

Document No.	WMM-MM-A-00300
Last edited	2024. 5. 13
Managed by	Park JongGil Senior Manager

HYUNDAI WIA

SUPPLY CHAIN ESG MANAGEMENT POLICY

May 2024

[Approved by]

[HYUNDAI WIA]

CEO

Jae-Wook Jung

 (Signature)

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Supplier Cooperation Team Leader



Kim KeunYong

[Approved by]

Director of Procurement Division



Lee Jooheon

1. Background & Purpose

ESG is a way of management method that considers non-financial factors such as Environment, Social, and Governance to define that it is an externally sustainable company. ESG is becoming a global trend, with increasing interest from all members of society, including consumers, investors, and governments. As a result, company evaluation criteria are shifting from financial to non-financial elements, such as ESG. In particular, international regulations requiring ESG management for suppliers are moving fast in progress, as the EU has recently mandated sustainability investigation for suppliers and imposed international regulations such as the Severe Disaster Punishment Act. In response, HYUNDAI WIA is seeking a business environment to cooperate with suppliers and build a sustainable supply chain. We are conducting the 「HYUNDAI WIA Supplier ESG Evaluation」 to assess suppliers' environmental and social practices (including labor and human rights, safety and health, and ethics), governance, and support capabilities for enhancement.

2. ESG Evaluation Areas

HYUNDAI WIA ESG evaluation is divided into three areas: Environment(E), Social(S), and Governance(G).

A. Environment Issue

This covers environmental management, such as setting environmental goals, providing environmental education, monitoring environmental performance related to greenhouse gas, water, waste, and air pollutant emissions, and ensuring compliance with environmental laws.

B. Social Issue

This covers common issues required by global ESG indicators, such as labor/human rights, safety/health, and ethics. The latest domestic ESG trends on safety factors, such as laws on the Serious Accidents Punishment Act, have been strengthened.

C. Governance Issue

This covers topics related to corporate decision-making and transparency, including management system, BoD(Board of Directors) operation, in-house report, whistleblowing, and protection for informants, supplier grievance and more.

3. ESG Evaluation Procedure

HYUNDAI WIA conducts supplier ESG evaluation to identify, prevent, mitigate, and stop any negative impacts on interests related to the supply chain. We have established evaluation criteria to check issues from each Environment, Social (labor/human rights, safety/health, ethics), and Governance area. We identify potential risks according to suppliers' responses and conduct written/on-site evaluations. We consult with suppliers for insufficient items, suggest improvement plans, and monitor whether these deficiencies are improved through the ESG system.

1	Evaluation Criteria Finalization	Reflect the latest ESG trends
2	Supplier Self-Assessment	Submit supporting documents for an evaluation
3	Written evaluation	Verify documents submitted by the supplier
4	On-site evaluation	Visit the supplier's company and conduct an inspection
5	Supplier Improvement	Share improvement plans and monitor

4. ESG Evaluation Criteria and Grade System

A. Evaluation Criteria

In 2022, HYUNDAI WIA established 63 indicators in three areas: Environment (E), Social (S), and Governance (G) to reflect Hyundai Motor Group’s supplier ESG evaluator and 'Ecredible' evaluation index. The company also conducted the first supplier ESG evaluation, using a rating system of good, fair, and poor.

In 2023, in line with the ESG trend of mandatory disclosure, we expanded the indicators to 67 and improved evaluation consistency by strengthening the cross-verification of submitted documents and announced data from the suppliers. Additionally, we changed the evaluation rating system from a three-grade system to a seven-grade system of ESG 1 to 7, which enhanced the evaluation function.

In 2024, we plan to assess suppliers using a new evaluation index that takes into account the latest domestic and international ESG trends. These include the EU Corporate Sustainability Due Diligence Directive (CSDDD), Uyghur Forced Labor Prevention Act, Carbon Disclosure Project (CDP), laws related to the Serious Accidents Punishment Act, Work-Family Balance policies, and more.

B. Standard Sheet for Comprehensive ESG Rating

Classification	Comprehensive ESG Rating						
	1 st class	2 nd class	3 rd class	4 th class	5 th class	6 th class	7 th class
Grading Standard	90 ↑	80 ↑	75 ↑	65 ↑	60 ↑	50 ↑	50 ↓

5. Supplier Code of Conduct

HYUNDAI WIA's supplier code of conduct is based on Hyundai Motor Group's common code of conduct, which complies with domestic and foreign laws and regulations, Responsible Business Alliance (RBA), Global Reporting Initiative (GRI), and EcoVadis evaluation indicators. The information is disclosed on the website, and suppliers are required to sign a supplementary contract in addition to the basic transaction agreement, committing to sustainable management.

6. Supplier ESG Capacity Improvement

To enhance the supply chain's ESG risk management capabilities, HYUNDAI WIA implements programs encompassing training for supplier and procurement personnel. These initiatives empower them to directly manage supplier ESG risks and acquire the requisite expertise.

A. Improve Supplier Staff Members' Capabilities

In order to elevate ESG (Environmental, Social, and Governance) management across the supply chain and mitigate ESG risks for HYUNDAI WIA and its suppliers, we offer practical management training for the executives and staff of our suppliers. This training covers internal and external ESG trends, supply chain ESG evaluation index, and more. Additionally, we provide on-site consulting during evaluations and recommend practical measures for managing the ESG risks of our suppliers.





B. Improve HYUNDAI WIA Procurement Staff Members' Capabilities

To ensure early identification and mitigation of ESG (Environmental, Social, and Governance) risks within the supply chain, the Supplier Cooperation Team is organizing ESG training sessions for staff members in the Procurement Division. The training will cover the ESG concept, the necessity of ESG management, recent ESG trends, relevant laws such as the Serious Accidents Punishment Act, and more. Key ESG-related items will also be included in the internal KPIs for careful management.

7. Cyber Audit Office

Hyundai WIA operates a Cyber Audit Office on its website (<https://www.hyundai-wia.com>) to facilitate open communication among all stakeholders. This includes internal and external employees, suppliers, and customers, who can report any unreasonable, inhumane, corrupt, or unethical act. Hyundai WIA ensures full confidentiality and protection of the informant's identity and consented information. Any violation of confidentiality will be subject to punishment in accordance with company policy.

Protection for informants is as follows

1		Identity of an informant
2		Evidence presented by the informant or collected information related to the report
3		Person who may imply the suspect
4		Post management for the result after the report, etc.