



HYUNDAI ROTEM COMPANY  
**Modern Slavery Statement 2022**

June 2023

# HYUNDAI ROTEM COMPANY

## AUSTRALIAN MODERN SLAVERY STATEMENT

Financial year ending December 31, 2022

### A. REPORTING ENTITY

Hyundai Rotem Company (Hyundai Rotem) is a company registered in Changwon, Gyeongsangnamdo, Republic of Korea (Korea), under the Korean business registration number 194211-0036336. Hyundai Rotem operates a branch office in Australia with the Australian Business Number (ABN) 81 615 545 492.

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

This is the third Modern Slavery Statement issued by Hyundai Rotem and applies to Hyundai Rotem's financial year starting 1 January 2022 and ending 31 December 2022. This statement seeks to comply with the requirements of the *Modern Slavery Act 2018* (Cth) by describing the steps that Hyundai Rotem has taken to identify and address the risks of modern slavery and human trafficking in its operations and supply chains, as well as its assessment as to the effectiveness thereof.

### B. STRUCTURE, OPERATIONS AND SUPPLY CHAINS

#### Structure

Hyundai Rotem is part of the Hyundai Motor Group and as of 31 December 2022, operated 22 branch offices overseas, including the aforementioned Australian branch in Sydney, New South Wales. Hyundai Rotem's primary manufacturing facilities are located in the cities of Changwon and Dangjin in Korea, and its primary research centre is located at Uiwang, Korea.

As of 31 December 2022, Hyundai Rotem employed 4,301 people, consisting of 3,591 people based in or expatriated from the head office in Korea and 710 people outside of Korea. As of 31 December 2022, the Australian branch office (registered address at Suite 2.02, Level 2, Trinita II, 39 Delhi Road, North Ryde, NSW 2113) included:

- three employees expatriated from Hyundai Rotem's headquarters in Korea;
- directly employed 46 full-time employees, (roughly two-thirds being office workers and the other third being site technicians); and
- four interns.

All site technicians and approximately half of the office-based employees were based in one of:

- the train commissioning facility at 136 Railway Parade, Eveleigh, NSW 2015; or
- the train maintenance facility at 55 Orchard Road, Kangy Agy, NSW 2258;

both owned by the Transport Asset Holding Entity of New South Wales.

As of 31 December 2022, Hyundai Rotem owned or controlled two other corporations in Korea as well as five corporations and two joint ventures abroad as follows:

- Hyundai Rotem Brasil Industria E Comercio De Trens Ltda (Av Marginal 26-036, No 3400, Fazenda Bom Retiro, CEP 14.801-970-ARAQUARA/SP, Brazil) primarily engages in railway

production and sales with one sojourning employee from Hyundai Rotem's headquarters and 59 local staff, consisting of 23 management staff and 36 field technicians.

- Hyundai Rotem USA Corporation (1300 Virginia Drive, Suite 103, Fort Washington, PA 19038, USA) is a corporation that primarily engages in railway production and sales with one sojourning employee from Hyundai Rotem's headquarters and three local staff, all of them management staff.
- Hyundai EURotem Demiryolu Araclari Sanayi ve Ticaret A.S (Ahi Evran Cad. Polaris Plaza No. 1 K.4 D.23 34398 Maslak, Sariyer, Istanbul, Turkey) is a corporation that primarily engages in railway production and sales with three sojourning employees from Hyundai Rotem's headquarters and 64 local staff, consisting of 38 management staff and 26 field technicians.
- MAINtrans (38 Gaehwadong-ro 8-gil, Banghwa2-dong, Gangseo-gu, Seoul, Korea) is a corporation that primarily engages in railway maintenance with 189 management staff and 216 field technicians.
- Rotem Equipments (Beijing) Co., Ltd (Shunyi Nanyangzhen Jiaogezhuangcun Cunweihuixi 300M Beijing, China) is a corporation that primarily engages in automobile equipment sales and maintenance with three local staff, all of them management staff.
- Hyundai Rotem Company – Hyundai Eurotem Demiryolu Araclari SAN. VE TIC A.SORTAK GIRISIMI (Ahi Evran Cad. Polaris Plaza No. 1 K.4 D.23 34398 Maslak, Sariyer, Istanbul, Turkey) is a joint venture that primarily engages in railway sales.
- Hyundai Rotem – Hyundai Eurotem Mahmutbey Projsei ORTAK GIRISIMI (Ahi Evran Cad. Polaris Plaza No. 1 K.4 D.23 34398 Maslak, Sariyer, Istanbul, Turkey) is a joint venture that primarily engages in railway sales.
- HR Mechanical Services Limited (16E, Shakespeare Avenue, Trentham, Upper Hutt, New Zealand, 5018) is a corporation that primarily engages in railway maintenance with four local staff, consisting of one management staff and three field technicians.
- Rotem SRS (20 Gukjegeumyung-ro, Yeongdeungpo-gu, Seoul, Korea) is a corporation that primarily engages in railway operations and maintenance with 136 staff, consisting of 49 management staff and 75 field technicians in Korea and 11 staff in Egypt and Ukraine.

### Operations

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

The Rail Solutions division manufactures and supplies railway vehicles, including Electric Multiple Units (EMUs), High Speed Trains (HSTs), Light Rail Vehicles (LRVs), Diesel Multiple Units (DMUs), locomotives, passenger coaches and freight wagons to 39 countries across the world. It also manufactures and supplies core electrical equipment of railway vehicles including train control management systems (TCMS), traction motors, propulsion systems, and auxiliary power units. Moreover, the Rail Solutions division has expanded to provide signaling, communications, electricity, Platform Screen Door (PSD) systems, Operation and Maintenance services, and Modernization and Parts & Repairs.

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

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

### *Hyundai Rotem in Australia*

Hyundai Rotem is currently delivering on an intercity rolling stock project in Australia, as part of an unincorporated joint venture with Mitsubishi Electric Australia and UGL Limited, procured by Transport for New South Wales (TfNSW) (the New Intercity Fleet (NIF) Project). Under the unincorporated joint venture, Hyundai Rotem is primarily responsible for the design, development, manufacture, testing, commissioning, supply and delivery of a new, state-of-the-art fleet of intercity trains connecting Sydney, the Central Coast, Newcastle, the Blue Mountains, and the South Coast. The Project initially involved the delivery of a 55-train fleet with 512 new carriages, though this order was subsequently expanded to 554 carriages, and eventually to 610 carriages.

In 2021, the fleet was given the name "Mariyung", the Darug word for Emu, in a nod to the Aboriginal Countries such as Darug Country, Wiradjuri Country, Awabakal Country and Dharawal Country through which the Mariyung will pass. Mariyung will offer improved safety, accessibility, comfort and modern features for passengers who make almost 45 million journeys a year on the electrified intercity network. Hyundai Rotem expects that the introduction of such a fleet will serve as a springboard for greater development in and around the cities to be serviced by Mariyung.

Hyundai Rotem does not manufacture any products in Australia, and instead manufactures and assembles the majority of its products in Korea. Only certain design activities, and testing and commissioning of the rolling stock take place in Australia.

### Supply chains

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

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

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

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

- Korea 74.9%
- USA 4.7%
- China 4.1%
- Japan 3.0 %
- Germany 2.2%
- UK 1.9%
- Taiwan 1.3%
- Poland 1.2%
- France 1.2%
- Others 5.5% (including Hong Kong)

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

## C. RISKS OF MODERN SLAVERY IN OUR OPERATIONS AND SUPPLY CHAINS

Hyundai Rotem considers lower skilled worker within its supply chains as being at potential risk of

modern slavery, being that they may be subjected to low pay, overwork and other difficulties in exercising their rights (e.g. freedom of association).

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

#### D. ACTIONS TAKEN TO ASSESS AND ADDRESS IDENTIFIED RISKS, INCLUDING DUE DILIGENCE AND REMEDIATION PROCESSES

##### Policies

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

Hyundai Rotem's Ethics Charter (<https://ethics.rotem.co.kr/en/ethical/constitution.asp>) is intended to guide Hyundai Rotem's executives and employees (including those of Hyundai Rotem's affiliates, subsidiaries and joint ventures in Korea and abroad) when dealing with clients and suppliers. The Ethics Charter addresses the following matters:

- Workplace ethics
- Abuse of power
- Documentation & reporting
- Human rights
- Child labour and forced labour
- Discrimination
- Equal opportunity
- Harassment
- Safety and health
- Work-life balance
- Stakeholder engagement
- Manager's responsibility
- Monitoring and due diligence
- Internal control
- Whistleblower protection
- Training

As part of its efforts to establish a sustainable supply chain, Hyundai Rotem's Supplier Code of Conduct (<https://ethics.rotem.co.kr/en/accompany/partner.asp>) requires suppliers to comply with relevant regulations regarding corporate management and to adopt the best practices concerning ethics, the environment, labour, human rights, safety, health and management systems. The Supplier Code of Conduct is based on Drive Sustainability's Global Automotive Sustainability Practical Guidance and refers to the Responsible Business Alliance's Code of Conduct. The fourth segment of the Supplier Code of Conduct deals with labour, human rights issues and covers the following: A. Non-Discrimination, B. Wages and Benefits, C. Working Hours, D. Humane Treatment, E. Freedom of Association, F. Child Labour and G. Forced Labour.

Hyundai Rotem's Charter for Human Rights (<https://ethics.rotem.co.kr/en/ethical/human.asp>) builds upon the UN's Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights, the International Labor Organization conventions, the OECD Due Diligence Guidance for Responsible Business Conduct, the OECD Guidelines for Multinational Enterprise, the National Human Rights Commission of Korea's Manual of Human Rights Management for Public Institutions, and its Checklist for Human Rights Impact Assessment

Operated by Institutions (Corporate Enterprises) and the Korean Ministry of Justice's Guideline for Human Rights Management Standards for Corporate Enterprises. The Charter for Human Rights outlines matters such as basic principles, governance and operation of the human rights risk management system as well as education and awareness-raising efforts.

#### Training

Hyundai Rotem is working to reinforce its policies related to responsible business conduct and human rights with training of its employees and suppliers. In January 2022, the company provided a comprehensive introduction on the fundamental concepts and importance of Environment, Social and Governance (ESG) topics to its employees both in Korea and overseas. The program consisted of five modules: fundamentals of ESG, ethics, human rights, health and safety, and environment. It included best practices as well as cases of non-compliance with ESG standards that can be referenced for risk management in each area. Hyundai Rotem plans to progressively augment and deepen the program in the subsequent phases of its sustainability management.

#### Due diligence

Each year, Hyundai Rotem conducts an annual evaluation of its suppliers in Korea and their record on human rights and labour conditions. Suppliers are classified based on the results of their evaluation, and the top achievers receive benefits such as procurement priority rights or exemption from contract performance security. Conversely, underperforming suppliers may face consequences such as a decrease in bidding opportunities and even cancellation of their registration as a supplier of Hyundai Rotem.

From the 2021 Financial Year, Hyundai Rotem has conducted ESG evaluation of suppliers on an annual basis in order to include sustainability factors more systematically in its supply management. Findings derived from the results of the pilot testing have illuminated potential vulnerabilities within the workforce of smaller suppliers, primarily attributable to insufficient or constrained systemic oversight of responsible business conduct and human rights within these entities.

In response to these findings, Hyundai Rotem provided comprehensive ESG education and training programs to suppliers aimed at raising awareness, promoting understanding of core concepts, and facilitating the sharing of best practices. Among Hyundai Rotem's 153 key trading partners, 118 companies completed the program, with 100 companies selected on the basis of revenue, and 18 companies that participated on a voluntary basis.

In the second supply chain ESG evaluation conducted in the months of March and April 2022, Hyundai Rotem strengthened its approach to identifying and preventing ESG risks within its supply chain. Notably, the ESG risks assessed were across business ethics, environment, labour and human rights, and safety and health. The scope of evaluation was also significantly expanded, with the number of companies assessed increasing from 12 in the pilot test in 2021 to 50 in 2022. While the pilot test conducted in 2021 primarily focused on suppliers deemed relatively prepared for assessment based on their size and capabilities, this year's expansion employed a criterion centered around the top 50 suppliers in Korea, selected based on their financial performance in terms of revenue.

Substantial progress has been made across various dimensions. Although this year's outcomes have revealed comparable trends, namely that certain suppliers exhibit deficiencies in formal policy documentation and organizational structures, the average score achieved has demonstrated improvement in 3 of the 4 areas evaluated (ethics, environment, labor/human rights) despite the increase in the range of suppliers evaluated.

Regarding Hyundai Rotem staff, Hyundai Rotem piloted a Human Rights Impact Assessment in the 2021 Financial Year, by engaging staff involved with human resources, labour relations, business operation support and safety functions via an online survey of 26 indices. Hyundai Rotem has since expanded the scope of the Assessment to include employees from all functions and ranks and conducts an annual review of its human rights management. In 2022, the company formulated a human rights improvement Action Plan specifying targets across the dimensions deemed particularly relevant, including diversity and inclusion.

Hyundai Rotem also ensures that its suppliers in Korea abide by Korean statutory obligations such as minimum wage and not requiring employees to work in excess of 52 hours per week, to address potential modern slavery related risks such as overwork or low pay.

#### Remediation processes

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

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

#### Next steps

Hyundai Rotem will take a continuous improvement approach to drive effective change over time to address complex issues as modern slavery risks. In addition to policy support and education and training programs, Hyundai Rotem plans to request underperforming companies to consider formulating formal improvement plans, aiming to support their progress in systemic management of responsible business conduct and human rights. These plans will be monitored and assessed regularly to facilitate their ongoing development and ensure adherence to established standards.

The next steps in such a pursuit would be to work to provide all staff and suppliers relevant training, and to incorporate supplier feedback and the findings of assessments of Hyundai Rotem staff and supply chain and better tailor the questionnaire to Hyundai Rotem's business operations gradually increase the coverage of the examination of modern slavery associated risk and risk management system across Hyundai Rotem's operations and supply chain. The results of such an examination will inform how Hyundai Rotem will work with its stakeholders, including its suppliers, to ensure Hyundai Rotem fulfils its corporate social responsibility.

## **E. ASSESSING THE EFFECTIVENESS OF THE ACTIONS TAKEN**

Hyundai Rotem recognises the importance of establishing methodology to assess the effectiveness of actions taken as part of its continuous improvement approach. Informed by the

results of the pilot rounds of Human Rights Impact Assessment and the supply chain ESG risk assessment, Hyundai Rotem is in the process of improving the methodology.

#### F. PROCESS OF CONSULTATION

All entities which Hyundai Rotem owns or controls (as identified in section B of this statement) ultimately report to the head office of Hyundai Rotem in Korea, where the Corporate Planning Group, Management Support Division and the Procurement Division are based.

In relation to the Charter for Human Rights and the Ethics Charter, the entities report to the Management Support Division, in the head office of Hyundai Rotem in Korea. In relation to the Supplier Code of Conduct, the entities report to the Procurement Division based in the head office of Hyundai Rotem in Korea.

Ultimately, both the Management Support Division and the Procurement Division report to the Corporate Planning Group, which is in charge of sustainable development and corporate social responsibility planning and directly reports to the Chief Executive Officer (CEO) of Hyundai Rotem.

#### G. OTHER RELEVANT INFORMATION

##### Impacts of COVID-19 on Hyundai Rotem's Supply Chain

The COVID-19 pandemic has had significant geo-political and economic impacts across different regions around the world, including areas where Hyundai Rotem operates. Hyundai Rotem has continuously refined its measures to prevent and minimize the negative impacts upon its employees and the company's global value chain. With the relaxation of COVID-19 prevention policies and travel restrictions, Hyundai Rotem has resumed inspections on the safety and health management systems and risk factors at its overseas business locations. Hyundai Rotem plans to broaden both the scope and frequency of these inspections, with the objective of establishing robust safety and health management systems as well as corresponding organizational structure and culture in place.

#### BOARD APPROVAL OF THE MODERN SLAVERY STATEMENT

This statement was approved by Hyundai Rotem Company's Board of Directors on 21 June 2023.



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