieved from radar, camera, lidar, ultrasonic and other various sensors, and integrate the data in making driving decisions. Our high-performance ADCU¹⁾ ensures design flexibility to support scalability to L3 and L4 autonomous driving as well as integrated operation of autonomous driving/parking and video recognition in a single control unit. Additionally, our ACPU provides exceptional AI computing power, exceeding 720 TOPS, enabling Level 4 autonomous driving.

1) ADCU : Automated Driving Control Unit

		
<p>Low-power, compact design</p>	<p>Design scalable to L2 ~ L4</p>	<p>High-performance computing and AI processor</p>

Receiving the Science and Technology Award in the Autonomous Driving Category

In April 2022, our CTO Hyung-Jin Kang received the Science and Technology Award granted by the Ministry of Science and ICT and the Korea Communications Commission in recognition of our technological contribution. In celebration of Science Day and Information and Communications Day, 162 awardees were honored, and Hyung-Jin Kang was named one of the top 5 science and technology achievers for our R&D achievements in autonomous driving. We will continue to develop automotive sensors, hardware devices that perform perception, decision-making, control functions, and key software technology to lead the future mobility technology.

Receiving the Minister Commendation on 56th Science Day

Han-Yeol Yu, the Head of HL Klemove’s AD Sensor R&D Center was honored with the Commendation of the Minister of Science and ICT in commemoration of 56th Science Day in May 2023. This commendation acknowledged our significant contribution as the first Korean company to independently develop autonomous driving radar technology and establish an autonomous driving development ecosystem. This achievement will motivate us to develop a complete range of high-performance perception sensors, including next-generation radar and our own lidar technology.

Highlight

Winning the Industrial Innovation Technology Award for Autonomous Driving Radar

In July 2022, we were honored with the Industrial Innovation Technology of the Year Award for our contribution to mainstreaming L2 autonomous driving and developing and commercializing mid-range radar technology. Our mid-range radar, developed as Korea’s first in 2018, excels in detecting the vehicles ahead, maintaining a safe distance, and mitigating or avoiding collisions. With a goal of commercializing L2 autonomous driving, our mid-range radar has been reduced to half the size of long-range radar along with improved lightweight design. Additionally, it incorporates cutting-edge software-assisted signal processing technology. Currently, we focus on developing ultra-high-performance radar fitted with 3D antennas. As one of the key enablers for fully autonomous driving, our ultra-high-performance radar is scheduled for mass-production in 2024.

 <p>High-performance 3D antenna</p>	 <p>Ultra-wide FoV</p>	 <p>Regulatory compliance</p>
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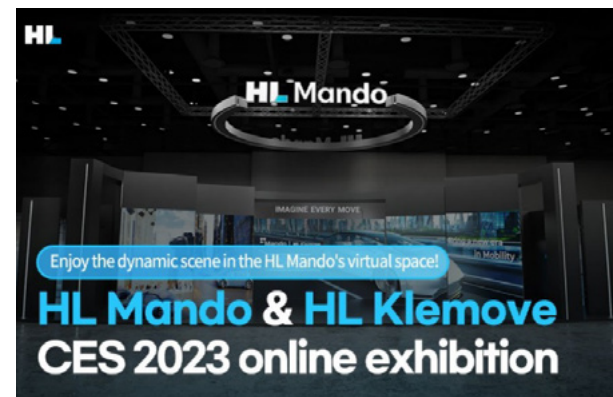
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Attending the CES 2023

HL Klemove attended the CES 2023, the world’s largest electronics show hosted in Las Vegas, USA, along with HL Mando to showcase our wide-ranging technology portfolio spanning from L2 to L4 fully autonomous driving. HL Mando and HL Klemove each operated exhibition booths, ‘Flexible Move Zone’ and ‘Clever Move Zone’ manifesting flexible mobility and smart mobility respectively. We unveiled our high-performance radar equipped with 3D antennas to more than double its detection range, ultra high-resolution camera that supports Over-the-Air updates, and ECU with a centralized zonal architecture.



CES 2023 exhibition space

Partnership to Develop Next-generation E/E Architecture

To deliver Software-Defined Vehicle (SDV) and other mobility platforms for tomorrow, HL Klemove is teaming up with Sonatus, a US-based vehicle communication and data company. The collaboration is to pair our hardware with Sonatus’ software technology to develop next-generation electrical/electronic architecture technology. In doing so, we are moving away from conventional decentralized control architecture to Domain Control Units (DCU) and ultimately to centralized Zonal ECUs. This partnership leverages the R&D capabilities of both companies to deliver cutting-edge solutions that will benefit both HL Klemove and our customers. HL Klemove will further commit to developing efficient, flexible, and scalable solutions.



Image of an automotive platform fitted with Sonatus’ software

Signing an MoU for L4 Autonomous Driving Technology Cooperation

In July 2022, we signed an MoU with INAVI Systems, a mobility platform company, to promote technology cooperation for L4 autonomous driving. This strategic partnership entails the joint development of ultra-precision location technology for Auto Shuttles in Pangyo and Songdo, Incheon. These autonomous shuttles, equipped with HL Klemove’s L4 autonomous driving functionality, will incorporate radar, camera, lidar and other high-performance perception sensors, alongside INAVI Systems’ high-definition mapping capabilities. This collaboration brings us one step closer to fully autonomous driving. Furthermore, we will develop advanced technology combining ultra-precision mapping whose margin of error is just about several centimeters with perception capabilities, and boost win-win business partnerships to commercialize fully autonomous driving.



Signing an MoU for L4 autonomous driving technology cooperation

Opening Our New Office Building Next M in Pangyo

In December 2022, we opened Next M, our new office building in the 2nd Pangyo Techno Valley. Next M will serve as our business center taking charge of our business development in North America, China, India, and worldwide as well as our global R&D center leading autonomous driving technology. We will also partner with IT companies and mobility startups to evolve Next M into the hub of Korea’s autonomous driving mobility ecosystem. Next M is armed with cutting-edge R&D infrastructure to drive the innovation of autonomous driving mobility, from ultra-high-precision optical devices required for new product development (lidar, 4D imaging radar, high-resolution camera) to software-assisted VR vehicle-in-the-loop testing devices, ultra-high-speed ethernet communications, and high-performance integrated autonomous driving control unit testing devices. Our new office building also houses Step-up Lounge to host townhall meetings gathering senior management and employees together, along with high-tech meeting rooms and personal smart spaces. With a focus on attracting top-tier talent, Next M aims to become a global epicenter of cutting-edge technology.



New office building Next M

Opening Three Overseas Research Centers

In March 2022, we opened a research center in Bengaluru, India. Following our research center established in Suzhou, China in July 2022, and in Silicon Valley, USA in January 2023, this completes our global network across four countries including Korea. Our research center India boosts synergy by engaging in local research & development on L2 and L2+ autonomous driving. Research center in Suzhou will provide engineering services while independently analyzing big data on autonomous driving and developing end-to-end autonomous driving solutions customized for local conditions. Research Center in Silicon Valley plans to strengthen local tech, sensing, and partnerships for local development and innovation of North American electric car OEM programs.

Partnership to Develop Self-driving Transport Robots

Since September 2022, we have participated in a government-led project to stabilize Global Value Chains (GVC) concerning supply and demand for high-tech robotic service development. Our parent company, HL Mando, is leading the R&D efforts, while HL Klemove engages in developing technology for optical sensors and core components to enable self-driving transport robots by December 2026. This project will allow us to localize the entire supply chain of high-tech robotic services and to deploy such services across our entire customer journey. Most of all, efficient use of urban parking spaces will render remaining available spaces more useful and help mitigate the parking-induced inconvenience in society.

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 Pangyo subway station. Our plan is to expand the operation of Auto Shuttle to additional areas.



Auto Shuttle



Open Innovation

Signing an MOU for Education and Research on Future Mobility with Ajou University

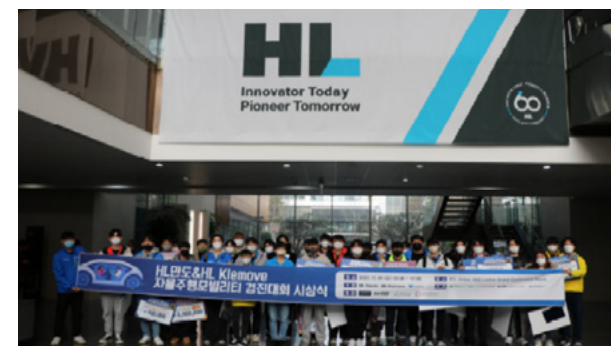
In August 2022, HL Klemove signed an MoU with Ajou University to promote education and research partnerships in the mobility and automotive sectors. This aims to apply AI to future mobility to contribute to advancing the mobility industry and to nurture AI convergence talent. HL Klemove will actively 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 for the cultivation of professional talent, thereby presenting an industry-academia partnership to provide practical assistance to students in their capacity building and career development.



MoU signing with the Engineering Department of Ajou University

Autonomous Driving Mobility Competition

To nurture smart mobility talent in the 4th Industrial Revolution, HL Klemove and HL Mando collaborated to organize the Autonomous Driving Mobility Competition in December 2022, to share our knowledge, technology and infrastructure. Joined by a total of 48 undergraduates, this competition was held in categories such as aMAP Pioneer Championship, aMAP Innovator Championship, aMAP Stride Championship, and Startup Idea. Winners were awarded the special/participation/excellence/top/grand prizes based on evaluations specific to each category. This competition, facilitated through industry-academia-research partnerships, laid the foundation for future collaborations in autonomous driving and served as an educational platform to nurture talent in smart mobility. Going forward, we will continue to work with HL Mando to develop exceptional talent.



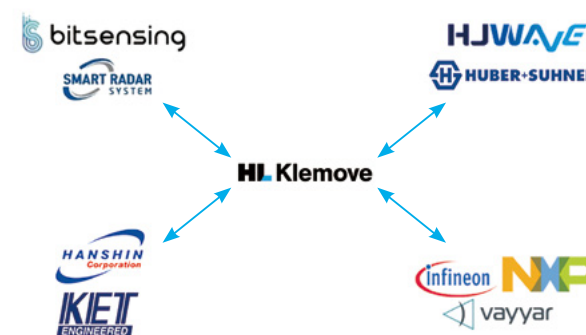
Award ceremony for the Autonomous Driving Mobility Competition hosted by HL Mando and HL Klemove

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

In December 2021, HL Klemove, along with HL Mando, signed an MoU on industry-academia partnerships with Halla University to open a research center. This partnership will position Halla University as a hub of EV and autonomous driving technology and develop practical curricula aligned with future mobility software (software architecture, AUTOSAR, cyber security).

Open Innovation Partnerships

HL Klemove collaborates with multiple partners to meet the market needs for new technology. Our partners include cyber security companies such as CIOT and Autocrypt. In developing radar technology, we established a partnership network with a total of nine companies to engage in joint development and technology collaboration. Such efforts allowed us to become the first company to independently commercialize 77GHz corner radar in May 2022. Moreover, we are on track to commercialize long-range front radar for L3 autonomous driving in 2023.



Radar development partnership network

Quality Management

Quality Management System

Our Quality Philosophy

To continuously deliver top-tier quality, HL Klemove set forth our quality mission ‘Higher Level Quality, with Klemove’ and our quality vision ‘Keeping trust by Leading quality innovation Everyday’. We keep leading quality innovation to earn customer trust, and defined our new quality philosophy ‘Move for Safety’ in 2022 to reach new heights in delivering safety quality. In our quality motto ‘Move for Safety’, the word ‘Move’ is an acronym for Monitoring, Organization, Validation, and Evolution. This philosophy is ingrained within our offices and shopfloors, encouraging all employees to reflect on its meaning and significance.

Quality Philosophy



Quality Management System

In line with our quality management process regulations, we categorize function safety-related operational matters and procedures concerning products designed or produced by HL Klemove into 10 different steps. This categorization enables us to manage quality and meet customer requirements while delivering optimized product designs and processes in compliance with the ISO 26262 international functional safety standard.

When a quality issue is notified by our customers, it is promptly escalated to top management, including our CEO who serves as the chief quality officer. Relevant work process and quality issue registration methodology are documented to ensure meticulous management of quality issues. HL Klemove considers such KPIs as the number of large-scale quality issues raised, customer line defect rates, new vehicle defect rates, mass-production field defect rates, Q-cost, S/W defect rates, and process defect rates. Our senior management discusses mainly on these KPIs through Foresight Quality Meeting held for monthly quality monitoring.



Establishing the GQCS¹⁾

We classify customer and process defect issues into five grades of A to E according to their importance. Grade E is given when the issue concerns general customers or process quality. These issues are reported to team heads and registered in our computer system for management. Grade D concerns items worth less than KRW 50 million and subject to review prior to release or sales and customer quality issues associated with lot, quality cost risk, and cyber security. Grade D is also given when there are 10 or more process quality issues that occur sequentially or such issues account for 10% or more of total per time. Quality issues in Grade D and below are proposed as agenda for monthly quality meetings and reported to top management, including the CEO. Grade C refers to temporary safety issues and customer quality issues including suspension in customer shipping/line as well as process quality issues that are related to lot or could possibly lead to the suspension of customers. Grade B is given to issues associated with safety lot, and Grade A concerns safety recalls and field campaigns. Issues graded C and below are reflected in our company wide KPIs and are rigorously managed by announcing measures or conducting special reviews when necessary.

1) GQCS : Global Quality Communication System

GQCS Grade-based Management System

Grade	KPI	Action Taken	Escalation
E	-	Register in the computer system (develop measures)	Report to team head
D	Considered at the team level	Report at monthly quality meetings	Report to management including the CEO
C	Considered at the company level	Report at monthly quality meetings (announce measures or make special reviews when necessary)	
B			
A			

Realigning Our Quality Management System Process

We are continuously improving our quality management system to enhance efficiency and align it with our day-to-day operations. To achieve this, we have undertaken several initiatives. In October 2022, 225 types of quality documents were chosen as common review sheets to perform independent reviews on their reliability, standardization, and alignment in an aim to examine the integrity of our process. In November, face-to-face reviews were made on 51 types of major processes to ensure working-level compliance with the set process based on input/output materials to verify our process compliance. Improvements were made on working levels for non-conformities identified during the review to ensure the integrity and compliance of these documents. Since 2023, we have pursued process alignment between our overseas operations in India and China along with our Korean operations to ensure global-level process standardization. Considering the ever-changing industry landscape, HL Klemove will remain steady in making necessary improvements to establish an advanced process for all employees to comply with.

Operating Monthly Quality Meetings

To take a systemic and proactive approach to quality management, we hold our monthly quality meeting called Foresight Q Meeting, which gathers together BU-specific center heads, division heads, including our CEO, as well as relevant team heads. The meeting is held on a monthly basis to discuss key quality issues from instructions from the previous month, quality KPIs, monthly quality states, and necessary measures. It also includes the selection of theme-based agenda items in each cycle.

Quality Assessment and Certification

To deliver best-in-class products and services, we continue to improve our Quality Management System (QMS) and process and pursue quality innovation. Customer safety is our top priority, and we engage in internal audits and certification audits in compliance with the IATF 16949 automotive quality management system standard. We also abide by the A-SPICE international software development standard and the ISO 26262 international functional safety standard. To ensure the safety of our products for customer-use, we perform Failure Mode and Effects Analyses in the design and process phases.



Quality Safety Issue Handling Process

We have a comprehensive complaint handling process in place to address any quality issues raised by our customers. To prevent safety-related risk factors, we established our reporting process and received relevant reports through HL Group's integrated reporting center*. When a report is submitted, our quality assurance and planning teams categorize the issues as 'safety issue report', 'safety improvement proposal', and 'quality system improvement proposal'. Safety issue reports are immediately escalated to the CEO, while the other categories are assessed for their importance and handled accordingly. When the final decision is made, corresponding replies – action taken, review results, countermeasure – are posted and communicated to those who submitted reports or proposals. Those who submit safety issue reports may choose to report anonymously or under their real name to encourage such reporting. In 2022, no single quality safety issue was submitted.

*URL for HL Group's integrated reporting center [🔗](#)

Emergency Response Process for High-consequence Public Injuries

To address injuries resulting from defective product design, manufacturing, or management that may lead to fatalities or casualties, we have established an emergency response process guideline and implemented response manuals for high-consequence public injuries. When such injuries occur, we follow the set initial response procedure to identify injury-related information and the scope of response, immediately report to senior management, and create a response team based on instructions from management. The response team examines the estimated causes and effects and submits necessary explanation materials, initial opinions, and investigation results to competent authorities. Due diligence and other on-site investigations are conducted jointly by the authorities and our response team, who follow response guidelines. Findings identified during the on-site investigation are reviewed for their appropriateness by HL Group's legal team and PR team. HL Klemove develops improvement measures and plans to prevent the reoccurrence of such issues through rigorous cause analysis, background investigation, review sessions, and plans for their effectiveness prior to their company-wide roll-out. The resulting outcomes are reported to top management level and the issue in question is terminated. We prioritize public safety, closely monitor any potential threats, and strictly adhere to government regulations and our internal policies.

Advancing Our Quality Capabilities

Conducting Autonomous Driving Validation through the HILS¹⁾ System

We conduct ADAS²⁾ and AD³⁾ validation by leveraging the HILS system that allows us to verify automotive software and electronic parts in a virtual environment prior to testing. The HILS system depends on hardware for areas specifically requiring actual vehicle verification or challenging mathematical interpretation while using automotive modeling to conduct simulation on a single system that integrates both software and hardware. Previous approaches were limited by expensive equipment, space requirements, and constraints in vehicle modeling and sensor/perception validations, which made it challenging to achieve real-world precision levels. However, the HILS has addressed these limitations and improved in all these aspects, enabling validation of real-life products. Furthermore, using the HILS system reduces the cost and time, enables repeated testing under the same conditions, and most of all, significantly contributes to driver safety. To ensure our mass-production quality, we deploy validation equipment and perform validation on all our ADAS products in the mass-production phase - FCM⁴⁾, FRM⁵⁾, ADCU⁶⁾ – as well as SPAS⁷⁾, 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 Testing

We perform integrated tests through each development phase depending on vehicle types to verify customer satisfaction with their ADAS product/function-specific requirements. Integrated testing allows us to verify specifications based on requirements specification and ensure whether previous issues have been improved. We also conduct system tests to evaluate system robustness under extreme functional and environmental conditions and verify whether our products function according to the set specification 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 NCAP¹⁾ assessments made in North America, Korea, China and other countries.

1) NCAP : New Car Assessment Program

Operating Quality Report and Reward Programs

HL Klemove’s quality center operates the quality reward program to motivate employees to manage quality and contribute to quality improvement. 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 are rewarded on a semi-annual basis. In the quality reporting category, production technicians who identified and reported non-conformant products to prevent their release are individually rewarded. The quality reporting program,

previously conducted semi-annually until the first half of 2022, has now transitioned into a quarterly program to enhance employee participation.

Responding to On-site Quality Assessment

In September 2022, we received two-day on-site Quality 5 Star assessments on our No. 1 and 2 plants in Songdo. The Quality 5 Star system is run by Hyundai Motors and Kia Motors to apply on their tier 1 parts suppliers. In response to this on-site quality assessment system, we created a taskforce team that consists of 12 selected personnel from quality, production, sourcing, and other sections to proactively respond to the on-site assessment. For findings identified during assessment, we fully made necessary improvements according to our corrective and preventive measure process. The improvement plans and effectiveness assessment results are managed through our computer Quality Improvement System (QIS).



5 Star on-site quality assessment

Improving Awareness on Quality Management

To consistently provide the highest quality products and services, we have established and communicated our quality philosophy, 'Move for Safety.' This philosophy is instilled across all our offices and shop floors to remind employees of the importance of quality management. Additionally, we distribute quarterly quality newsletters to share our performance, internal updates, and to summarize and communicate domestic and global quality trends.

Anti-ESD Training

In 2022, we provided 57 new employees with training to prevent ESD²⁾ 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. Its purpose is to increase awareness about ESD and prevent any potential damage. Following the training, employees are tested, 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 assess their qualification. Manager position employees and technicians who have access to EPA zones receive annual ESD refresher training, and the training outcomes are updated on a yearly basis.

2) ESD : Electrostatic Discharge



Supply Chain

HL Klemove builds strong partnerships with suppliers and pursues shared growth to promote responsible supply chain management as a global company. We implemented a culture to prioritize fair trade, bolster competitiveness of suppliers, build trustful relationships, and encourage ESG activities within our supply chains. In 2022, we established a supplier ESG assessment system to preemptively identify and systematically manage risk factors from our supply chain. To prevent social issues such as human rights violations and environmental degradation in the mineral mining phase, we are developing a computer system to manage conflict mineral issues. HL Klemove will maintain its commitment to establishing mutually beneficial partnerships with suppliers, with the aim of enhancing our competitive edge to meet global standards.

In this Area

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Link to UN SDGs

8.3. Promote development oriented policies that support productive activities, decent job creation, 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



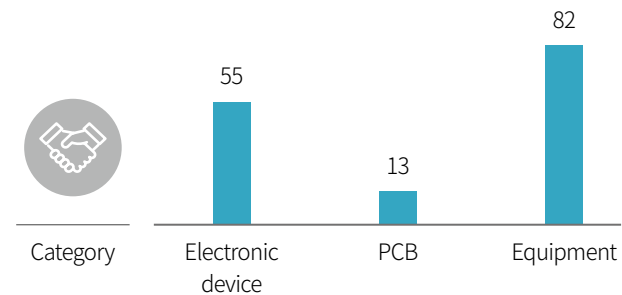
Supply Chain ESG Management

Supplier Overview

We pursue harmonious growth with suppliers working in relation to our business operations, products, and services. Currently, we are sourcing electronic devices, PCBs, and equipment from a total of 150 suppliers. Among these suppliers, 52 of them surpass an annual purchase value of KRW 1 billion, and we categorize them as key suppliers based on our purchasing volume. As such, HL Klemove fosters a sustainable supply chain ecosystem through systematic supplier management and mutually beneficial partnerships.

Supplier Overview

(Unit: No. of companies)



Supplier Code of Conduct

In July 2022, we stipulated our Supplier Code of Conduct to cope with global trends including the EU Supply Chain Act. The Code was developed in accordance with Drive Sustainability's Global Automotive Sustainability Practical Guidance and is aligned with the 10 principles of the UN Global Compact, the OECD Guidelines, and the Responsible Business Alliance(RBA)'s Code of Conduct.

We advise all stakeholders across the entire supply chain to comply with this Code of Conduct, as well as with the laws and regulations of countries where our overseas suppliers operate, and adhere to guidelines concerning ethics, environment, human rights, safety, supply chain, and technology. If there is a conflict between the Code and the laws of countries, we prioritize compliance with the respective country laws. The Code may be supplemented or amended by the department of Purchasing Planning, and any amendments made will be published on our website and shared with our suppliers.

*URL to the Code of Conduct [↗](#)

Main Provisions of the Supplier Code of Conduct

 Working conditions and human rights	 Ethics	 Environment	 Supply chain	 Management system
<ul style="list-style-type: none"> - Humane treatment - Non-discrimination - Prohibition of bullying - Forced labor and human trafficking - Child labor - Wage and benefits - Working hours - Occupational health and safety - Hygiene management - Freedom of association - Political neutrality 	<ul style="list-style-type: none"> - Fair competition and anti-cartel - Ban on the use of counterfeits - Corruption, extortion and bribery - Tax - Export sanctions compliance - Financial responsibility and anti-money laundering - Documentation and records - Disclosure - Prevention of conflict of interest - Anonymity and non-retaliation 	<ul style="list-style-type: none"> - Development and dissemination of eco-friendly technology - Energy consumption and GHG emissions - Resource conservation and waste management - Hazardous chemicals management - Water resources management - Atmospheric emissions 	<ul style="list-style-type: none"> - Supplier management - Responsible raw material sourcing 	<ul style="list-style-type: none"> - Commitment - Legal and customer requirements - Training - Corporate social responsibility - Risk assessment and management

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Supplier ESG Assessment

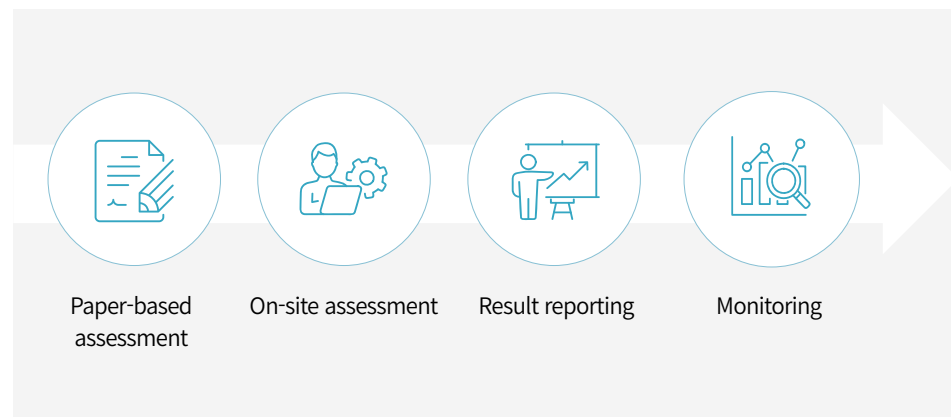
Establishing a Supplier ESG Assessment System

To proactively identify and effectively manage supply chain risk factors, we introduced a supplier ESG assessment system in 2022, which will be further enhanced in 2023. We will focus on managing improvements identified during the assessment to bolster ESG capabilities of our suppliers. We collaborate with external ESG assessment organizations to ensure an objective and professional assessment process. Assessments are conducted through a series of stages including paper assessment, on-site assessment, result reporting, and monitoring. The assessment results are utilized to enhance suppliers' ESG performance and ratings, drive supplier risk improvement activities, and guide new supplier selection and registration.

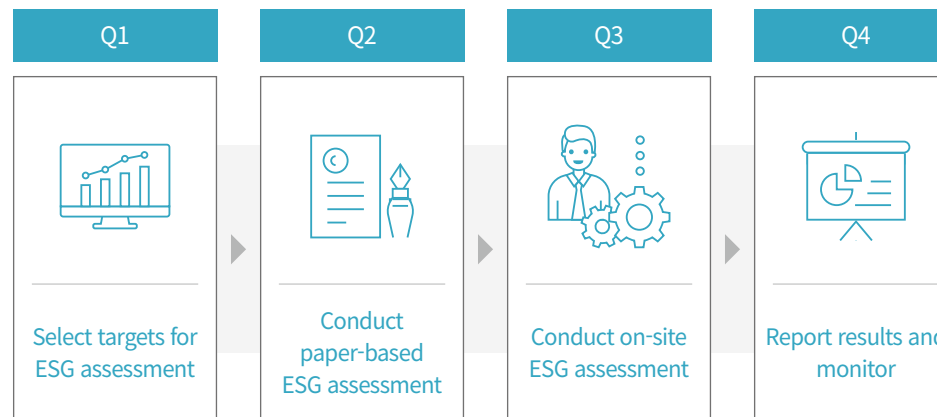
In conducting supplier ESG assessment, we monitor risk factors and make it clear that we may terminate our business relationship with suppliers in the event of ESG risks. For instance, suppliers not certified to the ISO 9001 quality management standard were excluded in the supplier selection process in 2022, and safety certifications are also considered in selecting suppliers. In 2022, we conducted a pilot ESG assessment in collaboration with a third-party ESG rating organization, focusing on five suppliers. The assessment identified deficiencies in their environmental impact policies, guidelines, health and safety management system certifications, and long-term investment plans concerning environmental impact.

In Q2 2023, we will begin with paper-based ESG assessments for 15 suppliers who provide us with KRW 1 billion or more in domestic capital. This will be followed by result reporting and monitoring in Q4 of the same year. Going forward, we will integrate ESG assessment outcomes into our supplier selection process to effectively manage supplier ESG risk. HL Klemove aims to evaluate suppliers' environmental management risks as part of our assessment, aiding them in making progress and taking action towards ESG. Starting in 2023, we will offer practical assistance to our suppliers to advance their ESG efforts.

Supplier ESG Assessment Methodology



Supplier ESG Assessment Plan for 2023



Conflict Minerals Management

Conflict Minerals Policy

As a global autonomous driving parts company, we prohibit the use of conflict minerals and lead responsible mineral sourcing. We abide to the regulations that ban usage of unethically mined conflict minerals to end environmental destruction and human rights violation. Our conflict minerals policy was developed in accordance with the OECD Due Diligence Guidance and other relevant international guidelines to keep track of our suppliers for their ethical sourcing. Specifically, we plan to monitor conflict mineral trends on an on-going basis to make improvements in terms of our policy, system, and management scope.

Conflict Minerals Management System

We comply with conflict minerals regulations and provide our suppliers with applicable standards and management guidelines. Additionally, we conduct presentations and training sessions to enhance awareness regarding conflict minerals. We also participate in CMRT¹⁾ and CRT²⁾ survey and monitoring to assess the use of conflict minerals, and identify relevant risk to minimize any resulting impacts. We receive CMRTs and EMRT³⁾ s to track conflict minerals and verify whether our smelters and refiners are located in high-risk areas. In 2023, we will enhance our conflict minerals management by developing a dedicated computer system. This system will enable us to integrate conflict mineral areas into our supplier ESG assessment process, strengthening our overall supply chain management.

1) CMRT : Conflict Minerals Reporting Template

2) CRT : Cobalt Reporting Template

3) EMRT : Extended Minerals Report Template

Developing a Computer System for Conflict Minerals Management

We strive to prevent social issues as human rights infringement, environmental degradation, and funding armed groups in conflict areas that may arise in the mineral mining process. By benchmarking the conflict mineral management system owned by HL Mando (MMDS, Mando Material Data System), we are developing our own conflict mineral data system to operate in the first half of 2023, and fully establish in the second half. Our goal is to promptly respond to the requirements of OEMs and Tier 1 suppliers and prevent risks by managing track records of conflict mineral as well as mass-produced parts.

Computer System Development Plan for Conflict Minerals Management for 2023




Win-Win Partnership

Key Priorities for Shared Growth

As a leading global company, we promote shared growth through strong partnerships and collaboration with our suppliers. Our key priority for shared growth includes fostering a culture of fair trade, enhancing competitiveness of suppliers, cultivating trustful relationships, and promoting ESG activities.

Key Priorities for Shared Growth





	<p>Establish a culture of fair trade</p> <ul style="list-style-type: none"> - Comply with four action principles - Employee training
Culture	
	<p>Bolster suppliers' competitiveness</p> <ul style="list-style-type: none"> - Improve payment conditions - Quality training
Competitiveness	
	<p>Build trust-based relationships</p> <ul style="list-style-type: none"> - Host Partner's Day - Resolve grievances
Trust	
	<p>Advance ESG along our supply chains</p> <ul style="list-style-type: none"> - Supplier Code of Conduct - Conflict minerals management
ESG	

Establishing a Culture of Fair Trade

Fair Subcontracting

To promote win-win partnerships and establish fair subcontracting practices, we sign fair trade agreements with our suppliers and abide by the four action principles stipulated by the Fair-Trade Commission.

4 Action Principles for Subcontracting

-  Sign desirable contracts
-  Select and operate suppliers
-  Establish/operate the internal deliberation committee
-  Issue and retain proper paper documents

Fair Trade Training for Employees

HL Klemove recognizes suppliers as equal partners based on mutual respect. To internalize such awareness, we conducted training programs on subcontracting law and business etiquette to facilitate employee understanding of key negotiation concepts, stakeholder dynamics, and strategic perspectives.

Bolstering Suppliers' Competitiveness

Improving Payment Conditions

To ensure smooth cash flow, electronic bills valued at KRW 13.2 million or less (including VAT), as well as bills issued by small or mid-sized suppliers, are settled within three days. For bills exceeding this value, payment is made within 50 days from the date of the tax invoice issuance for both consignment and subcontract transactions.

Electronic Bill Payment Criteria

Category	Value	Payment Deadline
Small/ mid-sized company	KRW 13.2 million or below (including VAT)	3 days from the due date of payment
	Over KRW 13.2 million (including VAT)	50 days from the date of tax invoice issuance
Large company	-	90 days from the due date of payment

Managing Supplier Quality and Employee Safety

HL Klemove encourages suppliers to obtain ISO 9001 certification and manages safety certifications, such as ISO 14001, to foster a quality-driven mindset and enhance core capabilities. Furthermore, in 2022, we conducted seven development and quality training programs for seven new suppliers.



Building Trust-based Relationships

Supplier Discussion Meeting

We hold discussion meetings with key suppliers twice a year to pursue win-win partnerships. In December 2022, we discussed our supply chain operations with five suppliers in the electronics domain and five others in the equipment/outsourcing domain. Going forward, we will continue with training and discussion meetings to help suppliers bolster their competitiveness.



Supplier discussion meeting in 2022

Collecting Supplier Grievances

We collect grievances from suppliers and make necessary improvements with relevant departments. We also visit our suppliers on a regular basis to inform them how we handled their grievances, reinforcing communication in the process. To ensure grievances can be submitted anytime and anywhere, we made our grievance mechanism's email address (withhlklemove@hlcompany.com) publicly available on our website*. As of now, no grievances have been submitted.

*URL to submit supplier grievances [🔗](#)

Grievances Submitted



Highlight

Hosting Partners' Day

We host annual Partners' Day for key suppliers to transparently share our business plans, quality goals, and mid/long-term roadmap and build trust-based relationships with them as business partners. While this event was halted in 2022 amid COVID-19, we resumed our Partners' Day in March 2023 to share our policies by business unit and promote interactions for shared growth, solidifying our trust-based relationships with suppliers.



Partners' Day 2023

Labor Rights

HL Klemove prioritizes win-win partnerships with customers, employees, shareholders, investors, suppliers, and local communities. All stakeholders are respected by one's intrinsic dignity, value, and right to pursue happiness. In line with our human rights principles, we comply with labor laws and regulations in countries where we operate and proactively cater to customer requests. In addition, we take the lead in complying with the Universal Declaration of Human Rights, UN Guiding Principles on Business and Human Rights, labor principles published by the ILO and international regulations. Notably, we established a company-wide human rights impact assessment process to uphold human rights in practical terms at the worksite level, and implement programs personalized for people with disabilities to expand inclusive employment. Furthermore, we facilitate communication across different job levels to create a cohesive corporate culture while arranging diverse HR programs that empower employees to fully engage in their work.

Percentage of worksites that received human rights impact assessment

100%



Benefit expenses per person

KRW 3.89 million

Training expenses per person

KRW 1.27 million



Direct employment of people with disabilities

37 persons on a cumulative basis



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Link to UN SDGs

- 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



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Labor

Becoming a Competitive Employer

Recruiting and Retaining Top Talent

To secure key talent through recruitment and enhance corporate stability and competitiveness with distinctive benefit programs, we have strengthened our three strategic pillars of talent recruitment. HL Klemove will explore diverse options to nurture new hires and create a pool of experienced candidates.

Job Posting

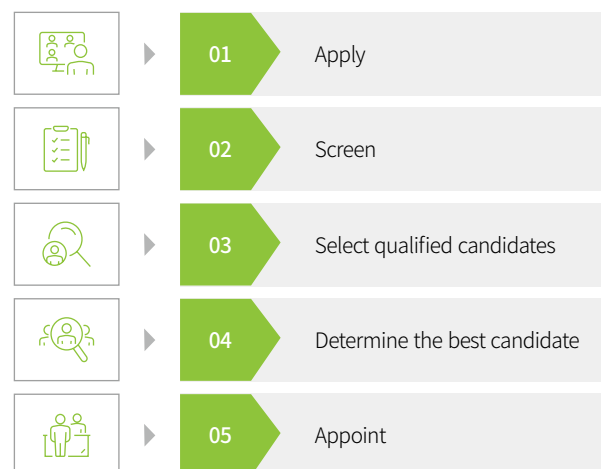
We optimize workforce operations by leveraging our internal top-tier talent and offering self-directed career development opportunities, thereby enhancing job satisfaction. Our Job Posting program remains strictly confidential throughout its entire process including applicants and detailed progress. 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. In 2022, five employees were assigned to their desired roles through this program.

Top Talent Recruitment Strategy

<p>Promote industry academia cooperation and networking</p> 	<ul style="list-style-type: none"> • Continue to expand industry-academia cooperation aligned with government-led projects to secure top talent • Strengthen targeted networking based on social media to secure experienced employees • Secure experienced employees by using the network of current and retired employees
<p>Bolster branding/ publicity strategy</p> 	<ul style="list-style-type: none"> • Differentiate EVP¹⁾ promotion and boost branding for millennials and Gen Z • Continue with promotion activities along with creating a candidate pool • Bolster social media publicity and care
<p>Advance the selection and evaluation system</p> 	<ul style="list-style-type: none"> • Advance the selection and evaluation system by reducing the lead time and streamlining the process

1) EVP : Employee Value Proposition

Job Posting Process



Highlight

Employee Referral

Our Employee Referral program is an official channel for employees to recommend suitable candidates for open job roles, helping us identify qualified personnel and secure top-tier R&D talent. 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 2022, we successfully recruited 17 talented individuals through this program. We will continue to enhance and promote our Employee Referral program to attract exceptional talent.

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HR Management

Operating the Human Resource Development Committee

Our Human Resource Development Committee consists of our CEO and those in team leader and higher positions and appointed by the CEO. The Committee is chaired by the CEO or those delegated by the CEO, and has one personnel manager as its secretary. The Committee decides on HR-related matters, including promotion, appointment, rewards, and disciplinary action, and convenes when its decisions are required for HR issues. In 2022, the Committee met nine times.

Fair Wage Management

We provide our employees with wages, performance-based bonuses, and summer vacation bonuses in accordance with our wage regulations. All our employees receive compensation above the legal minimum wage, and we actively monitor any government decisions regarding increases in the minimum wage. We also ensure equal treatment for employees in equivalent positions, without any disparities in working conditions or discrimination based on gender, nationality, or employment type.

Fair Compensation System

We adhere to a fair and non-discriminatory compensation system, providing base pay and performance-based bonuses. Pay raises are determined based on internal and external factors, ensuring equality between men and women. These raises are differentiated according to individual performance assessments. 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 Management System(MBO¹⁾)

Our performance management system (MBO, Management by Objectives) empowers employees to set work goals aligned with our corporate vision, short-term and long-term strategies, and annual business plan. This fosters voluntary engagement and supports individual growth while driving our management objectives. In 2022, MBO assessments were conducted quarterly instead of annually to enhance work practices and enable continuous goal review. Through comprehensive interviews, goal setting, and feedback, final assessments at year-end align with criteria, determining bonus pay, salary increases, and promotion evaluations.

1) MBO : Management by Objectives

Highlight

Integrated Operation of Assessment and Promotion Systems

We have integrated our assessment and promotion systems into the IT system. To enhance our assessment system, we have implemented quarterly interim management for more effective performance feedback and addressed any issues related to relative scores. Our promotion system now incorporates promotion screening based on promotion rates to ensure fairness and prevent bias within the system, such as giving excessively high scores to potential promotion candidates. Additionally, we have integrated our assessment system with the G-HRM²⁾ system.

2) GHRM: Global Human Resource Management

Defined Benefit Pension Plan

As a company obligated to providing retirement benefits, HL Klemove operates a Defined Benefit (DB) plan for all employees. Implemented in 2021, this plan has consistently maintained plan assets above the required minimum threshold. By the end of 2022, our plan assets exceeded 95%, and we will reach 100% by the end of 2023.

Retirement Pension Plan Asset Ratio



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Talent Development

Independent Employee Capability-Building Programs

Based on the training program provided by the HL Human Resources Development Center, we offer job level-based and job-specific training to our employees. We operate online external training and reading programs for any applicants through the e-learning training platform aligned with the Center. In addition, we support external training, language proficiency testing, and the purchase of educational materials to enhance the skills and knowledge of our employees. Additionally, we offer internal training programs focused on vision and leadership development. To evaluate the effectiveness of our training programs, we conduct surveys to measure participant satisfaction and make continuous improvements to the content and operation of our training programs.

Independent Employee Capacity-Building Programs

Main Program	Scope of Assistance
External training	No limit
Language learning	KRW 100,000/month
Language proficiency test fee	Pay actual expenses/year
Audio book	No limit

Introducing a Career Development Program

We plan to implement a career development program to enhance the individual growth of our employees throughout their professional journey, focusing on employee experience management. This program aims to offer diverse pathways for work-assisted growth and provide systematic training based on job level and function. Currently, we support a specific group of employees through Group-led training, e-learning, and external training. In 2023, we plan to introduce a career development program aligned with the Group's training program.

Highlight

Vision Workshop

At the beginning of the year, we organized the Vision Workshop to foster better understanding among colleagues, clarify our alignment with the corporate vision, and re-evaluate the significance of our individual roles and responsibilities in the workplace, enabling us to explore our personal visions. Between November 2022 and February 2023, we successfully completed 19 sessions (totaling 2,880 training hours) for 640 office employees. Each workshop consisted of five sessions lasting 4.5 hours, and for 2023, we have incorporated our mid/long-term strategic directions into the curriculum based on feedback from the previous year. To break down organizational silos and promote effective information sharing and communication, we will also provide vision internalization training.



Main Curriculum of Vision Workshop

WAKE-UP	Looking at HL Klemove from my own viewpoint - Orientation, CEO's welcome speech, etc.
BUILD-UP	Knowing each other better - Communication through Assimilation Cards
LINE-UP	Reflecting on our Vision House - Understand the Vision House and reflect on keywords - Share the Company's mid/long-term strategy
JUMP-UP	Taking one step ahead towards our vision - Establish an individual vision roadmap - Review progress and make commitments



Vision Workshop

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HL Business School

The HL Business School (HBS), operated by the HL Human Resources Development Center, focuses on developing future leaders who can drive sustainability management. The HBS offers intensive education covering various aspects such as strategy, finance, accounting, marketing, and HR, following MBA curricula. In the period from 2022 to the first half of 2023, 30 key talents and 10 executives actively participated in the HBS PLUS courses.

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, 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.

Work Smart

Our Work Smart program focuses on RPA¹⁾, data management and data science to foster a culture of efficient and intelligent work. Employees have access to training sessions that cater to their skill levels, covering five crucial business skills relevant to their roles, as well as practical real-world skills. Additionally, we have provided a one-year learning course on the global recruitment platform LinkedIn, enabling our employees to explore global content at their own pace and enhance their knowledge.

1) RPA : Robotic Process Automation

Highlight

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 knowledge and skills of our automotive R&D staff. 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 2022, a total of 210 employees from HL Group affiliates, including 37 from HL Klemove, participated in 27 HalLab sessions.



HalLab Programs and Activities

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Diversity and Inclusion

Fair Recruitment Opportunity

HL Klemove prohibits all forms of discrimination on the grounds of gender, age, race, skin color, and nationality throughout the recruitment process, wage determination, and promotion. To ensure fairness and prevent discrimination, we have implemented the principle of human rights management as outlined in our Human Rights Management Declaration.

Recruiting IT Employees with Disabilities

In December 2022, we signed an MOU with the Korea Employment Agency for Persons with Disabilities to collaborate on the SIAT¹⁾ program, a specialized training program for individuals with disabilities, focusing on training and recruiting SW test personnel. As part of this program, we introduced an 84-hour Python course tailored to the needs of participants, providing them with valuable skills and career opportunities. This program not only enhances the efficiency of our researchers by reducing non-value-added work but also promotes lifelong career prospects for individuals with disabilities. Among the



Training program tailored to people with disabilities

20 participating companies, HL Klemove is the first and only automotive company to join, bridging the gap between the IT and automotive industries and expanding the possibilities within our field. In 2023, we will provide a 6-month software developer training program to 19 selected trainees, offering potential employment opportunities to those who meet the qualifications. Moving forward, we will continue recruiting trainees with disabilities to help them with capacity building and employment.

1) SIAT: IT-customized employment support training for young people with disabilities

Timeline for Recruiting IT Employees with Disabilities

2022.12 ~ 2023.01	Trainee recruitment, MOU signing
2023.02 ~ 2023.08	Education and training
2023.08	Recruitment interview
2023.09	Employment

Inclusive Working Conditions and Infrastructure

We offer inclusive working conditions and infrastructure tailored to the specific disabilities and workplaces of our employees. In Pangyo and Songdo, three employees with mild physical disabilities work alongside their colleagues in general office roles. In Jeju, 17 employees with more severe disabilities serve as athletes and work at a rehabilitation center of their preference. To ensure accessibility, we provide elevators and rehabilitation equipment, enabling our employees with disabilities to move freely within our facilities.

Operating Teams of Athletes with Disabilities

We directly hire athletes with severe disabilities and form teams consisting of these athletes. Through partnerships with the National Disability Sport Promotion Agency, we have established Taekwondo and billiard teams by recruiting recommended athletes. We have developed corporate sports team management and operational regulations, as well as employment contracts tailored to the specific needs of these athletes. To ensure their well-being, we conduct weekly health and attendance checks, facilitated by dedicated coaches and outsourcing management companies. Regular discussions and support systems are in place to address any grievances and enhance their mental stability. As we continue to accumulate expertise in managing disability sport teams, we aim to expand their operation in the future.



HL Klemove's disability sports team

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Benefits and Organizational Culture

Benefit Programs

We provide a comprehensive range of employee benefits aimed at enhancing the quality of life for our workforce. These benefits include housing loans, bereavement grants and leave, tuition assistance, livelihood stability loans, medical expense coverage, early retirement withdrawals, long-term employee and retiree support, surveys, and hobby clubs. These benefits are applicable to both full-time and contract employees, and detailed information is readily available in our benefit program manuals. Additionally, our employees have access to sports equipment, facilities, rest areas, and other welfare facilities. We ensure that they are provided with adequate work supplies to carry out their tasks effectively.




Benefits Provided

Benefits															
															
Housing loan	Bereavement grants and leave	Tuition support	Livelihood stability loans	Medical expenses	Early retirement withdrawal	Support for long-term employees/retirees	Survey support	Support for hobby clubs	Comprehensive health check-ups	Flu vaccination	Gasoline expenses	Corporate dining, gift cards	Holiday/birthday gifts	External language learning	Family allowances (spouse/parents/children)

Flexible Work Arrangements

To foster a flexible and family-friendly work environment, we offer flexible work hours, work-at-home opportunities, and the option for early leave. With flexible work hours, employees have the freedom to choose their arrival and departure times within designated working hours, while adhering to the mandatory range for their specific location. Our hybrid work program allows employees to work from home up to twice a week, offering greater flexibility and improving work engagement and efficiency. Currently, this program is available to employees working at Next M, our R&D hub. Additionally, our early leave program allows department-level attendance management at the discretion of the department head, allowing employees to take personal anniversaries into account, such as birthdays. We value the feedback of our employees and strive to implement various programs that enhance their skills and well-being.

Hybrid Work Ground Rule

		
Prove your performance not by hours worked but by results	Consult and share your work schedule through prior applications	Stay connected with your Core Team, and convene in-person team meetings at least once a month

Open Committee

In 2022, we launched the Open Committee to create and share concise videos introducing each organization, fostering mutual understanding and collaboration among employees. Our employees produced short, engaging videos, lasting five minutes or less, targeting millennials and Gen Z, to showcase their organization and its function. Nearly 20 teams and above participated, and a subsequent campaign encouraged employees to vote for their favorite video and leave comments. The three finalists received a combined total of 1,056 views, providing a valuable database of job introductions. We will utilize these videos for various purposes, including on-the-job training, external publicity, and enhancing job understanding and organizational assimilation.

Supporting On-site Childcare and Off-location Childcare

We comply with national infant care laws and consider location-specific conditions when operating on-site daycare centers and childcare support programs. At our Incheon (Songdo) worksite, we provide financial assistance to employees who choose independent daycare centers approved by the Ministry of Health and Welfare. We cover the full monthly payment for children between the ages of six and seven. At our Pangyo worksite, employees with children aged four or younger have access to on-site daycare facilities for a guaranteed period of two years. For employees with children aged six to seven, we offer financial support equivalent to that provided at the Incheon worksite.



Maternity/Parental Leave

To ensure maternity protection for our employees, we strictly adhere to relevant laws such as the Labor Standards Act and the Act on Gender Equality in Employment and Support for Work-Life Balance. We also have provisions in our Rules of Employment that govern this matter. Our employees are entitled to statutory paid maternity leave and parental leave. As per Article 52 of our Rules, protective leave is granted for 90 days, which extends to 120 days for multiple births. During this period, employees receive paid leave for the first 60 days (75 days for multiple births). Additionally, our employees are entitled to a minimum of 45 days of leave after childbirth, and this increases to a minimum of 60 days for multiple births. Fathers of newborns are eligible for 10 days of paid leave and receive KRW 150,000 in congratulatory grants. Parental leave, in accordance with applicable laws, can be taken for up to one year, and couples working at HL Klemove have the option to take up to two years of parental leave for the same child.

Support for Retirees

We are considering to implement a retiree support program to assist our employees in starting their own businesses or finding employment elsewhere. In 2022, we introduced Article 23 (Retirement) in our Rules of Employment to ensure that we explore various options, such as job placement through supplier instruction and the implementation of social adjustment programs. Our goal is to provide training opportunities to retirees during their last year of employment to support their reemployment or entrepreneurial endeavors.

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 the employees' right to join or leave labor unions without interference from 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 participating 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 establish 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. Through continuous communication, collaboration, and ongoing efforts at the working level, we strive to improve the working environment and provide a safe workplace for all our employees.

Labor-Management Council

To foster employee engagement and collaboration, we effectively operate the Labor-Management Council in accordance with the relevant laws and regulations. The Council holds regular quarterly meetings and ensures that any requested meeting accompanied by a documented agenda is duly scheduled. In 2022, the Council successfully convened four meetings, addressing a total of 14 agenda items.

Collective Bargaining

We conduct 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 2022, we engaged in collective bargaining on 14 occasions, leading to the creation and renewal of 78 provisions within the collective agreement. With the aim of fostering trust and mutually beneficial labor relations, we approach negotiations with an open mind and strive to fulfill the commitments we make.



Human Rights

Human Rights Management Declaration

Guided by our mission 'We create a world where your most comfortable movement becomes your safest moment', we strive to positively impact our customers' lives and the well-being of humanity by providing our top-notch products and services with our exceptional workforce and technology. We drive shared growth with customers, employees, shareholders, investors, suppliers, and communities while respecting the dignity and happiness of all stakeholders. Our Human Rights Declaration was made in this regard to seek sustainable development along with stakeholders. We diligently adhere to labor relations laws in the regions where we operate, while also prioritizing customer requirements. Furthermore, we proactively comply with internationally recognized standards such as the Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights, and the labor principles recommended by the International Labor Organization (ILO) and ratified by countries worldwide. This Declaration applies to all our employees and workers with whom we have business relationships. In case our human rights principles run counter to local laws and regulations, we comply with local norms all while abiding by international principles. The Declaration is reviewed in consideration of local national regulations and industry characteristics and could be amended when necessary.

Internalizing the Human Rights Policy

To embed our human rights management policy into our operations and advance it in respective areas, we established a steering committee concerning labor rights. We engage in various activities, such as declaring our commitment to human rights management, conducting human rights impact assessments, providing human rights training, assessing our corporate culture, ensuring diversity in recruitment, and identifying areas for improvement in labor rights. In 2023, we will develop operational plans for human rights impact assessment to conduct it on our domestic and overseas operations. In addition, we will diagnose our corporate culture and achieve the family-friendly business certification to conduct business responsibly.

Human Rights Risk Management

Human Rights Training

We provide annual online training sessions for our employees to address workplace bullying, sexual harassment prevention, disability awareness, and personal data privacy. These programs cover various forms of harassment, legal frameworks, and measures to prevent human rights risks. To foster a culture of respect for human rights, we conduct surveys to gauge employee awareness regarding gender equality, workplace sexual harassment and bullying, culturally sensitive environments that uphold human rights, and the effectiveness of preventive training. Our aim is to protect their human rights, address grievances, and facilitate full engagement in their work. We will continue creating a positive work environment and establish mutual respect as part of our corporate culture.

Whistleblowing and Initiatives to Mitigate Human Rights Risks

In cases of human rights infringement, we investigate reported incidents thoroughly and take necessary action to protect those affected. This involves factual investigations, case reporting, convening disciplinary action committees, determining appropriate disciplinary measures, and providing preventive training. Perpetrators face disciplinary measures in proportion to the harm caused, and steps are taken to separate them from the victims to prevent further harm.

Human Rights Management for Suppliers

Our human rights impact assessment extends to suppliers and consumers, as well as our own employees. When making investments contracts with suppliers, we recommend them to implement human rights management as stipulated in our Supplier Code of Conduct and provide us with detailed activities in written form. To ensure the protection of human rights, we conduct on-site visits to specific worksites and suppliers at higher risk for 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. We also provide a whistleblowing mechanism through our Labor-Management Council and the reporting center.



Human Rights Impact Assessment

We have performed human rights impact assessment since 2022 to embed human rights management and preemptively identify and improve relevant risk. Since its initiation in 2022, we conducted pilot assessment on domestic subsidiaries for 178 items across 10 areas. Currently, verification is being made by the responsible organization within the Group, and we will take necessary actions to address the identified tasks. In 2023, we plan to disseminate human rights management from domestic to overseas subsidiaries. The highest decision-making body for our human rights management policy and relevant risk will be elevated from the CEO to the Board of Directors to bolster our oversight on human rights management policies and overall risks.

Key Results of Human Rights Impact Assessment

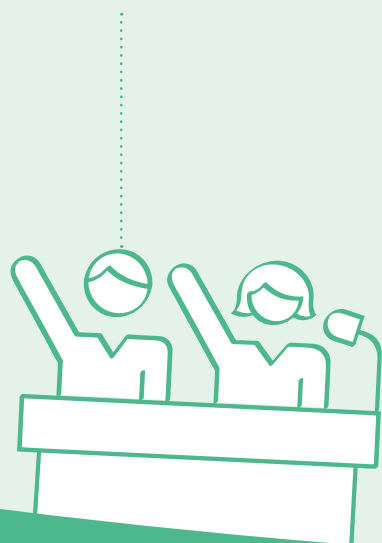


Governance & Ethics

To achieve a harmonious alignment between evolving interests and business expansion, we place a greater focus on serving the public good with all our employees. This approach embodies the founding spirit and core values of our company, with all employees dedicated to integrity management. We conduct regular internal audits to ensure the integrity of our overall operations, addressing issues such as corruption, misconduct, adherence to management guidelines and instructions, as well as the handling of non-performing loans. We prioritize regulatory and ethical compliance in our business conduct, as we strictly adhere to the laws and regulations of the countries where we operate. We establish and implement compliance control standards to foster fair and transparent business practices. Additionally, we have implemented an information security management system and dedicated resources to ensure the ongoing fulfillment of our information security requirements.

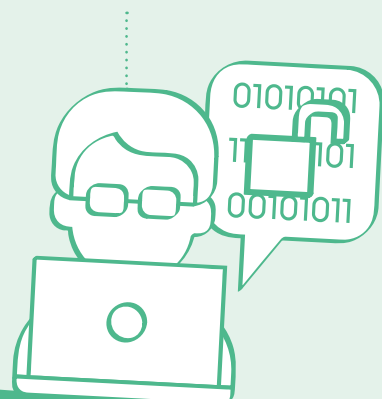
Board attendance

100%



Worksites that received internal audits

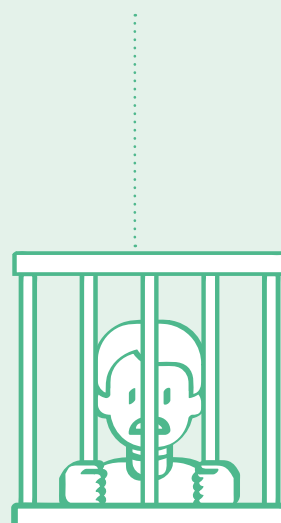
100%



Worksites that received internal audits

0case

*Based on global operations



Information security breaches

0case

*Based on global operations



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Link to UN SDGs

- 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



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Governance

Board of Directors

Composition of the Board

Our Board of Directors is the highest decision-making body authorized to deliberate on decisions in our overall operations. Comprising of four inside directors and one outside director, our board members are seasoned professionals with a deep understanding of the automotive industry. According to Article 20 of our Articles of Incorporation, their tenure is three years. The CEO, leveraging their expertise and career experience in the automotive industry, serves as the chairperson of the Board. Regular meetings are held, with additional extraordinary meetings convened for urgent matters. To ensure smooth functioning, the Board's authorities, responsibilities, and operational procedures are meticulously defined. In the future, we plan to appoint outside directors from diverse fields, bringing in expert perspectives.

Name	Nomination	Background of Appointment	Responsibility	Relationship with the Largest Shareholder or Controlling Shareholders	Termination of Tenure
Pal-Joo Yoon	Board	Expertise in autonomous driving technology and management	CEO, President	Executive at affiliate	Mar. 29, 2024
Mong-Won Chung	Board	Stable external operations	Inside director	Registered executive	Mar. 29, 2024
Seong-Hyeon Cho	Board	Management expertise	Inside director	Registered executive	Mar. 29, 2024
Jae-Young Chung	Board	Expertise in management strategy and finance	Inside director	Non-registered executive	Mar. 29, 2024
Moo-Sang Kim	Board	Knowledge and technology expertise in the automotive industry	Outside director	Executive at affiliate	Mar. 29, 2025

Role and Independence of the Board

Our directors are carefully selected based on their qualifications, ensuring compliance with relevant laws and regulations as outlined in the Commercial Law and other applicable regulations. The Board of directors are appointed at the Annual General Meeting of shareholders. These directors play a crucial role in representing the rights and interests of both shareholders and stakeholders, upholding strong ethical standards. They contribute significantly to enhancing our corporate value and advancing the rights and interests of our shareholders. The CEO is appointed through the executive decision of the Board and assumes responsibility for overseeing the entire process of our business operations. Our outside directors, who possess expertise in the automotive industry and technology, participate in Board activities independently. They leverage their knowledge and experience to make informed decisions and provide support to top-level management. HL Klemove plans to provide any training that is required for outside directors.



Board Assessment and Remuneration Systems

Assessment of Board Operations

HL Klemove conducts an annual assessment on the operation of the Board. All Board members are surveyed to collect their feedback, and the questionnaire covers the roles and responsibilities of the Board, the composition of the Board, the operation of the Board, and Board committees. The assessment is made on a scale from one to five, with the average score being 4.5 points. The assessment results play a vital role in identifying areas for improvement in the Board's functioning, allowing us to enhance efficiency and transparency within Board operations. We will establish an objective and equitable Board assessment system, ensuring fairness and accountability.

Board and Executive Remuneration Regulations

The remuneration of our directors and auditors is set within the prescribed limit established at the Annual General Meeting of shareholders, in accordance with our director and outside director remuneration regulations. This includes their job, position, and contribution to the company as well as talent development. The Annual General Meeting held in March 2022 approved KRW 5 billion for the remuneration limit. In determining the compensation range, registered directors are assessed for management performance and contribution, while outside directors are assessed for field-specific expertise and attendance at Board committees. The CEO's performance pay is aligned with key metrics such as return on invested capital (ROIC), operating profit margins, corporate value, and the ESG management activities.

Board Remuneration

(unit: No. of persons, KRW million)

Category	Number of Persons	Total Remuneration	Average Remuneration per Person
Registered directors (excluding outside directors and Audit Committee members)	4	2,164	1,082
Outside directors (excluding Audit Committee members)	1	54	54
Auditor	1	-	-

Audit Body

HL Klemove appoints one auditor pursuant to the Commercial Act and other applicable regulations. Our auditor has over 20 years of accounting experience. Prior to joining us, the auditor held a leadership position as the head of the Accounting Center at our parent company, HL Mando. Currently, the auditor leads HL Group's Integrity Management Office. The auditor is primarily responsible for auditing our accounting and business operations and fulfills his obligations pursuant to applicable laws and regulations, along with reviewing our financial statements and presenting feedback review at the Annual General Meeting of shareholders. To enhance our internal control capabilities, our audit body seeks advice from the Audit Committee and external experts, further strengthening their expertise in this area.



Ethics and Compliance Management

Ethical Management

Ethics Policy

HL Klemove, guided by Integrity Management, values the dignity of individuals, contributes to society, and aims to build a prosperous future. We encourage our partners and stakeholders to abide by our ethical standards regarding conducts and values. Our ethical guidelines outline our responsibilities and obligations to the nation, society, customers, and shareholders. They also address matters of fair competition and trade, basic employee ethics, and our commitment to employee well-being. Disciplinary measures are in place to address any non-compliance with the Code of Ethics. We are committed to fostering an ethical corporate culture through sound decision-making and behavior.

Anti-Corruption, Anti-Bribery Policy

In adherence to ethical guidelines, our employees strictly refrain from engaging in any form of monetary or material exchanges, entertainment, or favors beyond customary practices when interacting with stakeholders. We prioritize maintaining a strong work ethic among our employees, discouraging any attempts to seek personal gain through exploiting personal or school connections, manipulating documents or data, or misusing corporate assets or personal information. These efforts have resulted in zero legal actions related to unfair trade practices in 2022. We acknowledge the significance of fair competition in driving outstanding performance and remain committed to proactively mitigating the risk of corruption.

Ethical 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 conditions, we stipulate the responsibilities and obligations of integrity management, implement a robust reporting system, and enforce appropriate attribution, rewards, and penalties that can be applied company-wide including all organizational units and employees.

Ethics Training for New Hires

We provide new hires with ethics training to prevent corruptive or unethical behaviors. We are currently developing a Code of Conduct training program, scheduled to be implemented company-wide in the latter half of 2023. In 2022, 112 newly hired employees completed 11 sessions of integrity management training.

Highlight

Whistleblowing Channel for Ethical Non-compliance

To make objective and professional judgements on ethics and regulatory compliance, we have established the Group-level integrated reporting center, overseen by the Group's legal affairs office and the Global Legal Center. This reporting channel was expanded to allow anonymous whistleblowing on unfair trade, embezzlement, and other violations of our ethical standards, to ensure whistleblowers are not put at any disadvantage for reporting. In 2022, no whistleblowing reports were submitted to the reporting channel. We will do our utmost to ensure there are no corruptive or unethical practices at HL Klemove.



Tax Transparency

Tax Policy

We implement our tax policy that abides by applicable tax laws and systems in both domestic and overseas working sites to proactively manage tax risks. This policy was reported to the Board of Directors in 2023 and was made public on our website following approval.





Key principles of our tax policy include abiding by tax laws and paying taxes honestly, complying with transfer pricing guidelines, ensuring transparent tax operations, and building partnerships with stakeholders. To ensure effective implementation, we regularly monitor and reflect the amendments. When deemed necessary, external experts and independent tax experts conduct tax health checks every five to six years. The disclosure of income tax expenses is verified through accounting audits. Additionally, we perform systematic verifications on the taxes paid, encompassing income taxes and surtaxes.

HL Klemove will continuously discuss and manage relevant issues with the Board of Directors in line with the shifting internal/external landscape concerning tax-related policies.

Tax Risk Management

We calculate and pay taxes through strict interpretation of tax laws based on the spirit of compliance at the company level. This commitment drives us to engage in prior consultations with our tax and financial departments for departmental transactions and to maintain open communication with tax authorities. When tax adjustments are made, we assess our compliance with domestic tax policies and prepare our BEPS (Base Erosion and Profit Shifting) reports to evaluate our compliance with international tax policies. To ensure compliance with tax laws and mitigate related risks, we receive regular verification by external tax experts, for both of our domestic and overseas subsidiaries to pay their tax. Going forward, HL Klemove will promptly respond to applicable tax systems, and bolster communication with the National Tax Service and other tax authorities.

Fundamental Principles of Our Tax Policy

- 01 Abide by tax laws and pay taxes honestly 
- 02 Comply with transfer pricing guidelines 
- 03 Ensure transparent tax operations 
- 04 Build partnerships with stakeholders 

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Information Security

Information Security Management System

Information Security Guidelines

To safeguard our information assets against theft, manipulation, destruction, illegal use, and unauthorized disclosure, we strictly adhere to our information security guidelines. These guidelines encompass all internal and external intruders and ensure the secure and reliable operation of our systems and application programs, including computer network components, databases, documents, and restricted areas. We prioritize seamless access to information for authorized users. Our information security guidelines apply to employees of HL Klemove, suppliers, visitors, personnels directly/indirectly associated with us and information assets owned by HL Klemove. All our information assets are opened only to authorized users, and external access is granted when it is work-related and pre-authorized, following the principle of least privilege. Specifically, any access made to our internal systems through networks is addressed by seeking appropriate security measures in advance for potential data breaches. Additionally, we have established business continuity plans to ensure the safety and reliability of our information assets during disasters and disruptions. Regular assessments and reviews are conducted to secure effectiveness, and to verify our compliance with relevant policies and guidelines. When necessary, we recommend appropriate measures to prevent potential damage from security breaches.



Information Security Policy

HL Klemove's information security policy paper is developed with reference to HL Group's information security policy paper and receives approval from the CEO. Our information security policy and relevant guidelines are made public through circulation, posting and other recognized channels appropriate for all our employees, outsourcing companies, and all related stakeholders. Our employees fully understand our documented policy and associated guidelines to safeguard our information assets. The Chief Information Security Officer annually reviews our information security policy, and our information security management department regularly reviews and updates the policy to reflect any changes that impact the risk analysis and assessment process related to information assets.


Information Security System Certification

In 2022, we achieved ISO 27001 certification, the international standard for information security management systems stipulated by the International Organization for Standardization (ISO), strengthening our information asset protection.

Certification Scope and Plan

 Scope	Automotive sensor R&D, production/sales-related systems and networks
 Plan for 2023	Receive 1 st surveillance audits in May 2023

Information Security Management System

Governance	Management Guidelines	Management Process	Information Security Management Unit	
			Human	Technology
<ul style="list-style-type: none"> - Security operation system - IT infrastructure security system - Personal data privacy system - Automotive cyber security system <div style="text-align: center; margin-top: 10px;">  </div> <div style="display: flex; justify-content: space-around; margin-top: 10px;"> <div style="background-color: #e9f5e9; padding: 5px; text-align: center;">Risk Management System</div> <div style="background-color: #e9f5e9; padding: 5px; text-align: center;">Security Compliance Response System</div> </div>	<ul style="list-style-type: none"> - Continue to update the security policy - Create a professional and independent organization - Bolster security training and promotion - Perform security checks and change control - Respond to security breaches and handle breachers 	Establish security SOPs by key management area <ul style="list-style-type: none"> - Training review - System operation - IT development security - Exception handling - Access, incoming/outgoing - Breaches 	Security management for employees and stakeholders <ul style="list-style-type: none"> - New hires - Researcher - IT personnel - Retirees - Supplier personnel - Security personnel 	Establish an IT security architecture <ul style="list-style-type: none"> - Server - Database - IT network - Application - Computer - Mobile

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Personal Data Privacy Management

In compliance with Article 29 (Duty of Safeguards) of the Personal Information Protection Act, which outlines the obligation to establish and implement internal management plans, we have formulated guidelines for our internal management plan concerning personal data privacy in December 2022. The plan aims to systematically manage personal data and protect such data from loss, theft, breach, forgery, damage, and misuse. In conformity with Article 31 of the Act and Article 32 of its Enforcement Decree, we have appointed an HR department executive to manage personal data. Individuals involved in the processing of personal data, including employees, dispatched workers, and part-time workers, are considered personnel responsible for handling personal data. They are required to comply with relevant laws, regulations, and internal management plans to ensure the security of personal data throughout the handling process.

Information Security Organization

In accordance with Article 3 (Information Security Organization) of our information security guidelines, we have established an organizational structure dedicated to information security. The Chief Information Security Officer (CISO) leads the overall security operations of HL Group and is selected based on their expertise in information security, meeting the qualifications specified by the Act on Promotion of Information and Communications Network Utilization and Information Protection. To ensure company-wide information security and cybersecurity performance, we align with Key Performance Indicators (KPIs) established for the CISO and the head of the information security team. These KPIs are utilized in their performance assessments, reinforcing our commitment to safeguarding both tangible and intangible assets.

Prevention of Information Security Incidents

To minimize security risks, we identify risks and their respective owners associated with lost confidentiality, integrity, and availability, and assess the potential impact. Risk analysis processes are conducted to establish priorities, and the results of risk assessments guide us in eliminating these risks. Our information security management department provides security incident prevention training and promotion activities for employees, while the IT operation department requests security reviews from the information security management department. The reviews include introducing, changing, and discarding systems to prevent security issues from occurring. To proactively identify and address internal security vulnerabilities, we conduct annual vulnerability reviews. Immediate corrective actions are taken to address any vulnerabilities discovered during these preventive activities.

Our Response to Information Security Incidents

In accordance with Article 61 (Reporting Security Incidents) of our information security guidelines, we classify security incidents into technical/physical/human error accidents and respond accordingly. We have established regulations for handling security incidents and continuously improve our processes based on annual security vulnerability reviews supervised by the CISO. When information security breaches or warning signs of such are identified, employees should report immediately to the information security management department. Information security personnel establish our response system, instructions, and response standards with the CISO who plays a pivotal role. In critical situations or when expert technology is required, the CERT¹⁾ is convened with the approval of the information security manager. Depending on the nature of the incident, personnel from relevant departments are involved to prevent the recurrence of similar issues.

1) CERT : Computer Emergency Response Team



Internalizing Information Security

Information Security System Hacking Simulation

As per Article 49 (Security Review and Vulnerability Management) of our information security guidelines, we conduct security reviews at each stage of our work processes, ensuring the integration of review outcomes to safeguard the security of our IT system during application system development and maintenance projects. Our information security management department conducts regular reviews including annual hacking simulations to go over security vulnerabilities. In September 2022, three 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, adhering to both international standards (OWASP Top 10) and domestic standards (KISA). Additionally, we reviewed our compliance with the requirements outlined in personal data privacy regulations for the personal data domain. As a result, we identified four vulnerabilities and swiftly implemented action plans to address them. Moving forward, we will proactively respond to risk factors related to IT system security incidents and enhance our system to prevent their recurrence.

Information Security Training

To promote awareness and compliance with our information security policy, we provide employees with regular information security training at least once a year. When information security issues arise, we also provide ad-hoc information security training. Such trainings are conducted through e-learning, broadcasting media, the invitation of experts for on-site training. The training covers essential topics including personal data privacy, prevention of internal data leaks, our information security policy and guidelines, and any other relevant matters pertaining to information security. In 2022, comprehensive information security training was conducted for all employees, and they were requested to sign a security pledge as a commitment to uphold information security practices.

IP Compliance Training

In line with our IP compliance policy, we require all employees to undergo annual IP compliance training. 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 legal responsibilities for non-compliance.

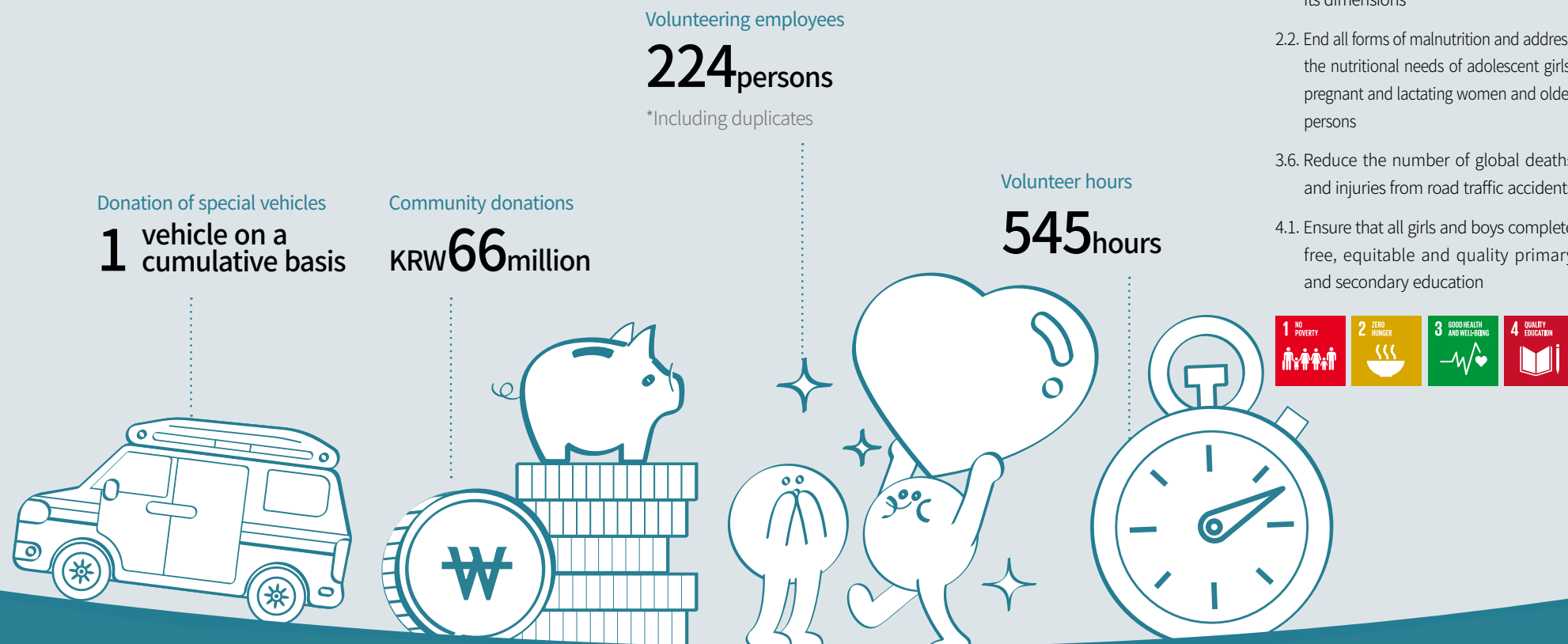
Personal Data Privacy Training

We provide personal data privacy managers with personal data privacy-related training at least once a year. Such trainings are conducted offline, online, groupware and in other diverse formats and can be outsourced to external organizations or expert personnel when necessary. The personal data privacy managers also document and retain the results of personal data privacy trainings and their evidence materials. In 2022, all 1,162 employees subject to personal data privacy training completed an online training program. This helped employees develop in-depth understanding on information security in terms of relevant details and importance, ranging from the definition and scope of personal data to regulatory changes, protection of the rights of the data subject, and remedy of damages.



Corporate Social Responsibility

Since our founding in December 2021, HL Klemove has undertaken Corporate Social Responsibility (CSR) initiatives in the four domains of Move Together, Green Together, Grow Together, and Sustain Together to share our knowledge, technology, experience, and resources with local communities and fulfill our social responsibility. We participated in CSR activities launched in celebration of the 60th anniversary of HL group in 2022. HL Klemove will establish our CSR vision house to take a systematic and strategic approach to our CSR initiatives to cater to community conditions and needs in Korea and overseas.



In this Area

CSR 73

Link to UN SDGs

- 1.2. Reduce 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 global deaths and injuries from road traffic accidents
- 4.1. Ensure that all girls and boys complete free, equitable and quality primary and secondary education

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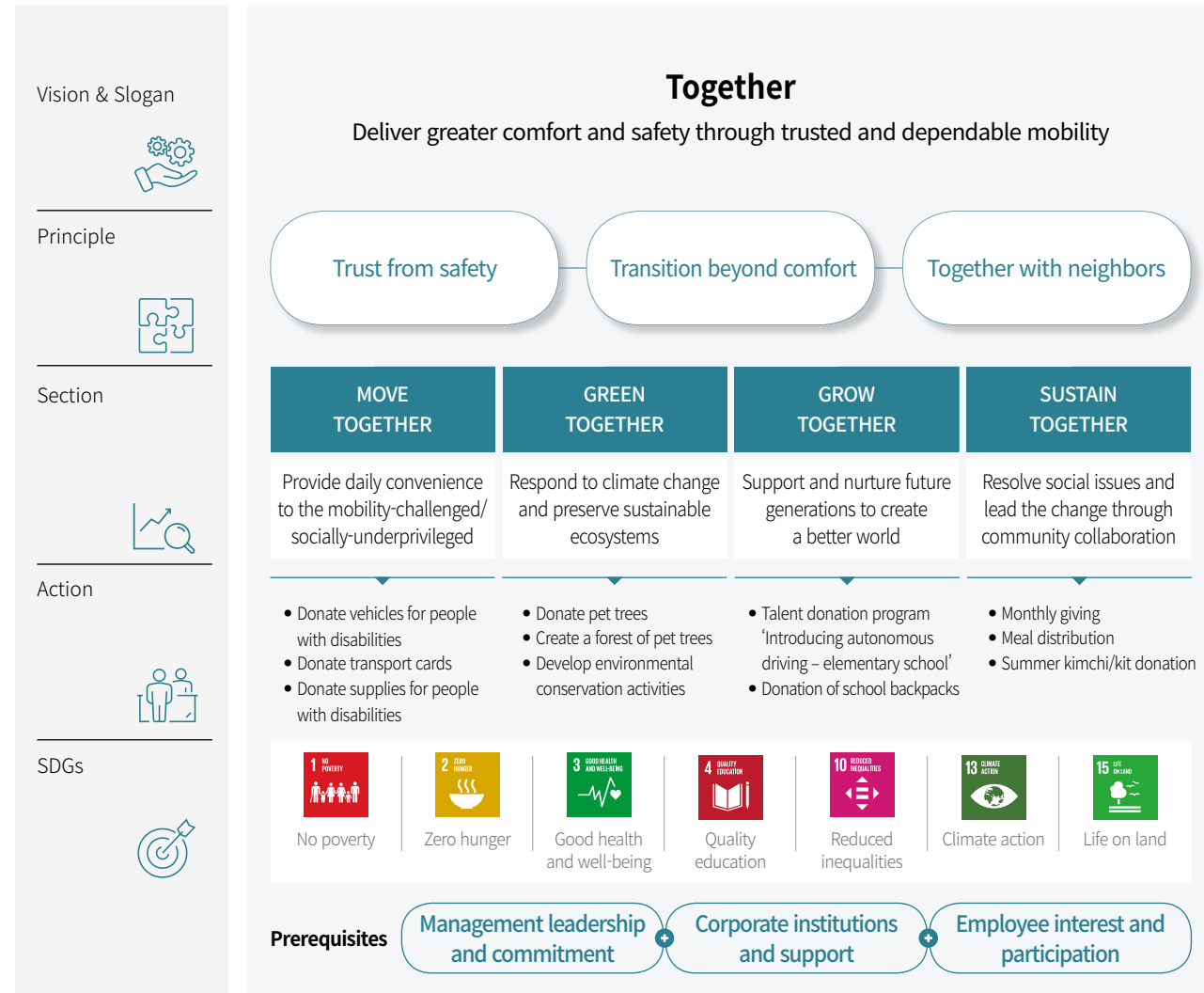


CSR

CSR System

HL Klemove moves beyond convenient mobility towards trusted and dependable mobility to enable comfortable and safe mobility experience. Our CSR activities are guided by three principles of Trust, Comfort, and Together. The CSR Champion, who heads the HR Center, and the Secretary, who leads the General Affairs Team, play a central role in driving these activities. The CEO receives reports on our CSR activities, with a primary focus on four pillars: socially underprivileged groups, climate change, support for future generations, and win-win partnerships with communities. In 2022, we actively participated in the CSR programs led by HL Mando and HL Group, and pursued CSR activities aligned with the communities where we are based in line with the launching of our Global R&D Center in the 2nd Pangyo Techno Valley. In 2023, we will establish our unique vision house and programs, and join hands with all HL Group affiliates to undertake ESG activities and further give back to our communities.

CSR Vision House



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Move Together

Donating Transport Cards

In December 2022, as part of the inauguration of our Global Center, we donated 100 transport cards to individuals receiving basic livelihood support in Sujeong-gu, Seongnam-si. This event intended to promote mobility rights for vulnerable groups in the local community where our Global Center is based, and this will surely assist community people in this area with convenient and safe mobility down the road.

Highlight

Donating Vehicles for People with Disabilities

To help provide comfort rides to people with disabilities, we purchased a special vehicle equipped with a wheelchair mounting system in December 2021 through the funds raised by combining corporate donations with donations made through our employees' monthly giving. The vehicle was delivered to a disability welfare center located in Incheon in February 2023. Both labor and management will join hands to protect mobility rights for disabled people in our communities.



Donating a special vehicle for people with disabilities

Green Together

Donating Pet Trees

Our pet tree donation program serves as an eco-friendly CSR initiative. Under this program, our employees grow pet trees for eight weeks and donate them to less-fortunate groups who find it difficult to go out as they wish with uplifting messages. In 2022, 83 employees joined this program, volunteering 332 hours in so doing. Looking ahead to 2023, we will continue with our pet tree program to protect endangered plants and extend a helping hand to those in need.

Plogging

In September 2022, we launched a plogging activity to respond to climate change and preserve sustainable ecosystems. Employees and their family members participated in picking up litters as they walked or jogged along their path. Participants were given an activity kit that contains eco-friendly boxes, biodegradable plastic bags, hygiene gloves, and bamboo tongs to reinforce environmental preservation. A total of 90 employees volunteered for an average of two hours per person. We will continue with our environmental initiatives for climate change adaptation along with our employees.

Reducing the Use of Disposables

HL Klemove joined the Green Together event led by HL Mando for two months between July and August of 2022 to reduce the use of disposables. Approximately 400 employees from HL Klemove and HL Mando participated to reduce the use of disposables.



Delivering pet trees



Plogging



Grow Together

Mural Painting for Eunhaeng Elementary School

We initiated a mural painting project for Eunhaeng Elementary School located in Jungwon-gu, Seongnam-si. Collaborating with a local volunteer center and our talented employees, we painted ginkgo trees on the stairs of the school building to brighten the mood for both students and community people. In 2023, we will expand our Grow Together programs, engaging in talent donation for autonomous driving and renovating study rooms to inspire students in our community to dream big.

Contributing to Scholarships to Halla University

HL Klemove and HL Mando signed an MOU for industry-academia cooperation with Halla University to provide scholarships to up to 10 freshmen students majoring in machinery and electronics under the Mando Elite Scholarship program. In 2022, one student was selected as the beneficiary of the program, and KRW 20 million was donated to the fund. Both companies will continue to work together to support and nurture future generations.

Healthy School Program in India

The “Healthy School” program was launched for three schools located in Gurgaon and Bengaluru in India to provide clean drinking water. We also engaged in various activities to create a pleasant learning environment through installing periphery fences, building hygiene facilities, purchasing smart class infrastructures, and repairing the library. Volunteers planted more than 360 seedlings and painted environmental themed murals in the classroom to raise awareness about eco-friendly practices from an early age.

Sustain Together

Volunteering for Meal Distribution

We implement our meal distribution volunteer program as part of the Sustain Together initiative to resolve social issues and lead the change in collaboration with local communities. In 2022, our employees visited the Jungtop Social Welfare Center five times between March and August to volunteer for meal distribution and mealbox delivery. In 2022, eleven employees joined this program, contributing a total of 340 hours over the year. We will also initiate monthly meal distribution volunteering starting from May 2023 at the Wirye Social Welfare Center located in Sujeong-gu, Seongnam-si where our Global R&D Center is based. HL Klemove will continue to fulfill our social responsibility and give back to our local communities where we operate.

Providing Donations for the East Coast Forest Fire Recovery

In March 2022, we made donations to help restore the areas along the East Coast from Uljin in North Gyeongsang and Samcheok in Gangwon that were designated as special disaster areas from forest fires and to promote stable livelihoods for displaced people. The fund was to recover the ecosystem and support displaced residents. Major Group affiliates, including HL Klemove, HL Mando, and HL Holdings, teamed up to make donations to the Hope Bridge Korea Disaster Relief Association and the Community Chest of Korea in Gangwon. Additionally, we will provide aid to our employees who has any connection with affected areas.



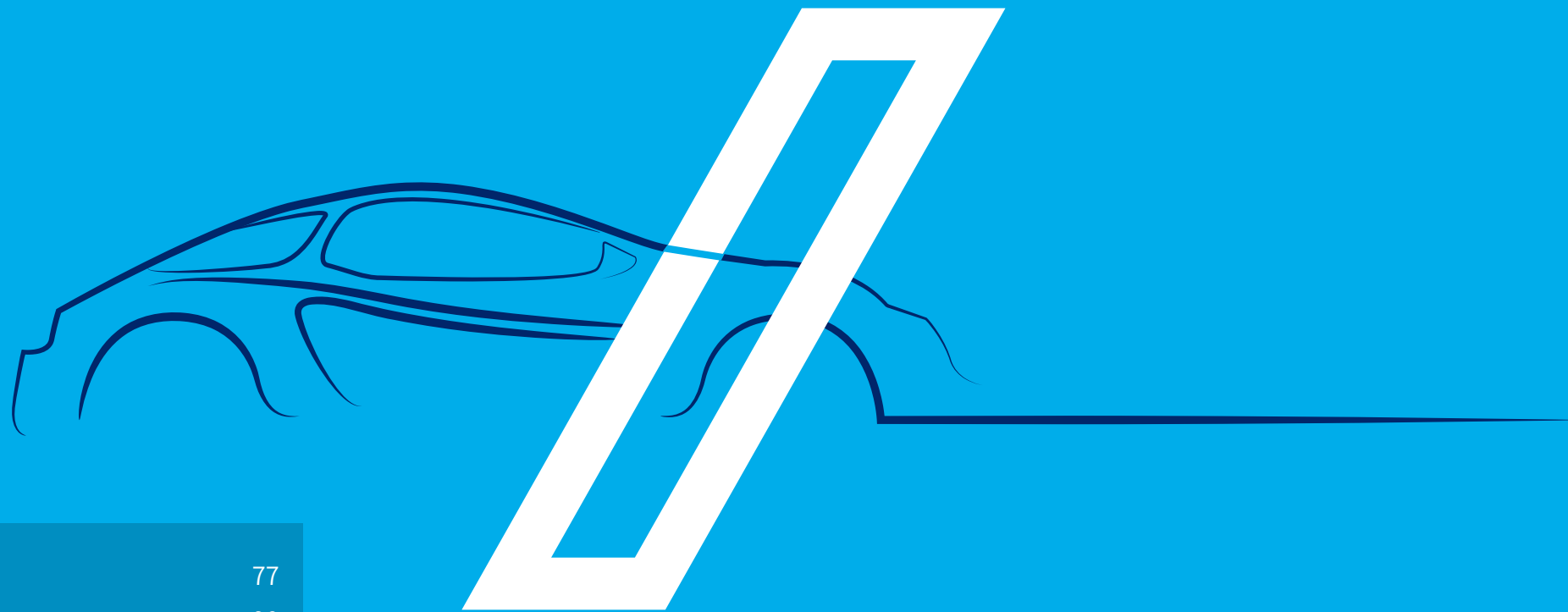
Painting ginkgo trees on the stairs



Volunteering to distribute meals in 2022



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ESG Data

Economy

Finance

Category	Unit	2021	2022
Assets	KRW 100 million	7,757	8,712
Cash and cash equivalents	KRW 100 million	1,173	784
Liabilities	KRW 100 million	5,530	5,937
Debt	KRW 100 million	3,194	3,394
Net debt	KRW 100 million	2,021	2,610
Equity	KRW 100 million	2,227	2,775
Capital	KRW 100 million	138	138
Debt-to-equity ratio	%	248.3	213.9
Net debt-to-equity ratio	%	90.75	94.05

Profit/Income

Category	Unit	2021	2022
Sales	KRW 100 million	7,338	13,662
Cost of sales	KRW 100 million	6,546	11,348
Operating profit	KRW 100 million	151	679
	%	2.1	5.0
EBITDA	KRW 100 million	512	1,135
	%	7.0	8.3
Net income	KRW 100 million	108	610
	%	1.47	4.46
Parent company's controlling interest	KRW 100 million	108	610
Basic earnings per share	KRW	3,901	22,103
Total dividends	KRW million	6,400	14,487
Dividend payout ratio	%	59.44	23.75

Sales*

Category	Unit	2021	2022	
By region	Korea	KRW 100 million	4,935	10,501
	China	KRW 100 million	1,826	2,548
	US	KRW 100 million	421	606
	India	KRW 100 million	570	1,068
	Mexico	KRW 100 million	0.4	21
	Other	KRW 100 million	4	12
Subtotal	KRW 100 million	7,756	14,757	
(Related transactions excluded)	KRW 100 million	419	1,095	
Consolidated sales	KRW 100 million	7,338	13,662	

*For 2021, only December sales of Mando ADAS are reflected.

Breakdown of Sales

Category	Unit	2021	2022	
By customer	Hyundai/Kia	%	8%	50%
	HL Mando	%	76%	33%
	North American OEM/Tier1	%	0%	1%
	Chinese OEM/Tier1	%	10%	7%
	Other OEM/Tier1	%	6%	9%
By parts	Brake	%	23%	17%
	Steering	%	25%	17%
	Sensor & Electronics	%	14%	8%
	ADAS	%	38%	55%
	Other	%	0%	2%

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Environment & Safety

GHG Emissions*

Category		Unit	2021	2022
Total emissions (Scope 1, 2)		tCO ₂ eq	11,448	11,229
Scope1	Emissions	tCO ₂ eq	232	215
	Intensity	tCO ₂ eq/10,000 units	0.219	0.197
Scope2	Emissions	tCO ₂ eq	11,216	11,014
	Intensity	tCO ₂ eq/10,000 units	10.7	10.1

*Intensity is based on production volume.

Emissions Reduction (Scope 1, 2)*

Category		Unit	2021	2022
Total reduction		tCO ₂ eq	-229	219
Scope 1		tCO ₂ eq	-52	17
Scope 2		tCO ₂ eq	-117	202
Y-o-y reduction in GHG emissions (intensity)		%	-12.5	4.7

*Intensity is based on production volume.

Energy Consumption*

Category		Unit	2021	2022
Total energy consumption		TJ	236.5	233.1
Non-renewable energy	Liquid fuel	TJ	1.2	1.4
	Gas fuel	TJ	2.9	2.7
	Electricity	TJ	230	227
	Steam	TJ	2.4	2

*No renewable energy used.

Energy Consumption (intensity)*

Category		Unit	2021	2022
Non-renewable energy consumption (intensity)		TJ/10,000 units	0.22	0.21
Y-o-y reduction in energy consumption (intensity)		%	-13.4	4.3

*Intensity is based on production volume.

*Scope of environmental data: HL Klemove Headquarters only (data on our global R&D center will be aggregated and disclosed from 2023 onwards)



Waste Generation*

Category	Unit	2021	2022	
Waste discharge	Designated waste	ton	18.6	29
	General waste	ton	546.3	486
	Construction waste	ton	0	0
	Total	ton	564.9	515
Waste discharge (intensity)	ton/10,000 units	0.53	0.47	
Y-o-y reduction in waste discharge (intensity)	%	-15.9	11.4	

*Intensity is based on production volume.

Waste Treatment

Category	Unit	2021	2022
Recycling	ton	410	344
Landfill	ton	0	0
Incineration	ton	155	171
Other	ton	0	0
Total	ton	564	515
Waste recycling rate	%	72.7	66.8

Consumption of Hazardous Chemicals*

Category	Unit	2021	2022
Consumption of hazardous chemicals	kg	2,146	2,025
Chemical discharge	kg	13,920	22,280
Consumption of hazardous chemicals (intensity)	kg/10,000 units	2.02	1.85
Y-o-y reduction in the consumption of hazardous chemicals (intensity)	%	100	8.3

*Intensity is based on production volume.

Water Withdrawal and Consumption across all Operations*

Category	Unit	2021	2022
Waterworks	m ³	38,789	31,061
Underground water	m ³	0	0
Industrial water	m ³	0	0
Total	m ³	38,789	31,061

*Water withdrawal equals water consumption.

Water Consumption across the Entire Operations*

Category	Unit	2021	2022
Water consumption (intensity)	m ³ /10,000 units	36.6	28.4
Y-o-y reduction (intensity)	%	-17.6	22.2

*Intensity is based on production volume.



Environmental Management Operation and Training

Category		Unit	2021	2022
Acquisition of the environmental management system certification (ISO 14001)*	Sites subject to certification	Sites	3	4
	Sites certified	Sites	3	4
	Certification rate	%	100	100
Environmental training	Employees subject to environmental training	Persons	0	0
	Employees who attended environmental training	Persons	0	0
	Percentage of employees who attended environmental training	%	-	-

*Includes global operations

Environmental Investments*

Category		Unit	2021	2022
Total environmental investments made (performance)	GHG emissions reduction	KRW million	0	1,017.5
	Waste reduction	KRW million	0	0
	Other	KRW million	0	0
	Total	KRW million	0	1,017.5
Proportion of environmental investments against sales (intensity)		%	-	0.074

**Includes global operations

*Intensity is based on production volume.

Health & Safety

Category		Unit	2021	2022
Full-time employees*		Persons	1,458	1,993
Total hours worked per year*		Hours	2,762,220	3,744,619
Safety training (including employees and in-house external employees)	Employees subject to training	Persons	772	1,146
	Proportion of employees who completed training	%	100	100
	Safety training hours per person	Hours	24	24

*Includes global operations

ISO 45001 Certification*

Category		Unit	2021	2022
Sites subject to ISO 345001		Sites	3	4
Sites certified to ISO 45001		Sites	3	4
ISO 45001 certification rate		%	100	100

*Includes global operations

Injuries*

Category		Unit	2021	2022
Workplace injuries	Fatalities	Persons	0	0
	Injuries	Persons	3	1
	Work-related illnesses	Persons	0	0
Total injuries		Cases	3	1
Lost workdays**		Days	114	40

*Includes global operations

**Missed workdays due to injuries

Occupational Health & Safety Performance*

Category		Unit	2021	2022
Occupational incident rate		%	0.21	0.05
Total recordable injury frequency rate (TRIFR)		Cases/million hours worked	1.41	0.27
Lost workday rate		Days/1,000 hours worked	0.07	0.01
Frequency Severity Index (FSI)		Cases/million hours worked	0.10	0.05
Lost-time injuries frequency rate		Cases/million hours worked	1.41	0.27
Occupational illness frequency rate		Cases/million hours worked	0	0

*Includes global operations



Technology Innovation

Eco-friendly Products*

Category	Unit	2021	2022
Sales of eco-friendly products	KRW billion	25	27
Sales percentage ratio of eco-friendly products	%	3.4	2.0

*Includes global operations

R&D Investments*

Category	Unit	2021	2022
R&D personnel	Persons	451	580
Total R&D investments	KRW billion	34.6	101
Proportion of R&D expenses against sales**	%	4.7	7.4

*Includes global operations

**Calculated on a consolidated sales basis

Patent*

Category	Unit	2021	2022
Registrations	Cases	144	146
Applications	Cases	193	232

*Includes global operations

Cumulative IPR Data*

Category	Unit	Patent & Utility Model			Design			Trademark		
		Application	Registration	Total	Application	Registration	Total	Application	Registration	Total
Domestic	Cases	577	651	1,228	0	6	6	7	18	25
Overseas	Cases	463	557	1,020	0	0	0	2	0	2
Total	Cases	1,040	1,208	2,248	0	6	6	9	18	27

*As of Dec. 2022

Annual Warranty

Category	Unit	2021	2022
Budget	KRW billion	6.529	9.703
Expenses	KRW billion	4.727	6.279
Proportion of warranty expenses against sales*	%	0.39	0.45
Recalled vehicles**	Vehicles	0	0

*Includes global operations

**Cases of non-compliance with product-related health and safety regulations are calculated from the recall cases implemented.

Acquisition of the IATF 16949 Quality Management System Certification*

Category	Unit	2021	2022
Sites subject to certification	Sites	4	4
Sites certified	Sites	4	4
Certification rate	%	100	100

*Includes global operations



Labor & Human Rights

Total Employees

Category		Unit	2021	2022
Permanent employees	Korea	Persons	1,012	1,049
	China	Persons	300	375
	India	Persons	200	395
Temporary employees	Korea	Persons	93	94
	China	Persons	0	0
	India	Persons	63	56
Dispatched employees	Korea	Persons	10	17
	Overseas	Persons	181	166

*Dispatched employees: Office and production support personnel

Breakdown of Employees by Nationality

Category	Unit	2021	2022
Korean nationals	Persons	1,123	1,175
Percentage of Korean nationals	%	60.41	54.60
Korean nationals in management positions	Persons	186	191
Percentage of Korean nationals in management positions	%	83.41	85.65
Chinese nationals	Persons	424	531
Percentage of Chinese nationals	%	22.81	24.67
Chinese nationals in management positions	Persons	23	29
Percentage of Chinese nationals in management positions	%	10.3	13
Indian nationals	Persons	312	446
Percentage of Indian nationals	%	16.78	20.72
Indian nationals in management positions	Persons	14	40
Percentage of Indian nationals in management positions	%	6.28	17.94

Breakdown of Employees by Employment Type (Gender)

Category		Unit	2021	2022	
Total employees*		Persons	1,859	2,152	
Permanent	Female	Domestic	Persons	110	114
		Overseas	Persons	162	235
	Male	Domestic	Persons	902	935
		Overseas	Persons	338	535
Temporary	Female	Domestic	Persons	12	17
		Overseas	Persons	17	14
	Male	Domestic	Persons	81	77
		Overseas	Persons	46	42
Dispatched	Female	Domestic	Persons	9	17
		Overseas	Persons	67	52
	Male	Domestic	Persons	1	0
		Overseas	Persons	114	114

*Includes global operations



Breakdown of Employees by Gender and Age Group

Category		Unit	2021	2022	
By gender	Male	Domestic	Persons	984	1,012
		Overseas	Persons	498	691
	Female	Domestic	Persons	131	148
		Overseas	Persons	246	301
By age group	Under 30	Domestic	Persons	166	202
		Overseas	Persons	399	566
	30- 50	Domestic	Persons	903	912
		Overseas	Persons	342	422
	50 and up	Domestic	Persons	46	46
		Overseas	Persons	3	4

Breakdown of Employees by Work Type

Category		Unit	2021	2022	
Type of work	Office	Domestic	Persons	749	800
		Overseas	Persons	295	405
	Production	Domestic	Persons	366	360
		Overseas	Persons	449	587

Locally-hired Employees

Category		Unit	2021	2022
Employees in manager positions*	Korea	Persons	176	177
	China	Persons	28	37
	India	Persons	19	46
Locally-hired employees in manager positions	Korea	Persons		
	China	Persons	23	29
	India	Persons	14	40
Percentage proportion of locally-hired employees in manager positions	Domestic	%		
	Overseas	%	79	83

*Manager positions: internal management positions and up

Total Recruitment (Permanent)

Category		Unit	2021	2022
Total new hires	Domestic	Persons	201	184
	Overseas	Persons	276	275

Recruitment by Gender and Age Group (Permanent)*

Category		Unit	2021	2022
By gender	Male	Persons	339	320
	Female	Persons	138	139
By age group	Under 30	Persons	301	242
	30-under 50	Persons	169	215
	50 and over	Persons	7	2

*Includes global operations

Employee Referrals*

Category		Unit	2021	2022
Positions requiring recruitment	Openings for vacant positions	Persons	341	341
	Openings created for new positions	Persons	136	118
Positions filled internally out of those requiring recruitment	Openings filled internally (out of total openings) to fill vacancies	Persons	1	1
	Openings filled internally (out of openings) for new positions	Persons	0	4
Positions filled internally (from the open positions)		%	0.21	1.09

*Includes global operations



Turnover (Permanent)*

Category		Unit	2021	2022
Total turnover		Persons	341	341
By gender	Male	Persons	249	266
	Female	Persons	92	75
Voluntary turnover		Persons	341	341
By gender	Male	Persons	249	266
	Female	Persons	92	75
Turnover rate		%	18.3	15.8
Voluntary turnover rate		%	18.3	15.8

*Includes global operations

Turnover by Age Group (Permanent)*

Category		Unit	2021	2022
By age group	Under 30	Persons	190	161
	30- 50	Persons	146	175
	50 and up	Persons	5	5
Voluntary turnover by age group	Under 30	Persons	190	161
	30- 50	Persons	146	175
	50 and up	Persons	5	5

*Includes global operations

Female and/or Vulnerable Employees*

Category	Unit	2021	2022
Percentage of female employees out of total	%	20.3	20.9
Female new hires	%	28.9	30.3
Female managers	Persons	4	5
Percentage of female managers out of total managers	%	1.8	1.9
Female executives	Persons	0	0

*Includes global operations

Wage by Gender*

Category	Unit	2022
Median male annual pay	KRW million	86
Median female annual pay	KRW million	78
Gender-based difference in median annual pay	KRW million	8

*Based on domestic operations

*Based on employees who worked a full 12 months in 2022 (including executives)

Total Annual Compensation Ratios*

Category	Unit	2022
CEO's total annual compensation against median pay for all employees	Fold	7.59
CEO's total annual compensation	KRW million	644
Median annual total compensation for all employees	KRW million	84
Increases in CEO's total annual compensation against increases in media total annual pay for all employees	Fold	-
Increases in CEO's total annual compensation	%	-
Increases in median total annual pay for all employees	%	-

*Percentage-based increases are not reported as this is our first sustainability report



Vulnerable Employees

Category	Unit	2021	2022
Employees with disabilities*	Persons	3	37
Percentage of employees with disabilities *	%	0.27	3.2
Employees entitled to national merit	Persons	4	4
Percentage of employees entitled to national merit	%	0.36	0.35

*Includes global operations

Female Researchers*

Category	Unit	2021	2022
Total researchers	Persons	451	580
Female researchers	Persons	58	62
Percentage of female researchers	%	12.9	10.7

*Includes global operations

Female Employees in Manager Positions at Revenue-generating (Sales) Departments*

Category	Unit	2021	2022
Managers	Persons	8	9
Females	Persons	0	0
Percentage of females	%	0	0

*Includes global operations

Maternal Leave*

Category	Unit	2021	2022
Employees who took maternal leave	Persons	62	57
Employees who returned to work after maternal leave	Persons	44	44

*Includes global operations

Parental Leave Taken by Gender*

Category	Unit	2021	2022	
Employees who took Parental leave	Male	Persons	48	47
	Female	Persons	14	10
Employees who returned to work after Parental leave	Male	Persons	41	40
	Female	Persons	3	4
Percentage of employees who returned to work after Parental leave **	%	71.0	77.2	

*Includes global operations

**(Employees who returned to work after maternal/paternal leave/employees who took maternal/paternal leave)*100

Parental Leave

Category	Unit	2021	2022	
Employees eligible for parental leave	Total employees	Persons	404	381
	Male	Persons	381	358
	Female	Persons	23	23
Employees who took parental leave	Total employees	Persons	28	20
	Male	Persons	18	14
	Female	Persons	10	6



Employee Who Returned to Work After Parental Leave

Category	Unit	2021	2022
Total number of employees expected to return to work after parental leave	Persons	19	15
By gender	Male	12	10
	Female	7	5
Employees who returned to work after parental leave	Persons	16	13
By gender	Male	11	8
	Female	5	5
Percentage of employees who returned to work after parental leave*	%	84	87
By gender	Male	92	80
	Female	71	100

*(Employees who returned to work after parental leave/employees expected to return to work after parental leave)*100

Employees Who Worked 12 or more Months After Parental Leave*

Category	Unit	2021	2022
Employees who worked 12 or more months after parental leave	Persons	3	15
By gender	Male	2	10
	Female	1	5
Percentage of employees who worked 12 or more months after parental leave**	%	100	94
By gender	Male	100	91
	Female	100	100

*Based on employees who worked 12 or more months after returning to work the previous year

** (Employees who worked 12 or more months after returning to work/employees who returned to work after taking parental leave the previous year)*100

Working Hours*

Category	Unit	2021	2022
Annual hours worked per person	Hours	2,053	2,107
Average weekly hours worked	Hours	42.8	42.9

*Includes global operations

Performance Appraisals*

Category	Unit	2021	2022
Employees subject to MBO-setting with their boss	Persons	966	1,040
Employees who set an MBO with their boss	Persons	966	1,040
Percentage of employees who set an MBO with their boss	%	100	100

*Includes global operations (for permanent employees out of total office employees)

Benefits

Category	Unit	2021	2022
Average benefit expenses per person	KRW million	2.91	3.89
Number of employees utilizing flexible hours	Persons	708	744

Operation of the in-house daycare center*

Category	Unit	2021	2022
Sites	Sites	1	1
Enrollment	Persons	93	75
Teachers	Persons	18	18

*Includes global operations



Total Employee Training*

Category	Unit	2021	2022
Total number of training participants	Persons	733	1,213
Training hours completed per person	Hours	41	28
Total training expenses	KRW million	369	1,542
Training expenses per person	KRW million	0.50	1.27

*Includes global operations

Breakdown of Employee Training*

Category	Unit	2021	2022	
By age group	Under 30	Persons	113	256
	30- 50	Persons	579	902
	50 and up	Persons	41	55
By gender	Male	Persons	564	958
	Female	Persons	169	255
By training type	Technical/vocational training	Persons	457	1,166
	Competency training	Persons	398	460
	Retiree training	Persons	0	0
	Below manager	Persons	335	283
By position	Manager	Persons	294	394
	Leader (partial leader/team leader/executive)	Persons	104	198

*Includes global operations

Employee Participation*

Category	Unit	2022	
Employee participation	%	61	
By position	Below manager	%	53
	Manager level	%	62
	Executive	%	100

*Proportion of employees who responded that their work engagement was high based on the employee engagement survey.

Labor Relations

Category	Unit	2021	2022
Employees eligible for labor union membership	Persons	292	293
Employees who joined labor unions	Persons	243	248
Labor union membership	%	83	85
Labor-management discussion meetings	Cases	26	26
Employees subject to collective agreements	Persons	368	358
Number of employees subject to collective agreements*	%	33	32

* Excludes dispatched workers

Human Rights Impact Assessment

Category	Unit	2022
Worksites subject to human rights impact assessment or review	Sites	3
Worksites that received human rights impact assessment	Sites	3
Proportion of worksites that received human rights impact assessment	%	100
Incidences of human rights risk	Cases	0
Improvements made	Cases	0
Proportion of improvements made	%	-

Grievance Handling*

Category	Unit	2021	2022	
Grievance Handling	Grievances submitted	Cases	3	0
	Grievances resolved	Cases	3	0
	Resolution rate	%	100	-

*Includes global operations

Human Rights Training*

Category	Unit	2021	2022
Employees who attended human rights training	Persons	1,080	1,162

* Includes global operations



Supply Chain Management

Transactions with Suppliers*

Category		Unit	2021	2022
Total suppliers (tier 1 suppliers)		Companies	145	150
Critical suppliers **		Companies	48	52
Total transaction value	Parts	KRW billion	402.0	702.7
Purchase from critical tier 1 suppliers	Purchase from critical tier 1 suppliers	KRW billion	3.8	6.8
	Proportion of critical tier 1 suppliers out of total purchase value	%	95	97

* Based on domestic operations

** KRW 1 billion or above in purchase value

Sustainable Purchasing

Category		Unit	2022
Sustainable sourcing training	Purchasing personnel	Persons	24
	Purchasing personnel who received training	Persons	0
	Percentage of purchasing personnel who received training	%	0

Quality Certification for Suppliers

Category		Unit	2022
Quality certification	Suppliers certified to quality system certification	Companies	121

Supplier ESG Assessment

Category		Unit	2022
Suppliers who received ESG assessments	Number of suppliers	Companies	24
	Percentage of suppliers	%	16
Suppliers assessed within the past 3 years based on suppliers for the pertinent year	Number of suppliers	Companies	24
	Percentage of suppliers	%	16
On-site ESG due diligence	Number of suppliers	Companies	0
	Percentage of suppliers	%	0
Suppliers rated excellent in ESG assessments	Number of suppliers	Companies	1
	Percentage of suppliers	%	4
Suppliers identified for risk (E, S, G)	Number of suppliers	Companies	1
	Percentage of suppliers	%	4

Communication

Category		Unit	2022
Discussion meetings held		Meetings	1

Supplier Grievance Handling

Category		Unit	2022
Grievances submitted		Cases	0
Grievance resolution	Grievances resolved	Cases	0
	Percentage of grievances resolved	%	-

Conflict Mineral Data Verification

Category		Unit	2022
Suppliers subject to verification		Companies	122
Suppliers verifiable for conflict mineral data		Companies	122
		%	100

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Governance & Ethics

Tax Information*

Category	Unit	2021	2022
Pre-tax profit	KRW million	12,261	63,408

*Includes global operations

Corruption and Non-compliance with the Code of Conduct

Category	Unit	2021	2022	
Corruption	Incidences of corruption (legal criteria)	Cases	0	0
	Measures taken (pay cuts and/or more severe)	Cases	0	0
	Percentage of measures executed (pay cuts and/or more severe)	%	-	-
Non-compliance with the Code of Conduct	Non-compliance with the Code of Conduct (internal criteria)	Cases	0	1
	Measures taken (pay cuts and/or more severe)	Cases	0	1
	Percentage of measures executed (pay cuts and/or more severe)	%	-	100

Anti-corruption Management

Category	Unit	2021	2022	
Whistleblowing reports on corruption	Cases	0	0	
Whistleblowing reports on corruption handled (pay cuts and/or more severe)	Cases	0	0	
	%	-	-	
Internal audit (ethics/work)	Worksites subject to audits	Sites	0	1
	Worksites audited	Sites	0	1
	Implementation rate	%	-	100

Employees Who Completed Ethics Training*

Category	Unit	2022
Employees who completed ethics training	Persons	112

*Based on domestic operations

**2021 data excluded as the Company was established in December 2021

Information Security*

Category	Unit	2022	
Information security management system certification (ISO 27001)	Worksites subject to certification	Sites	1
	Worksites certified	Sites	1
	Certification rate	%	100
Information security vulnerability reviews made	Cases	1	
Information security breaches	Cases	0	
Information security breaches committed/identified	Incidences	Cases	0
	Penalties	KRW million	0

*Based on domestic operations

Information Security Training*

Category	Unit	2021	2022
Employees who completed information security training	Persons	701	1,162

*Based on domestic operations

Compliance*

Category	Unit	2021	2022	
Non-compliance with environmental regulations	Cases	Cases	0	0
	Penalties	KRW million	0	0
Non-compliance with fair trade regulations	Cases	Cases	0	0
	Penalties	KRW million	0	0
Non-compliance with safety regulations	Cases	Cases	0	0
	Penalties	KRW million	0	0
Non-compliance with personal data privacy regulations	Cases	Cases	0	0
	Penalties	KRW million	0	0
Non-compliance with customer (OEM) data-related information security regulations	Cases	Cases	0	0

*Includes global operations



CSR

Donations

Category		Unit	2021	2022
Corporate donations made	Cash	KRW million	44	16
	In-kind	KRW million	0	50
	Total	KRW million	44	66
Percentage of donations against sales*		%	0.006	0.005

*Calculations based on consolidated sales

Investments in Community Development (Activity Execution Expenses)

Category		Unit	2021	2022
Investments made in community development		KRW million	44	16
Percentage of investments made in community development against sales*		%	0.006	0.001
Expenses for business-related CSR activities (public marketing, etc.)		KRW million	0	0

*Calculations based on consolidated sales

Volunteer Work

Category		Unit	2022
Volunteer hours	Total employee volunteer hours	Hours	545
	Volunteer hours per person	Hours	2.43
Employee volunteers	Cumulative number of employee volunteers	Persons	224
	Employee volunteers	Persons	224
	Percentage of employee volunteers out of total	%	23.49

SASB

*Auto Parts

Sustainability Disclosure Topics & Accounting Metrics

Topic	Code	Accounting Metric	Page
Energy Management	TR-AP-130a.1	(1) Total energy consumed (2) Percentage grid electricity (3) Percentage renewable	78p
Waste Management	TR-AP-150a.1	(1) Total amount of waste from manufacturing (2) Percentage hazardous (3) Percentage recycled	79p
Product Safety	TR-AP-250a.1	Total units recalled	81p
Design for Fuel Efficiency	TR-AP-410a.1	Revenue from products designed to increase fuel efficiency and/or reduce emissions	81p
Materials Sourcing	TR-AP-440a.1	Description of the management of risk associated with the use of critical materials	49~51p
Competitive Behavior	TR-AP-520a.1	Total amount of monetary losses as a result of legal proceedings associated with anti-competitive behavior regulations	89p

Activity Metrics

Topic	Code	Content
Area of manufacturing plants	TR-AP-000.C	46,371m ²

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GRI 2: General Disclosures 2021

Topic	NO.	Indicators	Page and Description	Assurance	ISO 26000
The organization and its reporting practices	2-1	Organizational details	6p	●	5.2/7.3.2/7.3.3/7.3.4/ 7.5.3/7.6.2/7.8
	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	Not available since this is our first sustainability report	●	
	2-5	External assurance	98p	●	
Activities and Workers	2-6	Activities, value chain and other business relationships	2p, 88p	●	5.2/6.4
	2-7	Employees	82~87p	●	
	2-8	Workers who are not employees	82p	●	
Governance	2-9	Governance structure and composition	21p, 65p	●	4.4/4.7/5.3.3/6.2/6.4.4/ 6.6.3/6.6.4/7.4.3/7.7.5
	2-10	Nomination and selection of the highest governance body	21p, 65p	●	
	2-11	Chair of the highest governance body	65p	●	
	2-12	Role of the highest governance body in overseeing the management of impacts	21p, 65p	●	
	2-13	Delegation of responsibility for managing impacts	21p, 65p	●	
	2-14	Role of the highest governance body in sustainability reporting	21p	●	
	2-15	Conflicts of interest	65p	●	
	2-16	Communication of critical concerns	21~23p	●	
	2-17	Collective knowledge of the highest governance body	21p, 65p	●	
	2-18	Evaluation of the performance of the highest governance body	66p	●	
	2-19	Remuneration policies	66p	●	
	2-20	Process to determine remuneration	66p	●	
	2-21	Annual total compensation ratio	84p	●	
Strategy, Policies, and Practices	2-22	Statement on sustainable development strategy	4~5p	●	4.3/4.4/4.6/6.3.3/6.3.7/ 6.4.6/6.6.3/6.8.3
	2-23	Policy commitments	31p, 35p, 50~52p, 62p, 67~71p Guidelines section of the HL Klemove website	●	

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Topic	NO.	Indicators	Page and Description	Assurance	ISO 26000
Stakeholder Engagement	2-24	Embedding policy commitments	31p, 35p, 50~52p, 62p, 67~71p	●	4.3/4.4/4.6/6.3.3/6.3.7/ 6.4.6/6.6.3/6.8.3
	2-25	Processes to remediate negative impacts	23p, 62~63p, 68~70p	●	
	2-26	Mechanisms for seeking advice and raising concerns	53p, 62p, 67p	●	
	2-27	Compliance with laws and regulations	67~68p	●	
	2-28	Membership associations	97p	●	
	2-29	Approach to stakeholder engagement	96p	●	5.3
2-30	Collective bargaining agreements	87p	●		

GRI 3: Material Topics 2021

Topic	NO.	Indicators	Page and Description	Assurance	ISO 26000
Disclosures on Material Topics	3-1	Process to determine material topics	26p	●	5.2.2
	3-2	List of material topics	26~28p	●	
	3-3	Management of material topics	27~28p	●	

* We applied the GRI 1 Foundation 2021 Standard for our sustainability reporting during the period between Jan. 1, 2022 and Dec. 31, 2022.

*Applicable GRI Sector Standards: Not applicable as the GRI Sector Standards for the automotive parts industry were not published as of the date of reporting in June 2023

Topic-specific Disclosures

Topic	NO.	Disclosure	Page and Description	Assurance	ISO 26000
Topic 1: Product safety and quality	3-3	Management of material topics	26~28p	●	4.6/6.7.1-6.7.2/6.7.4/6.7.5/6.8.8
Customer Health and Safety	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	81p	●	
Topic 2: Waste management and resource circularity	3-3	Management of material topics	26~28p	●	6.5.3/6.5.4/6.5.6
Waste	306-2	Management of significant waste-related impacts	34p, 79p	●	
	306-3	Waste generated	34p, 79p	●	
	306-4	Waste diverted from disposal	79p	●	
	306-5	Waste directed to disposal	79p	●	
Topic 3: R&D	3-3	Management of material topics	26~28p	●	6.3.9/6.6.6/6.6.7/6.7.8/6.8.1- 6.8.2/6.8.5/6.8.7/6.8.9
Indirect Economic Impacts	203-2	Significant indirect economic impacts	42~43p	●	



Topic	NO.	Disclosure	Page and Description	Assurance	ISO 26000
Topic 4: Employment and labor relations	3-3	Management of material topics	26-28p	●	
Market Presence	202-2	Proportion of senior management hired from the local community	83p	●	
Employment	401-1	New employee hires and employee turnover	83-84p	●	
	401-3	Parental leave	61p, 85-86p	●	6.2.3/6.3.7/6.3.10/6.4.3/6.4.4/6.4.7/6.8.1-6.8.2/6.8.5/6.8.7
Training and Education	404-1	Average hours of training per year per employee	87p	●	
	404-2	Programs for upgrading employee skills and transition assistance programs	61p, 87p	●	
	404-3	Percentage of employees receiving regular performance and career development reviews	86p	●	
Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees	85p	●	
	405-2	Ratio of basic salary and remuneration of women to men	84p	●	
Topic 5: Eco-friendly products/technology	3-3	Management of material topics	18p, 26-28p	●	6.3.9/6.6.6/6.6.7/6.7.8/6.8.1-6.8.2/6.8.5/6.8.7/6.8.9
Indirect Economic Impacts	203-2	Significant indirect economic impacts	42-43p	●	
Topic 6: Information security	3-3	Management of material topics	26-28p, 71p	●	
Customer Privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	89p	●	6.7.1-6.7.2/6.7.7
Topic 7: Win-win partnership with suppliers	3-3	Management of material topics	26-28p, 49p	●	
Supplier Environmental Assessment	308-2	Negative environmental impacts in the supply chain and actions taken	51p	●	6.3.5/6.4.3/6.6.6/7.3.1
Supplier Social Assessment	414-2	Negative social impacts in the supply chain and actions taken	50-51p	●	
Topic 8 : GHG	3-3	Management of material topics	26-28p, 30p	●	
Emissions	305-1	Direct (Scope 1) GHG emissions	78p	●	
	305-2	Energy indirect (Scope 2) GHG emissions	78p	●	6.5.4/6.5.5
	305-4	GHG emissions intensity	78p	●	
Energy	302-4	Reduction of energy consumption	30p, 33p, 78p	●	

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Topic	NO.	Disclosure	Page and Description	Assurance	ISO 26000
Other General Reporting Issues					
Economic Performance	201-1	Direct economic value generated and distributed	77p	●	6.8.1-6.8.2/6.8.3/6.8.7/6.8.9
	201-3	Defined benefit plan obligations and other retirement plans	56p, 60p	●	
Indirect Economic Impacts	203-1	Infrastructure investments and services supported	72~75p	●	6.3.9/6.8.1-6.8.2/6.8.7/6.8.9
Procurement Practices	204-1	Proportion of spending on local suppliers	88p	●	6.4.3/6.6.6/6.8.1-6.8.2/6.8.7
Anti-corruption	205-2	Communication and training about anti-corruption policies and procedures	67p, 89p	●	6.6.1-6.6.2/6.6.3
	205-3	Confirmed incidents of corruption and actions taken	89p	●	
Anti-competitive behavior	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	89p	●	6.6.1-6.6.2/6.6.5/6.6.7
Tax	207-1	Approach to tax	20p, 68p	●	6.8.7
	207-2	Tax governance, control, and risk management	20p, 68p	●	
Water and Effluents	303-3	Water withdrawal	79p	●	6.5.4
	303-5	Water consumption	79p	●	
Occupational health and safety	403-1	Occupational health and safety management system	35~36p	●	6.4.6/6.8.8
	403-2	Hazard identification, risk assessment, and incident investigation	35~37p	●	
	403-3	Occupational health services	35~37p	●	
	403-4	Worker participation, consultation, and communication on occupational health and safety	35p, 37p	●	
	403-5	Worker training on occupational health and safety	37p	●	
	403-6	Promotion of worker health	37p	●	
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	36~37p	●	
	403-8	Workers covered by an occupational health and safety management system	80p	●	
Local Communities	413-1	Operations with local community engagement, impact assessments, and development programs	72~75p	●	6.3.9/6.5.1-6.5.2/6.5.3/6.8

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Stakeholder Engagement

HL Klemove defines customers, suppliers, social organizations, and associations as its external stakeholders who directly/indirectly interact with its business operations. To facilitate communication with external stakeholders, we operate a range of communication channels, and leverage the feedback collected to create sustainable value hand-in-hand with stakeholders.

Our Stakeholders

Stakeholder	Communication Channel	Activity
Employees	<ul style="list-style-type: none"> - 'Culture Board', a company-wide corporate culture research council - 'Culture Lab' as center-specific agent of culture - In-house broadcasting and communication channel (HKL News) - 'Team David' to create a new corporate culture - Survey to identify employees' satisfaction with our corporate culture - Labor-Management Council 	<ul style="list-style-type: none"> - Pursue innovation of our corporate culture and create our unique culture - Operation of PGM to activate communication by center - Share HL Klemove's major news - Undertake activities to innovate our corporate culture - Collect employee feedback and improve our corporate culture - Operate councils to improve labor-management partnerships
Customers	<ul style="list-style-type: none"> - Global fairs (CES, motor shows, etc.) - Tech Fair (Joint fair with HL Mando) - Tech Day (invite customers) - Automotive electronic parts exchange in Incheon (for tier 1 suppliers of customers) 	<ul style="list-style-type: none"> - Introduce new technology and innovative products on autonomous driving/electrification - Engage in advanced development and promote next-generation products - Introduce prototype/mass-production products and demonstrate autonomous driving vehicles - Implement win-win partnership tasks with customers
Suppliers	<ul style="list-style-type: none"> - Partner's Day - Discussion meeting with suppliers - Collection of supplier difficulties 	<ul style="list-style-type: none"> - Share with suppliers HL Klemove's business plans and mid/long-term roadmap - Collect feedback from supplier management and explore ways for shared growth - Engage in on-going communication to collect and improve suppliers' difficulties
Social organizations	<ul style="list-style-type: none"> - Disability Welfare Center of Incheon - Korea Employment Agency for Persons with Disabilities - Social Welfare Department, Sujeong-gu Office, Seongnam-si - Work Together Foundation - Hope Bridge Korea Disaster Relief Association 	<ul style="list-style-type: none"> - Donate special vehicles for people with disabilities - Sign MOUs to implement training programs tailored for people with disabilities - Support low-income groups - Donate pet trees for underprivileged groups - Donate to the funds created for forest fire recovery
Associations	<ul style="list-style-type: none"> - Korea Association of Autonomous Mobility Industry - Korea Automobile Manufacturers Association (KAMA) 	<ul style="list-style-type: none"> - Communicate and collaborate with various private sector organizations in relation to autonomous driving - Network and join academic conferences in relation to automobiles

Awards and Memberships

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 56 th Science Day in 2023	Ministry of Science and ICT	Korea

Memberships

NO	Organization	Purpose of Membership
1	ADASIS	Obtain information on ADAS Map-related standards
2	Korea Association of Autonomous Mobility Industry	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	Maintain and manage associated technology research centers



Independent Assurance Statement



To: The Stakeholders of HL Klemove

Introduction and objectives of work

BSI Group Korea (hereinafter "the Assurer") was asked to verify HL Klemove 2022 Sustainability Report (hereinafter "the Report"). This assurance statement applies only to the relevant information contained in the scope of the assurance. HL Klemove is solely responsible for all information and assertion contained in the report. The responsibility of the assurance is to provide independent assurance statement with expert opinions to HL Klemove by applying the verification methodology and to provide this information to all stakeholders of HL Klemove.

Assurance Standards and Levels

This assurance was based on the AA1000AS v3 (2020) Assurance Standard and confirmed that the report was prepared in accordance with the GRI Standards, the international standards guidelines of sustainability reports. The assurance level was based on the Type 2 that confirmed compliance with the four principles of AA1000 AP (2018) in accordance with the AA1000 AS. Based on data and information provided by the reporting organization, Type2 verification was conducted on energy consumption, waste throughput, direct greenhouse gas emissions (Scope1), indirect greenhouse gas emissions (Scope2), waste generation, employee education status, and basic salary ratio of women to men etc.

Scope of Assurance

The scope of assurance applied to this report is as follows;

- Based on the period from January 1st to December 31st 2022 included in the report, some datas included 2023.
- 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.
- Conformity, appropriateness and consistency of internal processes and systems for information, data collection, analysis and review.

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

- Financial information presented in the report.
- Disclosures in the international standards and initiatives index excluding GRI presented in the report.
- Other related additional information such as the website, business annual report.

Methodology

As part of its independent assurance, the assurer has used the methodology developed to collect relevant evidence to comply with the verification criteria and to reduce errors in the reporting, and has performed the following activities;

- Review of the system for sustainability management strategy process and implementation
- Review of materiality issue analysis process and verification of the result to determine verification priorities,
- Review of the evidence to support the material issues through interviews with senior managers with responsibility for them
- Verification of data generation, collection and reporting for each performance index

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Limitation

The assurer performed limited verification over a limited period based on the data provided by the reporting organization. This means that no significant errors are found during the verification process, and that there are limitations associated with the inevitable risks that may exist. The assurer does not provide assurance for possible future impacts that cannot be predicted or verified during the verification process and any additional aspects related thereto.

Assurance Opinion

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.
- The report is prepared in accordance with the GRI Standards. (Reporting in accordance with the GRI standards)
- The assurance opinion on the four principles presented by the AA1000 AP (2018) is as follows.

AA1000 AP (2018)**Inclusivity: Stakeholder Engagement and Opinion**

HL Klemove defined customers, employees, external stakeholders, and experts as key stakeholders groups, and operates communication channels for each group for stakeholder engagement. HL Klemove reflected key issues drawn through stakeholder channels in sustainability management decisions and disclosed the process in the report.

Materiality: Identification and reporting of material sustainability topics

HLD&I Halla Co., Ltd. established a strategy related to sustainable management and established a process to derive reporting issues and evaluate business

relevance and social impact across 20 major ESG issues pools to determine the importance of the issue, select 10 critical issues and publish the process in the report.

Responsiveness: Responding to material sustainability topics and related impacts

HL Klemove established the management process for key reporting issues determined by the materiality assessment. In order to respond appropriately to the expectations of stakeholders, HL Klemove disclosed the process including policy, indicator, activity and response performance on key reporting issues in the report.

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

HL Klemove established the process to identify and evaluate the impact on organizations and stakeholders related to key reporting issues. HL Klemove used impacts, risk and opportunity factor analysis results for key reporting issues to make decisions to develop response strategies for each issue and disclosed the process in the report.

Key areas for ongoing development

- For ESG management activities and decision-making deliberations, HL Klemove manages sustainability issues by identifying ESG management and risk issues based on ESG office and 6 specific organizations. Continuing to operate ESG management governance activities can be helpful to advance the sustainable management system.
- The report describes HL Klemove's key sustainability performance in 2022 and expresses its efforts to advance its activities. At the same time, specifying underperforming sustainability issues, relevant mid- to long-term strategies and objectives can help ensure a balanced reporting.



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Statement of independence and competence

The assurer is an independent professional institution that specializes in quality, environment, safety and health, energy and anti-bribery, compliance related ESG management with almost 120 years history in providing independent assurance services. 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 AA1000AS assurer, have a lot of assurance experience, and understand the BSI Group's assurance standard methodology.

Evaluation against GRI 'In Accordance' Criteria

The assurer confirmed that this report is prepared in accordance with the GRI Standards, and the disclosures related to the following Universal Standards and Topic Standards Indicators based on the data provided by HL Klemove, the sector standard was not applied.

[Universal Standards]

2-1 to 2-5 (The organization and its reporting practices), 2-6 to 2-21 (Governance), 2-22 to 2-28 (Strategy), 2-29 to 2-30 (Stakeholder engagement), 3-1 to 3-3 (Material Topics Disclosures)

[Topic Standards]

201-1,201-3, 202-2, 203-1~2, 204-1, 205-2~3, 206-1, 207-1~2, 302-4, 303-3, 303-5, 305-1~2, 305-4, 306-2~5, 308-2, 401-1, 401-3, 403-1~8, 404-1~3, 405-1~2, 413-1, 414-2, 416-2, 418-1



3 JUNE 2023

S. H. LIM / BSI GROUP KOREA, MANAGING DIRECTOR



2022 HL Klemove Sustainability Report

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HL Klemove



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