

LEADING THE WAY

HYUNDAI ELEVATOR 2017
INTEGRATED SUSTAINABILITY REPORT

ABOUT THIS REPORT

This report is an <Integrated Sustainability Report> prepared to report the annual performance of Hyundai Elevator (HDEL) to our investors and stakeholders. HDEL released its first sustainability report in 2016 and decided to publish an integrated sustainability report that contains an annual report, as of 2017. HDEL aimed to include our financial and non-financial performance, prospects and corporate activities for the value creation in this report.

Compliance with International Guidelines

This report is in compliance with the principles and contents of IR Framework provided by the International Integrated Reporting Council (IIRC) as well as in accordance with core requirements of GRI STANDARDS provided by Global Reporting Initiative (GRI).


Scope and Boundary

'Hyundai Elevator (HDEL)' in this Report refers to Hyundai Elevator as an individual company subject to consolidation in accordance with K-IFRS, excluding its subsidiaries. Financial data used in this report is prepared on a consolidated basis and non-financial data on an individual basis. The geographic boundaries of the reporting are based on the Republic of Korea, where HDEL's Head Office and business sites are located and most of the revenue is generated. The reporting period covers January 1 to December 31 of 2016, and includes some significant activities from the first half of 2017. The reporting cycle is one year. The previous report published is Hyundai Elevator 2016 Sustainability Report published in 2016.


External Auditor's Report and the Third Party Assurance

This report contains estimates relating to HDEL's financial situation, operations, operating performances, and plans and objectives of its Management. The financial information contained in this report has undergone an external auditor's audit, and non-financial information and GHG emission data have been verified by a third party assurance body. Despite the assurance of a third party organization, the outlook and forecasts described in this report may differ from the actual results due to uncertainties of the management performances and the domestic and overseas market.

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OUR SUSTAINABLE QUESTIONS



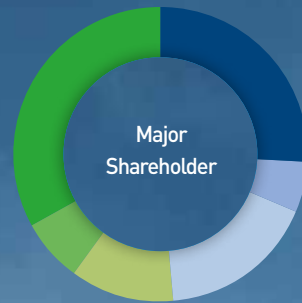
WHO WE ARE

COMPANY OVERVIEW

Hyundai Elevator has continuously innovated to achieve values higher than what is expected from the elevator industry with high-end technology and design, smart operating systems, safety and environmental technology. Based on the high-end technology, HDEL has boasted excellence in elevators, escalators and other non-elevator products such as screen doors and parking systems. In particular, HDEL has maintained its position as the No. 1 elevator installer for ten consecutive years. HDEL will strive to be a global leader by sharing all created values with stakeholders.

Name	Hyundai Elevator Co., Ltd.
Date of Establishment	May 23, 1984
CEO	Bob Jang
Major Business Area	Production, Sales and Maintenance of elevators and non-elevator products
Location of Headquarters	2091, Gyeongchung-daero, Bubal-eup, Icheon-si, Gyeonggi-do, Korea
Number of Employees	2,106 (As of Dec 31, 2016)
Number of Business Partners	285 (As of Jan, 2017)
Number of Deployed Elevators	134,205 units (No. 1 in Korea)
Market Share	41.3%
Total Sales	KRW 1.7588 trillion
Operating Income	KRW 181.6 billion

※ 2016 Consolidated Basis



Major Shareholders and Affiliated Persons	26.1%
Employee Stock Ownership Association	5.5%
Schindler Holding AG	17.1%
National Pension Service	11.5%
KB Asset Management	6.3%
Other Minor Shareholders	33.5%

VISION SYSTEM

In Feb. 2017, HDEL established its 'Vision House' consisting of three core values, behavioral norms, and a new slogan, based on its corporate philosophy of 'Safety and Ethics.' Its new slogan 'Go Global' conveys HDEL's corporate policy to pursue sustainable growth in the global market as well as its strong will to rank as one of the Top 7 businesses in the global elevator market.



BUSINESS AREAS

- **Moving Solutions** Elevators, Escalators, Moving Walks
- **System Solutions** Platform Screen Doors (PSD), Material Handling Systems, Auto Parking Systems (automobiles & bicycles), Auto-folding Canopy, Mechanical Gap Filler (Gap Zero), etc.
- **Services** Elevator Maintenance Service, Parking Service

1,758.8

Total Sales (unit: KRW in billion)

181.6

Operating Income (unit: KRW in billion)

41.3

Market Share (unit: %)





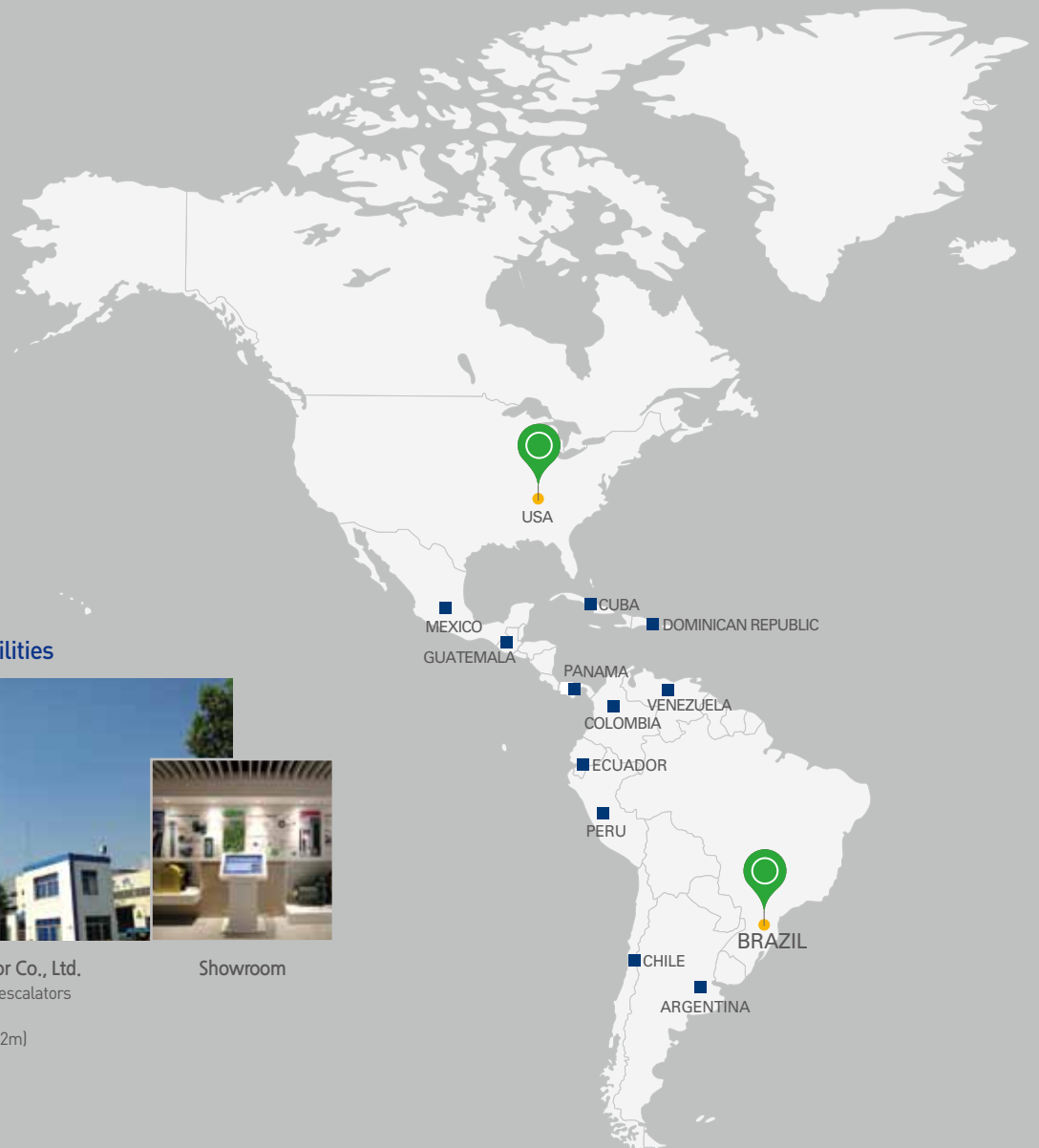
Hyundai Elevator Head Office,
Gyeonggi Province, Icheon

WHERE WE OPERATE

GLOBAL NETWORK

With its head in Icheon and Seoul office, there are 12 other branch offices in Korea, and 7 overseas corporations and 54 overseas Agencies.

 Domestic Branches	 Head Office Factories	Icheon Factory 1, 2, and 3, R&D Center, Customer Care Center Seoul Office Gyeonggi Branch Office Busan Branch Office Incheon Branch Office Daejeon Branch Office Daegu Branch Office Ulsan Branch Office Gangwon Branch Office Jeonju Branch Office Gwangju Branch Office Gyeongnam Branch Office Jeju Branch Office Cheonan Distribution Center
	 Domestic Offices	
	 Distribution Center	
 Overseas Branches	 Overseas Corporations	China Brazil USA Malaysia Vietnam Indonesia Turkey 11 in Asia 14 in Middle East 11 in North / South America 8 in Europe & CIS 10 in Africa
	 Overseas Agencies	



Major Overseas Facilities



Shanghai Hyundai Elevator Co., Ltd.
 Manufactures elevators and escalators
 (size: 28,716m²)
 Elevator test tower (height: 72m)

Showroom

Major Domestic Facilities



Icheon Head Office
Factory 1, 2, and 3, R&D Center
(size: 46,484m²)



Seoul Office
Sales, service, planning
and management



Hyundai Asan Tower
A world-class elevator
test tower (205m)



Hyundai Customer Care Center (CCC)
Offers real-time remote
management service (HRTS:
Hyundai Real Time Service) and
customer counseling



HOW WE PERFORMED

ECONOMIC PERFORMANCE

No. 1

Domestic Elevator
Installation for 10
Consecutive Years

Level A

Korea Ratings
Credit Rating
(June 2017)

No. 1

Market Share in
Domestic Elevator
Maintenance for 2
Consecutive Years

17,588

Sales in 2016
(Unit: Hundred
Million in KRW)

21.4

Increase in Sales
(Unit: %)

10.32

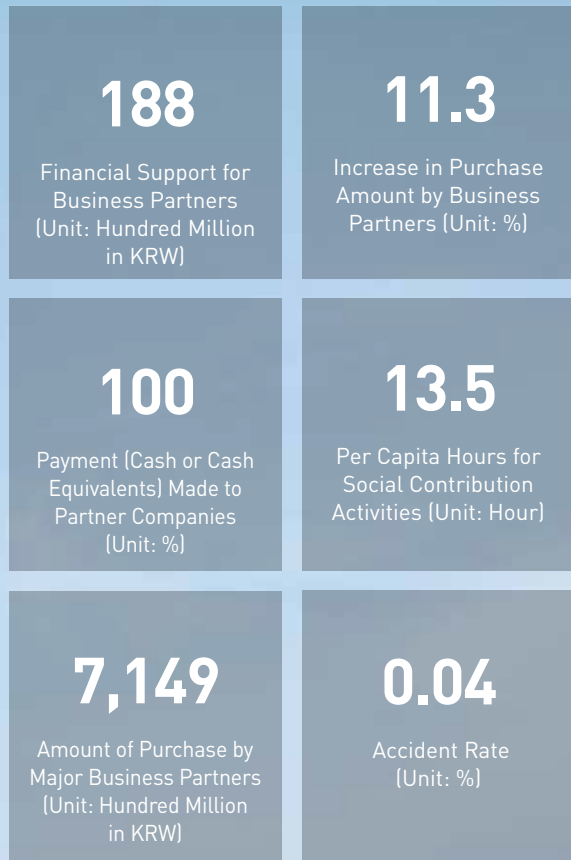
Rate of Operating
Profits (Unit: %)

20,535

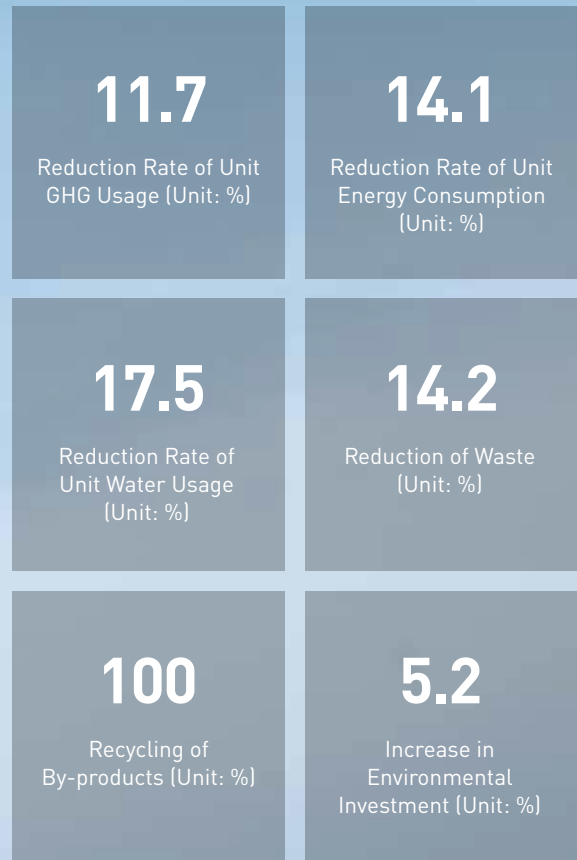
Number of Elevators
Produced in 2016
(unit: elevator)



SOCIAL PERFORMANCE

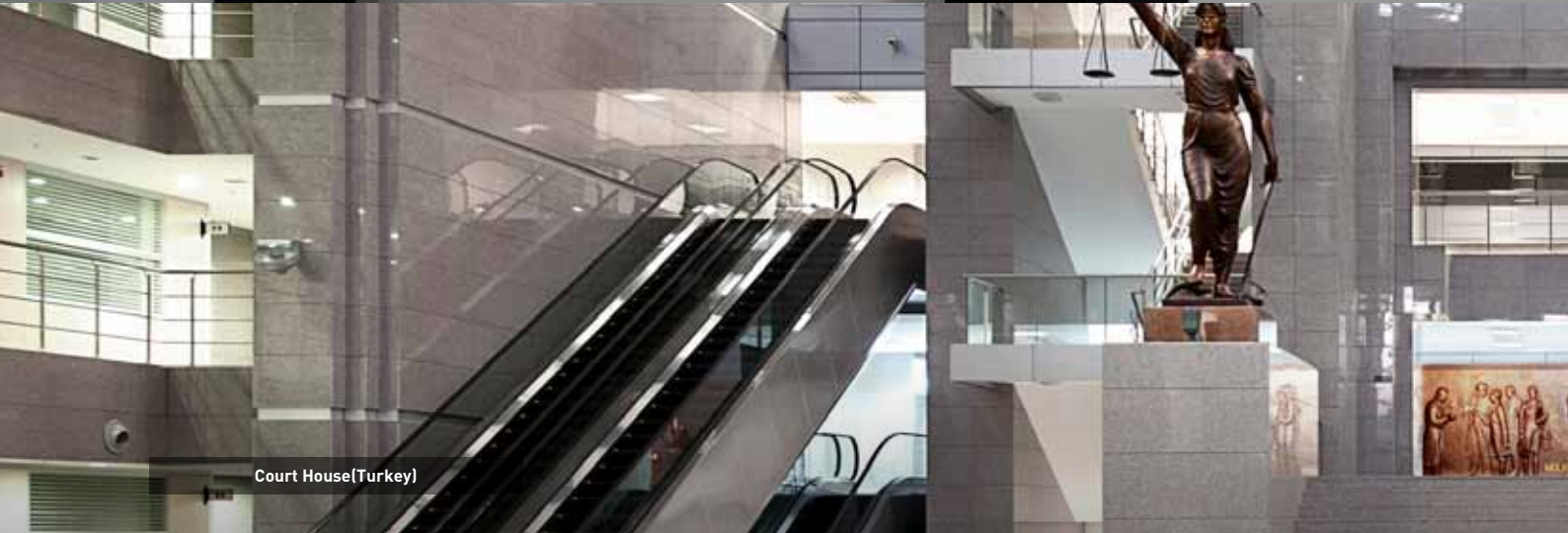


ENVIRONMENTAL PERFORMANCE



WHAT WE OFFER

Hyundai Department Store, Pangyo



Court House(Turkey)



Incheon International Airport

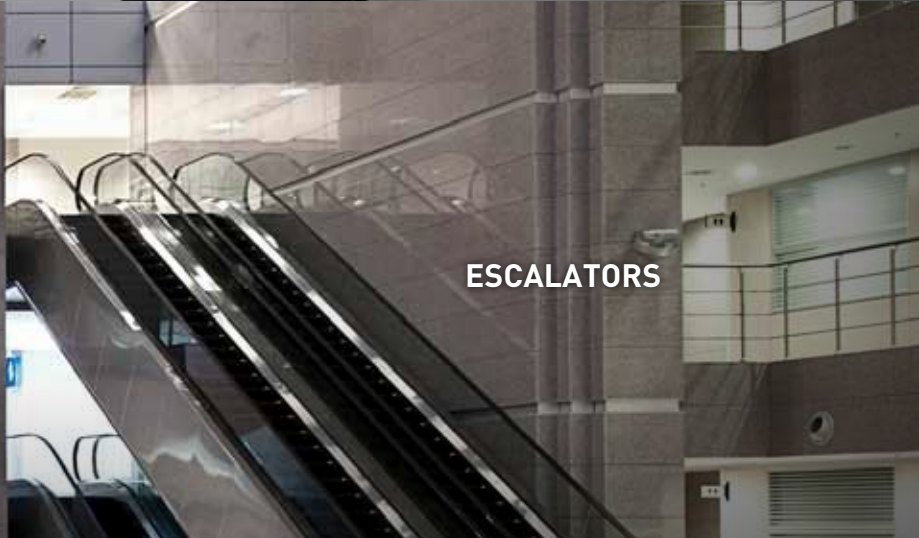


Hyundai Customer Care Center (HCCC)



ELEVATORS

- THE EL / THE EL DUO
- NEW YZER SIGNATURE
- LUXEN
- INNOVER
- SPECIAL PURPOSE ELEVATORS
- SERVICE (MAINTENANCE)



ESCALATORS



MOVING WALKS



SYSTEM SOLUTIONS

- AUTO PARKING SYSTEMS
- PLATFORM SCREEN DOORS
- MATERIAL HANDLING SYSTEMS

Shinbundang Line Platform Screen Door



THE EL

THE EL has everything that an ultra-high speed elevator should have. It boasts a highly-advanced technology and a system that gives its users world-class speed (1,080mpm) and a comfortable ride with a smart security control system combined with video/mobile call operations. The EL has obtained Class A in the elevator energy efficiency certification system in Germany and has successfully achieved energy-savings (77.5%) through power recycling.

PRESTIGE TECHNOLOGY

Ultra-high speed nine-phase synchronous motor

THE EL is operated by nine-phase multi motors (three sets of three-phase synchronous motors), guaranteeing its seamless and safe operation even when a problem has occurred in some part.

N.V.H (Noise, Vibration, Harshness) Technology

The streamlined capsule structure and a vibration control system minimizes the air resistance and removes even minute noises and vibrations, providing the most comfortable ride to its users.

Atmospheric pressure control system

Pressure variation control system that functions according to the altitude minimizes ear noise, providing the users with a comfortable ride while using the elevator in skyscraper buildings.



PRESTIGE
TECHNOLOGY

GREEN TECHNOLOGY

Class A elevator energy efficiency obtained in Germany for the first time in the world

THE EL has been classified as Class A (VDI 4707 Part1) in the category of ultra-high speed elevators (600mpm) for the first time in the world, according to the German elevator energy efficiency class system.

Energy recycling inverter

THE EL has an energy recycling inverter, which reuses the energy that is generated during its operations, resulting in an increased energy efficiency of up to 77.5%. THE EL also features a leading green technology. It has no charging or braking resistance parts, so only a minimal amount of carbon emissions is generated.

Ultra-light and ultra-slim green technology

The permanent magnet in the synchronous motor of THE EL has an ultra-slim and lightweight design, resulting in reduced machine room construction costs. It also consumes 25% less energy when compared to induction motors.



VDI 4707 Part1
A class of the TÜV, German



NET (New Excellent Technology)
Certification
Power regenerating inverter



GREEN
TECHNOLOGY



THE EL DUO (ADVANCED DOUBLE DECK SYSTEM)

THE EL DUO is a next-generation elevator where two elevator units are operated by one hoistway, providing enhanced space efficiency with a reduced number of hoistways (and an increased area of exclusive space), resulting in higher rental incomes and lower construction expenses. The elevators employ a Floor Distance Adjustable Device, which allows for its operation in buildings with different floor heights.

► 3 Modes of the Double Deck System

Three modes including Exclusive, Core and Free mode allows lenient operation.

① Exclusive Mode

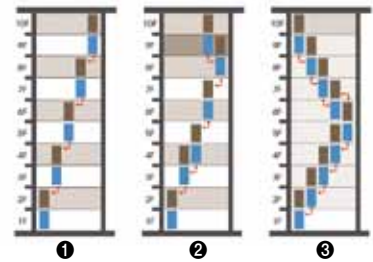
Operation mode under which upper elevator car stops only at even number floors and lower elevator car stops only at odd number floors.

② Core Mode

Operation mode under which both upper and lower elevator cars stop at a designated floor

③ Free Mode

Operation mode under which both upper and lower elevator cars stop at every floor except for the lowest floor for an upper elevator car and the highest floor for a lower elevator car



SMART
TECHNOLOGY

SMART TECHNOLOGY

IBS (Intelligent Building System)

The IBS integrates the management systems of a building and information technologies to provide a variety of services for users through video/mobile call systems and IT security systems.

Destination Floor Reservation System

Under this system, the elevator with the most optimal status can be selected by users to serve them on the destination floor. This system reduces unnecessary waiting times for users of the platform and offers top-class operating efficiency.

Artificial Intelligence-based Group Control System

An artificial intelligence-based analysis of the elevator traffic volume allows the system to learn weekly traffic volumes and patterns. This enables optimal group management and the efficient operation of multiple elevators.

Remote Monitoring System

This system monitors the operation of elevators 24/7, while collecting and analyzing the elevator operation data even from remote places, helping to prevent malfunctions and accidents in advance.



Three modes including Exclusive, Core and Free mode allows lenient operation.



① Emerald Gold ② Topaz Bronze ③ Garnet Burgundy ④ Crystal Black

NEW YZER SIGNATURE

YZER, the first elevator without mechanical room (MRL, machine room less) developed by Hyundai Elevator in 1999, has been reborn as NEW YZER, for new lifestyle and deeper consideration for humanity. New Yzer has employed horizontal space that enhances space efficiency and convenience in access, as well as a smart indicator system that provides various information in real time. All these features are packed in beautiful, comfortable, and sophisticated design concept. What New Yzer pursues to be is a high-tech and sophisticated elevator that communicates with humans.

- COMPACT** Reduced construction costs and maximized space efficiency
- TIME SAVING** Less time spent on its installation
- EFFICIENCY** Increased energy efficiency and easier maintenance work
- ROUNDED** Rounded design for the front and corners of the cage

- CARING** Designed for the safety and health of users
- SMART** Various smart technologies are employed
- COLORED** Four types of gemstones are combined with different colors



LUXEN

Luxen is an economical and eco-friendly elevator unit boasting excellent operating efficiency. It provides excellent comfort and significant energy saving by using high efficiency gearless synchronous traction machine. For the first time among domestic lifts, Luxen and THE EL has acquired Class A in the elevator energy efficiency certification in Germany. In addition, it provides passengers a sense of stability with its rounded corner design in which curves and straight lines exist in harmony. Luxen takes the spatial value of elevators to the next level by employing antiviral handrails and welcome system operation panels.

Smart Indicator An LCD Indicator, applied for the first time in the world, provides various information.

Anti-viral Handrails Anti-viral materials are used for the health and safety of passengers.

Touch-less Foot Button A foot button is provided for the passenger to call for the elevator, providing enhanced convenience.

IBS system(card key) Stronger security and an anti-crime function with the application of a card-key system.

INNOVER

In Innover, a seamless and comfortable ride is guaranteed thanks to the reduced level of vibration and noise. The compact hoistway has maximized the spatial efficiency, and simpler installation structures had reduced the time spent in installation and construction. As such, Innover boasts excellent performance, enhanced efficiency, and remarkable durability. New materials optimized for durability and detailed design have been developed and applied to Innover. A high ceiling also provides passengers pleasant spatial experiences.

- GLAMOROUS** Application of state-of-the-art new materials
- SPACIOUS** Spacious design thanks to the greater ceiling height
- NATURAL** Design that conveys the beauty and value of nature

① Mercury ② Venus ③ Saturn ④ Jupiter



SPECIAL PURPOSE ELEVATORS

Freight & Automobile elevators

Providing safe and convenient mobility which is fit for the size and purpose of the building.

Hospital Bed elevators

Designed for effective medical services with comfortable ride and special functions for patient safety.

Marine elevators

Providing the best quality elevators for various types of cruise ships, oil tankers, container ships, etc.

Observation elevators

Elevator with high-end technology and design suitable for hotels and observatory towers.





ESCALATORS

Hyundai Elevator's escalator seeks to maximize the use of architectural space through design that employs ergonomic curves and values harmony with the building. It is equipped with a variety of optional features for efficient maintenance and energy savings, including system inverters, transport capacity control systems and CRT monitoring panels, etc. In addition, a slip prevention step, foot slip minimization system, and other advanced safety devices provide higher stability and greater comfort.

High Class Design Superior design in harmony with the design concept of the building

Multiple Function Efficient maintenance and energy-saving technology

Reliable Safety A highly reliable, safe and comfortable ride

Performance Hyundai Department Store / Garden Five / Yeosu Expo / Seongnam City Hall
Incheon International Airport / National Museum of Korea





MOVING WALKS

The moving walk of Hyundai Elevator adopts a noise-free design and flexibly connects the horizontal and the slope parts, boasting an excellent and comfort ride. Our moving walk has been widely supplied to large-scale transportation facilities such as airports and subway stations, social welfare facilities, cultural sports facilities, and other commercial buildings, etc., and has been confirmed to secure high level of safety and reliability.

Performance Incheon International Airport / Kintex / Airport Railroad / Shinbundang Line, etc.

SERVICE (MAINTENANCE)

Hyundai Customer Care Center (HCCC)

Hyundai CCC is equipped with advanced facilities using the Geographic Information System for the first time in the domestic industry, so that it can reach the site as fast as possible. In addition, we impress customers through our professional consultants who promptly receive the breakdown reports and kindly consult customers for 24 hours a day, 365 days a year.

Hyundai Real Time Service (HRTS)

This system monitors an elevator's operation in real time, remotely controls it and builds up prompt dispatch system in case of the elevator's breakdown or confinement. By applying HRTS, we have shortened the process that starts with the detection of an elevator's breakdown and ends with its recovery, so as to minimize the inconvenience of users and ensure customer safety.

Remote Monitoring/Inspection/
Control using Advanced
Equipment (Central Computer)

- Prompt dispatch in case of an elevator's breakdown or confinement

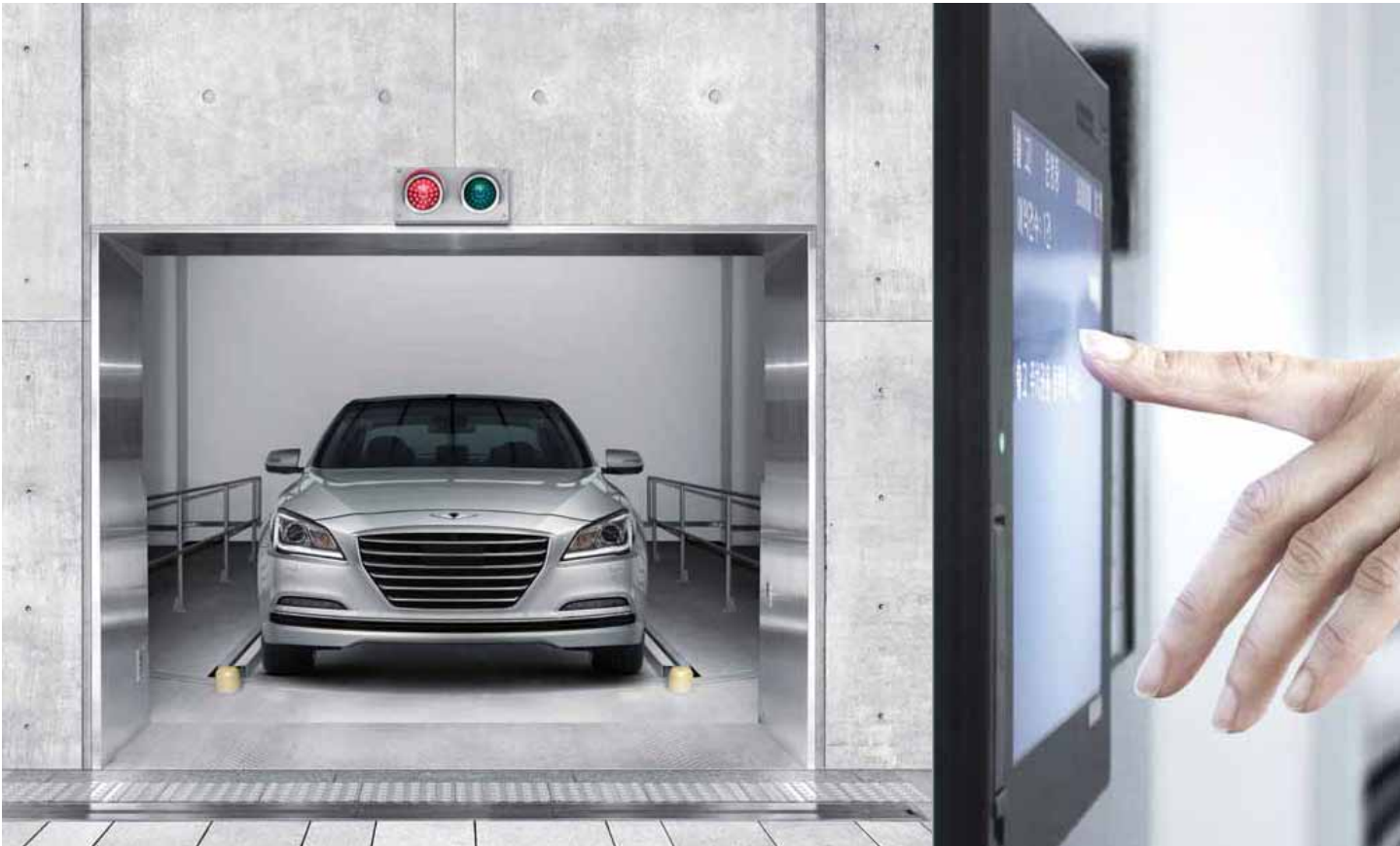


HRTS



Detection of Abnormal Sign by
Real-Time Monitoring & Automatic
Receipt

- Operation of a real-time remote monitoring system for 365 days a year



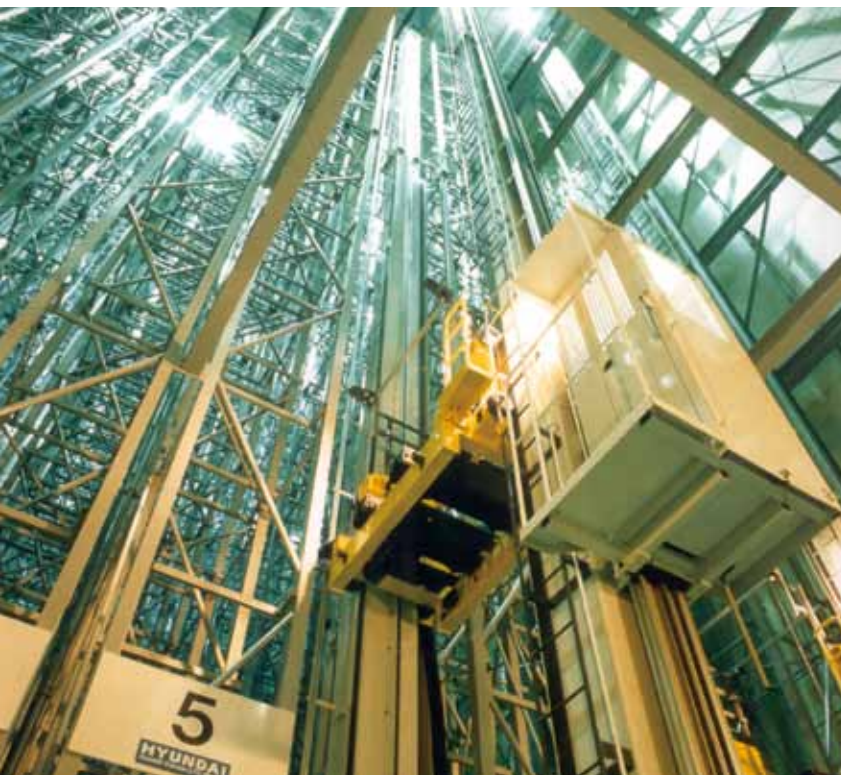
PSD (PLATFORM SCREEN DOORS)

Platform Screen Door (PSD) is a safety door system that separates railroad and platform, while blocking wind, noise, and dust caused by rail motors. By enhancing air-conditioning efficiency, it also achieves significant energy saving. Hyundai Elevator has entered into the PSD business for the first time in Korea and has secured the top rank in the domestic PSD market share since, with its abundant know-how and technical prowess in extensive fields ranging from design, construction, and maintenance, high quality management system with passenger safety as the top priority, and excellent design and quality products and services.



AUTO PARKING SYSTEMS

Hyundai Elevator's Auto parking systems enable parking of many vehicles safely in limited space, which can increase space efficiency and reduce construction cost. Hyundai Elevator is expanding its business into a new market by providing a state-of-the-art and customized auto parking systems that provide convenient access of vehicles and less parking time, resulting in reduced fuel usage and CO₂ emissions.



MATERIAL HANDLING SYSTEMS

As a comprehensive logistics company, Hyundai Elevator provides Total Engineering Solution from refrigeration, logistics, petrochemicals, pharmaceuticals, foods, processing and airport logistics system. Moreover, consulting, design, production, installation and maintenance are all part of the work that Hyundai Elevator is in charge of. Our main facilities include the Stacker Crane for automated storage, RTV for ground level movement, Sky Rav for overhead guided vehicles as well as the AGV, LGV and the Sorting System.

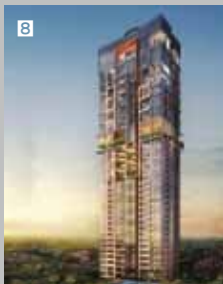
WHAT WE ACHIEVED

MAJOR DOMESTIC PERFORMANCES



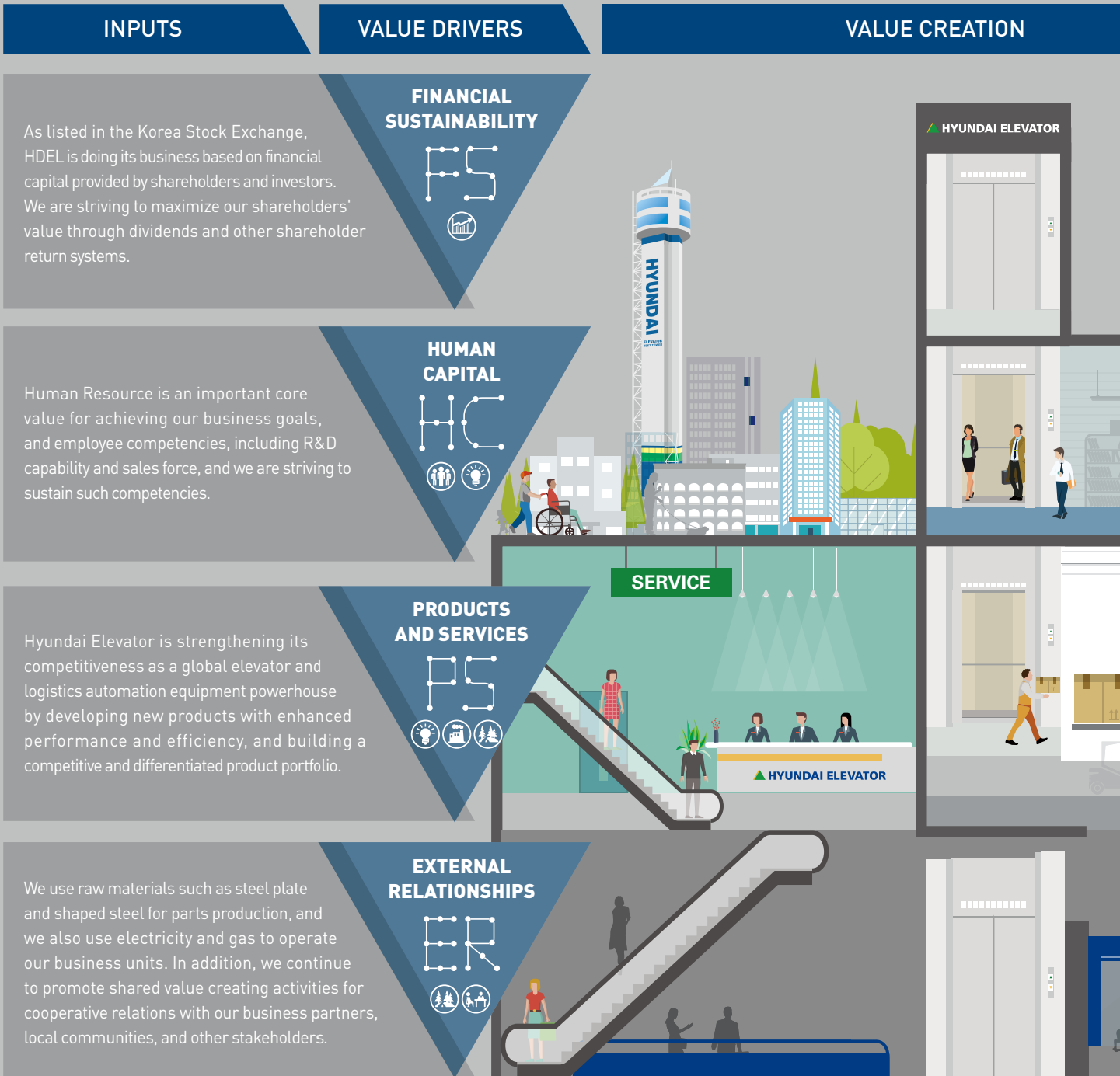
- 1 Busan International Finance Center(BIFC)** | Installed 46 elevators including the fastest elevator in Korea (600m/min)
- 2 Park Hyatt Busan** | Installed 7 elevators including ultra high-speed elevator (240m/min)
- 3 KEPCO Head Office(Naju)** | Installed 23 elevators including ultra high-speed elevator (300m/min)
- 4 LG U+ Yongsan Office Building** | Installed 8 elevators including the first Double Deck elevator (240m/min)
- 5 Cheongna Prugio** | Installed 18 elevators including ultra high-speed elevator (240m/min)
- 6 Songdo G Tower** | Installed 18 elevators including ultra high-speed elevator (360m/min)
- 7 Yongsan Hotel** | Total of 43 elevators to be installed including ultra high-speed elevators (240m/min)
- 8 D-Cube City** | Installed 28 elevators including ultra high-speed elevator (210m/min)
- 9 Daishin Securities** | Installed 19 elevators including ultra high-speed elevator (240m/min)
- 10 Hyundai Department Store Pangyo** | Installed 116 units including high-speed elevators (120m/min) and escalators
- 11 EL Tower** | Auto Parking System, Cart type
- 12 Incheon International Airport Transportation Center** | Installed 95 units including low-speed elevators (60m/min) and escalators

MAJOR OVERSEAS PERFORMANCES



- 1 Centro Simon Boliver(Venezuela) | Installed 17 elevators including ultra high-speed elevator (480m/min)
- 2 Hanoi Landmark Tower(Vietnam) | Installed 29 elevators including ultra high-speed elevator (240m/min)
- 3 Lerthai Center(China) | Installed 10 elevators including ultra high-speed elevator (including 360m/min)
- 4 Panama Revolution Tower(Panama) | Installed 5 elevators including ultra high-speed elevator (240m/min)
- 5 Varyap Meridian Hotel(Turkey) | Installed 10 elevators including ultra high-speed elevator (240m/min)
- 6 Court House(Turkey) | Installed 121 elevators including high-speed elevator (105m/min)
- 7 Genting Highlands (Malaysia) | A total of 103 elevators, including ultra-high-speed elevator units (300m/min) to be installed
- 8 St. Moritz(Indonesia) | Installed 20 elevators including ultra high-speed elevator (240m/min)
- 9 Hilton Hotel(Panama) | Installed 30 elevators including ultra high-speed elevator (240m/min)
- 10 Security Forces Medical City(Saudi Arabia) | A total of 308 units, including high-speed elevators (120m/min) and escalators to be installed
- 11 Metropol Istanbul(Turkey) | Installed 119 elevators including ultra high-speed elevator (360m/min)

HOW WE CREATE VALUE



Financial Capital

Human Capital

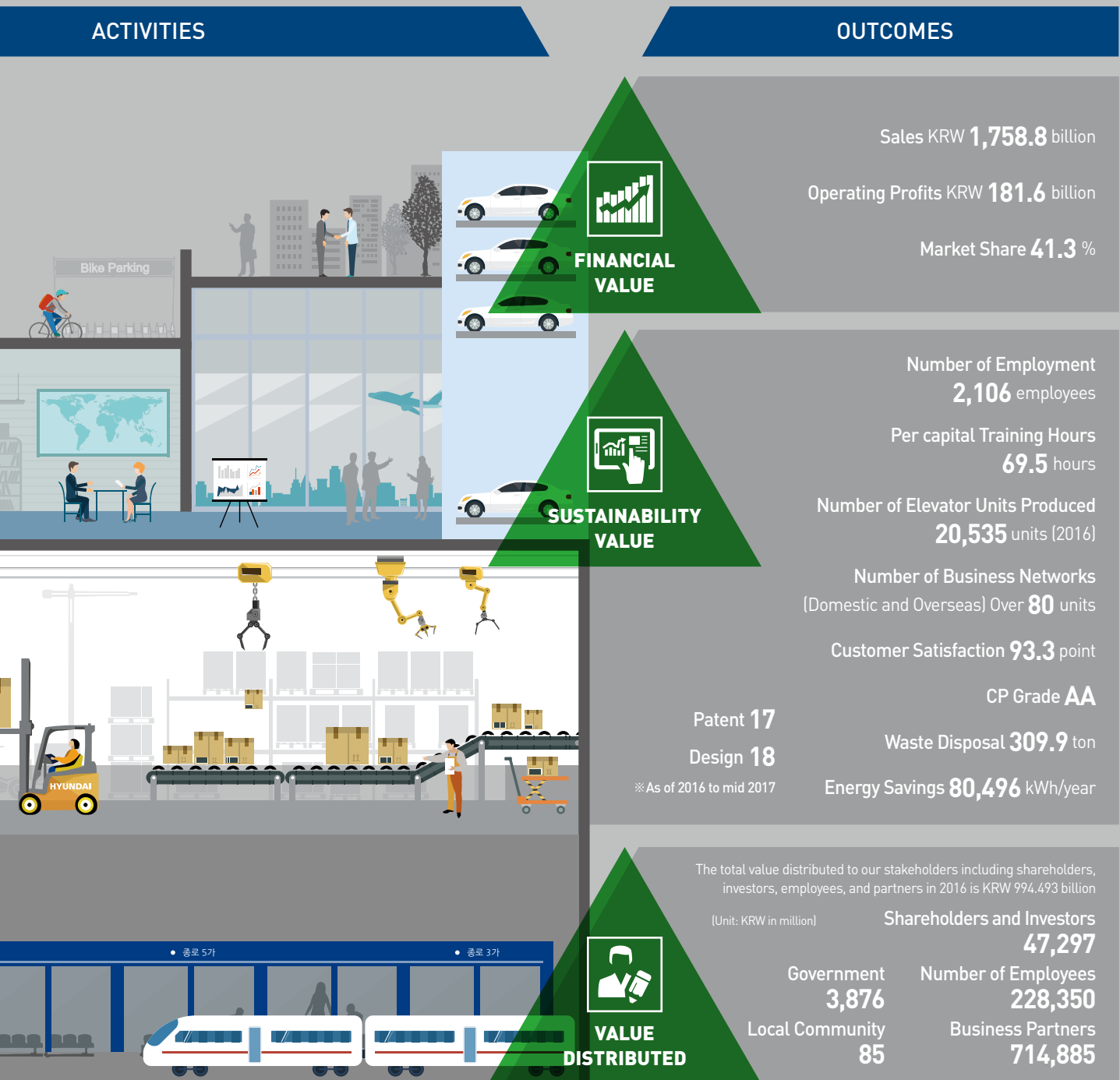
Intellectual Capital

Manufactured Capital

Natural Capital

Social & Relationship Capital

Hyundai Elevator is conducting our business activities considering financial and non-financial values, While providing positive changes and direct and indirect values to our stakeholders in organizations, society and the environment.



ACTIVITIES

OUTCOMES

FINANCIAL VALUE

SUSTAINABILITY VALUE

VALUE DISTRIBUTED

Sales KRW **1,758.8** billion

Operating Profits KRW **181.6** billion

Market Share **41.3** %

Number of Employment
2,106 employees

Per capital Training Hours
69.5 hours

Number of Elevator Units Produced
20,535 units (2016)

Number of Business Networks
(Domestic and Overseas) Over **80** units

Customer Satisfaction **93.3** point

CP Grade **AA**

Patent **17**

Design **18**

※ As of 2016 to mid 2017

Waste Disposal **309.9** ton

Energy Savings **80,496** kWh/year

The total value distributed to our stakeholders including shareholders, investors, employees, and partners in 2016 is KRW 994.493 billion

(Unit: KRW in million)

Shareholders and Investors
47,297

Government
3,876

Number of Employees
228,350

Local Community
85

Business Partners
714,885

HOW WE SUSTAIN VALUE

SPECIAL FEATURES 1 – GO GLOBAL!

Aiming to be one of the Top 7 elevator businesses in the world by 2020

Hyundai Elevator has established a growth strategy to rank in the seventh place in the global elevator industry by 2020. We plan to increase our overseas elevator sales by KRW 300bn to KRW 840bn by 2020, increasing the proportion of overseas business to 38% of the activeness and accessibility, we have selected 10 potential countries including India and Saudi Arabia as the Next Home Market and plan to establish new overseas subsidiaries. In addition, in order to stabilize overseas subsidiaries as early as possible, we will establish a market entry strategy and integrated computerized management system, and operate resident employee candidate training programs.

Global Vision Declaration Ceremony (Apr. 19, 2016)

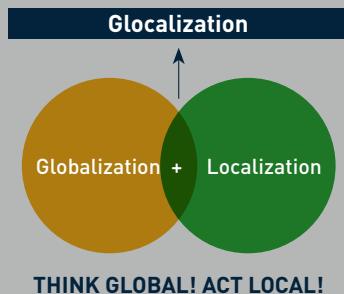


"We need to penetrate the overseas market in order to secure the driving force for sustainable growth. We will pursue the global top 7 by establishing efficient operating system and strengthening product competitiveness."

- Globalization Vision Declaration Ceremony,
Bob Jang, CEO of Hyundai Elevator-

Glocalization

The globalization that Hyundai Elevator pursues is to make a leap forward as a leading group in the overseas countries through localization based on our global strategy and operating system.

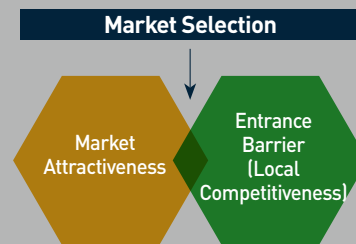


Globalization Strategy of Hyundai Elevator

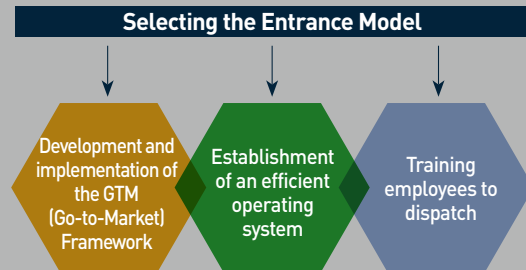
Vision

Make a leap forward as a global Top 7 elevator company
(Increase overseas elevator sales to KRW 840bn by 2020)

Where to Play



How to Win



Hyundai Elevator has aggressively advanced into overseas markets since 2010, but now, we are facing the oversupply in global market, the oligopoly of the leading group and the chase of Chinese competitors. Against this backdrop, Hyundai Elevator found that this is time of urgency to raise our competitiveness in the global market and to pursue the leading group as fast as we can. We have first established a globalization strategy for overseas markets so as to secure driving force for sustainable growth. For globalization strategy for elevator sector, we prioritize the selection of focus countries to which we will enter by 2020 and establish the driving force and competencies required in the process.

HDEL's 2016 Globalization

Hyundai Elevator has progressively implemented its globalization strategy with the motto 'Think Global, Act Local' in 2016. Hyundai Elevator pursues to be a global leader as a company representing Korea's elevator solution industry based on its world-class technology and the abundant experiences gained both at home and abroad. Now, you can meet our products in a number of landmarks in major cities across the globe.

GO GLOBAL!

In its effort to become the Global Top 7 elevator solution business by 2020, Hyundai Elevator established its vision slogan "Go Global", and set three core values that will serve as cornerstone of its future growth as follows:

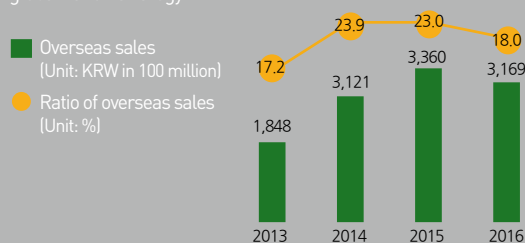
- Service Excellence : Kindest customer service and second-to-none customer response
- Global Competence : Globally competitive cost and quality
- Respect Talent : Respect talents and develop them as the best

Establishment of the Globalization Promotion Department

In 2016, Hyundai Elevator newly established the CSO division and the Globalization Promotion Department, with the purpose of pursuing the vision of Globalization. The Globalization Promotion Department will select potential countries as 'Next Home Markets' and develop strategies accordingly, as well as transfer competencies at home to promote a profitable growth. Based on such strategies, Hyundai Elevator will endorse localization to become the market leader in the country.

KRW 316.9 billion

In 2016 overseas sales resulted in KRW 316.9 billion. Going forward, we plan to strengthen our position in the global market by increasing overseas sales and ratio based on our robust globalization strategy.



Establishment of Turkish Corporation (July 20, 2016)

In July 2016, Hyundai Elevator established a Turkish corporation in Istanbul via a joint venture with HMF Asansor which is an affiliate company of STFA, the most representative corporation in the Turkish construction and energy industries. In January of 2017, we have further expanded our sales network by establishing additional branches in Izmir (the third-largest city). By the end of 2017, we will secure seven dealers to strengthen our sales targeting mid-sized and local customers.



Turkey has a market size of 30,000 units per year (approx. KRW 1 trillion), and is meaningful as a bridgehead to open up the European market thanks to its geographical characteristic connecting Europe and Asia. Hyundai Elevator will continuously strive to make Turkey its second home market and expand its portion in the European market.

Participated in 'Shanghai WEE Expo 2016'

(May 10 ~ 13, 2016)

Hyundai Elevator participated in 'Shanghai WEE Expo 2016', the world's largest elevator exhibition held in Shanghai, China. The event was held at the Shanghai National Exhibition Center. The event was held for four days, and attended by over 120,000 visitors, with 1,050 businesses in elevator and part manufacturing companies from more than 50 countries participating, demonstrating keen interests towards the elevator industry. Through participation in exhibitions, Hyundai Elevator has secured various achievements; it obtained the bidding qualification for Chinese state-run organizations and scored spec-in status for new domestic sites.



HOW WE SUSTAIN VALUE

SPECIAL FEATURES 2 – Value Creation through Technological Innovation

HDEL's R&D efforts for the world's best product and system solutions

Hyundai Elevator is promoting technological innovation for the world's No. 1 products and systems. In order to provide more convenient and safer mobility to the world, Hyundai Elevator is vigorously investing in R&D and continuously developing new technologies. As a result, Hyundai Elevator successfully secured 17 patents and 18 design rights in between 2016 to mid 2017.

Three Key Technical Innovation To Become The World's Best

Hyundai Elevator will expand its market share in overseas markets based on its three key technical Innovations.

"I had a vigorous discussion with Hyundai Elevator about its R&D efforts and directions. At that time, I could tell a strong commitment of Hyundai Elevator to the technological development for its businesses."

- Professor **Jung-Pyo Hong** | Department of Automotive Engineering, Hanyang University



HDEL is increasing research and development with a focus on global markets as targets.

In order to ensure the reliability of the product, stable quality and minimal failure rate should be secured first.

Hyundai Elevator's technological capabilities are evolving in order to catch up with the trend of new products emerging and evolving rapidly.

Local research has been adopted in China Branch for the first time. For this local research project, HDEL has provided technical training program for local engineers and deployed talented Korean engineers to China Branch, seeking to secure independence and stability of the products made in China. In addition to that, HDEL strives to ensure that its products meet customer's needs under any circumstances, by establishing an effective response system to respond to overseas orders in a swift and seamless manner. We believe this is a good opportunity to increase our market share in overseas markets by attracting more overseas customers.

With this in mind, Hyundai Elevator has built database to share and disseminate quality issues on existing products with related departments so as to formulate proper countermeasures and reflect them in development process. Technology implementation requires the diverse capabilities of many researchers. Hyundai Elevator is enhancing the competence of its researchers by inviting external experts in various fields, providing the researchers opportunities for professional training programs and seminars both at home and abroad. Furthermore, Hyundai Elevator intends to achieve perfect technology through continuous exchange with domestic and foreign schools and research institutes.

The IoT (Internet of Things) is the most representative case in point of such technological trend. Against this backdrop, Hyundai Elevator is actively collaborating IoT technology with elevator technology in various ways. Examples include IoT-based smart building mobile solution technology and smart remote maintenance system development. In addition, Hyundai Elevator is introducing various convergence technology employing sensor, voice and images to its elevator solutions to enhance convenience and safety of elevators. This technological innovation of Hyundai Elevator will be the cornerstone for its future businesses.

HDEL's Technological Innovation

With the purpose of "R&D for developing the world-class product and systems," Hyundai Elevator is making technological innovations every day, creating values in diverse areas to build the best possible products for our customers.

H.I.L.S(Hardware In the Loop Simulation)

H.I.L.S is a technique that can combine system model (numerical analysis model) with actual H / W model (developed product) to perform real time verification on the performance of the product or controller. Hyundai H.I.L.S is used in many industrial research fields such as aviation, railway, automobiles, and defense industry. We apply H.I.L.S technique to development process for products related to riding quality (Roller Guide Shoe, Spring, Isolation Pad, Active Roller Guide Shoe, etc.) to evaluate the performance and select design parameters. For Active Roller Guide Shoe, in particular, stability and performance of the product (H/W) and controller (S/W) need to be verified simultaneously. In this case, H.I.L.S helps develop a product specifically optimized for such requirements.



Two-way Video Call

Hyundai Elevator uses two-way video calling technology to ensure the safety of passengers. Two-way video calls enable HD-grade video calls between the elevator room and a call center as well as the emergency room (Control room). Also, full HD video call technology is currently under developing. With this technology, it is possible to elaborately identify a trapped accident and to cope with it quickly. It has also become easier to prevent the secondary damage in case of an emergency.



Advanced Double Deck System

Hyundai Elevator's height variable double deck system is a safe and efficient system that allows maximum use of resources on one hoistway. The transportation speed between the two decks can differ up to 20m/min, and using high precision sensors and dual CPU system control technology, it is safer than ever.



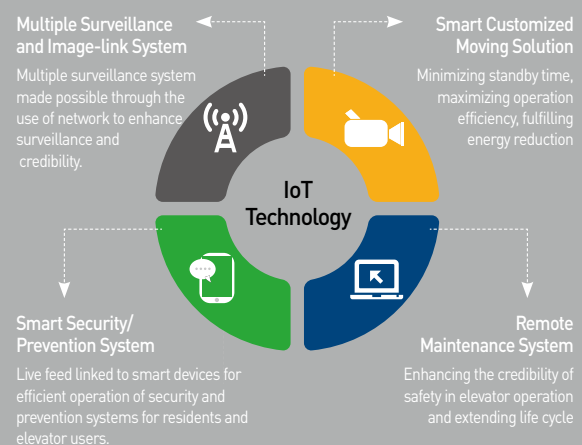
Ultra High Speed Inverter

Demand for ultra high-speed elevators is on the constant rise as high-rise buildings continue to grow. Against this backdrop, Hyundai Elevator has adopted an ultra high-speed inverter to secure higher system stability and reliability. By operating two inverters in parallel, we eliminate the power imbalance and secure a back-up inverter for an emergency; in this way, seamless elevator operation can be guaranteed even when one of the two inverters has broken down. Hyundai Elevator's ultra-high-speed inverter technology is the technology that promotes safety, convenience and the green environment at once.



IoT Technology

Hyundai Elevator applies IoT technology to various fields such as surveillance, mobility, security, safety and maintenance systems.

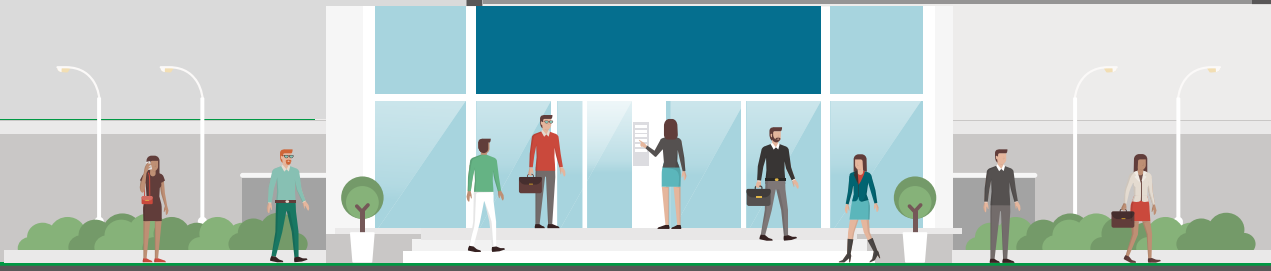
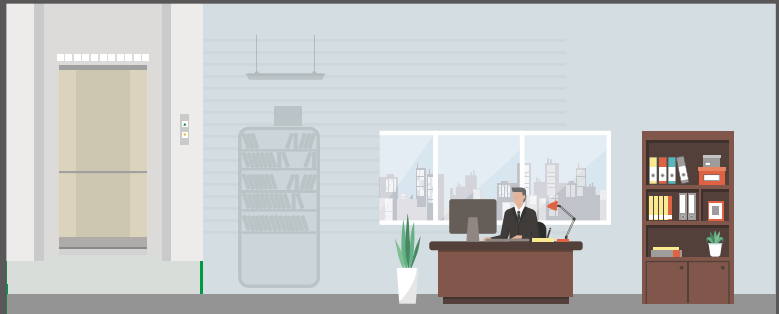
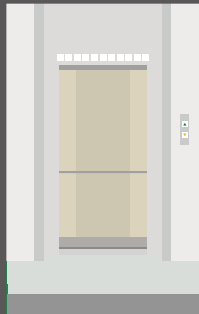




HYUNDAI ELEVATOR

SERVICE

HYUNDAI ELEVATOR



GOVERNANCE & LEADERSHIP

CEO LETTER

30p~31p

Governance

32p~33p

Ethical Management

34p~37p

**Stakeholder
Engagement System**

38p~39p

CEO LETTER



**“GO GLOBAL!
Global Hyundai!”**

*Hyundai Elevator will secure sustainability
as a global leader in the world.*

Dear stakeholders,

I would like to express my sincere gratitude for your continued support to Hyundai Elevator.

Hyundai Elevator has published a Sustainability Report from 2016 to communicate with our stakeholders. The 2017 Report contains our efforts to communicate with stakeholders as well as economic, environmental, and social activities and achievements for the year. This year, we have introduced unique elements to the Report to avoid unnecessary formality and simple quantification but to more effectively communicate with our stakeholders so that we can deliver our sustainability management activities and achievements in a more friendly manner.

Monumental business performance despite fierce global competition

Recently, domestic and overseas competitions have been intensified due to the oversupply in the global market, the oligopoly of the leading group, the chase of Chinese competitors and the intensified competition of domestic market. Amidst such an unfavorable environment, however, Hyundai Elevator achieved remarkable sales of KRW 1,758.8 billion and operating income of KRW 181.6 billion in 2016, which were the highest performance ever achieved since its inception. In addition, we posted a monumental achievement of 2,000 units produced per month, annual output of 20,000 units, and a cumulative output of 200,000 units. The number of elevators managed in a paid system also surpassed 120,000, marking the first place in the domestic market for two consecutive years to achieve both financial and qualitative growth.

Sustainable growth with winning management

Hyundai Elevator seeks to win in the age of the 4th industrial revolution and uncertain global environment with innovation. First, we will expand our portion of overseas sales by focusing on focus markets and tapping into new markets, and lay the foundation for success in Next Home Market. Second, we will further strengthen our dominance in the domestic market by cutting costs, improving quality, developing differentiated new products, and expanding maintenance sector. Last but not least, we will secure a competitive advantage by fostering global talent with global R&D competencies.

Taking a leap forward to become a global leader by accomplishing Vision 2020

Hyundai Elevator's globalization slogan is 'GO GLOBAL'. In order to achieve sustainability with customers around the world, Hyundai Elevator will lead globalization and achieve sustainability with the three core values: Service Excellence, Global Competence and Respect Talent. Additionally, based on the firm domestic market leadership we will continue to share sustainable values with customers and become one of the global top 7 companies by 2020.

Going forward, Hyundai Elevator will comply with the ten principles of the UNGC, act as a global corporate citizen, and strive to create sustainable value for all. We will also share our achievement with stakeholders and prepare for a sustainable future.

Thank you.

July, 2017

Bob Jang, CEO of Hyundai Elevator



GOVERNANCE

Board of Directors

Composition

Hyundai Elevator Board of Director (BOD) is the premier decision-making body that deliberates and resolves the overall management policies and major issues for enhancing corporate value and bringing the best possible benefits to its stakeholders through transparent management practices. BOD consists of seven directors, including three internal directors, three outside directors, and one non-executive director. In order to ensure efficient decision-making process, the BOD operates Audit Committee, the Outside Director Candidate Recommendation Committee, and Personnel Management Committee under the Board. Currently, the internal director is the chairperson of the BOD. However, an outside director can also be the chair of the board as prescribed in the BOD Regulations.

Hyundai Elevator Board of Directors

(March, 2017)

Status	Member	Position	Date of Appointment
Internal Director	Jeong-Eun Hyun (F)	Chairperson of Hyundai Group, Chairperson of Hyundai Elevator BOD, Vice Chairperson of Seoul Chamber of Commerce and Industry	Mar. 30, 2004
	Bob Jang (M)	CEO of Hyundai Elevator, Former CEO of Otis Elevator	Mar. 18, 2016
	Ki-Seon Kwon (M)	CFO of Hyundai Elevator, Former Deputy Managing Director of Hyundai Group, Strategic Planning Division	Mar. 27, 2015
Outside Director	Jong-Sang Yu (M)	Former Assistant Planning Director at the Office for Government Policy Coordination, Chair of the Audit Committee, Former Visiting Professor at Myongji University, Department of Public Administration	Mar. 18, 2016
	Dong-Beom Seo (M)	Managing Director at Yieum Private Equity, Former Managing Director at Kamur Investment Partners, PE Division	Mar. 18, 2016
	Yu-Jong Kim (M)	Former Business Sales Director for Gangnam at Woori Bank, Former Auditor at Woori FIS	Mar. 24, 2017
Other Non-executive Director	Ho-Jin Kim (M)	Executive Managing Director at Hyundai Group Strategic Planning Division, Former Executive Managing Director at Daewoo Securities IB Division	Mar. 28, 2014

Independence

Hyundai Elevator specified that more than 25% of the total number of board members be composed of outside directors. Currently, three outside directors are appointed to check management and support objective decision-making within the company. Outside directors participate in all committees under the Board of Directors to ensure independence and transparency of decision-making process. In particular, the Audit Committee may request reports on operations or investigate the state of the company's assets when necessary. In addition, the Committee may require employees or external auditors to attend committee meetings, or may be consulted by a specialist at the expense of the Company.

Transparency and Expertise in Board Appointment

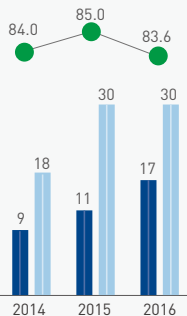
Internal and outside directors are appointed at the general shareholders' meeting after the recommendations by the BOD and the External Director Recommendation Committee. The whole director recommendation process is free of discriminatory consideration. Outside directors are composed of experts in various fields to ensure professionalism and diversity in our decision-making process. Now there are one academic expert, one accounting specialist, and one financial expert so that the BOD secures diversity in its members' occupation group.

Division	Member	Activity
Audit Committee	Jong-Sang Yu, Dong-Beom Seo, Yu-Jong Kim	<ul style="list-style-type: none"> •Matters regarding the general shareholders meeting •Matters regarding the directors and BOD •Matters regarding audits
Outside Director Recommendation Committee	Jong-Sang Yu, Dong-Beom Seo, Yu-Jong Kim, Bob Jang, Ki-Seon Kwon	<ul style="list-style-type: none"> •Recommendation, evaluation and selection of candidates for external directors who are to be appointed by the general shareholders meeting
Personnel Management Committee	Jong-Sang Yu, Yu-Jong Kim, Bob Jang, Ki-Seon Kwon	<ul style="list-style-type: none"> •Appointment, dismissal and promotion of executives •Matters regarding the compensation of executives including remunerations and bonuses •Employment conditions and incentive system for executives •Granting of stock options and their quantity •Changing and installing key HR systems

Operation

BOD Operation

- No. of BOD Meetings
- No. of Issues
- Attendance Rate (Unit: %)



Operation and Activities

Hyundai Elevator decides on the main agenda at the BOD and reflects various opinions gathered in shareholders' meetings and Investor Relations (IR) meetings in the decision-making process. All directors may, by law, participate in resolutions by means of telecommunications, which can also be counted as attendance. The formation and resolution of the BOD shall be determined when majority of the members present and the majority of the present members approve the matter. An extraordinary board meeting may be held if found necessary, and voting right of directors who have conflict of interest as well as proxy voting are limited. A total of 17 board meetings were held in 2016, with an attendance rate of 83.6%, and the number of cases proposed and handled in the 2016 BOD meetings were 30.

Evaluation and Compensation

Hyundai Elevator periodically evaluates the role and responsibilities of the BOD. In accordance with Article 388 of the Commercial Act and the Articles of Incorporation, the remuneration ceiling of the directors is determined as a resolution of the general shareholders meeting. We set remuneration for the directors in a fair and transparent way in accordance with the regulations, considering results of performance evaluation of each BOD member.

Communication with Stakeholders

To establish trust with stakeholders, the BOD communicates with various stakeholders through internal and external communication channels including corporate disclosure, shareholders' meetings, and IR. In addition, key business decisions are promptly disclosed to shareholders and stakeholders.

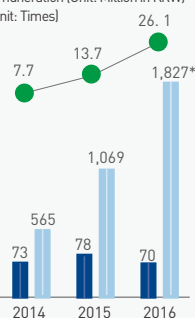
Evaluation and Compensation for Executives

Evaluation and compensation for the executives are conducted and provided based on executive compensation payment criteria. Executives are paid basic bonuses (sales and operating profits, growth rates-based) and over-profit bonuses (operating profit surplus and increase) that are paid to all employees, based on their position allowance and performance evaluation. Executives are subject to assessments that include non-financial factors such as personnel, safety, and the environment, depending on the position and duties.

Sustainability Management System

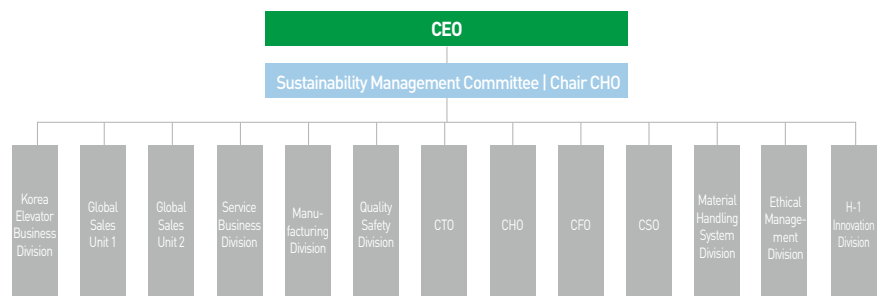
Employee Remuneration

- Average Employees Remuneration (Unit: Million in KRW)
- CEO Remuneration (Unit: Million in KRW)
- Ratio (Unit: Times)



*Including the retirement income for the former CEO upon his retirement in March 2016 (564 Million KRW)

The Sustainability Management Committee, the chief decision-making body for sustainability management, is chaired by the CHO and composed of head directors of each business divisions. The Committee sets up sustainable management strategies, identifies the risks and opportunities associated with them, and reviews sustainability management activities, action items, and implementation planning. The Committee covers sustainability management issues in a wide-ranging area, including sustainability management in general, human rights, labor, compliance, mutual growth, social contribution, environment, safety, technology and products. The Sustainability Management Working Group, composed of the working-level members of each business unit, establishes improvement tasks and plans, and reports to the Committee half-yearly about their achievements and the next steps. Sustainability management plans and achievements are reviewed and approved by the Sustainability Management Committee and published as sustainability reports.



ETHICAL MANAGEMENT

Ethical Management

Ethical Management System

As the anti-corruption laws and regulations of government and supervisory organizations are tightened globally, the social needs for business ethics and ethical management are rising as well. With the establishment of the Ethics Management Department in 2007 and reshuffle in 2012, Hyundai Elevator has steadily strengthened diagnostic functions for its business activities. The Ethics Management Department inspects, evaluates, and improves compliance with regulations and instructions regarding overall business activities in Hyundai Elevator. It is also engaged in various other ethical management activities, providing relevant training to employees and serving as a channel for extensive information on ethical management. Based on 'Ethics', the core philosophy in Hyundai Elevator's vision, 'Go Global!', Hyundai Elevator focuses on securing transparency, propriety, and accountability in business, while promoting a culture of fair trade and ethical awareness among its employees.

Regular Audit	Conducted on a regular basis in accordance with the Audit plan
Special Audit	Conducted upon CEO's approval when there is a special direction from CEO or it is found necessary to conduct an audit.
Confirmatory Audit	Conducted when it is needed to check whether proper actions are taken by applicable department for the issues found in regular and/or special audit

Internal Audit

Internal audit is divided into regular, special and confirmatory audits. In 2016, we conducted a total of nine internal audits, including one regular audit, seven special audits, and one confirmatory audit. Three out of nine cases were related to overseas branches, as Hyundai Elevator are increasing the proportion of audit programs for overseas branches, including the establishment of regular inspection system and the reinforcement of education on cases to prevent the recurrence of the same case, in line with our vision of 'Go Global!'

Establishment of Continuous Monitoring System and Fraud Preventive Management System

Hyundai Elevator operates a continuous monitoring and fraud preventive management system for efficient internal control.

Continuous monitoring

Continuous monitoring is applied to sites with long-term service vacant and approval process of bill-collection in sales division in order to promote integrity in order management and efficiency in bill collection.

Fraud prevention system

With the rising demands for fraud risk management and response mechanism to properly cope with any potential risks, Hyundai Elevator is developing multiple fraud-related scenarios. For more efficient continuous monitoring, it has also developed preemptive fraud prevention system and applied it to a wide range of areas in its business. This preemptive fraud prevention system is designed to monitor potential frauds and risks that can occur in diverse fields (including domestic sales, overseas sales, installation, service, purchase, logistics, and quality control, etc.) on a continuous basis with a detailed and specific checklist for such potential risk factors. Based on the checklist, key issues are being monitored and inspected monthly, so as to encourage the law-abiding spirit in all of its employees.

Extended Operation of Cyber Report Center

Hyundai Elevator is operating Cyber Report Center both for domestic and overseas branches so that unethical practices can be filed at anytime anywhere. The complaints received for domestic business units are handled after being classified into simple complaint (on-site complaints, request for after-sale service, etc) and valid report (malpractice, unfair trade, corruption, etc.). The valid reports received at overseas branch office are handled in cooperation with the Ethical Management Dept. and the personnel in charge at the applicable branch. Starting with an opening of Cyber Report Center in China branch in Jul, 2015, Hyundai Elevator has established the Centers in Brazil, Malaysia, Indonesia, and Vietnam in Aug, 2016, and expanded the operation of the Center into the Turkish branch in June 2017.

Cyber Report Center's Process



Culture of Ethical Management Practice

In order to settle ethical corporate culture and ethical mindset in employees, Hyundai Elevator has published and distributed 'Ethical Regulation Handbook', 'Ethical Management Self-check Card', and 'Ethical Management Casebook', as well as conducted surveys on ethical management and practices. Moreover, it provides ethical management training programs for newly appointed heads of department or branch, based on the 'Ethical Management Casebook.'

Ethical Regulation Handbook

Ethical Practice Handbook is available in four languages (Korean, English, Chinese, and Portuguese) on the corporate website to raise ethical mindset in employees working in domestic and overseas business units.

Ethical Management Self-Check Card

Hyundai Elevator distributed 'Ethical Management Self-check Card' to all of its employees in 2014 to help them check and practice ethical management. This Self-check Card has five items for quick self-check, can be attached to a desk, computer, or the back of the employee ID card so that they can always refer to it when necessary.

Ethical Management Casebook

Hyundai Elevator updates the results of its audit and reports that are related to unethical practices each month, and provides newly appointed head of department or branch education on ethical management violation cases. In 2016, it added illustration to the existing Casebook so that users can better understand and be more interested in the content. This Casebook was distributed to each department and our business partners.

Survey on Ethical Management Practice

Hyundai Elevator has conducted 'Ethical Management Practice Survey' since 2015 to identify the awareness of its employees on ethical management. The survey is conducted once a year on all HDEL employees; the survey items include job attitude, level of ethical consciousness, misuse of position and illegal request and graft. The 2016 survey results showed that the ethical consciousness point was 82.8, increased by 6.2 point year-on-year.

Performance of Ethical Management Promoting Plan

Division		2014	2015	2016
No. of Audit		15	14	9
Complaints/Reports	Receipt	57	39	38
	Received at Cyber Report Center	Action Taken (%)	100	100
Certification of Contents and Complaints (Domestic)	Receipt	119	62	55
	Action Taken (%)	100	100	100
Ethical Consciousness (Points)		-	76.6	82.8

Ethical Regulation Handbook



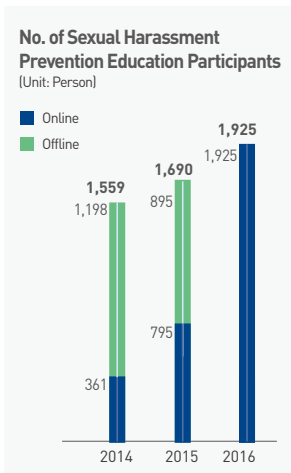
Ethical Management Self-Check Card



Ethical Management Casebook



Business with Human Rights



Voluntary Compliance of Fair Trade

Respect of Human Rights

Hyundai Elevator is promoting human rights-based management to prevent risks related to human rights issues and to instill a culture of respect for human rights throughout the company. It has joined the UN Global Compact in 2015, and supported its ten principles. Since then, Hyundai Elevator has strictly complied with the principle of prohibition of child labor and forced labor, and followed the domestic laws and regulations of International Labor Organization (ILO) and other human rights organizations. All employees are provided with education on prevention of sexual harassment and discrimination. Anyone can report complaints related to human rights or discriminatory practices via Cyber Report Center. All reports/complaints received are handled in a swift manner, and the identification of the informant is strictly kept confidential.

Sexual Harassment Prevention Education

(Unit: Person, Hour)

Division	2014	2015	2016
No. of Participants (On/Offline)	1,559 (361/1,198)	1,690 (795/895)	1,925 (total on-line)
No. of Program Hours	1,559	2,409	3,850
No. of Hours Per Person	1	1.4	2

Anti-discrimination and Promoting Diversity

All employees of Hyundai Elevator are not unreasonably discriminated on the grounds of gender, race, religion, place of origin, disability, marital status, etc., and everyone is granted with an equal opportunity at work. The results of the multifaceted evaluation are used as effective basic data for organizational restructuring, promotion and the selection of managers, and no discrimination occurred during the reporting period. In addition to that, Hyundai Elevator is constantly hiring and nurturing female employees despite the unique characteristics of machinery manufacturing and facilities business. In 2016, the number of female employees higher was increased by 18% from 172 in 2015 to 203, in positions such as Managers (team leader) and Professional occupations (education, public relations, services, sales skills, lawyers and nurses). Through these efforts, it is helping to create firm ground for female workers for career- and capacity-building opportunities.

Operation of Compliance Program (CP)

Hyundai Elevator notifies employees, external stakeholders and customers of our strict compliance with the Fair Trade Act to establish a culture of fair trade through the Management Meeting and CEO's Letter. We have introduced and implemented nine fair trade requisites, including seven requisites in fair trade compliance programs recommended by the Korea Fair Trade Commission and two requisites for voluntary fair trade operation.

Operation of Nine Major Factors for CP

Division	Item	Content
Mandatory Factors	Declaration of will and direction for CP (CEO)	•Declaration of voluntary compliance with fair trade regulations
	Appointment of Voluntary Compliance Manager	•Managing Director Ki-Seon Kwon appointed by BOD
	Production and distribution of the voluntary compliance manual	•Comprehensive handbook and Booklet (e-book) for subcontractors published
	Training program on voluntary CP	•Regular training (two hours per program, half-yearly), Ad hoc training, Compliance Newsletter
	Internal supervisory system monitoring	•Regular training (twice a year, half-yearly), Ad hoc training
	Sanction on violators	•Standing sanctions on violation of laws and cyber reporting system
	Document control system	•Establishment and operation of compliance support system
Voluntary Factors	Operation of CP Committee	•Consisting of executives in departments related to fair trade •Establishing basic directions in CP, holding review and consultation for important matters
	Operating Performance Assessment	•Reporting the operating performance to the BOD •Conducting rating

The core of the Fair Trade Compliance Program is prevention and monitoring of legal violations. Hyundai Elevator conducts cartel risk survey, inspection on fair subcontract transaction process and unfair special contract with subcontractors, and inspection on compliance of Framework Act On The Construction Industry and Fair Subcontract Transactions Act half-yearly (first/second half of the year). We also have strict discipline and sanctions systems to prevent violations of relevant laws and regulations.

2016 Fair Trade Compliance Program Performance

Division	Description
First Half	Amendment of regulations related to CP committee operation through the BOD
	Introduction of compliance self-practice assessment index
	Signing compliance pledge (1,940 employees)
	CP Inspection: Investigation on actual condition for improving relations with dealership, inspection on the use of standard subcontracting contract, and inspection on compliance with issuance of reduced subcontracting payment deeds in writing
	First-half regular training: Globalization and Global Compliance (974 employees)
	Fair Trade Training (63 departments / teams, 861 employees)
Second Half	Departmental risk assessment: - Selection of 14 high-risk departments related to fair trade and 9 high-risk departments related to subcontracting - Intensive training and monitoring for high-risk departments
	CP inspection: Inspection on execution of mandatory notification of test results, inspection on fulfillment of subcontract payment guarantee, and inspection on execution of mandatory design change notification
	Distribution of mouse pads for promoting cartel prevention
	CP PR activities: Compliance Newsletter (6 times)

CP Education

In order to establish a culture of self-compliance practice for fair trade, we provide employees training courses on violations of the Fair Trade Act and subcontracting and cartel prevention. We regularly conduct CP training for our employees in the first and second half of the year. Special training is provided to high-risk departments, executives, new employees, agents, and sales representatives. We also provide opportunities for employees to experience the importance of compliance firsthand through various programs, including company-wide CP workshop and a declaration ceremony on compliance management.

Support for Partners' CP for Fair Trade

Hyundai Elevator has signed fair trade agreements with our business partners every year to foster mutual competitiveness for both parties. We have entered into an ethical management agreement to forge a transparent trading relation with suppliers and sound ethical management practices. We also comply with four exemplary subcontracting practices and build a fair trade culture by using standard subcontracting contract forms. In addition, detailed action items that HDEL employees and employees of partner companies can always refer to are posted on our website (<http://www.hyundaelevator.co.kr>).

STAKEHOLDER ENGAGEMENT SYSTEM

Stakeholder Engagement

Stakeholder Grouping and Classification

As an upstanding corporate citizen, Hyundai Elevator has multiple relationships with various stakeholders. We have set up six major stakeholder groups based on the responsibility and influence on our management activities: shareholders, investors, customers, employees, local communities, partners and governments.

Stakeholder Engagement Channels and Activities

Hyundai Elevator has established channels of communication for each stakeholder group to identify their key concerns. We regularly monitor stakeholder engagement and collect feedback to identify risks and opportunities. Key opinions are reflected in our management activities, and methods and activities of stakeholder engagement are disclosed in our Sustainability Report.

Stakeholder Engagement Channels and Activities

Interval : ○○○○○ On-demand ●○○○○ Yearly ●●○○○ Half-yearly ●●●○○ Quarterly ●●●●○ Occasionally ●●●●● Ordinarily

Internal	EMPLOYEE		
Issue	Action	Communication Channel & Interval	
<ul style="list-style-type: none"> Improvement of job satisfaction and welfare program Enhanced communication within company Building mutually beneficial labor-management relations Competency development and knowledge sharing Fair assessment and rewards 	<ul style="list-style-type: none"> Strengthened training programs for job competence Promoting maternity protection system 	<ul style="list-style-type: none"> In-house intranet Company newsletter Survey on employees Wage collective negotiation Labor-management meetings and councils 	<ul style="list-style-type: none"> ●●●●● ●●●●○ ●●●●○ ●○○○○ ●●●○○
External	CUSTOMER		
Issue	Action	Communication Channel & Interval	
<ul style="list-style-type: none"> Customer complaint handling Strengthened customer satisfaction-related activities Product quality improvement Higher product accountability Strengthening communication with customers 	<ul style="list-style-type: none"> Participated in Korea International Elevator Expo (for introducing new technology and product) Promoting safety campaigns to prevent accidents Systematization of quality management system Conducted regular sales meeting (65 participants from 46 sales agencies) CS education program 	<ul style="list-style-type: none"> HCCC (Hyundai Customer Care Center) Customer Satisfaction Survey Customer Invitation Website 	<ul style="list-style-type: none"> ●●●●● ●●●●○ ●●●●○ ●●●●○
External	SHAREHOLDER AND INVESTOR		
Issue	Action	Communication Channel & Interval	
<ul style="list-style-type: none"> Participation in decision-making process through shareholders' meeting Sound corporate governance Improved profitability/dividend policy Sustainable growth/risk management Transparent remuneration system for executives 	<ul style="list-style-type: none"> Transparent management disclosure Performance and IR data announcement Establishment of Turkey corporation 	<ul style="list-style-type: none"> Website General Shareholders' Meeting Board Meeting IR Activity 	<ul style="list-style-type: none"> ●●●●● ●○○○○ ●●●○○ ●●●○○

External



BUSINESS PARTNER

Issue	Action	Communication Channel & Interval
<ul style="list-style-type: none"> • Support for competitiveness and competence • Expanded communication and information sharing • Fair trade 	<ul style="list-style-type: none"> • Financial support, technical support / protection • Support for recruiting and welfare • Monitoring for compliance of subcontract act 	<ul style="list-style-type: none"> • Cosigned company meetings ●●●●○ • Business partner meetings ●●●●○ • Sending newsletters ●●●●○ • Satisfactory Survey ●○○○○

External



LOCAL COMMUNITY

Issue	Action	Communication Channel & Interval
<ul style="list-style-type: none"> • Communication and opinion exchange on a regular basis • Support for the growth of local community adjacent to HDEL business site 	<ul style="list-style-type: none"> • Corporate social responsibility activities, including scholarship for local talents, love house repairing project, one corporation-one village linking program. • Securing funds with donation from executives and corporate credit card points 	<ul style="list-style-type: none"> • Various CSR activities ●●●●● • Building sisterhood ties and partnership ○○○○○ • Meetings with local community representatives ○○○○○

External



GOVERNMENT

Issue	Action	Communication Channel & Interval
<ul style="list-style-type: none"> • Compliance of laws and regulations • Tax payment / policy cooperation • Private-Public partnership 	<ul style="list-style-type: none"> • Stricter ethical management 	<ul style="list-style-type: none"> • Agreement with government agencies and public institutions ○○○○○ • Participating in government-funded projects ○○○○○ • Survey ○○○○○

Stakeholder Survey

We conducted a survey on internal/external stakeholders in order to collect feedback on the previous year's report and identify issues of interests and their materiality. The survey on the previous year's report showed that the stakeholders found content on technical competitiveness, economic performance, financial status, ethical management, and company overview useful.

The survey was also conducted on the issues of interest and materiality in seven areas; general sustainability management, economy, customer, business partners, employees, local community, and environment. The results showed that the stakeholders selected 'Investment and activities for R&D' and 'Improvement of product safety' as the most material issues. Those two issues were followed by 'Fair performance assessment,' 'Anti-discrimination and stronger human rights,' and 'Activities for enhancing employee satisfaction.'

Top 5 Sustainability Issues





STRATEGIC FOCUS

Risk and Opportunity

42p~43p

**Materiality Assessment Process
and Result**

44p~45p

**ISSUE 1: Improvement of Product
Safety**

46p~49p

**ISSUE 2: Enhancement of
Employee Competence and Welfare Benefits**

50p~53p

**ISSUE 3: Enhancement of
Safety and Health at Workplace**

54p~57p

**ISSUE 4: Enhancement of Customer
Satisfaction through Communication**

58p~61p

RISK AND OPPORTUNITY

Policy

Due to the fast-changing business environment, the risks inside and outside the company have diversified and the correlation among those risks has increased accordingly. In this context, it has become ever more important to identify and prevent various risks from a company-wide perspective. Hyundai Elevator monitors and preemptively responds to risks by identifying financial and non-financial risks that can pose a threat to the overall management activities and formulating proper measures to handle such risks.

Management System

Hyundai Elevator has established a preemptive risk prevention system to minimize the possibility of risks and potential damages. To that end, it has identified risks as financial and non-financial risks, and preemptively responded to those based on definition and cause of each risk factor. Major financial and non-financial risks are reviewed and evaluated in the subsidiary committees of the board: Audit Committee and Sustainable Management Committee to formulate proper action plans.

Financial Risk

The Audit Committee reviews and evaluates key financial risks so that the BOD can make proper decisions on action plans for matters that can significantly affect HDEL's business plans and operations. Financial risk is divided into Market risk, Credit risk, Liquidity risk, and Capital risk. Those risks are handled by thorough research, analysis, monitoring, and proper hedging. Through this, we aim to make sound financial structure and raise the predictability of management indicators so as to realize our management plans in a more sustainable way.

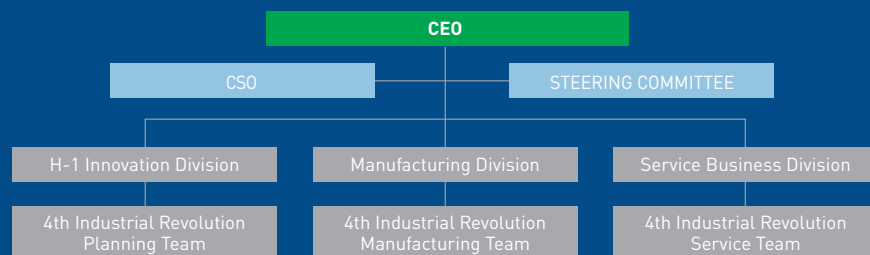
Non-Financial Risk

Hyundai Elevator's Sustainability Management Committee reviews major non-financial risks that can arise from general business activities in areas including safety, environment, quality, and company reputation, and based on the review results, identifies and responds to both risks and opportunities. Non-financial risks are categorized into Legal Risk, Safety and Health Risk, and Environment Risk. By establishing proper response process, we try to minimize possible losses from such risks.

Opportunities in the 4th Industrial Revolution

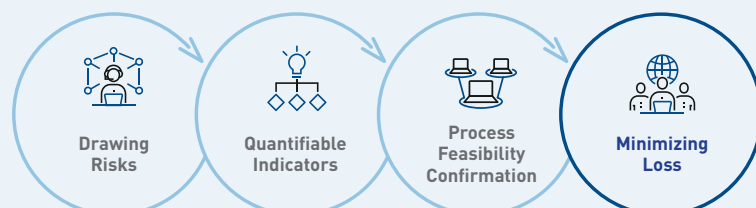
In an effort to better respond to the 4th Industrial Revolution emerging as the next big thing in global trend, Hyundai Elevator established a dedicated team, '4th Industrial Revolution TFT' in 2017. This 4th Industrial Revolution TFT is divided into Planning, Manufacturing, and Service divisions, which will be in charge of company-wide strategic planning and execution, smart factory operation, and new business development and commercialization, respectively. The Steering Committee will examine the progress of projects conducted by the TFT, encouraging it to better execute its plans. Going forward, Hyundai Elevator will strive to more effectively and strategically respond to global trends by improving productivity with technological convergence, promoting activities for the 4th Industrial Revolution, and strengthening corporate competitiveness with new products and items.

TFT Organization



Type		Definition	Cause	Action	
Financial Risk	Market Risk	Foreign Exchange Risk	Risk resulting from an increase/decrease of sales and cost of sales in relation to fluctuation of exchange rate affecting assets and/or liabilities	Caused by the fluctuating exchange rate affecting overseas project operation or raw material purchase	<ul style="list-style-type: none"> Conducting sensitivity analysis on six currencies including USD, EUR and JPY Measuring exchange rate risk driven by exchange rate fluctuations on a regular basis Hedging such as substitute settlement of foreign currency, currency swap, and exchange risk insurance
		Interest Rate Risk	Risk coming from changes in interest income and expenses arising from deposits and borrowings due to changes in future market interest rates	Deposits and borrowings having variable interest rate terms	<ul style="list-style-type: none"> Improving short and long term debt structure Maintaining proper ratio between fixed rate and variable rate deposits Monitoring interest rate trends on a weekly/monthly basis and establishing proper countermeasures Conducting analysis on impact of fluctuating interest rate
		Price Risk	Risk of changes in the price of financial assets at fair value through profit or loss and available-for-sale financial assets	Derived from changes in the price of derivative financial assets and equity securities	<ul style="list-style-type: none"> Estimating impact of rising/falling value of derivative financial assets Estimating impact of rising/falling value of available-for-sale financial assets
	Credit Risk	Possibility that the customer or the counter party may fail to comply with the terms of the contract	Arising from normal trading and investment activities	<ul style="list-style-type: none"> Setting credit limits for customers and counter parties Conducting financial credit rating of the customer and counter party, taking into account their financial conditions (past and present) other relevant factors Conducting credit risk exposure assessment through analysis of individual bonds 	
	Liquidity Risk	Possibility of external payment problems due to lack of liquidity of assets	When the payment to external party cannot be made within the agreed period.	<ul style="list-style-type: none"> Continuously forecasting cash flow and monitoring financial market liquidity status Maintaining ample liquidity capacity through vigorous business activities and utilization of credit limits in financial institution. Conducting maturity analysis of matured financial liabilities 	
	Capital Risk	Possibility of problem in providing profits to shareholders and stakeholders on a continued basis	Arising from general business activities, including negative impact on performance due to financial/non-financial losses	<ul style="list-style-type: none"> Conducting monthly monitoring on financial ratios such as debt ratio, net debt ratio Executing proper measures to improve financial structure 	
Non-Financial Risk	Legal Risk	Risk of legal sanctions, financial loss, compromised reputation, etc. due to violation of internal regulations, code of ethics, and laws and regulations.	Cased in the forms of legal disputes, sanctions, or loss in case that the legal standards or regulations are violated.	<ul style="list-style-type: none"> Inspecting, evaluating, and improving compliance of laws, regulations, and directions throughout the entire business activities Operating monitoring system and fraud preventive management system Operating education program on fair trading compliance program 	
	Safety & Health Risk	Fine, legal sanctions, discontinued business, financial loss, and compromised reputation caused by safety accident or violation of relevant laws and regulations	Insufficient response to changes in relevant laws and regulations, or insufficient awareness training, personal negligence, or lack of recognition	<ul style="list-style-type: none"> Having discussion on measures to strengthen safety and health sector throughout the company via activities of Industrial Safety and Health Committee Conducting periodic checkups on safety and health conditions of domestic and overseas business sites and identifying potential risks Operating phased accident response process Establishing company-wise safety and health directions and strengthening risk management through effective safety and health management system. 	
	Environmental Risk	Potential negative impact on the company such as fine, unintended costs, and legal sanctions due to violation of relevant laws and regulations or environmental accidents	In case where the company did not meet the required level and scope of environmental information disclosure or failed to respond to relevant laws and regulations	<ul style="list-style-type: none"> Analyzing environmental impact of its business activities Establishing 5-year EHS Plan and Global EHS strategic system Monitoring the trend in relevant regulations and policies Establishing and managing GHG inventory Operating harmful chemical substance and waste management process 	

Risk Management Process



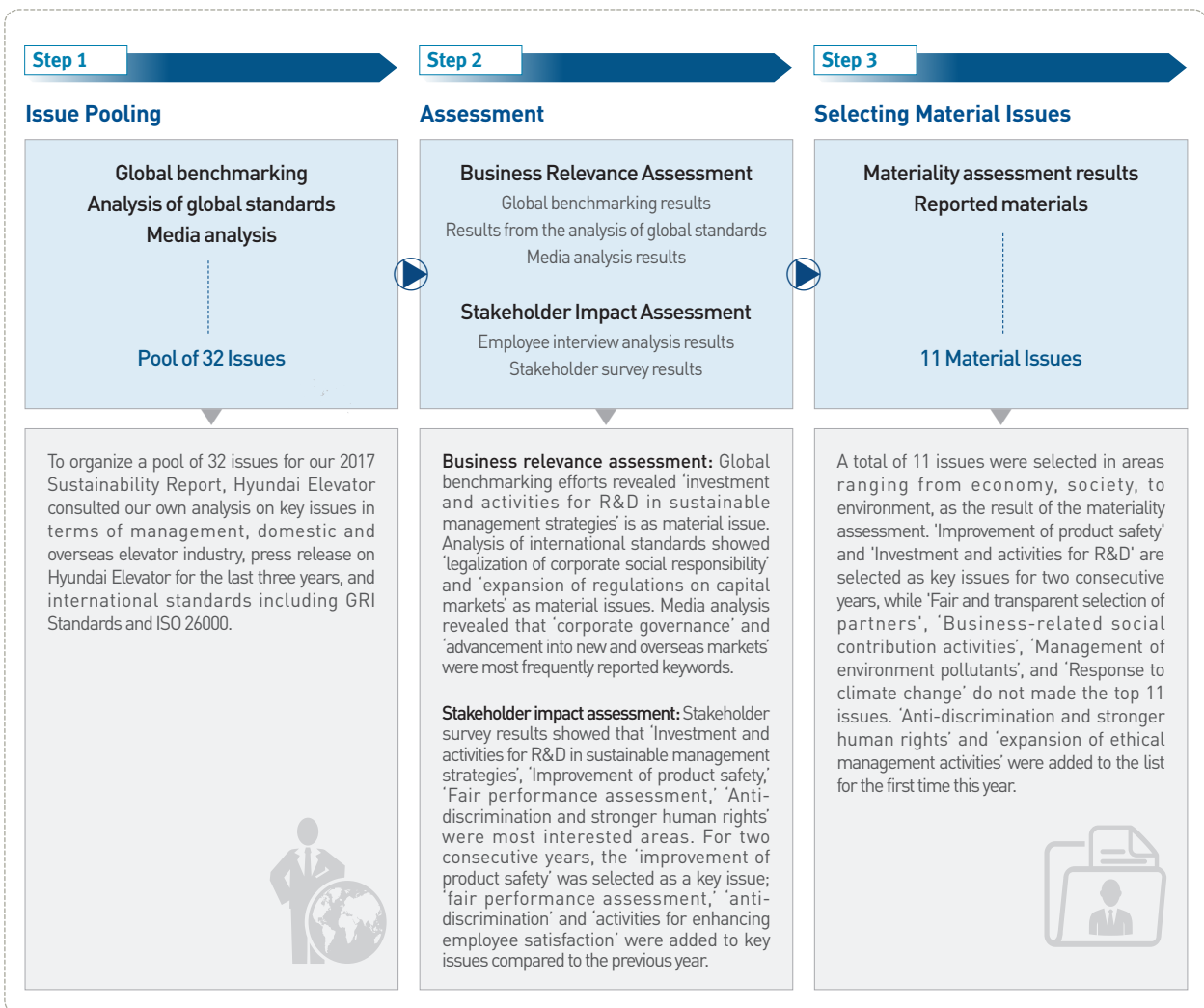
MATERIALITY ASSESSMENT PROCESS AND RESULT

Hyundai Elevator selected core issues based on key areas of interest identified in the Materiality Assessment, and provided as detailed information as possible on such issues in this section. This report is in accordance with the formats of the reporting principles of the GRI Guidelines for global sustainability reporting.

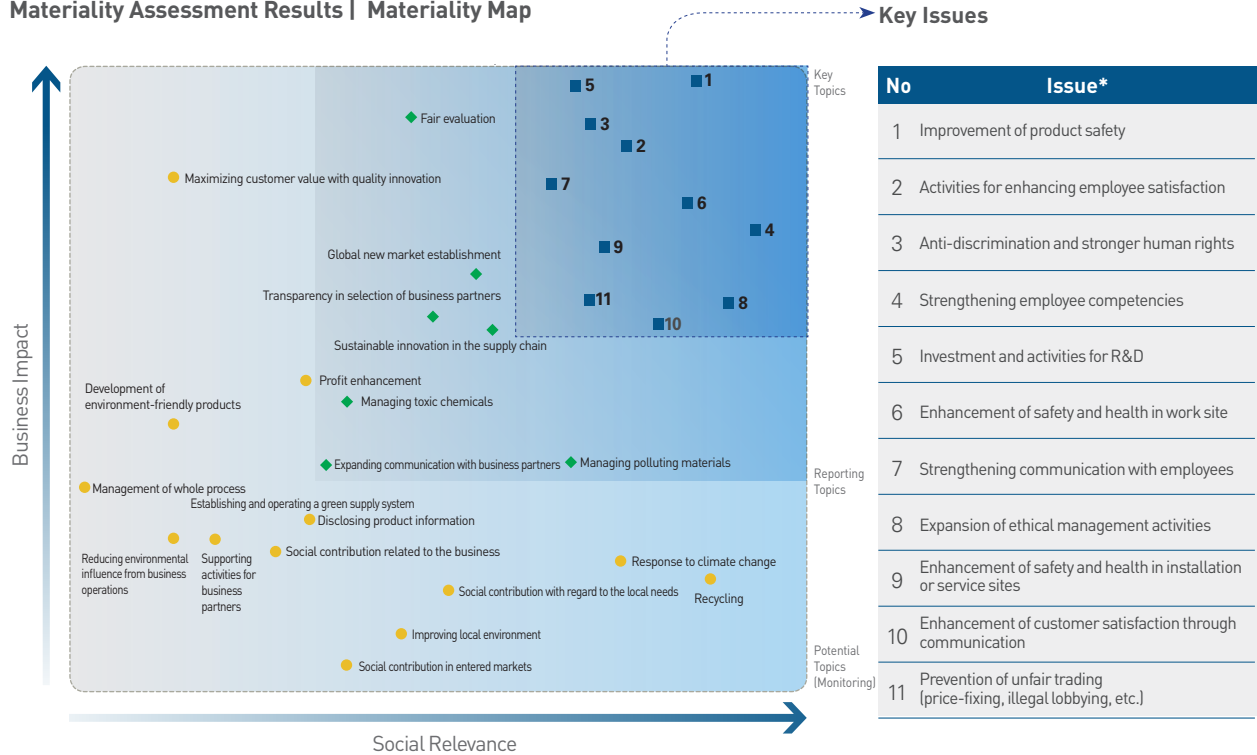
Materiality Assessment Process

Hyundai Elevator performed the materiality assessment based on the GRI reporting principles of "Stakeholder Inclusiveness", "Sustainability Context", "Materiality" and "Completeness." The Assessment was conducted by evaluating stakeholder impact and business relevance of 32 issues in consideration of the characteristics of the industry and the current circumstances of Hyundai Elevator.

Materiality Assessment Process and Issue Reporting



Materiality Assessment Results | Materiality Map



Material Issues related to policy and system have been excluded from the materiality map.

(* Sustainability strategy, sustainability committee and organizational operation, governance integrity, promoting stakeholder participation process, management leadership, building the risk management process, growing together policies, social contribution strategy and policies, corporate environmental management system establishment and implementation)

Contents for Material Issues

Material Issue	Impact on Hyundai Elevator						Page
	Customer	Employee	Shareholder /Investor	Business Partner	Local Community	Government /NGO	
Improvement of product safety	●					●	46-49
Activities for enhancing employee satisfaction		●					52-53
Anti-discrimination and stronger human rights		●		●			36
Strengthening employee competencies		●					50-51
Investment and activities for R&D	●		●	●			26-27
Enhancement of safety and health in work site		●		●			54-57
Strengthening communication with employees		●					52
Expansion of ethical management activities	●	●	●			●	34-35
Enhancement of safety and health in installation or service sites	●	●		●			54-57
Enhancement of customer satisfaction through communication	●						58-61
Prevention of unfair trading (price-fixing, illegal lobbying, etc.)		●		●		●	36-37

[ISSUE 1]

IMPROVEMENT OF PRODUCT SAFETY

CONTEXT

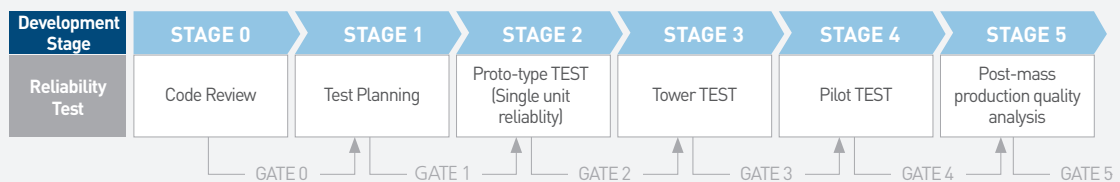
Safe operation of elevator is the top priority of Hyundai Elevator, as it is directly related to safety of passengers. We have applied the top-notch safety assurance process from the development to installation stages with thorough verification so as to make your elevator experience safer and more pleasant.

OUR DIFFERENTIATION

Hyundai Elevator develops, produces, and manages our products with the safety of customers as the top priority. In line with the efforts to realize the highest level of safety and customer satisfaction, we have established DCB (Design Change Board) designed to redefine the quality assurance system for new products.

OUTCOMES

Product Reliability Test



- Conducting reliability test with strict standards to improve product stability
- From the initial product development stage to final field pilot test and statistical analysis of post-production quality, etc.

* Continue to accumulate data for new tests conducted in 2016

OUTLOOK

Hyundai Elevator is preparing to revise its quality management system in accordance with ISO 9001: 2015 revised standard to improve the safety of our products. In order to further sophisticate quality management, we plan to introduce D-FMEA (Design-Failure Mode Effects Analysis) and fostering reliability experts, thereby continuously improving the safety of our products.

Main Activity

Efforts to enhance product safety



Quality Management System

As part of our efforts to improve product safety, Hyundai Elevator has established and operated an enterprise-wide quality management system. Hyundai Elevator’s quality management system is applied throughout business processes from sales to production, installation and maintenance to improve the safety of our products. All employees are aware of and adhere to the relevant regulations during all processes.

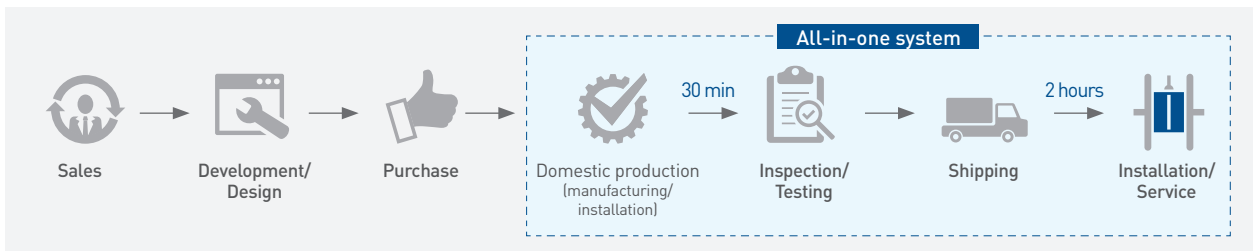
Hyundai Elevator has obtained ISO 9001 (Quality Management System), ISO 14001 (Environmental Management System) and OHSAS 18001 (Safety and Health Management System) certification, as it strives to operate a systematic and effective quality management system.

In particular, in 2016, a total of 25 core business processes were redefined in an effort to systematize the entire quality management system. Throughout the systematization process that took about 11 months from March 2016, Hyundai Elevator introduced APQP (Advanced Product Quality Planning) technique to its existing system. Through this, we expect that product safety will be significantly improved, as quality defects and product defect rate are expected to be decreased from the development stage.



Busan International Finance Center(BIFC) building declaration ceremony

Quality management structure map



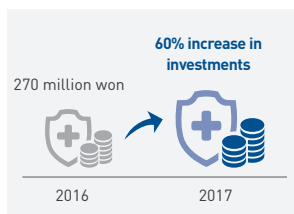
Management of Production Quality

Hyundai Elevator carries out quality improvement activities through the APQP technique and the FMEA technique to prevent quality defects from the development stage. In particular, the FMEA technique helps to prevent recurrence of error or defect in the production stage by clearly evaluating the causes and effects of such faults or errors so as to more effectively improve the quality of products.

In 2017, we plan to reorganize our quality management system in accordance with the revised ISO 9001: 2015 and implement the D-FMEA (Design-Failure Mode Effects Analysis). Hyundai Elevator plans to improve the safety of our products through systematic quality inspection and regular overhaul and reorganization of the system. In addition, we plan to minimize quality problems from the development stage to the process and production stage, thereby realizing higher customer satisfaction and safety of our products.



Reliability equipment reinforcement and investments



Safety Test

Hyundai Elevator is engaged in various activities to check the safety of products not only in the production process but also in the post-production stages. First, in order to improve the quality of major safety-related parts, we are restructuring the reliability system of the developed products. From 2016, we have invested KRW 270 million to reinforce reliability equipment. Furthermore, we also plan to invest 60% more in 2017 in reliability sector. We have also restructured the education and training systems. Going forward, we plan to continue our efforts to foster product reliability experts through systematic education and to ensure higher quality and stability of safety-related parts.

Hyundai Elevator utilizes cutting-edge services to improve the safety of our products by introducing follow-up check on the products. Hyundai Real Time Service (HRTS), a remote product maintenance service developed by Hyundai Elevator, monitors the status of elevators 24 hours throughout the year. In addition, by analyzing the operation data, we identify the optimum replacement cycle of consumables, thereby reducing costs and preventing malfunctions. Hyundai Elevator will also continue to increase the applicable models for HRTS models through vigorous research.

External
Certification (KC)
for Elevator
Safety



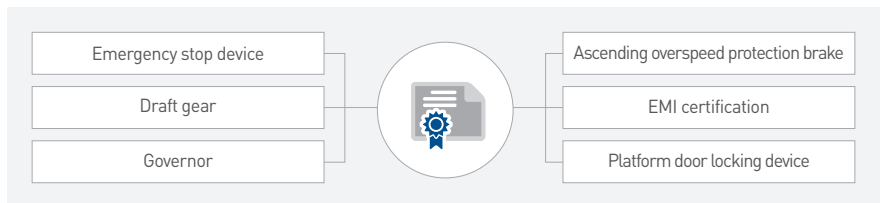
Product Certification

Hyundai Elevator has acquired external certification in an effort to increase reliability of product safety and stability. We have obtained KC, CE mark (compulsory marking in the EU), and the UL/CSA in the US and Canada, thus securing objective reliability of our product.

In addition, in order to ensure the safety of elevator parts, we also have conducted safety tests for the parts and have acquired external certifications for each part. Certified components include emergency stop devices, governors, locks on platform doors, brakes for over-speed prevention devices, shock absorbers (spring, hydraulic), anti-departing devices with doors open and platform door assemblies. With thorough inspections and tests for all parts, we make every effort to keep our units and products safe.

While striving to improve product safety internally, Hyundai Elevator continues to carry out quality control and improvement activities to ensure that it is well appreciated in external objective evaluation and certification.

Product safety certification



[ISSUE 2]

ENHANCEMENT OF EMPLOYEE COMPETENCE AND WELFARE BENEFITS



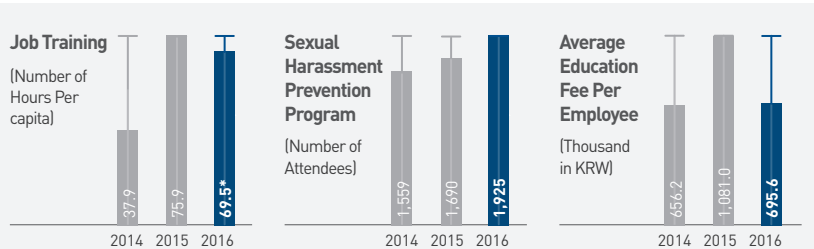
CONTEXT

'Human resource development' is an essential element for securing a sustainable competitive advantage and a core value for achieving our management goals. Hyundai Elevator will only be able to further grow by cultivating excellent employees with global competitiveness through systematic talent cultivation so that excellent talents can achieve the best results in their respective fields.


OUR DIFFERENTIATION


Hyundai Elevator recognizes that it is an important task to find and cultivate key talent for continuous growth of our business in the global market. In order to continuously grow and nurture employees in accordance with the corporate vision and strategy, we operate a systematic human resource development program.

OUTCOMES



*Hyundai Elevator is conducting "Hanmaum (One heart) training" for all employees every two years. As the Hanmaum training was conducted in 2015, per capital training hours and fees were slightly decreased in 2016.

 Received the 7th Best of CHAMP Day Grand Prize (Minister Prize from the Ministry of Employment and Labor)

 Acquired Grade A in the National Human Resource Development Consortium in 2016 (hosted by the Ministry of Employment and Labor)

OUTLOOK

Hyundai Elevator plans to expand its support for specialized education programs to meet the needs of the market and strengthen employees' individual competencies. In addition, we will create an environment in which individuals and organizations can grow together by utilizing new learning methods and customized education programs in response to the rapidly changing external environments.

Main Activity

HR Development Roadmap and Training System

To achieve sustainable growth of employees and to reach the globalization strategy, Hyundai Elevator has human resource development program consisting of three axes: leadership, professionalism, and organizational culture.

Overview	Leadership	Professional		Organizational Culture
	Leadership	Competency	Expertise	Global
	Developing the leadership competencies required for each position	Improving common competencies for all employees	Improving expertise for elevator sector	Improving global business competencies
Curriculum	Future Leader (Innovation School, HLDP)	Report Writing Skills	Installation of Elevator	Global Task Competency
	Competency-Building of the Heads of Teams/Departments	Usage of MS Office	Maintenance of Elevator	Regional Expert Training
	Female Leadership	Tax / Financial Accounting	Production and Sales	Foreign Language
Workplace Learning (Mentoring, Coaching, OJT)				
Introductory Training for New (Career) Employees				

New Employee Fostering System

Program Name	Contents	Total Period
Group Training	Core values and basic competencies (2 weeks)	1 year
Introductory Program	Understanding elevator sector and organization (4 weeks)	
Departmental OJT	Adopting to on-site department and organization (4 weeks)	
On-Line Education	Essential MBA for New Employees (4 weeks)	
Field Work (Installation)	Familiarizing with field work (2 weeks)	
Mentoring	Strengthen Organizational Network (12 weeks)	

Training Program for New Employees

For new employees, Hyundai Elevator provides a one-year introductory program to assist them quickly to settle in the organization and to adapt to their work. In 2016, a total of 36 new employees contributed to the growth of Hyundai Elevator by faithfully completing one-year programs consisting of group training, introductory training, and department-specific training.

Leadership Program

Hyundai Elevator operates a leadership program to improve the leadership of the employees and to foster new leaders for the next generation. The leadership program, which is provided by position, helps employees to carry out their current duties successfully and to prepare for their future roles. In addition, we also run female leadership programs for female employees' self-improvement and career development.

Leadership Program Name	Purpose	Note (Subject)	Number of Completed Employees
Innovation School	Cultivating members who lead organizational change and innovation in a rapidly changing society	Associate ~ Assistant Manager	57
Vision School	Establishing personal vision and connecting it with the organizational vision to foster employees who realize their vision	Associate ~ Deputy General Manager	299
HLDP (Hyundai Leader Develop Program)	Training business leaders (executives) with practical management ability to create and rebuild the business environment and organizational culture	General Manager	48

Contents of the Global Task Competency Building

Global Task Competency Building
<ul style="list-style-type: none"> English, Chinese and other language programs Global business manners and etiquette Global business communication Overseas business strategy and execution

Global Regional Research
<ul style="list-style-type: none"> Understanding the Industry / Economy and Culture of Countries Analysis of success / failure cases (businesses advanced into overseas markets) Regional Professional Fostering Courses (Turkey, Malaysia)

Global Capacity Building Program

Hyundai Elevator operates a program to enhance the global competitiveness of our employees in order to bring the foundation for future value creation to the global level. As the overseas elevator market expands, we are providing diverse training courses such as Global Job Competency Enhancement Program and Global Regional Research Courses to foster global talents that will lead the global market going forward. In 2016, a total of 189 employees participated in the Global Job Competency Enhancement Program, and 98 employees completed Global Regional Professional Fostering Courses. In addition to strengthening its global capabilities, Hyundai Elevator operates professional training programs to enhance the job competency of its employees. As the need for job sophistication and expert fostering is on the rise, we have developed and operated an elevator specialist curriculum based on the competencies derived from analyses on each job. Hyundai Elevator will continue to strengthen job competence of the employees and plan to expand its job competency training courses such as elevator installation course and elevator maintenance course.



Employee Communication

Hyundai Elevator's labor union is actively engaged in an active communication with various labor groups, via collective wage negotiation, quarterly labor-management cooperation, cafeteria improvement committee, and safety and health committee. In particular, the 1st Junior Board, launched in 2007 as part of our efforts to promote internal communication, has actively and successfully played its part. The Junior Board is an autonomous consultative body that is designed to discover innovative management ideas and provide employees with opportunities to participate in management through smooth communication between departments and positions. The Board holds regular monthly meetings to find ways to develop the company, discover new business items, improve corporate culture, and collect opinions and suggestions from other employees.



Employee Welfare Benefits

Marking the '28th year of non-complication' this year, Hyundai Elevator recognizes the stable employment status of our employees as the foremost important competitiveness of our business. In line with this perspective, we are operating the best welfare system for our employees and continuously improving and managing welfare benefits in various fields, including medical care fees, child education fees, and social activities (in-house clubs, etc.)

Reward System

Hyundai Elevator is seeking to improve corporate competitiveness and productivity by collecting suggestions from our employees on cost reduction and efficiency of workforce resources through an in-house proposal system. We encourage our employees to actively participate in the proposal activities by providing them with rewards and prizes. We also have a long-term employee reward system to encourage and long-term service and to appreciate his/her hard work. When the employee has worked in Hyundai Elevator for 5 to 30 years, they are provided with commemorative clocks, gold medals, vacation expenses, and paid holidays according to their service years so that they can work hard again with higher efficiency and concentration.

Welfare Point System

Hyundai Elevator offers the employees benefit points every year to improve the welfare of our employees. The points given to employees annually assist them to improve the quality of life; they can use the points at a number of designated areas both on- and off-line shops for leisure, dining, and cultural experiences.

Child Tuition Support

In order to improve the welfare of our employees and reduce the burden on their family, we provide financial support for the tuition of children of our employees. Kindergarten education expenses for preschool children, middle and high school entrance fees and examination fees, full support for school administration fees, university entrance fees and tuition fees are all provided. We also provide middle and high school entrance fees, tuition fees, university entrance fees and tuition fees for students studying in overseas schools as well.

Medical Expense Support

Hyundai Elevator supports some medical expenses of our employees for promoting healthy life of the employees. In particular, we support the medical expenses of the employee him/herself and their immediate family members (parents, parents-in-law, and children) as well within the annual limit. This way, they can maintain healthy lives while taking care of the health of their family members.

Club Activity

We are actively supporting in-house club activities for improving the welfare of employees and promoting healthy lifestyles. The club activity allowance is provided only for the clubs established in accordance with the Company's regulations, with differential rates considering the number of members and years of operation. We also support participation fee for external events to enhance and promote the physical fitness and leisure activities of our employees.

Work & Learning Program

Since 2016, Hyundai Elevator has systematically implemented education based on the national competency standards (NCS), and has begun a Work and Learning program so that job-seekers can grow as talents equipped with practical competencies desired by the company. The Work and Learning program was developed by incorporating the needs from the job sites to the technical trainee curriculum operated by Hyundai Elevator and by integrating government system designed to promote working and learning at the same time into the current curriculum.

The trainee who participate in Hyundai Elevator's Work and Learning program first complete intensive group training for one month as Off-JT at the Icheon Headquarters. After being placed in the field department, they were given 11-month for work and learn period in the form of OJT under the on-site instructor. After 12 months of training period, they will receive a final evaluation. Based on the results of the evaluation, excellent trainee awards and excellent field instructor awards will be given. In 2016, a total of 56 students participated in this program, reborn as the desired talent equipped with practical job competencies. Hyundai Elevator will actively respond to government policies to implement a competence-based society.

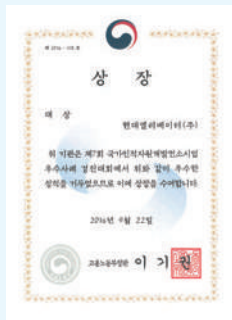
Business Partner's Task Competency Building Program

Hyundai Elevator is implementing technical expertise improvement training for employees of partner companies in order to achieve win-win cooperation and mutual growth between conglomerates and SMEs. We are striving to improve the technological capabilities of our partner companies' employees, focusing on manufacturing quality, installation and maintenance of elevator products. Especially, since we are currently carrying out the 'National Human Resources Development Consortium' education project, governed by the Ministry of Employment and Labor, we are developing and operating a professional technical education program for elevators based on NCS curriculum.

In addition, Hyundai Elevator also operates an employee recruiting and training program for our business partners, through which tailored employees are trained to meet the actual demands in elevator sector. Through this program, job seekers who completed professional elevator training for four weeks (160 hours) can be hired by HDEL's partner companies via recruiting linkage program. In 2016, a total of 21 employees were hired by 16 SME partners through this program.

CASE IN POINT

Grand Prize
in Best
CHAMP



On September 22, 2016, Hyundai Elevator Technology Education Center was awarded the Grand Prize in Joint Training part, at the "Best of CHAMP Day", the HRD Best Practice Competition, organized by the Ministry of Employment and Labor and the Korea Human Resources Development Service. The Best of CHAMP Day was held by the Ministry of Employment and Labor and Korea Human Resources Development Service in order to promote business efficiency and enthusiasm for further achievements among the participating businesses. This event was attended by about 214 business organizations. Hyundai Elevator, which was awarded the Grand Prize, received high praise for its 'G-Learning (Game-based Learning)', a new learning method for improving the immersion in technical education, and case presentation on job competency improvement through practical training.

[ISSUE 3]

ENHANCEMENT OF SAFETY AND HEALTH AT WORKPLACE



CONTEXT

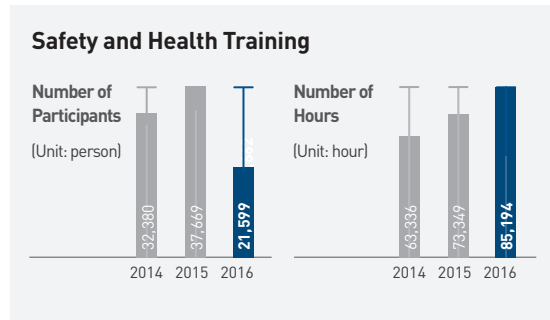
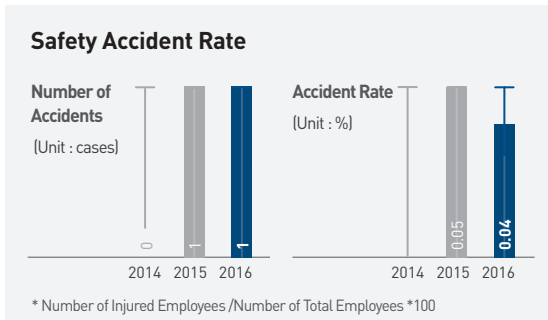
There is always a risk and hazard in the elevator work sites and fields. Safety accident is a potential risk factor for management activities, which can result in financial impacts such as fines and delays in work process, as well as non-financial impacts such as a decline in the brand value of the company.

OUR DIFFERENTIATION

Considering the safety and health of our employees as a priority, Hyundai Elevator is strengthening its safety and health management system and carrying out field-based safety and health activities. In addition, we are establishing a five-year mid to long-term EHS* plan and are working to create a safer working environment by establishing a global EHS strategy system consisting of strategic tasks for each phase. In addition, the voluntary EHS culture settlement program that is centered on voluntary accident prevention activities of each department has been implemented.

* Environment, Health & Safety

OUTCOMES



OUTLOOK

Hyundai Elevator plans to improve safety and health at the workplace through rigorous inspection, evaluation, and education and prevention activities. We will actively carry out improvement activities to prevent safety and health accidents for a risk found during field inspection. Furthermore, we will create safer work environment by providing proper training to our employees to settle advanced culture for safety and healthy at workplace.

Main Activity



ISO 14001



OHSAS 18001

EHS POLICY

EHS (Environment, Health, Safety)

Hyundai Elevator is deeply aware of the significance of environmental preservation. To lead green management and operate our business in a safe and healthy manner by being equipped with the best working environment, we will practice the following.

- Hyundai Elevator shall establish goals and detailed targets to minimize impacts of all management activities on the environment, safety and health, and make continuous improvements by checking their implementation.
- Hyundai Elevator shall comply with local statutes, agreements and organizational regulations, and establish and implement strict management standards if necessary in order to continuously improve its level.
- Hyundai Elevator shall actively promote the prevention of environmental pollution, the use of sustainable resources and the mitigation and countermeasure of climate change through the development of eco-friendly technology, green purchasing and the continuous improvement of its process.
- Hyundai Elevator shall enhance the safety and health of employees, create a comfortable working environment, and achieve zero accidents by eliminating the causes of all harmful and dangerous factors at each workplace in relation to production, installation and service [A/S].
- All employees shall be deeply aware of their social responsibilities for stakeholders, continue their education and training, and faithfully perform their responsibilities and roles. Hyundai Elevator shall actively meet the requirements of stakeholders in its management activities, and disclose its performance in a transparent manner so as to fulfill its corporate social responsibilities and conduct sustainable management.

Safety and Health Manual

Hyundai Elevator has a Safety and Health Manual consisting of 43 items designed to promote safety and health at the workplace. This manual complies with the Industrial Safety and Health Act and the OHSAS 18001 standard, and other national and international standards, and provides specific guidelines and procedures for establishing a safe workplace. The main contents of the manual include accident handling, inspection and evaluation, training and education, health management, hazardous materials' management, and detailed instructions and procedures related to field work such as production, installation, and services.

Type	System	Field		
Manual (Management Standards, 23)	<p>Total of 13 manuals</p> <ul style="list-style-type: none"> Management : OHSAS 18001/Environmental Safety tasks/OHSAS Management regulations/Industrial OHSAS operational manual/OHSAS preliminary review manual Accidents: Safety accident manual/management of incongruencies/uninjury record operational manual/near-miss cases and potential threats manual Evaluation : OHSAS inspection and evaluation manual Training: Training manual Health : Health management manual Environment: Chemical and hazardous material management manual 	<p>Total of 10 manuals</p> <ul style="list-style-type: none"> Safety protection item management manual Business partner safety management manual Construction safety management manual Fire prevention management manual Dangerous task management manual Prevention of musculoskeletal disease manual Dangerous equipment management manual Emergency response manual Risk assessment manual Occupational environment management manual 		
Guidelines (Operational guidelines, 20)	Total of 2 guidelines	Production (4 guidelines)	Installation (13 guidelines)	Service (1 guideline)

Establishment of Voluntary Safety Culture

Hyundai Elevator has implemented the voluntary EHS Culture Establishment Program to support the establishment of EHS culture through accident prevention activities* that each department voluntarily finds and improves problems. In 2016, the MP Installation Department was awarded the grand prize for the regular index category, and the Future Technology Department was awarded the best prize for the simple index category. The prizes and money were awarded at the closing ceremony in December.

* Accident Prevention Activity : Self-Inspection, Self-Improvement, Implementation of Management Program, Participation in Education, Voluntary EHS Campaign Activities, etc.

Implementation



- **Target** : 42 departments that need safety/environmental management (including 4 overseas corporations)

Evaluation Index

Division	Regular Index	Simple Index	Overseas Index
Target	22 Department that Operate No Field	16 Department that Operate No Field	4 Overseas Corporations
Evaluation Index	10 Indices	8 Indices	8 Indices
Award	1st ~ 5th	1st ~ 2nd	1st

- **How to Reward** : Awarded at the closing ceremony in the end of December
- **Follow-Up** : The evaluation results will be reported through EHS monthly reports. In addition, the evaluation results and issues will be shared via e-mail

Industrial Safety and Health Committee

Hyundai Elevator operates the Industrial Safety and Health Committee to raise awareness for industrial safety and health throughout the company. The Industrial Safety Committee consists of nine HDEL managements members including the factory manager, the head of the quality safety center, the heads of the production, installation and service departments, and nine labor union members, including the chairman, the vice chairman, the branch manager and the safety manager. A variety of material items have been discussed, such as the establishment of a rapid response system for an accident, the company-wide sharing of information on EHS activities and the negotiation for improving the health of employees.

Safety and Health Training

Hyundai Elevator conducts a wide range of safety and health education and training courses for managers, HDEL employees, and those hired by our business partners. We provide both online and offline courses to enhance accessibility to education and utilize various learning methods such as experiential education and drama education to maximize learning effect.



Safety Experience Training



Safety Play Training



Business Partner Training

Hyundai Elevator has also published casebooks to enhance the effectiveness of safety and health education and to help the employees better understand the contents. In this casebook, the safety and health accident cases are provided with illustration as comic books, so employees can be better aware of the possibility and causes of accidents and learn how to handle and prevent similar accidents. The casebook contains 67 cases of industrial accidents, including fall, overturning, flying objects, and constriction. Hyundai Elevator plans to constantly add industrial accident cases to the case book.



Safety and Health Accidents Casebook

Safety and Health Promotion Activity

Hyundai Elevator is carrying out various activities to promote safety and health at workplaces. We investigate and prevent harmful factors that cause musculoskeletal disorders, while installing AEDs (Automatic Cardioverter Defibrillator) at workplaces and providing employees CPR training in order to respond to the increasing risk of cardiac arrest of our employees due to aging. In addition, we provide preventive education for noise-induced hearing loss that can be caused by the noise of the workplace so as to improve the overall health conditions of employees.

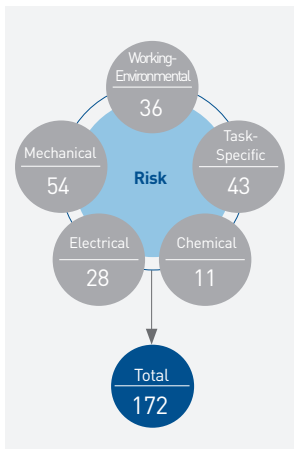
In addition, we are strengthening our responsiveness to fire risks that may arise in our workplace through fire drills conducted once a year. We transmit safety and health information to all employees and employees of partner companies through smart phone text services in case of emergency.

Accident Response Process

By establishing a step-by-step response process, Hyundai elevator is effectively coping with occupational safety and health accidents that can sometimes inevitably occur. The four-step process consists of reporting to relevant departments and personnel, notification of the accident, investigation, and analysis of the cause, as well as a phase where measures to prevent recurrence are established. Through these efforts, we actively respond to accidents that may arise and strive to prevent those from occurring again.

Step	Contents
Step 1: Report	Within 1 hour of the accident, the occurrence of the accident shall be reported to CEO and relevant departments (Head of applicable business division, Directors of Quality Safety division, Strategic Planning Department, Public Relations Department, Legal Affairs Support Department, Labor Union, Group Strategic Planning Division, etc.) via text message or phone call.
Step 2: Notification	Intensive inspection on the accident and major safety points, Creating safety newsletter after concurrent propagation of the notification of the event to HDEL and partner companies' employees via KakaoTalk and SMS (SMS)
Step 3: Investigation & Analysis	Crisis management TFT formed for joint accident investigation and cause analysis - Head of TFT: Director of applicable business unit - Members: Director/Manager of applicable departments, Director of Management Department, Safety and Environment Department - General affairs for internal/external affairs: Group's safety manager/Director of Quality Safety Division
Step 4: Prevention of Recurrence	Establishing and implementing preventive measures against recurrence

Issues Requiring Actions



Assessment of Safety and Health at Workplace

Hyundai Elevator evaluates safety and health conditions at workplaces and conducts an analysis of risk factors and carries out improvement activities. In the second half of 2016, we analyzed risk factors by business process in each business site. As a result, a total of 172 improvement targets were identified from mechanical, electrical, and chemical processes, and those were improved by 100% through thorough improvement activities.

Hyundai Elevator is managing and evaluating the EHS index performance so that each department can autonomously draw out and improve its problems. The target department is 38 departments in total, including 5 overseas corporations. Based on their activities in evaluation, excellent departments are awarded. Since the working-level employees are directly managing related performances, safety and health awareness and accident prevention activities of applicable departments are strengthened, contributing to advanced EHS culture in Hyundai Elevator.

Hyundai Elevator will continue to do our best to make our workplace safer and healthier, by making continuous research efforts on measures to manage and improve safety and health conditions at our workplace.

[ISSUE 4]

ENHANCEMENT OF CUSTOMER SATISFACTION THROUGH COMMUNICATION



CONTEXT

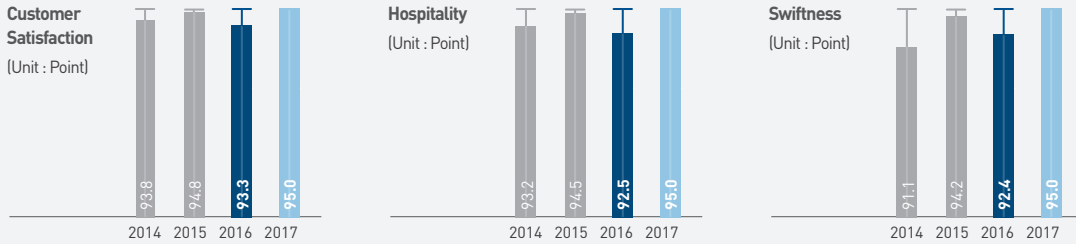
Communicating with customers is essential for corporate image and reliability. To ensure sustainable market competitiveness, it is important to provide products and services that satisfy customers. We will continue to achieve long-term growth based on customer trust and satisfaction through prompt and friendly communication with our customers.

OUR DIFFERENTIATION

Hyundai Elevator maximizes customer satisfaction with prompt response to their feedback and reputable service quality. In response to changes in the 4th Industrial Revolution, our quality services and active communication with customers using Big Data and are translated into high customer satisfaction.

OUTCOMES

Results of Customer Satisfaction Survey



OUTLOOK

Hyundai Elevator will provide our customers with higher quality service based on the Service Excellence team that was newly established in 2017. In addition, we will make a customer satisfaction process to foster service professionals, and will establish a customer-oriented service culture through continuous evaluation and management.

Main Activity

Hyundai Customer Care Center (HCCC)



Operating
 365 days a year
 24 hours a day

Hyundai Real Time Service (HRTS)



Live monitoring
 of elevator
 operation
 status

Strengthening Communication with Customers

Hyundai Elevator operates the Customer Care Center, which operates 24 hours for 365 days, for smooth communication with our customers. HCCC (Hyundai Customer Care Center) located in Icheon Head Office is equipped with specialized counseling staff to provide prompt customer consultation and trouble shooting.

HCCC is providing state-of-the-art customer service utilizing GIS (Geographic Information System) primarily in the elevator industry. When customer inquiries or trouble shooting requests are received at HCCC, information and repair history of the customer are sent to the smart phone of an engineer who is in the nearest location of the customer using the geographic information system. This way, Hyundai Elevator provides a prompt response to the customer's request.

Enhancement of Customer Satisfaction

Hyundai Elevator utilizes various technologies and data to provide differentiated services to our customers and maximize customer satisfaction. Hyundai Real Time Service (HRTS), which utilizes IT technology, is a remote management service that allows HCCC to monitor the status of elevator operations nationwide in real time. In particular, the HRTS provides real-time confirmation of the number of operations and lifetime of elevators, and anticipates aged parts and parts that need replacing, thereby preventing accidents beforehand and saving the time and efforts that customers should otherwise have spent taking care of such issues. In addition to this, HRTS utilizes sensors attached to elevator parts to identify fault types and provide remote repair services. As a result, 66% of claims filed to the HCCC are remotely repaired, contributing to improving customer satisfaction with the product as well.

Hyundai Elevator compiles data on all fault data received at HCCC, such as promptness of response, failure rate, and fault handling time. By doing so, Hyundai Elevator continues to enhance the level of customer satisfaction by more effectively identifying areas that need to be improved. Going forward, Hyundai Elevator will carefully listen to customers' opinions through aggressive customer communication and continue to provide services and products that satisfy our customers.



E-mail inquiry on the corporate homepage





Customer Call Reception

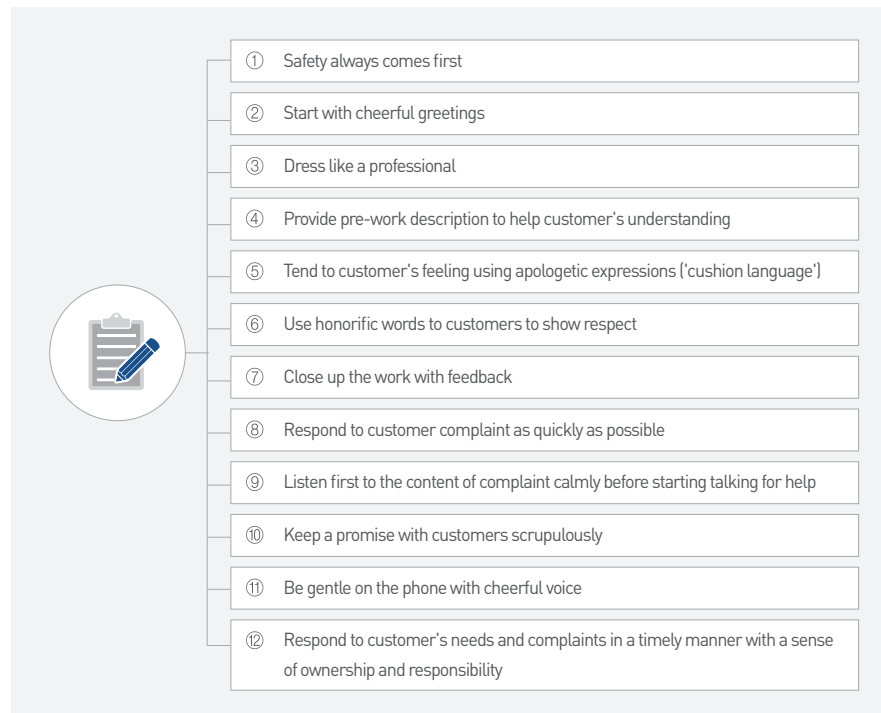
Strengthening Quality of Customer Service

Hyundai Elevator offers a variety of training and campaigns to enhance customer service quality. In order to provide a high level service, we set up 12 steps of basic code of conduct and employ service lecturers specialized in in-house service to provide service mind training throughout the company. In addition, we are continuing our efforts to improve customer service quality by conducting a Happy Call, a customer satisfaction survey, and '321 customer call response' campaign, a protocol for contact with customers via phone call.

In 2017, we created a Service Excellence team to set desired service goals and build proper processes. In addition, we plan to carry out continuous and integrated customer satisfaction activities that will lead to customer-oriented service culture by fostering specialized service manpower and conducting service evaluation and management on an ongoing basis.

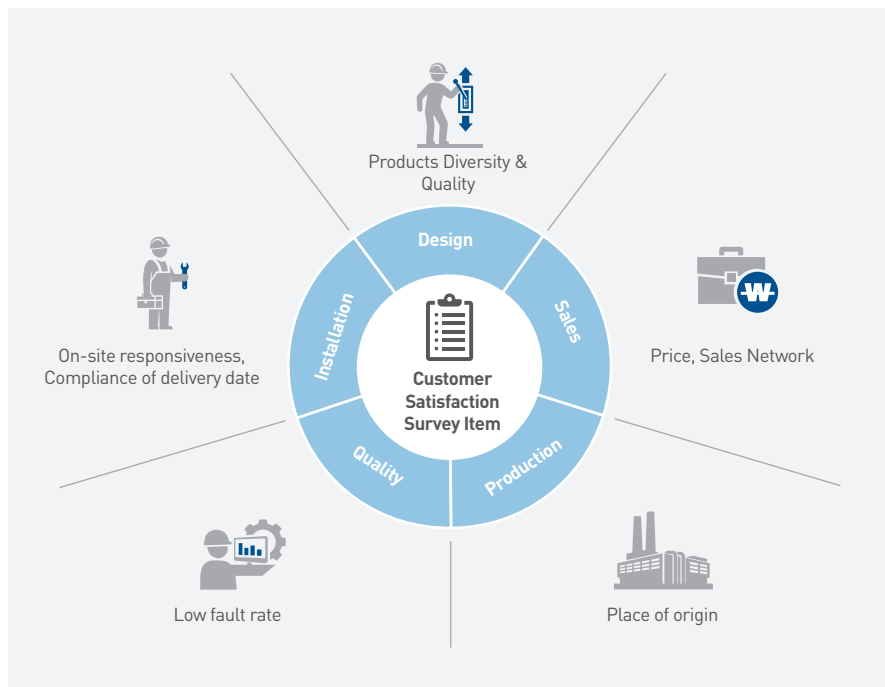


Service Zone Code of Conduct



Customer Satisfaction Survey

Hyundai Elevator conducts customer satisfaction surveys to enhance the level of customer satisfaction. In the survey, we investigate eight factors in five areas: sales, installation, design, quality, and manufacturing. By doing so, we aim to identify the current position of Hyundai Elevator and to find ways to further raise the level of customer satisfaction. In 2016, we began developing applications for mobile satisfaction surveys. The application has implemented from May 2017.



Sales Agency Meeting

Hyundai Elevator holds meetings with our sales agents for higher customer satisfaction. Through these meetings, Hyundai Elevator is exploring obstacles that the agents face in sales and action items, thereby identifying customers' true needs and increasing customer satisfaction.

In 2016, we held round-table meetings with 47 sales agents nationwide and carried out action items, including improvement of commission payment ratio and product catalog upgrading, so that the agents can streamline their business processes and enhance customer relation management. In 2017, we will hold a discussion tour for sales agencies across the country so as to enhance the level of customer satisfaction through active communication with the sales agents.

FINANCIAL AND NON-FINANCIAL STATEMENTS



FINANCIAL STATEMENTS

Consolidated Statement of Financial Position

33rd Period: As of Dec. 31, 2016
32nd Period: As of Dec. 31, 2015
31st Period: As of Dec. 31, 2014

(Unit : KRW)

	33rd Period	32nd Period	31st Period
Assets			
Current Assets	1,045,088,587,364	1,014,834,502,764	552,482,729,615
Cash and Cash Equivalents	489,901,998,618	429,503,480,822	126,819,019,126
Short-Term Financial Instruments	8,000,000,000	7,000,000,000	8,000,000,000
Sellable Financial Assets	246,926,398	0	0
Held-to-Maturity Financial Assets	102,380,000	761,050,000	1,513,520,000
Account Receivables	273,895,584,646	245,190,565,952	215,173,610,311
Receivables for Unclaimed Constructions	148,150,114,284	120,170,428,164	99,944,963,660
Other Receivables	9,230,837,729	15,098,136,948	12,410,822,908
Financial Derivatives	3,670,088,428	6,462,345	301,505,182
Inventory	60,135,300,594	33,467,518,829	29,812,734,336
Other Financial Assets	21,283,227,638	144,275,566,689	43,764,461,506
Other Current Assets	28,844,424,664	15,257,571,616	14,064,980,181
Tax Assets	1,627,704,365	4,103,721,399	677,112,405
Non-Current Assets	1,062,469,912,816	757,850,065,725	520,429,333,686
Long-Term Financial Instruments	22,500,000	18,000,000	8,142,970,330
Sellable Financial Assets	10,889,890,121	2,281,289,898	2,559,473,609
Held-to-Maturity Financial Assets	2,539,805,000	2,587,172,153	3,146,540,000
Investment in Affiliated Companies	2,429,704,524	175,722,305,483	257,540,610,213
Financial Derivatives	0	8,190,570,000	0
Investments in Real Estate	13,176,814,227	13,430,343,071	13,539,927,499
Tangible Assets	683,548,019,713	439,159,367,027	120,851,188,402
Intangible Assets	180,470,352,765	48,028,695,243	6,559,741,689
Other Financial Assets	15,369,769,490	17,833,718,389	16,536,924,631
Other Non-Current Assets	14,691,262,221	18,754,812,060	2,690,078,446
Deferred Tax Assets	139,331,794,755	31,843,792,401	88,861,878,867
Total Assets	2,107,558,500,180	1,772,684,568,489	1,072,912,063,301

	33rd Period	32nd Period	31st Period
Liabilities			
Current Liabilities	719,356,053,884	647,739,460,355	567,195,613,095
Trade Payables	185,614,026,794	150,146,204,852	137,035,681,247
Other Liabilities	103,569,316,743	98,314,121,966	52,395,836,462
Loan Payables and Private Loans	163,388,926,467	162,798,349,819	187,624,041,569
Liabilities for Financial Derivatives	6,545,026,700	18,275,734,852	44,695,181,160
Advances	38,439,959,166	29,251,142,050	22,359,982,529
Liabilities for Over-Claimed Constructions	171,786,404,682	144,091,424,537	98,242,730,751
Estimated Liabilities	14,809,015,544	18,923,209,433	10,168,152,753
Other Financial Liabilities	224,720	661,880	1,099,040
Other Current Liabilities	30,551,273,839	22,842,009,771	13,181,570,522
Tax Liabilities	4,651,879,229	3,096,601,195	1,491,337,062
Non-Current Liabilities	597,125,570,211	483,142,891,044	134,030,841,529
Other Liabilities	214,868,705,783	75,601,972,592	689,500,000
Other Non-Current Liabilities	176,001,168,605	177,964,929,605	0
Loan Payables and Private Loans	182,987,663,935	194,701,862,900	105,402,211,036
Liabilities for Financial Derivatives	0	4,704,406,053	626,359,939
Estimated Liabilities	5,373,319,171	627,308,000	0
Liabilities for Net Defined Benefits	10,847,586,969	23,494,321,794	20,710,602,734
Liabilities for Long-Term Employee Salaries	6,638,200,233	5,890,282,937	5,139,742,038
Deferred Tax Liabilities	408,925,515	157,807,163	1,462,425,782
Total Liabilities	1,316,481,624,095	1,130,882,351,399	701,226,454,624
Capital			
Controlling Company's Share	778,505,635,949	641,517,557,231	370,621,466,824
Capital	123,162,565,000	123,162,565,000	98,162,565,000
Consolidated Capital Surplus	463,768,269,111	469,224,378,554	678,534,277,559
Consolidated Other Capital Components	31,192,972,200	31,192,972,200	0
Consolidated Accumulated Other Comprehensive Income	(5,535,084,879)	(17,633,477,291)	(5,409,401,513)
Consolidated Earned Surplus	165,916,914,517	35,571,118,768	(400,665,974,222)
Non-Controlling Share	12,571,240,136	284,659,859	1,064,141,853
Total Capital	791,076,876,085	641,802,217,090	371,685,608,677
Total Liabilities and Capital	2,107,558,500,180	1,772,684,568,489	1,072,912,063,301

Consolidated Statement of Comprehensive Income

 33rd Period - Jan. 1, 2016 ~ Dec. 31, 2016
 32nd Period - Jan. 1, 2015 ~ Dec. 31, 2015
 31st Period - Jan. 1, 2014 ~ Dec. 31, 2014

(Unit : KRW)

	33rd Period	32nd Period	31st Period
Sales	1,758,791,900,587	1,448,653,887,563	1,305,580,741,993
Cost of Sales	1,363,643,462,224	1,138,026,321,805	1,047,283,518,957
Gross Income	395,148,438,363	310,627,565,758	258,297,223,036
Selling and Administrative Expenses	213,582,405,005	154,117,053,936	124,534,588,459
Operating Income	181,566,033,358	156,510,511,822	133,762,634,577
Other Income	33,392,463,408	20,381,010,916	18,729,170,525
Other Expense	140,092,218,900	19,444,658,697	15,732,136,113
Equity-Method Income from Investment in Affiliated Companies	(52,711,228,314)	(128,550,994,676)	4,848,216,022
Income from Disposal of Investment in Affiliated Companies	33,088,867,215	18,253,632,872	504,673,263
Financial Income	12,676,839,346	17,050,270,649	8,987,158,284
Financial Expense	48,997,964,854	30,210,905,028	79,661,327,158
Net Income before Income Taxes (Loss)	18,922,791,259	33,988,867,858	71,438,389,400
Income Taxes (Income)	(98,011,589,617)	39,025,499,883	21,018,936,495
Net Income	116,934,380,876	(5,036,632,025)	50,419,452,905
Other Comprehensive Income (After Income Taxes):	13,559,272,080	(31,044,441,916)	(17,339,861,542)
Items that are not reclassified as Income			
Re-Measurement Element of Net Defined Benefit Liabilities	2,074,539,762	(17,185,482,295)	(1,688,151,261)
Share in Affiliated Company's Re-Measurement Element of Net Defined Benefit Liabilities	(354,923,293)	(1,726,746,301)	(1,239,562,881)
Items that subsequently can be reclassified as Income			
Income on Valuation of Sellable Financial Assets	86,820,060	81,417,677	(8,692,877,899)
Share in Affiliated Company's Other Comprehensive Income	12,446,748,279	(9,170,320,284)	(6,410,531,799)
Income on Translation of Overseas Operations	(693,912,728)	(3,043,310,713)	691,262,298
Consolidated Total Comprehensive Income	130,493,652,956	(36,081,073,941)	33,079,591,363
Attribution of Consolidated Net Income			
Controlling Company Owner	128,700,276,400	(4,050,678,414)	50,465,456,159
Non-Controlling Share	(11,765,895,524)	(985,953,611)	(46,003,254)
Attribution of Consolidated Total Comprehensive Income			
Controlling Company Owner	142,444,188,161	(35,186,982,788)	33,105,424,858
Non-Controlling Share	(11,950,535,205)	(894,091,153)	(25,833,495)
Income Per Share on Controlling Company Owner's Share			
Basic Income Per Share	5,225	(185)	2,711
Diluted Income Per Share	4,888	(185)	2,711

Consolidated Statement of Cash Flow

33rd Period - Jan. 1, 2016 ~ Dec. 31, 2016

32nd Period - Jan. 1, 2015 ~ Dec. 31, 2015

31st Period - Jan. 1, 2014 ~ Dec. 31, 2014

(Unit : KRW)

	33rd Period	32nd Period	31st Period
Cash Flows from Operating Activities			
Cash Flows from Operation	168,755,985,363	162,020,947,794	164,736,531,896
Receipt of Interests	9,101,355,510	11,956,018,134	3,068,262,269
Payment of Interests	(15,453,133,083)	(14,398,400,761)	(13,130,826,836)
Receipt of Dividends	95,506,529	41,053,300	765,218,993
Payment of Corporate Taxes	(3,876,252,077)	(9,567,676,649)	(11,955,912,355)
Net Cash Flow from Operating Activities	158,623,462,242	150,051,941,818	143,483,273,967
Cash Flows from Investing Activities			
Disposal of Held-to-Maturity Financial Assets	761,050,000	1,513,520,000	841,308,070
Disposal of Sellable Financial Assets	68,885,656	172,315,168	19,108,647,257
Disposal of Short-Term Financial Instruments	3,000,000,000	3,608,681,630	0
Disposal of Preemptive Right	0	5,305,851,971	0
Disposal of Investments in Affiliated Companies	28,910	0	1,293,979,737
Withdrawal of Deposits	5,399,265,307	42,422,837,987	164,867,436,333
Disposal of Investments in Real Estate	81,381,273	0	0
Decrease in Financial Derivatives	4,545,193,310	465,732,653	503,270,941
Disposal of Tangible Properties	1,969,516,170	170,064,821	1,301,215,599
Disposal of Intangible Properties	379,962,000	985,454,545	0
Receipt of Governmental Subsidies	179,979,908	1,300,000,000	0
Decrease in Long-Term Loans	448,940,797	169,707,375	0
Decrease in Short-Term Loans	171,927,344,000	0	0
Decrease in Long-Term Financial Instruments	2,000,000,000	5,516,288,700	817,485,120
Net Cash Flow from Subsidiary's Acquisition of Investment	(88,761,009,683)	13,001,249,564	7,840,848,430
Increase in Short-Term Loans	(32,700,000,000)	(139,200,000,000)	0
Increase in Long-Term Loans	(4,447,294,382)	0	(260,051,600)
Acquisition of Short-Term Financial Instruments	(500,000,000)	0	(3,000,000,000)
Acquisition of Long-Term Financial Instruments	0	0	(8,140,610,561)
Acquisition of Held-to-Maturity Financial Assets	(431,640,000)	(1,175,055,000)	(297,325,000)
Acquisition of Sellable Financial Assets	0	0	(501,882,510)
Acquisition of Investments in Affiliated Companies	0	(51,366,931,440)	0
Increase in Deposits	(5,479,915,982)	(4,530,995,108)	(979,653,306)
Acquisition of Tangible Properties	(11,706,552,256)	(10,674,947,963)	(27,048,855,284)
Acquisition of Intangible Properties	(17,295,602,353)	(7,031,406,124)	0
Decrease in Liabilities from Financial Derivatives	(29,093,325,973)	(39,247,897,163)	(445,591,347,703)
Net Cash Flow from Investing Activities	346,206,702	(178,595,528,384)	(289,245,534,477)
Cash Flows from Financing Activities			
Increase in Loan Payables and Private Loans	49,656,258,937	357,015,655,520	79,225,812,642
Collection of Insurance	9,295,474,750	0	0
Capital Increase with Consideration	0	275,073,259,006	178,533,969,900
Return of Subsidiary's Capital	0	(200,000)	0
Payment of Loan Payables and Private Loans	(159,070,963,844)	(298,931,896,656)	(100,824,259,873)
Payment of Dividends	0	(81,732,096)	0
Net Cash Flow from Financial Activities	(100,119,230,157)	333,075,085,774	156,935,522,669
Increase (Decrease) in Cash and Cash Equivalents	58,850,438,787	304,531,499,208	11,173,262,159
Cash and Cash Equivalents at the Beginning of the Period	429,503,480,822	126,819,019,126	114,983,668,303
Impact of Exchange Rate Fluctuation on Cash and Cash Equivalents	1,548,079,009	(1,847,037,512)	662,088,664
Cash and Cash Equivalents at the End of the Period	489,901,998,618	429,503,480,822	126,819,019,126

FINANCIAL MANAGEMENT DISCUSSION & ANALYSIS

This Management Discussion and Analysis MD&A was prepared to evaluate the results of operations and financial position of Hyundai Elevator for the fiscal year ended December 31, 2016, as compared with the previous year. Unless otherwise specified, all amounts included in this section are based on consolidated financial statements prepared and audited in accordance with K-IFRS. All amounts are expressed in Korean Won (KRW). In this MD&A, 'we (the Company)' means 'Hyundai Elevator' unless otherwise stated.

The activities, events, or phenomena that the Company expects or anticipates for the future will reflect the Company's views on the events and financial performance at the time of preparation of such official documents of the year 2016. These forecasts included here are based on various assumptions related to the future business environment, thus those assumptions may eventually turn out to be inaccurate. In addition, these assumptions include risks, uncertainties and other factors that could cause a material difference between the estimates presented in the forward-looking statements and the actual results. Factors that can cause these important differences include, but are not limited to, factors related to internal management of the Company and external factors.

The Company has no obligation to publish an amended report that reflects the risks or uncertainties that occur after the date of preparation of the forecast information. In conclusion, we cannot provide assurance that the results, expectations, or anticipated influences forecast by the Company will be realized in the future. Please note that the forecasts presented in this report are prepared as of the date of this report and that the Company will not update these risk factors or forecast information in the future.

1. 2016 in General

In 2016, the domestic and global economy was in a period of uncertainty due to the ongoing recession and political and diplomatic instability. The global economy has grown in uncertainty due to Britain's withdrawal from the EU the possibility of policy changes due to a new President elect in the US, while the domestic economy has also experienced an economic slowdown in general, including falling manufacturing indices and sluggish exports.

However, even under such a difficult operating environment, we posted record-high performances in 2016, with KRW 1,744.2 billion in new orders, KRW 1,758.8 billion in sales, and KRW 181.6 billion in operating income. We have also achieved the top position in the domestic installation capacity for 10 consecutive years and in the domestic maintenance market share for the second consecutive year.

In addition, we have established a system to grow into a global company through the establishment of a new vision and declaration ceremony for globalization. The year 2016 was a meaningful year in which we laid a firm foundation for market expansion and competency-building in a global arena. In 2016, we established a new overseas corporation in Turkey, promoted a construction project for a new factory in the Chinese corporation, and opened a R&D center in China.

2. Performance by Business Sector

Korea Elevator Business

Korea elevator business is in charge of sales for domestic elevators as well as replacement works. In 2016, the elevator sector grew by more than 10% year-on-year. It results from external factors, such as the increase in demands for pre-sale and remodeling of apartment buildings before the apartment loan regulation policy was implemented, in addition to strategic factors, such as increase in demand and an increase in sales of short-term deliveries.

Overseas Business

Overseas business is in charge of overseas elevator sales. Overseas sales in 2016 grew by more than 10% year-on-year. We believe that our continued efforts in overseas markets have been fruitful despite the negative externalities in the Middle East market due to the drop in oil prices. In addition, the Turkey branch, which was newly established in July 2016, and our strategy to expand customer-oriented sales network in major overseas markets such as Saudi Arabia, Vietnam, Malaysia and the Philippines are believed to be effective as well. With our sales expansion strategies in focus markets, Hyundai Elevator has solidified its overseas sales base in 2016.

Service Business

Service business is in charge of maintenance of elevators and related equipment. 2016 service business sales has increased by more than 10% compared to the year before. As of January 2017, the number of elevators with paid maintenance service increased by 11,382 units (10.4%) relative to the previous year to 120,433 units. The number of elevators with full maintenance service also increased by 26.8% relative to January 2016 to 28,520 units, showing our constant growth, and we are continuously striving to increase our market share and sales.

Material Handling System Business

Material handling system business is in charge of automated material handling system and PSD sales. The growth of the material handling system business has slightly slowed down. In 2016, however, we secured a foothold in the Chinese market through a strategic partnership with Double Star Tire. Following the partnership building, we also secured an order amounting to KRW 79.1 billion for Korea Rail Network Authority platform screen door project. At the same time, we are seeking to improve profitability by further exploring potential markets and by continuing to strengthen our cost competitiveness.

Overseas Corporation

Hyundai Elevator operates 7 overseas corporations around the world including Asia, Europe and the Americas. In 2016, with the steady exchange rate trend in Southeast Asia and large-scale project orders such as Genting Highland, Muong Thanh, Samsung Display Vietnam V3 plants won by Southeast Asian corporations we achieved remarkable results.

3. Summary

Our main revenue comes from manufacturing, sales, installation and maintenance of elevators, escalators, logistics automation equipment, parking facilities and platform screen doors and related components. The following financial highlights is derived from consolidated financial statements audited by the auditors as included in the business report and must be accompanied by the consolidated financial statements

Summary of Consolidated Financial Information

(Unit: Million in KRW)

		2016	2015	2014
Financial Statement	Total Assets	2,107,559	1,772,685	1,072,912
	Cash and Cash Equivalents	489,902	429,503	126,819
	Total Debt	1,316,482	1,130,882	701,226
	Total Capital	791,077	641,802	371,686
Financial Statement	Total Sales	1,758,792	1,448,654	1,305,581
	Operating Income	181,566	156,511	133,763
	EBITDA	209,733	165,783	143,502
	Operating Expense	1,577,226	1,292,143	1,171,818
	Net Income	116,934	(5,037)	50,419
Financial Information	Operating Margin (%)	10.32	10.80	10.25
	Net Income Margin (%)	6.65	(0.35)	3.86
	ROE (%)	18.13	(0.80)	19.05
	Debt percentage (%)	166.42	176.20	188.66
	Retention Rate (%)	541.02	435.19	283.07
	Primary Earning Per Share (won)	5,225	(185)	2,711
	Cash Dividend Per Share (won)	500	-	-

We achieved operating profit of KRW 181.6 billion, up 16% from 2015, thanks to solid sales and profit growth in key areas such as domestic elevator business, service solutions, and overseas business. In addition, Hyundai Merchant Marine was excluded from Hyundai Elevator's affiliated companies from the second quarter of 2016, as the equity-method losses were concluded with the disposal of Hyundai Merchant Marine Co., Ltd. Thus, the related shares were classified as available-for-sale financial assets. As a result, the net loss of about KRW 5 billion in 2015 was improved by approx. 2,400% to the net profit of KRW 116.9 billion in 2016.

The total assets and liabilities of the Company increased by 19% and 16%, respectively, compared to the end of the previous year due to the merger of affiliated companies such as Hyundai Asan. In 2016, total assets amounted to KRW 2.1076 trillion, and total debt amounted to KRW 1.3165 trillion. Debt-to-equity ratio decreased 9.8 percentage points from the end of the previous year due to the termination of derivative contracts and the increase in retained earnings.

4. Sales

In 2016, we achieved KRW 1,758.8 billion in sales, an increase of 21% year-on-year. This is because demand for residential elevators has increased due to the revitalization of the construction industry, and the number of paid maintenance units for newly installed elevators and repair requests for obsolete parts has increased steadily.

Annual Sales

(Unit: 100 Million in KRW)

	2016	2015	2014
Total Sales	17,588	14,487	13,056

As of the end of 2016, the total number of elevators installed in Korea is 598,489. Among them, the number of elevators that were installed in 2016 increased by 16.6% relative to the previous year, to 43,998. Korea's elevator market is ranked 4th to 5th in the world, and it has a high proportion of high-rise buildings such as apartments. With the steady growth of Korean construction industry, demands for new unit installation as well as the maintenance market for existing elevators are quite significant. Hyundai Elevator has developed high value-added products with continuous technological development, maximized the efficiency of production, installation and maintenance process, while strengthening its sales force. Thanks to these efforts, we have maintained our top position for 10 years from 2007 in terms of domestic market share in installation performance, surpassing global manufacturers operating in Korea.

Market Share

(Source: Korea Elevator Safety Agency)

	2016	2015	2014	2013	2012
%	41.3	43.3	44.5	45.3	42.1

Sales by Business in 2016 (Consolidated Basis)

	Item	Percentage
Machinery Production for General Purpose	Elevator, etc.	75.1%
Service	Elevator maintenance, etc.	16.0%
Other	Other sales	8.9%

5. Profitability

Consolidated Statement of Comprehensive Income

(Unit: Million in KRW)

	2016	2015	2014
Total Sales	1,758,792	1,448,654	1,305,581
Cost of Sales	1,363,643	1,138,026	1,047,284
Gross Sales Income	395,148	310,628	258,297
Selling & Administrative Expenses	213,582	154,117	124,535
Operating Income	181,566	156,511	133,763
Other Income	33,392	20,381	18,729
Other Expenses	140,092	19,445	15,732
Equity-Method Income from Investments in Affiliated Companies	(52,711)	(128,551)	4,848
Income from Disposal of Investments in Affiliated Companies	33,089	18,254	505
Financial Income	12,677	17,050	8,987
Financial Expense	48,998	30,211	79,661
Net Income Before Income Taxes (Loss)	18,923	33,989	71,438
Income Taxes (Gain)	(98,012)	39,025	21,019
Net Income	116,934	(5,037)	50,419

Operating profit from the business in 2016 was KRW 181.6 billion, up 16% from KRW 156.5 billion in 2015, thanks to an increase in COGS-to-sales ratio (up by 1.0% relative to the previous year) due to increased sales and cost reduction. Although the COGS-to-sales ratio improved, selling & administrative expenses increased by 38% due to the acquisition of excellent talent, increase in commission fees, and the merger of affiliated businesses.

The Company reflected an equity method loss of KRW 52.9 billion in 2015 and a loss on disposal of KRW 87.8 billion of available-for-sale in non-operating expenses. Equity-method losses were attributable to loss on valuation of stocks the Company held in Hyundai Merchant Marine due to its deteriorating earnings, while loss on disposal of available-for-sale securities reflects losses on disposal of assets held by Hyundai Merchant Marine by differential capital reduction. On the other hand, due to the recognition of deferred income tax assets related to the impairment loss of stock holdings of Hyundai Merchant Marine, we recorded net income of KRW 116.9 billion this year.

Corporate Tax

The Company recognized deferred tax assets of KRW 138.9 billion related to the impairment loss on Hyundai Merchant Marine Co., Ltd. and recognized corporate tax revenue of KRW 98 billion. As a result, we were able to record net profit of KRW 116.9 billion in 2016.

(Unit: Million in KRW)

	2016	2015
Net Income before Corporate Taxes	18,923	33,989
Deferred Tax Assets	(138,923)	31,686
Return of Corporate Taxes	98,012	(39,026)

Operating Expense

In 2016, our operating expenses amounted to KRW 1.5772 trillion, a 22% increase from KRW 1.2921 trillion in 2015. The main reasons for the rise in operating expenses were the effects of the merger of affiliated companies, the rise in employment costs due to an increase in the number of employees, and the increase in commission fees due to the expansion of product sales.

(Unit: Million in KRW)

	2016	2015	2014
Cost of Sales	1,363,643	1,138,026	1,047,284
Salary	78,525	55,852	45,585
Retirement Benefit	6,825	3,113	2,607
Rent	10,153	5,466	4,267
Insurance	6,278	4,865	3,854
Commission	38,228	30,277	24,248
Computing Expense	8,419	6,913	5,700
Ordinary Development Expense	17,347	15,152	11,332
Other	47,808	32,479	26,941
Total Operating Expenses	1,577,226	1,292,143	1,171,818

6. Financial Structure

Current Asset

In 2016, our current assets increased by 3% from 2015 to KRW 1,045 billion. This is because cash and cash equivalents increased by 14% compared to the previous year, and account receivables and receivables for unclaimed constructions increased by 12% and 23%, respectively, due to the effect of business combination of affiliated companies. In addition, inventories increased by about 80% compared to the previous year. Other financial assets decreased by 85% from the previous year due to the decrease in short-term loans.

(Unit: Million in KRW)

	2016	2015	2014
Cash and Cash Equivalents	489,902	429,503	126,819
Account Receivables & Other Trade Receivables	431,276	380,459	327,529
Inventory	60,135	33,468	29,813
Other Current Assets	63,776	171,405	68,322
Total Current Asset	1,045,089	1,014,835	552,483

Non-Current Asset

In 2016, our non-current assets increased by 40% from 2015 to KRW 1,062.4 billion. Tangible assets (up 56% from the previous year) and intangible assets (up 276% from the previous year) increased due to the effect of the business combination of affiliated companies as we recognized deferred income tax assets (KRW 139.3 billion) related to the impairment loss of Hyundai Merchant Marine.

(Unit: Million in KRW)

	2016	2015	2014
Investment in Affiliated Companies	2,430	175,722	257,541
Tangible Asset	683,548	439,159	120,851
Intangible Asset	180,470	48,029	6,560
Other	196,022	94,940	135,477
Total Non-Current Asset	1,062,470	757,850	520,429

Liabilities

In 2016, our liabilities increased by 16% from 2015 to KRW 1.3164 trillion. This is because of the increase in borrowings and debentures as a result of the affiliate business combination. On the other hand, debt-to-equity ratio decreased 9.8 percentage points from the end of the previous year, as capital stock growth rate surpassed debt growth rate due to the increase in consolidated retained earnings.

(Unit: Million in KRW)

	2016	2015	2014
Current Liabilities	719,356	647,739	567,195
Non-Current Liabilities	597,126	483,143	134,031
Total Liabilities	1,316,482	1,130,882	701,226

Capital

Retained earnings amounted to KRW 165.9 billion as of December 31, 2016, which was KRW 35.6 billion as of December 31, 2015. Therefore, the total amount of our capital, which was KRW 641.8 billion as of the end of 2015, increased 23% to KRW 791.1 billion as of the end of 2016.

(Unit: Million in KRW)

	2016	2015	2014
Capital	123,163	123,163	98,163
Capital Surplus	463,768	469,224	678,534
Other Capital Components	31,193	31,193	-
Accumulated Other Comprehensive Income	(5,535)	(17,633)	(5,409)
Earned Surplus (Deficit)	165,917	35,571	(400,666)
[Controlling Company's Share]	778,506	641,517	370,622
[Non-Controlling Share]	12,571	285	1,064
Total Capital	791,077	641,802	371,686

7. Domestic Operation

Despite unfavorable economic conditions, Hyundai Elevator has achieved record highs in sales every year, achieving KRW 1.3056 trillion in 2014, KRW 1.4487 trillion in 2015, and KRW 1.7588 trillion in 2016.

In August 2014, we installed the fastest elevator in Korea (Busan International Financial Center, 600mpm). In April 2015, we installed the double deck elevator (Seoul Yongsan LG U+ new building), which was the first case in Korea to operate two elevators at the same time. In May 2015, we completed the construction of the longest escalator in Korea (Daegu Metropolitan Subway Line No. 3 Shinnam Station, length: 57m), winning all new records in domestic elevator sectors.

In March 2015, the Company ranked first in the paid maintenance market in Korea, proving its competitiveness in the service sector as well as its products. Among others, elevator maintenance is a very important market for continuous profit generation. Hyundai Elevator has surpassed 120,000 units for paid maintenance sector in 2016, securing the top position for the second consecutive year. We have established a firm foundation for the elevator maintenance market with aggressive market penetration strategy.

Furthermore, we have developed 'Green Elevator' which realizes green concept by minimizing carbon emissions from energy efficiency improvement, material saving and recycling, and use of environmentally friendly materials. We are also strengthening sales of high-value-added products and key components that prevent environmental pollution in advance such as LOWATT, a power regenerative inverter that can reduce power consumption by up to 60%.

Recently, we have been showing new technologies that have not been tried in other companies and getting good response from consumers. The cutting edge technologies that we introduced in our products include ultra-large multi-vision where the 3D animation screen changes according to the floors, streamlined ergonomic interior design LED display floor sensor, and handwriting input type touch button. In addition, we are actively responding to the short-term delivery market with the launch of ready-made elevators that satisfy the customers' changing needs. HRTS (Hyundai Real Time Service), the most advanced remote management service provides unique and superb services to our customers.

8. Overseas Operations

Hyundai Elevator, which celebrated its 33rd anniversary in 2017, has strengthened international competitiveness through entering overseas markets such as China, Brazil, Southeast Asia, and the United States, we are emerging as a specialized elevator brand for logistics automation equipment and parking facilities in overseas markets. In particular, we established a Turkish subsidiary in 2016 to secure a firm base for entry into the European market.

As a result of steady efforts to expand our brand image since the early 2000s when Hyundai Elevator first advanced into Iraq, we have won large projects such as the Bismarck New City Project in Iraq in 2014 in which involved 1,668 elevator orders, and the project to install all the elevators for the Water Garden, the largest shopping mall in the Turkish International Financial Center in 2015. In March 2016, by winning the Genting Highland, the only casino resort and the largest multi-entertainment facility in Malaysia, our position in overseas market has become stronger. In addition, we have also won several other large-scale projects, including large-scale medical complex project (SFMC) project in Riyadh, led by Saudi Arabian government, and Mashhad Urban Railway Line 2 project in Iran.

9. 2017 Plan

In 2017, we plan to establish a new factory in China as part of our strategy to expand our business in China in order to secure stable source of profits with expanded overseas operation. In particular, we have set three key business strategies as we mark the first year to make a leap forward Global Top 7: accelerating globalization, strengthening dominance in domestic market, and securing foundation for sustainable growth.

We will accelerate globalization strategies through success in Next Home Market such as China, India and Turkey and opening up new markets, while expanding our market share in domestic market and increasing the number of paid services to 130,000 units by strengthening our dominance in the domestic elevator industry. We plan to strengthen R&D capabilities, secure technological competitiveness, and expedite the growth of the service sector to lay the foundations for sustained growth in our future.

To this end, we are actively tapping into the maintenance market by further strengthening our position on the back of the increased installed capacity, new installed capacity, and the technological prowess. In 2017, we set our sales target at KRW 1.7 trillion*, striving to achieve our management goals and sustainable growth.

The business environment in 2017 is expected to be full of unfavorable elements; the uncertainties in overseas economies are expected to last due to the anticipated capital hemorrhage in emerging economies with potential interest rate hike in the U.S., and the real estate market in China is slowing down. Devaluation of local currencies in several countries can also be a concern.

Despite such difficult business environment ahead, Hyundai Elevator employees will continue their active sales activities to maximize the company's growth and values for our shareholders. Furthermore, we will do our best to realize a sustainable future with our stakeholders based on external growth and profit improvement.

(*Separate Basis)

NON-FINANCIAL MANAGEMENT DISCUSSION & ANALYSIS

1. Human Capital

Composition of Employees

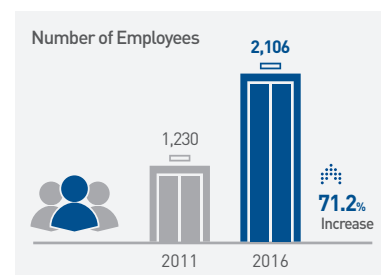
		2014	2015	2016
Gender	Male	1,509	1,701	1,903
	Female	158	172	203
Occupational Group	Administrative	755	852	923
	Manufacturing/Technical	726	806	893
	Research	66	89	91
	Other	120	126	199
Type of Employment	Regular	1,547	1,747	1,907
	Contractual	120	126	199
Diversity	High School Graduate	605	631	801
	Handicapped	22	22	22
	Patriots & Veterans	18	18	18
Age	30 or less	447	531	594
	31 to 40	483	551	644
	41 to 50	518	547	563
	51 or more	219	244	305

Ever since it declared its vision “Go Global” in April 2016, Hyundai Elevator has been striving to attract the best and brightest both in domestic and overseas markets to strengthen its global business capabilities. As of the end of 2016, a total of 3,470 people (2,100 in Korea and 1,370 overseas) are working. We will continue to attract more talent as we expand our overseas business operation going forward. As of December 2016, Hyundai Elevator has a total of 2,106 employees in Korea, including 51.9% of field workers and office workers, and 48.1% of technical workers.

Recruiting & Resignation

		2014	2015	2016
New	Male	289	330	317
	Female	31	28	39
Resignation Rate		5.6%	8.9%	5.6%
Number of Resigned Employees		93	166	118

Hyundai Elevator has actively participated in job sharing policy led by the Korean government, contributing to resolving the youth unemployment problem. The number of employees increased from 1,230 in 2011 to 2,106 in 2016, a 1.7-fold increase in employment. Hyundai Elevator is continuously striving to secure global talent to expand overseas business as well. In accordance with our core value of Service Excellence, we are making efforts to increase service employees. We are also striving to recruit excellent researchers to secure future growth engines through various programs, including industry-university cooperation programs, industry-university R&D scholarship programs, or recruiting in connection with the establishment of corporations or business plans of overseas subsidiaries.



There is no discrimination in recruiting process based on gender in Hyundai Elevator. We are actively promoting recruiting plans to attract excellent minds. In addition, we have established a system through which the local talent can be actively hired in collaboration with the recruiting centers of leading regional universities and colleges. Among the 356 employees employed in 2016, 18 female workers, 97 college graduates, and 45 high school graduates were employed through this local talent recruiting system. Hyundai Elevator offers opportunities to explore and build your career through a variety of workplace experiences. We have a wide range of programs to raise career awareness and professionalism so that employees can grow the ability to design their career that suits for their aptitude.

Retirement Pension System

(Unit: 100 Million in KRW)

	2014	2015	2016
Retirement Pension	498	804	1,127

Hyundai Elevator implements a defined benefit (DB) retirement pension system in accordance with the Employee Retirement Benefit Security Act. In addition, the wage peak system has been introduced since 2017, so that the applicable employees can use it as a preparatory period for retirement and a training period for their successor. (Defined Contribution (DC) is also in operation)

Maternity Leave & Return

	2014	2015	2016
Number of Employees on Maternity Leave (Person)	5	8	10
Number of Employees who Returned from Maternity Leave (Person)	2	5	5
Return Rate (%)	40%	63%	50%

Hyundai Elevator supports employees so that pregnancy, childbirth, and childcare would not negatively affect their career. We are encouraging employees to use diverse supportive systems, including pre- and post-childcare leave, ordinary childcare leave and the shortening work system during pregnancy. In 2016, seven employees used the parental leave and four returned to work from the leave. In addition, Hyundai Elevator's headquarters and the Seoul Office have maternity protection rooms (nursing rooms). As such, we are striving to make favorable working environment for female workers.

Hyundai Elevator is constantly expanding the employment of female workers and striving to nurture them as managers. In 2016, nine out of 223 female employees were selected as key managers. Although the employment of women is inevitably limited due to the nature of manufacturing and maintenance work for machinery/electrical equipment, we posted 3.57% in female manage ratio in 'Active Employment Improvement Measures' in a survey conducted by the Ministry of Employment and Labor. The ratio of female workers wage to that of male workers is about 51%. In order to further reduce this gap, we are trying to nurture female professionals and managers in an ongoing basis.

Labor-Management Relationship

	2014	2015	2016
Labor Union Membership Rate	71.5%	68.6%	65.1%

* The labor union membership rate decreased slightly due to the increase in the number of office workers compared to the technical workers

Based on its perception of labor-management cooperation and mutual growth as the best competitiveness, Hyundai Elevator pursues 'Labor-management relations for mutual growth', 'Advanced labor-management relation based on honesty and trust', and 'Active communication between the labor union and management.' Based on the Article 14 of the Labor Collective Agreement, Hyundai Elevator has created a culture that enables labor and management to co-exist with each other by providing a channel for notifying labor and management about important matters of the company, including changes in position and work place of labor union officers, opening and closing of the employment rules, opening and closing of the union code and protocol, and appointment/dismissal/relocation of union officers. Hyundai Elevator plans to grow by maintaining good management performance and secure conditions through win-win cooperation between labor and management.

2. Social Capital

Selection of Business Partners

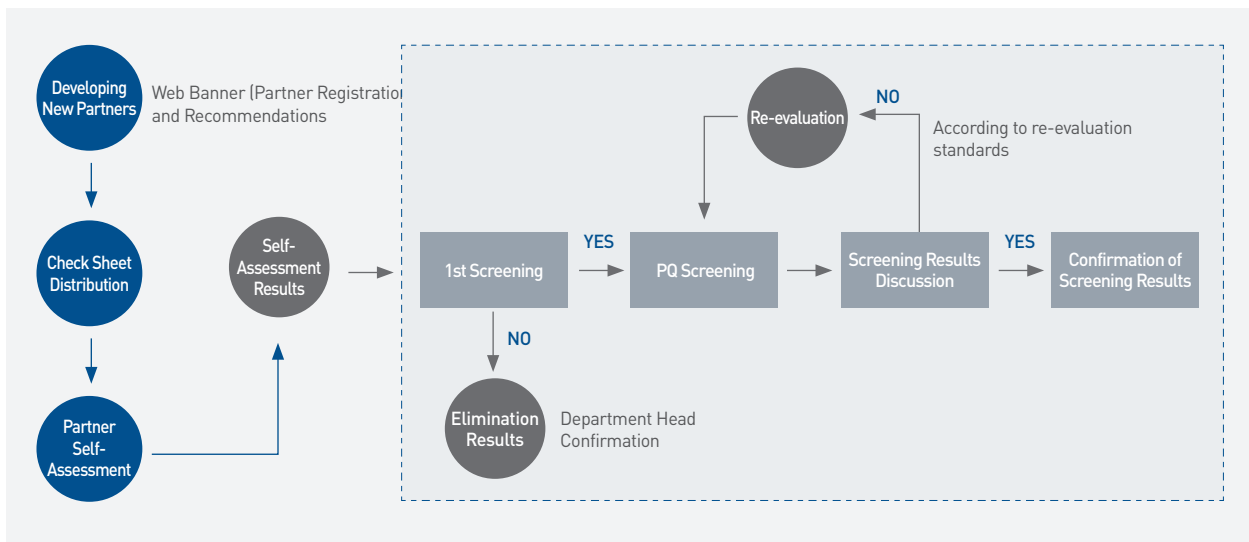
Hyundai Elevator selects new business partners through transparent and objective procedures. Companies wishing to start a new business relation can apply for a new transaction at any time through our website. We select partners by comprehensively evaluating financial and non-financial factors through the 1st assessment (self-assessments of the applicant) and 2nd PQ Assessment.*

* PQ Assessment Pre-qualification process conducted for partner companies that include financial/technical evaluation as well as non-financial evaluation for aspects of environment and safety.



Go to application for new
business partner registration

Business Partner Selecting Process



Win-Win Growth with Business Partners

Result of Win-Win Growth Strategy

Division		2014	2015	2016
Financial Support	Number of Partners which Received Financial Supports	149	178	307
	Amount of Financial Support (Hundred Million in KRW)	59	41	84.6
	Cash (Cash Equivalents) Payment Ratio (%)	100	100	100
	Number of Payments (Times)	1 to 2	1 to 2	1 to 2
Technical Support/ Protection	Number of Technical Development Supports (Case)	1,546	1,778	1,589
	Number of Technical Protection Supports (Case)	3	4	5
Support for Education / HR / Recruitment	Educational Support (Person)	4,169	7,367	5,824
	Number of Employees Recruited at Partner's Job Expo	0	4	2

Hyundai Elevator strives to build a healthy corporate ecosystem through mutual growth with its partners and to strengthen the industrial competitiveness. Collaborating with its partner companies, Hyundai Elevator is making vigorous efforts to reduce costs, improve processes, enhance quality, and develop innovative parts and new products.

The achievements of innovative activities are shared with partner companies through prearranged methods such as cash compensation, long-term contracts, unit price adjustments, and joint patent applications, so that Hyundai Elevator and the partner companies can win-win. From 2015, we have also operated multilateral performance-sharing system* by expanding the scope of the coverage for performance sharing from our second-tier partners.

* The Multilateral Performance Sharing System is a system in which a contracting entity and a primary and a secondary supplier enter into a one-to-one or one-to-many contract, so that they can share the achievements created in the joint project through a pre-contracted method.

Key Performance in Multilateral Performance Sharing System

	Project Name	Performance Sharing	
		HDEL - Primary Supplier	Primary Supplier - Secondary Supplier
Woojin Electric/ Changdai Industry	Cost reduction by changing the thickness of SUS board plate	3-year contract	3-year contract
Daejoo ENT/ Dain NGI	Cost reduction by changing weight case welding method	Compensation by Cash	3-year contract
Woojin Electric/ Liftregen	Cost reduction through improvement of transformer structure in control panel	3-year contract	3-year contract
Vision Motors/ Daeseong	Stator assy productivity improvement	2-year contract	3-year contract
Cheil Steel/ SDK	Cost reduction through development and introduction of new design material (GLAM)	3-year contract	3-year contract

Business Partner Meeting

Hyundai Elevator holds a meeting with partner companies to promote mutual growth with them. In the meeting held in the first half of 2016, we provided awards to outstanding suppliers and shared important changes in major systems and regulations. Through Q&A session, active communication and exchange of opinions were observed between the HDEL and partner companies. Going forward, Hyundai Elevator will continue to hold the meetings with partner companies twice a year to listen to the difficulties of them and to lay the groundwork for continuous mutual growth in the future.

Fair Trade


Fair Trade Agreement with Major Business Partners

	2014	2015	2016
Total Amount of Purchase of Major Business Partners (Million in KRW)	568,987	642,440	714,885
Number of Contractual Business Partners	262	267	274

Through fair trade agreements with our partners, Hyundai Elevator pledges to comply with fair trade practice and to conduct competitiveness-building activities. We are also continuing our efforts to discuss and improve important issues through the meetings with partner companies.


Coexisting Collaboration Support

financial support, technology support, HR support, training and education, welfare, etc.




Fair Contracts

Contract process, contract contents, fair implementation process

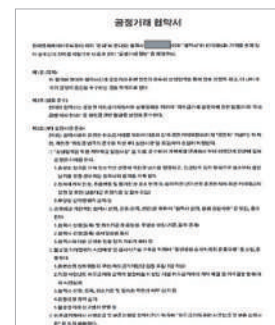


Compliance Efforts

Law violation prevention/ Post verification system implementation

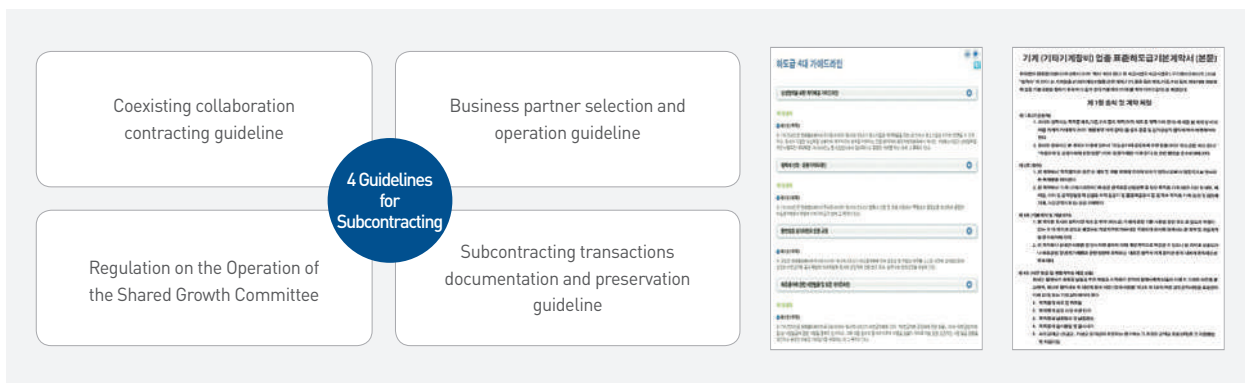


Fair trade compliance and activities to enhance competitiveness



Fair Trade Agreement

In addition, Hyundai Elevator follows four major guidelines in fair subcontracting transactions and uses standard subcontracting contract forms to build a fair subcontracting relationship with our partner companies. Details of the guidelines are posted on the company website (<http://www.hyundaelevator.co.kr>) so that not only HDEL employees but also those hired by our partners can always refer to the guidelines.



In recognition of our achievement in establishing fair trade order and spreading the culture of cooperation and shared growth, Hyundai Elevator received a certificate from the Chair of Fair Trade Commission in December 2016. In addition, we received a rating of Excellent in the “2015 Shared Growth Index” announced by Korea Commission for Corporate Partnership in 2016.

Social Contribution

Key Social Contribution Index

	2014	2015	2016
Participants	3,836	4,358	4,978
Activities	151	197	255
Hours	18,481	22,421	28,215
Hours Per Person	11.9	12.8	13.5
Donation (Million in KRW)	350.5	60.7	36.8*
Expense (Million in KRW)	21.9	47.2	47.8

* During the year (2016), the amount of donations decreased while the number of participants and activities increased, as we focused more on increasing man-hour with activities such as talent donation activities, community cleaning campaigns, and volunteer work at welfare facility than the monetary donation.

Under the slogan of “To be a company that grows by sharing,” Hyundai Elevator pursues sustainable growth by seeking continuous communication with community and returning the benefits we have received, as a responsible member of our society. In particular, Hyundai Elevator is planning and conducting strategic social contribution activities related to ‘safety’, which is a keyword for us considering the characteristics of our business. Furthermore, we are also engaged in various social contribution activities such as community support, scholarship projects, and talent donation. Moreover, social contribution activities that are promoted through our newsletter, donation, sharing and cultural education, Hyundai Elevator strives to address not only corporate issues but also social, political and environmental issues, thereby contributing to sustainable management.

Major Social Contribution Activities

	Program
Strategic Social Contribution	Safe Use of Elevator Campaign, Elevator Safety Training for Children, 119 Rescue Drill for Trapped Incident
Support for Local Community	One branch for one village support, sponsorship for child welfare facility, voluntary work for welfare facilities in local community
Donation & Sponsorship	Matching Grant Fund Scholarship Project, Last digit (salary) donation (briquettes, rice, school uniforms support)
Talent Donation	House repair, photo clubs talent donation activities
Reward	Volunteer festivals and year-end awards for voluntary work, departments and individuals, clubs
Medicine & Health	Blood donation campaign

3. Environmental Capital

Integrated Environment Management System

Hyundai Elevator systematically manages environmental facility operation, air pollutant emission, and water and power consumption through our integrated environmental management system. Going forward, we plan to upgrade the system so that chemical handling and management can be also conducted within the system.

Air Pollutant Control

In our facilities, air pollutants sources are minimized through pollution prevention facilities before being discharged into the atmosphere. Although major pollutants are classified as dust, we also make efforts to reduce them by conducting annual maintenance of preventive facilities and replacing the consumables according to the statutory replacement period.

(Unit: kg)

	2014	2015	2016
Air Pollutant (Dust)	4,173	3,961	4,140

Raw Material Procurement

(Unit: Million in KRW)

	2014	2015	2016
Total	580,575	663,799	580,305
Iron Plate & Shaped Steel	28,053	28,413	32,263
Traction Machine	38,872	39,974	44,451
Casting	13,755	18,332	19,216
Control Panel	47,996	57,712	61,118
Guide Rail	35,607	42,721	44,925
Cable	21,588	23,215	23,603
Wire Rope	11,517	15,299	26,759
Step & Chain	10,057	12,577	12,500
Drive Unit	2,938	6,575	7,275
Platform Hatch Part	100,730	114,543	149,272
Other	269,462	304,438	158,923

Water Resource Management

Hyundai Elevator operates a zero waste water treatment system that does not discharge even a small amount of wastewater by evaporating it through physical and chemical primary treatment and final treatment using filter system. Moreover, we have operated one oil-water separating unit that processes the waste oil generated from the cutting process to prevent direct discharge of such highly concentrated wastewater into the environment. Through active investments in various environment facilities, we are working to maintain efficient wastewater management system.

(Unit: Thousand Ton)

	2014	2015	2016
Total Water Resource Consumption	41.2	36.3	36.4
Underground Water	39.1	28.6	27.7
Industrial Water	2.1	7.7	8.7
Total Water Recycling	3.4	3.4	3.4
Unit Consumption*	3.16	2.51	2.07
Unit Reduction Rate	-2.8%	-20.6%	-17.4%

* [Consumption * 1000 / Sales (Hundred Million in KRW)]

(Unit: Ton)

	2014	2015	2016
Amount of Wastewater	2,785	2,510	3,065

Harmful Chemical Substance Control

Hazardous chemicals used in the production process of Hyundai Elevator are managed through a dedicated chemical substance management processes such as chemical inventory, impact assessment, etc. in all processes, from receipt to use, emission and disposal stages. We identify and manage the amount of chemical substances emitted during the use process via chemical substance emission and flow inspection. By constantly checking and conducting preventive activities, we are doing our best to prevent leakage accidents in advance.

(Unit: Ton)

	2014	2015	2016
Total Hazardous Chemicals Usage	40	32.17	35.13

Waste Disposal

Hyundai Elevator applies the Waste Manifest System Network to all processes such as the generation, transportation and disposal of waste generated during production, and handle them in one system on-line. In addition, we carry out environmental education such as separate collection and storage inspection status to those in charge of handling and discharging wastes every year in order to secure proper waste treatment system from the generation stage.

(Unit: Ton)

	2014	2015	2016
Total Waste Discharge Amount	394	422	391
Reclamation	21	19	17
Incineration	225	255	235
Recycling	101	107	104
Designated Waste	47	40	34
Waste Reduction Rate	-5.9%	-15.4%	-14.2%
Total By-Products	904	745	768
Scrap Metal	520	425	366
Chip	373	315	395
SUS	11	5	7
Amount of Recycling	904	745	768
Recycling Rate (%)	100	100	100

Energy Saving

Hyundai Elevator is engaged in diverse activities to minimize energy consumption in each production process. The energy use of Hyundai Elevator is mainly occupied by electricity and LNG. In order to save more energy, we replaced lamps in Factory 3 from metal highlights (250w) to LED (100w) in 2016, saving 80,496kw of energy per year. In the future, we plan to implement a smart factory system in the production process to further increase energy efficiency.

	2014	2015	2016
Total Energy Consumption (TJ)	157	159	169
Electricity (kWh)	11,785,962	11,640,790	12,144,219
Gas (Nm ³)	875,078	881,699	977,743
Fuel (l)	157,883	253,921	281,094
Unit Consumption*	12.01	11.01	9.61
Unit Reduction Rate	-22.9%	-8.3%	-12.7%

*[Consumption * 1000 / Sales (Hundred Million in KRW)]

GHG Emission

Hyundai Elevator calculated the greenhouse gas emissions of Incheon Head Office, distribution centers, and Seoul Office. In 2016, greenhouse gas emissions in those facilities were 11,176 tCO₂eq which is 11.7% lower than last year.

	2014	2015	2016
Total GHG Emission	10,192	10,431	11,176
Scope 1	2,311	2,587	2,833
Scope 2	7,582	7,527	7,943
Scope 3	299	318	400
Unit Consumption*	0.78	0.72	0.64
Unit Reduction Rate	-22.0%	-7.8%	-11.7%

(Unit: tCO₂eq)

* [Emission / Sales (Hundred Million in KRW)] The difference from last years numbers are due to the changes in GHG emission scope.

Environmental Investment

Hyundai Elevator invests in environment every year for efficient maintenance and operation of its environmental facilities. Through these efforts, we will ensure that environmental management activities such as environmental protection and waste reduction at our workplaces are effectively evaluated.

	2014	2015	2016
Amount of Environmental Operation	264	553	502
Amount of Environmental Investment	0	0	80

(Unit: Million in KRW)

Global Carbon Management Certification

For the first time in elevator industry, Hyundai Elevator acquires global carbon management certification. Global Carbon Management Certification is the world's most prestigious carbon management certification system developed by Carbon Trust, a nonprofit corporation founded in 2001 by the British government in an effort to combat climate change. It is expected that the improved reliability with stakeholders through certification and the use of certification logo in global business will contribute to making the eco-friendliness of Hyundai Elevator more distinctive.

Level A in the Environment Section of ESG Assessment

Hyundai Elevator was awarded level A from the Korea Corporate Governance Service(KCGS) on environment section of the ESG Assessment. This indicates that Hyundai Elevator has the proper system in accordance with the standards of KCGS and therefore is less likely to be a threat to shareholder value regarding environmental risks. HDEL will continue to reach for higher levels.



AUDIT REPORT FROM INDEPENDENT AUDITOR

To. Hyundai Elevator's Shareholders and Board of Directors

We have audited the accompanying consolidated financial statements of Hyundai Elevator Co., Ltd. and its subsidiaries. The consolidated financial statements include the consolidated statement of financial position as of December 31, 2016 and December 31, 2015, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows ending on the same date as above, as well as a summary of the meaningful accounting policies and other descriptive information.

Management's Responsibility for Consolidated Financial Statement

Management of Hyundai Elevator is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with K-IFRS and internal controls that are executed to prepare consolidated financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility as an independent auditor is to express an opinion on these consolidated financial statements based on our audit. We conducted our audits in accordance with auditing standards of the Republic of Korea. Those standards require that we plan and perform our audit in compliance with ethical requirements to obtain reasonable assurance about whether these consolidated financial statements are free from material misstatement.

An audit includes performing the procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedure selected in audit processes depends on the auditor's judgment, such as an assessment of the risk of material misstatement in the consolidated financial statements due to fraud or error. When evaluating those risks, the auditor considers internal control relevant to the preparation of the consolidated financial statements and fair presentation in order to design audit procedures that are appropriate to the circumstances. However, this is not intended to express an opinion on the effectiveness of internal controls. An audit also includes assessment of the adequacy of the accounting policies used and the reasonableness of accounting estimates derived by management, in addition to the evaluation of the overall presentation of the consolidated financial statements.

We believe that the audit evidence we obtained is sufficient and appropriate as evidence for an audit opinion.

Auditor's Opinion

We believe that the financial statements fairly present and reflect the financial position of Hyundai Elevator Co., Ltd. as of December 31, 2016 and December 31, 2015, and the financial performance and cash flows for the two reporting periods ending on the above dates in accordance with K-IFRS from the perspective of materiality.

Emphasis

Although this section does not have an impact on the audit opinion, the users of this audit report need to pay attention to the following matters.

Auditor's emphasis on key audit items for order-based industry, etc.

The key audit items for order-based industry are selected as meaningful items during the audit process of the entity's consolidated financial statements based on the expert judgment of the auditor and communication with the governing body in accordance with the "Audit Practice Guideline 2016-1". These matters are discussed from the perspective of auditing the entire consolidated financial statements, and we do not provide separate opinions on these matters.

We have reflected the results of the auditing process performed on the following key audit items in forming the audit opinion on the consolidated financial statements of Hyundai Elevator Co., Ltd. and its subsidiaries.

A. General

The common items that can be applied to the order-based industry audit items described in this audit report are as follows.

As discussed in Note 2, the Company recognizes the contract revenues and contract costs as revenue and expenses, respectively, based on the progress of the contract activity as of the end of the reporting period, if the Company can make reliable estimates of the results of construction contracts. Progress of the contract activities are measured as a rate by dividing cumulative contract costs incurred for the construction work performed by the estimated total contract costs, excluding contract costs that cannot reflect the progress stage. If the cumulative amount of the cost plus any recognized gain (or loss) exceeds the progress bill, the amount is presented as unbilled construction receivables; if the amount of the proceeds exceeds the cumulative amount of the cost plus any recognized gain (or loss), the amount is presented as over-claimed construction liabilities.

B. Uncertainty in total contract cost estimate

As explained in Note 23, the total contract cost is estimated based on estimates of material cost, labor cost, production period and so on. If the total contract cost estimate is increased by 5%, the net income before income taxes is reduced by KRW 58.315 million. We identified the uncertainty of the Company's total contract cost estimate as a significant risk, taking into account the effect of changes in estimates on profit or loss for the current term. As of the end of the current term, the following audit procedures have been performed on the effect of uncertainty of the estimated total contract cost of the Company on the consolidated financial statements.

- Analytical review of changes in total contract costs by reporting period
- Asking questions about the cause of the change and verifying relevant evidence for projects with significant fluctuations in total contract costs,
- Asking questions and verifying relevant evidence for projects with significant fluctuations in provision for construction losses
- Asking questions and verifying relevant evidence to find out causes for projects with significant changes between the estimated cost rate and the actual cost rate in similar project
- Identifying the cause of the difference and verifying the relevant evidence for the terminated project with a significant difference between the actual cost rate and the estimated cost rate.
- Review on internal control where the total contract cost was reviewed and approved

C. Estimation of construction progress

As described in Note 23, the estimated change in total contract costs for the current term is KRW 417 million and the cumulative contract cost is KRW 1,193.4 million. We identified the Company's estimation of construction progress rate as a significant risk, taking into account the possibility of fluctuations in the construction costs and the uncertainty in the total contract cost estimates. The following audit procedures were performed with respect to total contract costs and cumulative contract cost amounts that affect the construction progress rate.

- Reviewing the internal controls related to the aggregation and allocation of contract costs
- Recalculating the progress of the construction for the project which proceeded in the current term
- Selecting the sample among input costs incurred during the term, and examining the occurrence of the input cost, the accuracy of the amount, and the appropriateness of the cost attribution.

92, Hangang-daero, Yongsan-gu, Seoul, Republic of Korea

Samil Pricewaterhouse Coopers
Young-Sik Kim

March 16, 2017

This report is effective as of the date of preparation of this audit report (March 16, 2017) Accordingly, there may be cases that may have a material impact on the accompanying consolidated financial statements of the Company during the period from the date of preparation of this Report to the point when it becomes available. In this case, there may be alterations to this Audit Report.

THIRD-PARTY ASSURANCE STATEMENT

Dear Hyundai Elevator Management and Stakeholders

Introduction

The Korean Standards Association (“KSA”) was commissioned by Hyundai Elevator to perform a third-party Assurance Engagement of ‘Hyundai Elevator 2017 Integrated Sustainability Report’ (the “Report”). KSA presents independent opinions as follows as a result of feasibility of the data contained in this Report. Hyundai Elevator has sole responsibility for content and performance contained in this Report.

Independence

As an independent assurance agency, KSA does not have any kinds of commercial interest in businesses of Hyundai Elevator apart from undertaking a third-party assurance on the Report. We have no other contract with Hyundai Elevator that may undermine credibility and integrity as an independent assurance agency.

Assurance Standards and Level

This Assurance Engagement followed the AA1000AS (2008) assurance standards to provide Moderate Level assurance. We checked the three principles of inclusivity, materiality, and responsiveness in combination with information credibility of the Report. We also verified whether the Report content was created in accordance with the GRI Standards Core Option.

Assurance Type, Scope and Limitations

We performed a Type 2 Assurance Engagement in accordance with AA1000AS. This implies that we verified the accuracy and quality of the statements made by Hyundai Elevator and the sustainability performance data included in this Report. The scope of verification is a period from Jan 1, 2016 to Dec 31, 2016, and depending on the content, includes some information for the first half of 2017. The results and reporting practices of Hyundai Elevator’s related companies, overseas branches, suppliers, partners, and third parties, excluding the Hyundai Elevator’s head office and business sites stated in the report, are not included in the scope of this verification. The scope of this Assurance Engagement primarily includes the systems and initiatives undertaken by Hyundai Elevator including its sustainability management policies, goals, projects, standards and performance during the reporting period defined in the Report. While the company’s environmental and social data as well as financial data was verified, the scope of review concerning stakeholder engagement was limited to the materiality test process.

Assurance Methodology

We used the following methods to gather information, documents and evidence with respect to the assurance scope.

- Analysis of articles related to Hyundai Elevator’s sustainability management published by domestic media outlets over the last three years
- Analysis of issues discussed with Hyundai Elevator regarding the company’s reporting issues
- Hyundai Elevator headquarter/Interview with employees in charge of sustainability management and managers of respective issues
- Verification of management system and process to improve achievement in sustainability management and to prepare the Report
- Review of the consistency between the financial performance data and the company’s audit report/publicly announced data
- Examination of internal documents and basic materials

Assurance Results and Opinions

KSA reviewed the draft version of this Report to present our opinions as an assurance provider. Modifications were made of the Report content if deemed necessary. We were not aware of any significant errors or inappropriate descriptions in this Report as a result of our Assurance Engagement. As such, we present our opinions of the 2017 Hyundai Elevator Integrated Sustainability Report as follows.

Inclusivity

Has Hyundai Elevator engaged its stakeholders in strategically responding to sustainability?

We believe that Hyundai Elevator is making an all-out effort for major stakeholders' Engagement in promoting sustainability management, and we assured procurement and operation of diverse stakeholder communication channel of Hyundai Elevator. We were not aware of any omission of significant stakeholder group.

Materiality

Has Hyundai Elevator included material information in the Report to help stakeholders make informed decisions?

We are not aware of any significant omissions or exclusions of data that is material to stakeholders. We verified that Hyundai Elevator conducted materiality test with issues identified from analyses of internal and external environments and reported according to the result.

Responsiveness

Has Hyundai Elevator appropriately responded to stakeholder requirements and interest in this Report?

We verified that Hyundai Elevator responded stakeholders' needs and interests through reflecting stakeholders' opinions in the Report. We are not aware of any evidence that Hyundai Elevator's response to significant issues of stakeholders was reported inappropriately.

Opinions and Recommendations by Sector

We present the following recommendations to help Hyundai Elevator establish a company-wide sustainability management strategy and respond to continuous issues of sustainability.

Economic

Hyundai Elevator is growing with its continuous technological development, distinct products & quality and innovative cost. For continuous growth in the future, more detailed risk management is required. It is recommended that financial/non-financial risk management processes be broken down to respond to uncertainties in the global economy and external environment as well as changes in the business environment, and internally, the risk management be implemented from a longer-term perspective.

Environmental

Hyundai Elevator's industry does not relate to a lot of environmental pollution and load. Nevertheless, stakeholders are highly interested in the product-oriented environmental regulation. We expect that the concept of sustainability in the product-oriented environment will be embedded in its business philosophy and core values so that the organizational performance will be reported from a broader perspective of sustainability.

Social

Many global corporations are integrating sustainability management strategies with their corporate management strategies to strengthen the organizational responsibility for sustainable development. Hyundai Elevator has set globalization as its top management task, and has established a system to grow into a global company. It is recommended that in the future, a more explicit sustainability management strategy be established to enhance its sustainability management system, and be gradually aligned with its corporate strategy.

June 2017



AA1000
Licensed Assurance Provider
000-70

KSA Chairman & CEO
Soo-Hyun Baek

Baek, Soo Hyun

GHG EMISSIONS VERIFICATION STATEMENT

Verification Scope

Korean Standards Association has conducted reasonable GHG emissions verification based on GHG report provided by HYUNDAI ELEVATOR CO., LTD. which includes Scope1, Scope2, and Scope3 (domestic/overseas business trips for work and commuting travel) emissions.

Verification Standards and Guidelines

To conduct verification activities, verification team applied verification standards and guidelines. The standards and guidelines are as follows.

- GHG&Energy Target Scheme guideline (2016-255) provided by Ministry of Environment, Republic of Korea
- Verification guideline for management of GHG emissions trading scheme (2016-015) provided by Ministry of Strategy and Finance, Republic of Korea
- KS Q ISO 14064-1,2,3 : 2006
- IPCC Guideline.

Verification Conclusion

As a result of verification activities, verification team has found no significant error. Therefore, Korean Standards Association confirms that following emissions data are adequately quantified.

GHG Emissions

	[unit : tonCO ₂ eq]			
	2013	2014	2015	2016
SCOPE 1	2,644	2,311	2,587	2,833
SCOPE 2	7,764	7,582	7,527	7,943
SCOPE 3	259	299	318	400
Total	10,666	10,192	10,431	11,176

* There is a difference between the total quantity of GHG emission and the sum of each workplace's emission. (Decimal place is not considered when calculating the emission of each workplace.)

June 2, 2017

KOREAN STANDARDS ASSOCIATION

Baek, Soo Hyun

UN GLOBAL COMPACT / SDGs INDEX

UN GLOBAL COMPACT INDEX

HDEL joined the UN Global Compact in 2015, and complies with 10 principles in the 4 areas of human rights, labor, environment, and anti-corruption.

UNGC 10 Principles	Category	Principle	Page
 COMMUNICATION ON PROGRESS	Human Right	1. Businesses should support and respect the protection of internationally proclaimed human rights; and	36
		2. make sure that they are not complicit in the abuse of human rights.	36
	Labour Standards	3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	77
		4. the elimination of all forms of forced and compulsory labor;	36
		5. the effective abolition of child labor; and	36
		6. the elimination of discrimination in respect to employment and occupation.	76-77
	Environment	7. Businesses should support a precautionary approach to environmental challenges;	81-83
		8. Undertake initiatives to promote greater environmental responsibility; and	81-83
		9. Encourage the development and diffusion of environment-friendly technologies.	11, 26-27
	Anti-Corruption	10. Businesses should work against corruption in all its forms, including extortion and bribery.	34-35

Sustainable Development Goals

HDEL has reviewed the progress of 17 goals to actively participate in Sustainable Development Goals(SDGs), and we will continue to set the goals and carry out the tasks to achieve the SDGs through our business.

 Targets set  Monitored

 <p>1 No Poverty</p>	 <p>2 Zero Hunger</p>	 <p>3 Good Health and Well-being</p>	 <p>4 Quality Education</p>	 <p>5 Gender Equality</p>	 <p>6 Clean Water and Sanitation</p>
 <p>7 Affordable and Clean Energy</p>	 <p>8 Decent Work and Economic Growth</p>	 <p>9 Industry, Innovation and Infrastructure</p>	 <p>10 Reduced Inequalities</p>	 <p>11 Sustainable Cities and Communities</p>	 <p>12 Responsible Consumption and Production</p>
 <p>13 Climate Action</p>	 <p>14 Life Below Water</p>	 <p>15 Life on Land</p>	 <p>16 Peace, Justice and Strong Institutions</p>	 <p>17 Partnerships for the Goals</p>	 <p>SUSTAINABLE DEVELOPMENT GOALS</p>

GRI STANDARDS INDEX

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	102-7	Scale of the organization	4-5	86-87	
	102-8	Information on employees and other workers	4, 76	86-87	
	102-9	Supply chain	22-23	86-87	
	102-10	Significant changes to the organization and its supply chain	GRI STANDARDS INDEX	No significant changes	86-87
	102-11	Precautionary Principle or approach	34, 42-43	86-87	
	102-12	External initiatives	89	86-87	
		102-13	Membership of associations	GRI STANDARDS INDEX	Korea Construction Association and 23 others
Strategy	102-14	Statement from senior decision-maker	30-31	86-87	
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	102-40	List of stakeholder groups	38-39	86-87	
Stakeholder Engagement	102-41	Collective bargaining agreements	38-39	86-87	
	102-42	Identifying and selecting stakeholders	38-39	86-87	
	102-43	Approach to stakeholder engagement	38-39	86-87	
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Reporting practice	102-45	Entities included in the consolidated financial statements	68-75	86-87	
	102-46	Defining report content and topic Boundaries	44-45	86-87	
	102-47	List of material topics	44-45	86-87	
	102-48	Restatements of information	GRI STANDARDS INDEX	No major changes	86-87
	102-49	Changes in reporting	ABOUT THIS REPORT	86-87	
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	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	GRI STANDARDS INDEX	No cases of violations	86-87

Topic		Disclosure	Page	Omissions / Comments	Assurance
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	103	Management Approach	44-45, 76-77		86-87
Non-Discrimination	406-1	Incidents of discrimination and corrective actions taken	GRI STANDARDS INDEX	No cases of discrimination	86-87
	103	Management Approach	44-45, 50		86-87
Human Rights Assessment	412-2	Employee training on human rights policies or procedures	36		86-87
	103	Management Approach	44-45, 80		86-87
Local Communities	413-2	Operations with significant actual and potential negative impacts on local communities	GRI STANDARDS INDEX	No operations with negative impacts	86-87
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