

HD CONSTRUCTION EQUIPMENT Supply Chain ESG Management Policy

HD CONSTRUCTION EQUIPMENT creates synergy by encouraging creativity, a challenging spirit, and momentum with suppliers around the world by establishing a sustainable supply chain ecosystem. In this process, a code of conduct for suppliers was established to identify and prevent potential ESG risks, and to implement this, the company has established the Supply Chain ESG Management Policy. The Supply Chain ESG Management Policy covers ethics, environment, labor and human rights, safety and health, and management systems as defined by the Supplier Code of Conduct. This policy applies to all our suppliers and their sub-suppliers who supply products and services to HD CONSTRUCTION EQUIPMENT or who have entered into contracts for other transactions.

HD CONSTRUCTION EQUIPMENT will establish a response plan for future risks through the Supply Chain ESG Management Policy and strive to improve it. Together with our supply chain partners, we promise to create greater value by meeting global standards and fulfilling our environmental and social responsibilities.

The Supply Chain ESG Management Policy and the Supplier Code of Conduct were prepared based on global standards such as the UN Guiding Principles on Business and Human Rights (UNGPs), OECD Guidelines for Multinational Enterprises, and ILO Core Conventions.

A. Sustainable Purchasing

HD CONSTRUCTION EQUIPMENT selects suppliers that meet ESG management standards that encompass ethical standards when purchasing for the entire value chain. HD CONSTRUCTION EQUIPMENT makes sure that all purchased items, such as raw materials, general materials, services, and intellectual property rights procured from the company, are produced and procured in accordance with ESG standards such as ethical and legal standards. Moreover, HD CONSTRUCTION EQUIPMENT may request relevant evidence in this process.

B. Supplier Responsibilities and Management Areas

All suppliers who have business relationships with HD CONSTRUCTION EQUIPMENT must consider HD CONSTRUCTION EQUIPMENT 's Supplier Code of Conduct and ESG Management Policy in making business decisions and conducting overall business operations. HD CONSTRUCTION EQUIPMENT and a third-party organization entrusted by HD CONSTRUCTION EQUIPMENT can inspect and conduct due diligence within the bounds of the law to see if the supplier is complying with the provisions of the Supplier Code of Conduct and ESG Management Policy. Suppliers must establish and implement mitigation plans for risks for which improvement has been recommended.

HD CONSTRUCTION EQUIPMENT 's supplier ESG management consists of 38 detailed items in 5 areas: ethics, environment, labor and human rights, safety and health, and management system.

Category	Subcategories
Ethics	Transparency in management and anti-corruption, conflict of interest prevention, unfair trade prevention, counterfeit parts prevention, export restriction compliance, information security, responsible raw materials management, ethical channel
Environment	Establishment of environmental management system, management of energy use and greenhouse gas emissions, management of water resources, management of air pollutants, management of wastes, management of chemicals, prevention of pollution and reduction of resource use, response to environmental regulations related to products

Labor and human rights	Prohibition of discrimination (recognition of diversity), provision of wages and benefits, management of working hours, humane treatment, guarantee of freedom of association, prohibition of child labor, prohibition of forced labor
Safety and health	Establishment of the safety and health management system, safety management for machinery/apparatuses/facilities, emergency response, accident management, safety diagnosis, health management
Management system	Establishment of management system, response to laws and external requirements, appointment of person in charge, risk inspection, training and communication, information management, operation of grievance handling system, management of suppliers (sub-suppliers), compliance with norms

C. Supplier ESG Evaluation System

HD CONSTRUCTION EQUIPMENT conducts supplier ESG evaluation to reduce suppliers' risks. This is to promote sustainable management of suppliers by identifying ESG risks that they face. Given the fact that supplier ESG evaluation (due diligence) is emerging as an issue in cross-border trade transactions, HD CONSTRUCTION EQUIPMENT will expand its supplier ESG evaluation.



(Written Evaluation) The written evaluation is conducted via web page or e-mail. HD CONSTRUCTION EQUIPMENT bases the evaluation on the assumption that the answer submitted by the supplier is true, but may request relevant evidence if necessary.

(Due Diligence) Due diligence is about visiting suppliers based on the results of written evaluations, checking actual risks, and deriving improvement plans based on it.

(Support for Improvement) Depending on the results of written evaluation and due diligence, suppliers may be exhorted to carry out activities to improve the level of ESG. Improvements and progress may be reflected in future business relationships. Moreover, HD CONSTRUCTION EQUIPMENT supports suppliers' ESG improvement through win-win growth activities such as funding, technology development, establishment of the supply chain management process, and training support.

D. Communication

HD CONSTRUCTION EQUIPMENT continuously communicates with internal and external stakeholders about the supply chain ESG risk management system and its status and results. The company discloses measures to improve and mitigate supply chain ESG risks through its annual sustainability report. Through the win-win growth process with other suppliers, we regularly communicate with each other. Stakeholders, including other suppliers, share various opinions with HD CONSTRUCTION EQUIPMENT through the grievance handling channel.

This supply chain ESG management policy will be implemented as of Mar. 28, 2023.