

HYUNDAI ROTEM COMPANY
**Statement on Fighting against
Forced Labour and Child Labour in
Supply Chains Act**

April 2024



HYUNDAI ROTEM COMPANY STATEMENT ON FIGHTING AGAINST FORCED LABOUR AND CHILD LABOUR IN SUPPLY CHAINS ACT

Financial year ending December 31, 2023

A. STRUCTURE, ACTIVITIES AND SUPPLY CHAINS

Hyundai Rotem Company (Hyundai Rotem) is a company registered in Changwon, Gyeongsangnamdo, Republic of Korea (Korea), under the Korean business registration number 194211-0036336. Hyundai Rotem operates a branch office in Canada with the Canadian Business Number 766329510.

Hyundai Rotem works to provide creative innovation for a better future. As part of our core values, we believe in respect for talent and in communication and co-operation.

This Statement applies to Hyundai Rotem's financial year starting 1 January 2023 and ending 31 December 2023. This statement seeks to comply with the requirements of the *Fighting against Forced Labour and Child Labour in Supply Chains Act* of Canada by describing the steps that Hyundai Rotem has taken to identify and address the risks of forced labour and child labour in its operations and supply chains, as well as its assessment as to the effectiveness thereof.

Hyundai Rotem Company is also subject to Australia's Modern Slavery Act 2018 and has been reporting under the legislation since FY 2020.

Structure

Hyundai Rotem is part of the Hyundai Motor Group and as of 31 December 2023, operated 19 branch offices overseas, including the aforementioned Canadian branch in Richmond, BC. Hyundai Rotem's primary manufacturing facilities are located in the cities of Changwon and Dangjin in Korea, and its primary research centre is located at Uiwang, Korea.

As of 31 December 2023, Hyundai Rotem employed 4,786 people, consisting of 3,983 people based in or expatriated from the head office in Korea and 803 people outside of Korea. As of 31 December 2023, the Canadian branch office (registered address at 9851 Van Horne Way, Richmond, BC, V6X 1W4, Canada) included 1 local staff (management staff).

As of 31 December 2023, Hyundai Rotem owned or controlled two other corporations in Korea as well as six corporations and two joint ventures abroad as follows:

- Hyundai Rotem Brasil Industria E Comercio De Trens Ltda (Av Marginal 26-036, No 3400, Fazenda Bom Retiro, CEP 14.801-970-ARAQUARA/SP, Brazil) primarily engages in railway production and sales with one sojourning employee from Hyundai Rotem's headquarters and 70 local staff, consisting of 18 management staff and 52 field technicians.
- Hyundai Rotem USA Corporation (1300 Virginia Drive, Suite 103, Fort Washington, PA 19038, USA) is a corporation that primarily engages in railway production and sales with one sojourning employee from Hyundai Rotem's headquarters and 9 local staff, all of them management staff.

- No. 1 K.4 D.23 34398 Maslak, Sariyer, Istanbul, Turkey) is a corporation that primarily engages in railway production and sales with three sojourning employees from Hyundai Rotem's headquarters and 27 local staff, consisting of 17 management staff and 10 field technicians.
- MAINtrans (38 Gaehwadong-ro 8-gil, Banghwa2-dong, Gangseo-gu, Seoul, Korea) is a corporation that primarily engages in railway maintenance with 188 management staff and 203 field technicians.
 - Rotem Equipments (Beijing) Co., Ltd (Shunyi Qu Nanfaxinzhen Jiaogezhuang Cunweihuixi 300M Beijing, China) is a corporation that primarily engages in automobile equipment sales and maintenance with two local staff, all of them management staff.
 - Hyundai Rotem Company – Hyundai Eurotem Demiryolu Araclari SAN. VE TIC A.SORTAK GIRISIMI (Ahi Evran Cad. Polaris Plaza No. 1 K.4 D.23 34398 Maslak, Sariyer, Istanbul, Turkey) is a joint venture that primarily engages in railway sales.
 - Hyundai Rotem – Hyundai Eurotem Mahmutbey Projsei ORTAK GIRISIMI (Ahi Evran Cad. Polaris Plaza No. 1 K.4 D.23 34398 Maslak, Sariyer, Istanbul, Turkey) is a joint venture that primarily engages in railway sales.
 - HR Mechanical Services Limited (16E, Shakespeare Avenue, Trentham, Upper Hutt, New Zealand, 5018) is a corporation that primarily engages in railway maintenance with four local staff, consisting of one management staff and three field technicians.
 - Hyundai Rotem Europe SP. ZO. O. (WFC Building, 19 Emilii Plater St., 00-113 Warsaw, Poland) is a defense maintenance corporation consisting of 12 employees from Hyundai Rotem's headquarters and 4 local staff, all of them management staff.
 - S-Trans is a corporation established in 2023 for the operation and maintenance of the Sinansan rail line, and currently has one employee (representative).
 - Rotem SRS (20 Gukjegeumyung-ro, Yeongdeungpo-gu, Seoul, Korea) is a corporation that primarily engages in railway operations and maintenance with 143 staff, consisting of 53 management staff and 79 field technicians in Korea and 11 staff in Egypt and Ukraine.

Operations

Hyundai Rotem's operations consist of three business divisions: Rail Solutions, Defense Solutions and ECO Plant Business.

The Rail Solutions division manufactures and supplies railway vehicles, including Electric Multiple Units (EMUs), High Speed Trains (HSTs), Light Rail Vehicles (LRVs), Diesel Multiple Units (DMUs), locomotives, passenger coaches and freight wagons to 37 countries across the world. It also manufactures and supplies core electrical equipment of railway vehicles including train control management systems (TCMS), traction motors, propulsion systems, and auxiliary power units. Moreover, the Rail Solutions division has expanded to provide signaling, communications, electricity, Platform Screen Door (PSD) systems, Operation and Maintenance services, and Modernization and Parts & Repairs.

The Defense Solutions division manufactures and supplies ground weapon systems, including Main Battle Tanks, Family Vehicles, and provides cutting-edge technological solutions, including wearable robots.

The ECO Plant Business division engages in the steel and automobile production infrastructures. Recently, Hyundai Rotem has been leading the development of Fourth Industrial Revolution technologies through its smart factory and smart logistics business, and it has been providing stepping stones for hydrogen economy through hydrogen charging stations and hydrogen extractors.

Hyundai Rotem in Canada

Upon signing a contract to supply driverless trains connecting Vancouver International Airport to the cities of Vancouver and Richmond in 2005, Hyundai Rotem achieved early delivery, advancing the local operation schedule by three months. This success enabled us to establish a trusting relationship, leading to additional orders for driverless train vehicles on the same route in 2018, further affirming Hyundai Rotem's technological competitiveness in Canada. In 2021, we successfully secured a tram supply contract with the Edmonton City Government in Canada, undertaking the design, development, production, testing/commissioning, and delivery of tram vehicles for the Valley Line West, a new line connecting downtown Edmonton to the city's western region. As part of the extension of the Edmonton Valley Line West, Hyundai Rotem's vehicles are expected to be deployed on a 14km route from the city center to Lewis Farms. Although the initial contract was for 280 modules (40 sets of 7 modules each), it expanded to 322 modules (46 sets) through additional option contracts.

Hyundai Rotem does not manufacture products in Canada; instead, it manufactures and assembles the majority of its products in Korea. In Canada, only specific design tasks and testing/commissioning of railway vehicles are conducted.

Supply chains

The following is an operational and geographical breakdown of Hyundai Rotem's supply chains and sourcing across all three of Hyundai Rotem's business divisions.

[Operational breakdown] of the supply chain across all three business divisions:

- Rail Solutions related purchase of body/design/electric parts, external manufacture and E&M purchase
- Defense Solutions purchase of parts
- ECO-Plant Business purchase of parts, production and construction
- Global sourcing and raw materials purchase
- Import and export customs clearance, transportation and packaging purchase
- Design and outsourcing services, facility materials and in-house construction

[Geographical breakdown] of suppliers across all three business segments:

- South Korea 81.56%
- Germany 3.97%
- USA 3.21%
- China 2.86%
- France 1.73%
- Czech 1.65%
- Japan 0.78%
- Netherlands 0.78%
- UK 0.70%
- Others 2.77% (including Switzerland)

As indicated above, the majority of Hyundai Rotem's suppliers are based in Korea.

B. POLICIES AND DUE DILIGENCE PROCESSES

Policies

In firm belief that ethical management is the keystone to being a global company that contributes to sustainable development, Hyundai Rotem implemented its Ethics Charter and its Supplier Code of Conduct, so as to apply to both Hyundai Rotem as well as its affiliates, including production and sales corporate bodies in Korea and abroad, subsidiaries, second-tier subsidiaries and joint ventures.

Hyundai Rotem's Ethics Charter (<https://www.hyundai-rotem.co.kr/en/sustainability/ethics/standard/content.do>) sets out the values and conduct standards expected from our executives and employees, affiliates, subsidiaries, joint ventures in South Korea and abroad. This encompasses the obligation to conduct operations in accordance with internationally recognized standards. Ethics Charter also provides guidance on accessing our reporting channel, Cyber Journal (Cyber Report Center). It is accompanied by our Code of Ethics (<https://www.hyundai-rotem.co.kr/en/sustainability/ethics/guidelines/content.do>), which provides detailed guidelines relating to the principles for our employees. The topics addressed by Ethics Charter include the following:

- Human rights
- Child labour and forced labour
- Discrimination
- Equal opportunity
- Workplace harassment/bullying
- Safety and health
- Work-family balance
- Stakeholder engagement
- Manager's responsibility
- Governance and reporting
- Monitoring and due diligence
- Internal control
- Whistleblower protection
- Education

As part of its efforts to establish a sustainable supply chain, Hyundai Rotem's Supplier Code of Conduct (<https://www.hyundai-rotem.co.kr/en/sustainability/together/partner-roles/content.do>) requires suppliers to comply with relevant regulations regarding corporate management and to adopt the best practices concerning ethics, the environment, labour, human rights, safety, health and management systems. The Supplier Code of Conduct is based on Drive Sustainability's Global Automotive Sustainability Practical Guidance and refers to the Responsible Business Alliance's Code of Conduct. The Supplier Code of Conduct also takes into account recent global legislative trends addressing human rights and environmental issues in supply chain management, as well as other laws and regulations related to corporate sustainability. The fourth segment of the Supplier Code of Conduct deals with labour, human rights issues and covers the following: A. Prohibition of Child Labor, B. Prohibition of Forced Labor, C. Non-Discrimination and No Harassment, D. Wages and Benefits, E. Working Hours, F. Humane Treatment, G. Freedom of Association, and H. Ethical Recruitment.

Hyundai Rotem's Charter for Human Rights (<https://www.hyundai-rotem.co.kr/en/sustainability/human-rights/content.do>) builds upon the UN's Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights, the International Labor Organization conventions, the OECD Due Diligence Guidance for Responsible Business Conduct, the OECD Guidelines for Multinational Enterprise, the National Human Rights Commission of Korea's Manual of Human Rights Management for Public Institutions, and its Checklist for Human Rights Impact Assessment Operated by Institutions (Corporate Enterprises) and the Korean Ministry of Justice's Guideline for Human Rights Management Standards for Corporate Enterprises. The Charter for Human Rights outlines matters such as basic principles, governance and operation of the human rights risk management system as well as education and awareness-raising efforts.

Due diligence

In order to evaluate and respond to the human rights risks in our business activities, Hyundai Rotem conducts Human Rights Impact Assessment annually. Since its pilot testing in 2021 where it was conducted on employees in human resources, labor relations, business management support and safety functions, the scope has since been expanded to cover employees from all functions and ranks. It is conducted via an online survey to ensure easy and equal access.

The assessment covers 17 items spread over the six categories of fundamental principles of human rights in our Charter for Human Rights. The assessment is structured to enable identification of employee perception of the company's human rights management practices and any potential risks. The results guide us in evaluating the effectiveness of our human rights management system and formulating improvement measures.

The results of 2023 assessment yielded a positive response rate of 76.4% (rated as excellent or good) and a negative response rate of 6.7% (rated as insufficient or very insufficient). Compared to 2022, the proportion of respondents who rated "excellent" in all of the six categories of assessment areas (human rights management, basic human rights, prohibition of forced labor, prohibition of child labor, anti-discrimination, and occupational safety) rose by 7%p, 6.9%p, 5.2%p, 7.1%p, 4.4%p, and 7.3%p, respectively. The results at the same time revealed lower than average scores for the human rights management category, measuring employee awareness of the policies and systems in place to ensure respect for human rights. To address this issue, we conducted company-wide and targeted awareness raising campaigns simultaneously. In consideration of reinforcement of regulations related to forced labor and child labor witnessed globally, we provided related training to our Procurement Division (more details in the [Training](#) section).

In regard to our supply chains, improvements were made on various fronts across the due diligence framework. In 2023, a new contractual clause was introduced in Hyundai Rotem's template contracts for material transactions and purchase order agreements, requiring adherence to Hyundai Rotem's Supplier Code of Conduct. The clause seeks to extend risk assessment and due diligence expectations to suppliers, including with respect to their own supply chains.

Additionally, suppliers undergo classification based on their evaluation results, with top performers receiving advantages such as priority in procurement rights or exemption from providing contract performance security. Conversely, suppliers with lower performance may encounter repercussions such as reduced bidding opportunities or potential removal from Hyundai Rotem's supplier registry. In June 2023, Hyundai Rotem conducted the third annual ESG evaluation of suppliers in Korea and their record on human rights and labour conditions. The evaluation encompasses a review of policies, actions, and instances of non-compliance with the principles outlined by our Supplier Code of Conduct.

We evaluated 129 key trading partners out of a total of 153, marking an expansion from the previous year's evaluation of 50 suppliers selected on the basis of financial performance. Main areas for improvement included the implementation of human rights policies and grievance mechanisms, and the adoption of responsible procurement policies. Similar to past evaluations, the findings highlighted potential vulnerabilities within the workforce of smaller suppliers, mainly due to inadequate or limited systemic oversight of responsible business practices and human rights.

As committed in our Statement for the Fiscal Year 2022, Hyundai Rotem assisted in the formulation of improvement plans of risks identified in labor and human rights, targeting 13 higher-risk suppliers defined as key partners with evaluation scores below 7 on a scale of 10. These plans

were monitored to facilitate their ongoing development and ensure adherence to established standards, and on-site audits were conducted for the first time. The audits involved cross-referencing information from written assessments with relevant documentation and existing systems to ensure accuracy. Areas requiring improvement were addressed through awareness training and the provision of guidelines and reference materials for establishing ethical management and labor/human rights policies and procedures. By the end of Fiscal Year 2023, 8 out of the 13 higher-risk suppliers had successfully addressed gaps in basic policies and management systems related to labor and human rights. This process allowed the internalization of the supply chain labor and human rights due diligence cycle, encompassing risk assessment, implementation of improvement measures, and performance tracking, the results of which will inform enhancements to our system in Fiscal Year 2024.

C. FORCED LABOUR AND CHILD LABOUR RISKS

Hyundai Rotem considers lower skilled worker within its supply chains as being at potential risk of forced labor, being that they may be subjected to low pay, overwork and limited awareness of their rights and related policies and systems, making it challenging for them to fully exercise their rights (e.g. freedom of association). In addressing child labor, Hyundai Rotem recognizes the importance of reinforcing monitoring efforts to prevent the employment of minors within its supply chains, ensuring continuous oversight to safeguard against the practice.

To better understand the complex risks of forced labor and child labor, Hyundai Rotem plans to strengthen and expand upon themes relevant to related risks in the evaluation criteria of its suppliers.

D. REMEDIATION MEASURES

Cyber Journal (<https://ethics.rotem.co.kr/en/cyber/report.asp>), is an online reporting mechanism for reporting any irregularities, misbehaviour, unfair systems, violations of law or of business conduct guidance, to allow for Hyundai Rotem to take appropriate measures should violations of human rights, including of forced labor and child labor, occur. Cyber Journal is open and available to anyone, with anonymity and confidentiality guaranteed. Cyber journal reports normally take about one to two weeks to process and users can check the results of the process.

Should issues such as child labour or forced labour be reported, Hyundai Rotem policy is to search for the appropriate remedial solutions based on court precedent, regulations of the competent authority, and past internal and external industry practices. In cases of serious infringement of human rights that require higher level decisions, committee or upper management-meetings (in which the CEO is present) may be opened in order to properly address the grievances. Throughout the processes, the Charter for Human Rights stipulates that executives and employees of all Hyundai Rotem entities not disclose any personally identifiable information that may be used to identify a reporter and requires also that they protect other employees from any adverse consequences arising from reporting human rights violations.

E. REMEDIATION OF LOSS OF INCOME

We identify risks of forced labor and child labor through assessment tools such as human rights impact assessment and supplier ESG evaluation. Based on the results, we have expanded awareness training and plan to enhance the assessment process and broaden its scope. While the

likelihood of income loss resulting from risk mitigation measures is low, we acknowledge the potential implications of our human rights and labor rights management activities on local communities' livelihoods. Therefore, Hyundai Rotem strives to create a lasting positive impact on local communities through targeted support programs, community engagement, and transparent reporting.

For instance, in the Philippines, Hyundai Rotem has been actively involved in improving the educational environment and promoting the right to education for disadvantaged children in the Baguio and Angeles regions. This includes partnering with local social welfare bureaus to refurbish public educational facilities, providing emergency relief supplies, and offering commuting services for vulnerable families and children in need.

Hyundai Rotem is also participant to the International Cooperation Program led by KAIST (Korea Advanced Institute of Science and Technology) and the Defense Acquisition Program Administration. This initiative aims to cultivate research expertise in countries where Hyundai Rotem exports defense solutions. Specifically, the company has signed an MOU (memorandum of understanding) to financially assist Polish students in enrolling in master's and doctoral programs at KAIST. It is anticipated that approximately 50 students will benefit from this program until 2030.

Every year, Hyundai Rotem publicly discloses the outcomes of its community engagement initiatives and evaluates their effectiveness to refine strategies for ongoing involvement. With the planned expansion of supply chain assessments and on-site audits in FY 2024, Hyundai Rotem anticipates gaining deeper insights into the local community dynamics and developing corresponding vulnerability assessments.

F. TRAINING

Hyundai Rotem is enhancing its responsible business conduct and human rights policies through training initiatives for both its employees and suppliers. In 2022, we provided comprehensive training sessions on fundamental Environment, Social, and Governance (ESG) concepts and their significance to our employees both in Korea and overseas. Building on this foundation, in June 2023, we conducted targeted training for our procurement staff, ensuring they stay updated on the latest corporate sustainability regulations and legislation pertinent to our operations. This included a focus on supply chain due diligence requirements mandated by various jurisdictions.

Additionally, we extended training opportunities to our suppliers to increase awareness of human rights management and prepare them for enhanced due diligence obligations resulting from regulatory developments. In June 2023, we organized a seminar with guest speakers for our key suppliers in Korea. The seminar covered regulations related to supply chain due diligence and prevention of forced labor and child labor on a country-specific basis, along with an introduction to the framework of human rights due diligence. This provided our suppliers with insights into common practices for ensuring adherence to labor and human rights principles. 79 out of 153 key suppliers in Korea participated in this training.

Looking ahead, Hyundai Rotem aims to further expand and deepen these training programs as part of its ongoing sustainability management efforts. In fiscal year 2024, we intend to introduce executive-level training sessions for our suppliers. Additionally, we will conduct capacity-building seminars aimed at strengthening sustainability departments within our supplier network. These initiatives reflect our ongoing commitment to promoting responsible business practices and fostering a culture of sustainability throughout our supply chain ecosystem.

G. ASSESSING EFFECTIVENESS

Hyundai Rotem adopts a continuous improvement strategy to effectively address the complexities surrounding risks of forced labor and child labor. Building on the monitoring and establishment of policies and management systems for labor and human rights management undertaken this year, we have scheduled several initiatives for Fiscal Year 2024. These include the introduction of a new due diligence tool, the adjustment of supplier assessment questionnaires to align with changes in both internal and external business landscapes, and the implementation of third-party supplier audits.

As global regulations concerning the prevention of forced labor and child labor continue to strengthen, Hyundai Rotem plans to broaden the scope of audits conducted at business sites and suppliers overseas. Drawing from insights gained through the expanded examination of forced and child labor-related risks and risk management systems throughout our operations and supply chain, we are continuously refining our methodology for assessing the effectiveness of our management systems.

APPROVAL AND ATTESTATION

This statement was approved by Hyundai Rotem Company's Board of Directors on 26 April 2024.

"In accordance with the requirements of the Act, and in particular section 11 thereof, I attest that I have reviewed the information contained in the report for the entity or entities listed above. Based on my knowledge, and having exercised reasonable diligence, I attest that the information in the report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed above."

I have the authority to bind 'Hyundai Rotem Company'.



Lee, Yong-Bae
CEO and Chair of the Board of Directors
26 April 2024
Hyundai Rotem Company