



Closure System Total Solution Provider

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2023 PHA SUSTAINABILITY REPORT

About This Report

Report Overview

After the first publication in 2022, PHA has published our second sustainability report to disclose the financial and non-financial performance results of PHA to various stakeholders. This report transparently discloses our sustainability management activities and achievements aligned with our vision of 'Global Mechatronics Leader: We build a moving world'. We will maintain our advancements in our sustainability management system and continuously reach out to stakeholders.

Reporting Principles

This report was prepared in accordance with Core option: Global Reporting Initiative (GRI) Standards for sustainability reporting, and in reflection of the UN Sustainable Development Goals (SDGs), and the UN Global Compact (UNGC).

Reporting Scope

Domestic operations including the PHA Headquarters (including a portion of data for overseas operations)

Reporting Period

Jan. 1, 2022 ~ Dec. 31, 2022 (including a portion of data for H1 2023)

Reporting Cycle

Annual

Assurance

This report was assured by a third-party assurance provider to establish the objectivity of the report content and the reporting process. As to assurance standards and the assurance statement, please see pages 92~93 of this report.

| | |
|------------------------|--|
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CEO Message



“

Dear esteemed stakeholders,
We express our heartfelt
gratitude for the great interest
and generous support you have
shown to PHA. ”

In 2022, changes in the automotive market were accelerated in difficult external economic conditions attributed to global inflation exacerbated by the unstable international situation including the war in Ukraine, as well as supply shortage of raw materials including semiconductors, and an increase in interest rate. Recently, changes in the automotive market are accelerating such as greatly expanding in the development and supply of electric vehicles and autonomous driving vehicles under the slogan of 'eco-friendliness'. In such external uncertainties, PHA has continued efforts since last year to prepare for the crisis, and to stabilize the sustainability management system in full scale. Through this sustainability report, we wish to show the present and future of PHA in our efforts to develop into the sustainable company.

Sustainable Growth Company, PHA

To achieve the corporate vision to be the 'Global Mechatronics Leader' in the changing automotive industry, PHA pursues innovation in the overall divisions to secure competitiveness as a 'closure system total solution provider' preferred by customers. As a result, PHA has increased customer trust and was recognized for our quality-related capabilities by taking top honors for the '2022 Supplier of the Year in the New Vehicle Development Category' award by Hyundai Motor Group for outstanding quality performance. In addition, based on the technology and product competitiveness, PHA received major orders for new parts from Hyundai Motor's new exclusive electric vehicle plant in the U.S., 'Hyundai Motor Group Metaplant America (HMGMA)', and newly established the PHA Georgia corporation for production in Georgia, USA. As of now, plant construction is in progress for the goal of initiating the production from year-end 2024. PHA is committed to driving technological innovation and business expansion to become a world-leading sustainable company, and provide the best products equipped with safety and convenience to more customers with the aim of creating a better future.

Transparent and Responsible ESG Management Company, PHA

To implement ESG management proactively, PHA has joined as a member of UN Global Compact (UNGC) from May 2022, a council dedicated to global sustainability management leadership, and support for 10 main principles and sustainable development goals (SDGs) in the areas of human rights, labor, environment and anti-corruption was declared with engagement. Through this declaration, main data having an impact on the environment is monitored, and the Carbon Disclosure Project (CDP) is being carried out internally in an effort to reduce the environmental

impact. As a result, Silver Medal was received from the global ESG assessment agency EcoVadis on November 2022 in recognition of persistent efforts and good performance results. Also, overseas TFT activities were initiated for each workplace to instill ESG management across overseas business sites and workplaces. All members of PHA will commit their earnest efforts to promote long-term sustainable growth as the outstanding global ESG management company.

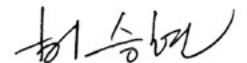
Open Win-Win Company, PHA

To become a sustainable company, PHA is aware that improving all values through open communication with stakeholders is essential. Therefore, PHA is securing various communication channels such as town hall meeting, and reflecting opinions of employees into corporate policies. Meanwhile, ESG training and support are expanded to our partners to underscore the ESG value of shared growth across the supply chain. Also, for better communication with customers, we hold a Tech Day centered on the R&D activities to introduce new technologies and products, with customer value maximization in mind. PHA is committed to pursuing win-win partnerships with all stakeholders as a reliable supporter of the PHC Welfare Foundation supported by PHC Group, our holding company, and as a fellow citizen providing donations to ChildFund Korea and local social welfare organizations for social contribution to local communities.

A sustainable future is created with teamwork through the efforts and services of PHA and all stakeholders. Based on mutual trust with stakeholders, PHA promises to maintain our unwavering efforts to create a sustainable company, and discloses performance results with transparency. We ask for your continued interest, encouragement and support for the strides and endeavors that PHA makes to usher in a new future.

September 2023

CEO Hur, Seong-Hyun PHA

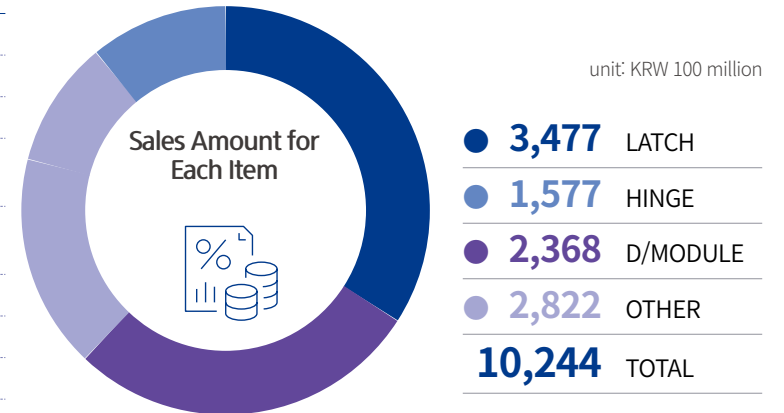


PHA Company & Business Profile

Company Overview

Since our foundation in 1985, PHA has evolved into a global automotive door moving systems manufacturer through relentless R&D, technology innovation, and ambitious investment. To respond more flexibly and preemptively according to the flow of the global automotive industry, PHA has established the new vision of 'Global Mechatronics Leader: We build a moving world' in 2019, and changed our company name to PHA in 2021. As a Closure System Total Solution Provider in the global automotive industry, we will deliver globally recognized technologies and products while we continue to secure the necessary technology focused workforce, cutting-edge production facilities, and management infrastructure that drives us to be a top-tier partner that assures customer satisfaction.

| | |
|------------------------------|---|
| Name of company | PHA Co., Ltd. |
| Date of establishment | April 11, 1985 |
| CEO | Hur, Seong-Hyun |
| Headquarters | 392, Seongseo4chacheomdan-ro, Dalseo-gu, Daegu, Republic of Korea |
| Main business | Manufacturing and sales of automotive parts |
| Total assets | KRW 9,799 billion |
| Capital | KRW 6,731 billion |
| Sales | KRW 10,244 billion |
| Credit rating | A- |
| Employees | 683 persons (as of 2022 year-end) |



History

Founding and laying the basis 1985~2003

- 1985** • Founded Pyeong Hwa Automotive Co., Ltd.
- 1997** • Established PHA India (P) Ltd. (Chennai)
- 2001** • Listed in the KOSDAQ market
- 2002** • Established PHA Taicang Co., Ltd. (China)

Establishing a global network 2004~2011

- 2004** • Established AST Co., Ltd. (press division subsidiary)
- 2005** • Established PHA Beijing Co., Ltd. (China)
- Established PHA Slovakia s.r.o. (Zilina)
- 2006** • Awarded the Best Partner of Northeast Asia (Daimler Chrysler)
- 2007** • Established PHA Czech s.r.o (Cesky Tesin)
- 2009** • Achieved Quality 5 Star (Hyundai Motor Company and Kia Corporation)
- 2010** • Established PHA Alabama, LLC (Montgomery)
- 2011** • Established PHA Yangcheng Co., Ltd. (China)
- Established the India R&D Center
- Established PHA Michigan, LLC (Detroit)

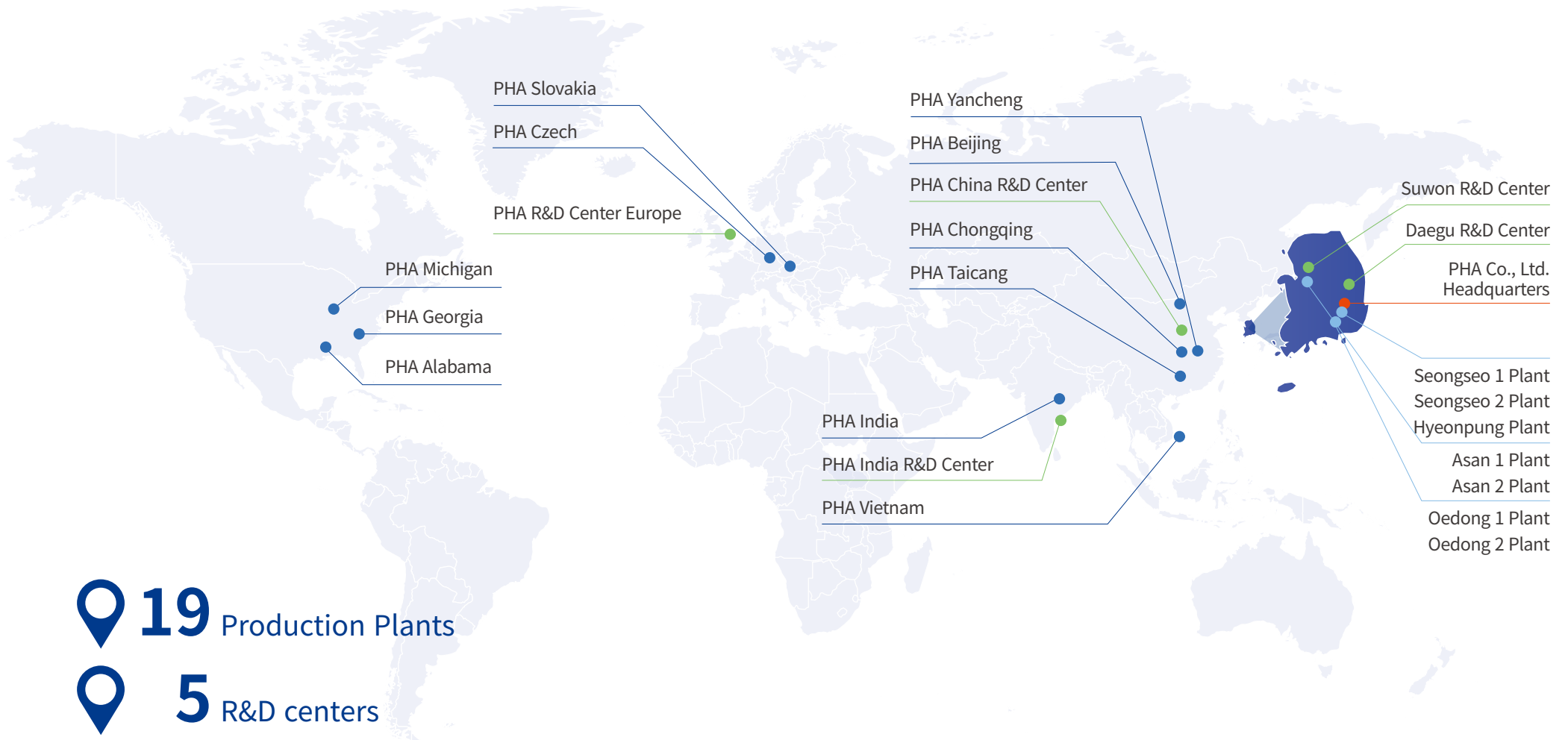
Improving the quality and paving the way for sustainable management 2012~2022

- 2012** • Awarded the GM Supplier of the Year for 6 consecutive years (2007~2012)
- 2013** • Established the China R&D Center
- Awarded the Chrysler Innovation Award
- Established PHA Edscha (joint venture)
- 2015** • Established PHA Chongqing Co., Ltd. (China)
- Established the PHA Europe R&D Center (UK)
- 2018** • Awarded the Supplier of the Year by Hyundai Motor Company and Kia Corporation (PHA India)
- Established PHA Vietnam, Co., Ltd. (Haiphong)
- 2019** • Relocated the Daegu R&D Center (HQ → Hyeonpung)
- 2020** • Awarded a top-performing after-sales service supplier by Hyundai Mobis
- 2021** • Changed the corporate name (Pyeong Hwa Automotive Co., Ltd. → PHA Co., Ltd.)
- 2022** • Awarded the GM Supplier Quality Excellence Award for 9 consecutive years (2014~2022)
- Joined the UN Global Compact
- Established PHA Georgia, LLC (Savannah)
- 2023** • Awarded top honors for '2022 Supplier of the Year in the New Vehicle Development Category' by Hyundai Motor Group

Global Network

With a goal of becoming a global leader in the automotive door moving systems sector, we operate a network of 19 plants (8 in Korea) and five R&D centers across 9 countries. We develop independent technologies and create price competitiveness in line with global automotive industry trends while broadening our global network to preemptively respond to wide-ranging regional conditions.

- Headquarters
- R&D Centers
- Manufacturing Plants(Overseas)
- Manufacturing Plants(Domestic)



 **19** Production Plants

 **5** R&D centers

About Our Business

PHA was founded in 1985 as an automotive parts maker, and has since specialized in the manufacturing of automotive door moving systems. We have established a well-organized system across the entire process, from design to mass production, and ensure thorough management in each phase of the process to first and foremost deliver customer satisfaction. On the strength of our technology capabilities and knowledge accumulated for the past 38 years since our inception, we aim to emerge as a Closure System Total Solution Provider to serve our customers with our advanced technology and innovation. We mainly supply latching systems, hinges, door modules, and power systems to such renowned global car OEMs as Hyundai Motor Company, Kia Corporation, GM, Renault, Stellantis and Rivian. PHA remains committed to broadening its customer base and sales on the back of our exceptional technology and innovation.

Latching System

Latching systems serve to maintain the closed state of the auto parts that open and close - side door, trunk, tailgate (SUVs), hood, and endgate (pickups) - and perform a locking function so that these parts are not arbitrarily released inside and outside the vehicle. Latching systems play a role in keeping people safe and things secure inside the vehicle, and consist of a latch (lock) and a striker.



Frunk Latch



E-Latch



Door Striker

Hinges

Hinges are mounted on the vehicle body and the door to connect the two. They serve as a rotation axis when the door opens and closes and supports the door to keep it in its place in the event of internal/external shocks. Hinges work in alignment with the side door, the hood, the trunk lid and the tailgate.



Door Hinge



Hood Hinge



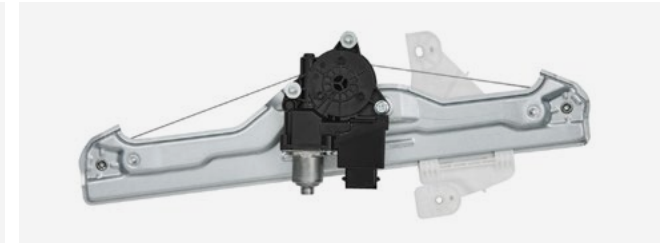
Trunk Lid Hinge

Door Module & Window Regulator

The door module is also referred to as a glass gear and is mounted inside the side door of the vehicle body. The door module panel accommodates a range of door parts – the window regulator that moves a window up and down, the latch, speakers, and window harnesses – to expedite the assembly of the side door system and reduce the time taken in the automobile assembly process.



DM-Plastic Module



Windows Regulator

Power Systems

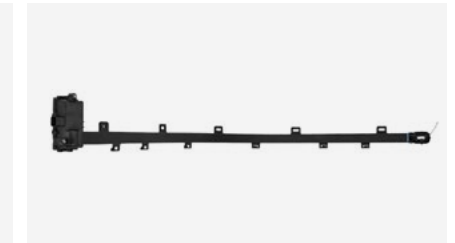
Power systems consist of electrification parts developed for the convenience and safety of customers. AHLS (Active Hood Lift Systems) is working for when the vehicle collides with a pedestrian, the detection of collision triggers the hood to rise and prevent a secondary collision between the pedestrian and engine parts inside the hood while minimizing any injury as a result. Power trunk lid/tailgate systems serve to automatically open and close the trunk and the tailgate. These systems are composed of the ECU, the drive unit, and sensors that work in alignment with the cinching door latch, active hood lift system, the power tailgate system and the power trunk lid system.



Drive Unit



ECU



AHLS Sensor

Other Products

On the back of our technology capabilities in the areas of injection molding, stamping and electrical and electronics we design and produce automotive parts outside of the door, moving systems and supply them to our customers. This product category includes the endgate handle, the fuel filler opener, the door checker and actuators.



Endgate Handle



Fuel Filler Opener



Door Check

Management Philosophy & Vision House

Management Philosophy

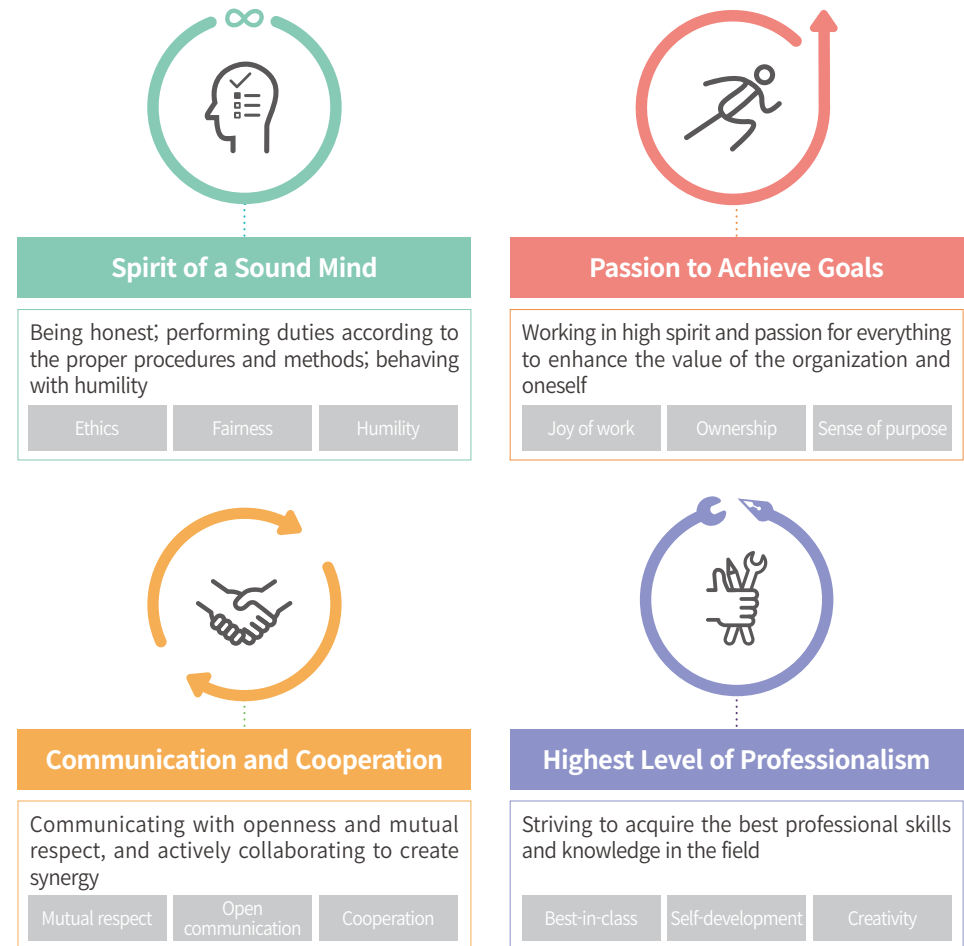
We commit to integrating the management philosophy of parent PHC Group into our operations to pursue the growth and happiness of customers, employees and all other stakeholders while promoting business innovation. We align our employees to the PHC Group’s management philosophy to seek sustainable growth for both PHA and stakeholders.



| | | |
|---|---|---|
| <p>Value creation through innovation</p> | <p>Management based on respect for human</p> | <p>Pursuit of happiness of customers, employees, and society</p> |
| <p>Providing customers with new experiences and value through market-leading technology and management innovation</p> | <p>Developing human resources and providing them with an optimal environment to display their competencies, while respecting human dignity and worth and recognizing that the Company’s competitiveness stems from its people</p> | <p>Pursuing the happiness of all concerned, including customers, employees, partners, and the local community, on the basis of sustainable growth</p> |

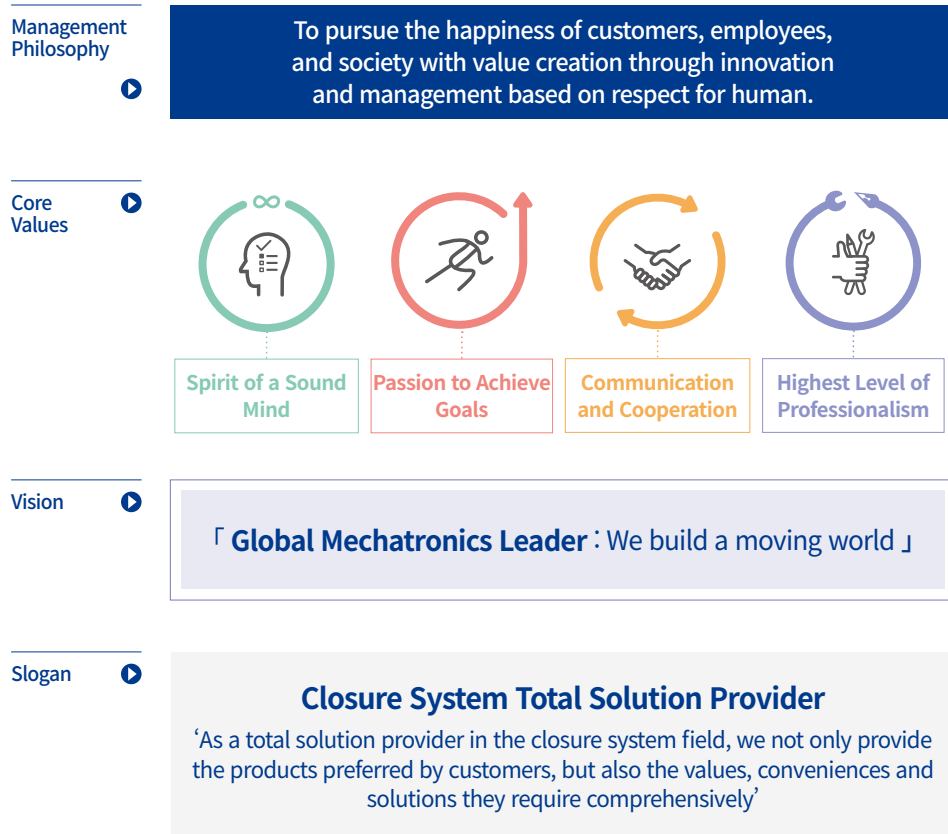
Core Values

We share the core values of our parent PHC Group with our employees and present them the way forward. Our employees abide by the code of conduct as specified by these values and act on the core values of Spirit of a Sound Mind, Passion to Achieve Goals, Communication and Cooperation, and Highest Level of Professionalism.



Vision House

Guided by the vision of Global Mechatronics Leader: We build a moving world, PHA aims to build unsurpassed competitiveness based on globally recognized technologies and to deliver flawless quality trusted by all to preemptively respond to the rapidly-shifting global automotive industry landscape. We also engage in distinctive cost innovation activities to provide products and services at competitive prices.



Sustainability Management Strategy

PHA is keenly aware of the importance of sustainability management to fulfill social responsibility and has declared its company-wide commitment to ESG management and defined five areas of sustainability management to embed sustainability management into its day-to-day operations. We will manage Key Performance Indicators (KPI) in alignment with our approach to sustainability management in each of these areas, and implement ESG improvement tasks at the department level to pursue growth as a sustainable company.



ESG Highlights

Silver Medal Acquired in the 2022 Assessments by EcoVadis

In June 2022, PHA joined the UNGC (UN Global Compact) to mark our declaration of ESG management officially, and in November 2022, PHA received a Silver Medal on our global ESG assessment from EcoVadis, which is a global sustainability rating agency and platform providing separate assessments of environmental and social impacts for 100,000 companies from 175 countries worldwide, and it is an assessment agency accredited to conduct ESG assessments of the supply chain for leading international automotive OEMs including GM, Renault and Stellantis, etc. EcoVadis assessments are done annually on the four areas of the environment, labor and human rights, ethics and sustainable procurement, while a scientific CSR assessment method is applied on the overall management process from policy to performance on the supporting companies. After an assessment, EcoVadis assigns Platinum, Gold, Silver and Bronze Medals in recognition of the results.

PHA received a Silver Medal by achieving 66 points on its assessment, placing in the top 10%, and received an outstanding mark especially in the areas of the environment, human rights and sustainable procurement. EcoVadis has evaluated that PHA has established the quantitative goals and implementation policies for each sustainability management areas adequately to demonstrate sound management, and in particular, the reporting system's level of compliance with sustainability management reporting standards such as GRI (Global Reporting Initiative) and SASB (Sustainability Accounting Standards Board), etc. was graded as outstanding. PHA plans to maintain a sophisticated sustainability management system and expand the assessment to global workplaces in Europe and the U.S., etc. in addition to our domestic business sites.

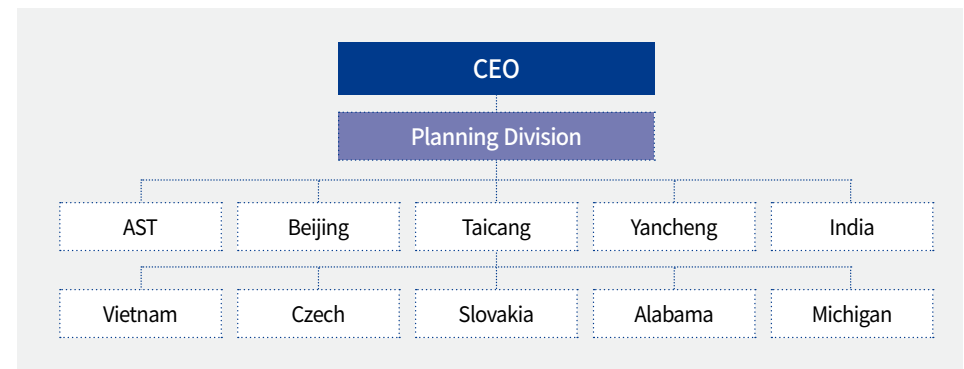


EcoVadis certificate

ESG Management Expanded to Domestic & Overseas Subsidiaries

To meet global ESG management requirements and transform into an eco-friendly company, PHA promotes ESG management on domestic and overseas subsidiaries (10 companies in 6 countries) in production and operations on December 2022, and established the sustainability management TFT to implement ESG management. Organized by the PHA headquarters, the TFT provided training on the necessity and global trend of ESG management through ESG evaluations of domestic and overseas subsidiaries. Know-how on major ESG activities already in effect at the headquarters were provided to our domestic and overseas subsidiaries, supply chain management status concerning conflict and extended minerals was inspected and performed with necessary measures possible for improvement in the short term according to the energy consumption, waste discharge amount and GHG emission aggregation, and pledge of conflict mineral management in the supply chain and conflict mineral and extended mineral management report form.

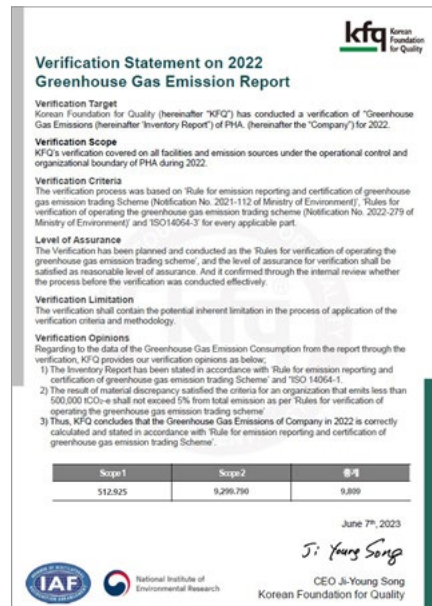
In addition, PHA has established the goals for reduction of energy consumption, GHG emissions and waste discharge for each domestic and overseas subsidiaries and detailed reduction activities are being developed. With these efforts, PHA fully disclosed the GHG emissions of the overseas corporation in the 2023 Sustainability Report, and pursued ESG management to disclose the energy and GHG emission intensity of all PHA business sites in the 2024 Sustainability Report. As a global company, PHA plans to stay committed to our best efforts and support for complying with the national laws and social responsibilities in regions where a subsidiary operates, and creating a company that is embraced by the community in the regions we do business.



ESG Highlights

Internal GHG Emission Verification

PHA recognizes our responsibilities as a member of international society, and efforts are continued for sustainable management on account of the environmental impact. To manage GHG emissions systematically for carbon neutrality and reduce environmental pollutants, reliability was increased through voluntary third-party assurance on greenhouse gas (GHG) emissions. In June 2023, PHA completed our internal GHG emission verification for the headquarters, five production plants and two R&D centers, and additionally initiated the GHG emission calculation on the overseas business sites from 2022 to reinforce the management by expanding the calculation range of GHG emissions independently. Our efforts for GHG emission reduction based on the verified data will be maintained, and the management methods will also be established and verified for indirect emission reduction (Scope 3). PHA will continue to provide environmental information regularly and strive to secure the transparency and reliability of the information, so that internal and external stakeholders can browse key information.



Declaration of CDP Participation and TCFD Support

For our effective climate change response and risk management, PHA participates actively in major global initiatives such as the CDP (Carbon Disclosure Project) and TCFD (Task Force on Climate-Related Financial Disclosures). TCFD recommends disclosures of the impact of climate change to the financial performance and status of the company. PHA has participated in the CDP from 2022, and implemented the response to CDP officially from 2023 to acquire and maintain Grade C. In June 2023, PHA declared the support on the TCFD Initiative to participate in the global movement to address the climate crisis. According to the TCFD framework, PHA will establish corporate governance, strategy, risk management, index and reduction goals to reflect climate change risks and opportunities in our corporate management for making contributions to achieve the goal of carbon neutrality.



Climate Change Management Items According to TCFD Standards

| Disclosure Items | Main Activities |
|-------------------------|---|
| Corporate Governance | <ul style="list-style-type: none"> • Reviews and guideline on the business plan • Performance goal setting • Implementing goals and performance monitoring |
| Strategy | <ul style="list-style-type: none"> • Management System: Increase in participation of international certifications & initiatives, and development of eco-friendly products & technologies • Reduction: Implementing GHG reduction activities in all workplaces |
| Risk Management | <ul style="list-style-type: none"> • Evaluating risks & opportunities related to climate change at least once a year • Establishing enterprise-wide response strategy on the climate change risks & opportunities with high relevance |
| Index & Goal Management | <ul style="list-style-type: none"> • Greenhouse gas (GHG) emissions (as of 2022: 9,812.713 tCO2eq) • Goal of GHG reduction by 3% annually |

Materiality Assessment

We conducted the materiality assessment to identify material issues in need of intensive management to advance sustainable management in accordance with international standards. This process led us to select eight material, high priority issues through stakeholder surveys, media article analyses, and domestic/global company benchmarking. These issues were analyzed from the risk perspective, and this report provides a detailed presentation of our approach to these material issues.

Materiality Assessment Process

Step 1

Create a pool of ESG issues

We identified 20 ESG issues in consideration of global standards and their ESG assessment items, global best practices and benchmarks, and industry trends.



- Renewable energy
- Green House Gas
- Air pollution
- Water resources
- Waste and resource circulation
- Hazardous substances
- Eco-friendly products and technology



- HR management
- Health and safety
- Human rights, diversity & inclusion
- Local community
- Partner management
- Shared growth



- Ethics and anti-corruption
- Compliance
- R&D
- Product quality
- Customer satisfaction
- Information security
- Board of Directors

Step 2

Perform the materiality assessment

To set strategic priorities for the pool of issues created, we engaged in stakeholder surveys, media article analyses, industry peer benchmarking, and ESG ratings/standards analyses to assess the issues for their risk likelihood and the impact generated from risks.

Step 3

Select material issues

We chose eight material issues requiring intensive management based on the assessments made on ESG issues from the risk perspective.

Step 4

Respond to material issues

We categorized material issues into key response, strategic response, and mid/long-term response areas, and respond to these issues through our distinctive management approach. Each material issue is specified for their risks and opportunities, and specifics are disclosed in detail in the ESG Risks & Opportunities section of this report.

Materiality Assessment

Materiality Assessment Results



The likelihood of risks occurring and their potential losses identified through this materiality assessment process are not based on the analysis of the Company's actual management performance, and are presented in relative terms for each issue by comprehensively considering stakeholder survey results and media article analysis results among others.

Material Issue

● Environment ● Society ● Governance

| Area | Material Issue | Year-on-year change (2022-2023) | Page |
|------|--------------------------------|---------------------------------|-------|
| 1 | HR management | Unchanged | 37-44 |
| 2 | R&D | New | 19-22 |
| 3 | Shared growth | New | 58-62 |
| 4 | Product quality | Decrease in rank (-1) | 23-26 |
| 5 | Customer satisfaction | New | 27 |
| 6 | Partner management | Decrease in rank (-4) | 55-57 |
| 7 | Waste and resource circulation | Unchanged | 33-34 |
| 8 | Health and safety | Decrease in rank (-4) | 48-53 |

Stakeholder Engagement

We define everyone whom we cooperate with in business conduct as our stakeholders. We collect their feedback through varying communication channels, and ensure that their feedback is integrated in setting our course ahead in business management.

Communication Channels by Stakeholder Group



Stakeholder Communication

In April 2023, we performed a sustainability management survey on stakeholders to gather their feedback in the areas of environment, society, and management/economy.

Key Areas of Stakeholder Feedback



Global Sustainability Leader

INNOVATION

18 Leadership in Pursuing Innovation

ENVIRONMENT

28 Leadership in Environmental Efforts

EMPLOYEE

36 Leadership in Shared Partnership with
Employees

COMMUNITY

54 Leadership in Win-Win Partnerships
with Stakeholders

GOVERNANCE

66 Leadership in Fairness & Transparency

INNOVATION

Leadership in Pursuing Innovation

Material Topic

- #2 R&D and New Business
- #4 Product Quality
- #5 Customer Satisfaction



Link to UN SDGs



- 8.2. Achieve higher levels of economic productivity through diversification, technological upgrading and innovation
- 9.4. Retrofit industries with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes
- 9.5. Encourage innovation and substantially increase the number of research and development workers and spending

Background

The shifting paradigm of the automotive industry towards electric, autonomous driving and connected cars is expected to bring tremendous change to the moving system as well as the drive system. Taking the lead in such a changing market requires the development of differentiated products through exceptional R&D capabilities. In addition to intrinsic product competitiveness, the robust commitment to sustainable management demonstrated by global car OEMs underscores the importance of building a sustainable business model in the automotive parts industry.

PHA's Approach

PHA is developing a wide spectrum of automotive lock and security devices. Under the new vision of 'Global Mechatronics Leader: We build a moving world' set in 2019, we move ahead of the competition to pursue product innovation. Investing in EVs, autonomous driving and electrification for continuous business growth and expansion, we tap into new business territories. To deliver improved quality, we are building an independent maintenance support system, assisting partners in improving their quality, and boosting our quality competitiveness in the market.

Key Performances

| | |
|-------------------------------------|---|
| Ratio of R&D expenses against sales | Patent registrations made |
| 2.78% | 20 patents |
| Sales revenue | Partners' quality-related setbacks resolved |
| KRW 1.0244 trillion | 47 cases |

Advancement into New Markets






R&D

R&D system

To leverage our technology and knowledge accumulated over the past 38 years in preemptively responding to the quickly changing external environment, we operate a dedicated R&D organization under the vision of 'R&D centers that increase the potential for sustainable growth and lead PHA's advancement into new markets'. As cyber security gains greater importance in line with the full-scale introduction of eco-friendly self-driving vehicles, we have set our mid/long-term strategy to

develop electronics convergence technologies to block security threats including hacker attacks and data breaches. We have also established an independent controller assessment system to advance our electric/ electronic verification capabilities, and are laying the basis to embrace new technologies and new businesses by internalizing an electronic parts assessment system and developing professional workforce nurturing programs.

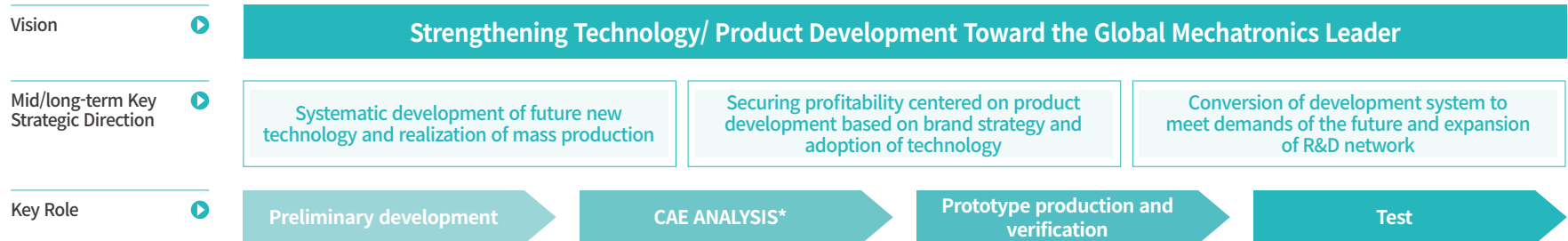
R&D Centers at a Glance

| | |
|---|---|
|  | [Domestic] Daegu R&D Center Preliminary design and analysis, new car design, prototype production and verification, test & evaluation |
|  | [Domestic] Suwon R&D Center Preliminary design, new car design, H/W & S/W electric/ electronic system design |
|  | [Overseas] India R&D Center Design, prototype production and verification, test & evaluation, product development |
|  | [Overseas] China R&D Center Design, prototype production and verification, test & evaluation, product development |
|  | [Overseas] Europe R&D Center (UK) Preliminary development |

Awards Won in 2022

| Award Name | Date |
|--|--------------|
| Earned top honors as the Best Partner in Hyundai Motors' 100-Day New Car Operation | June 16 |
| Won the GM Supplier Quality Excellence Award | July |
| Selected in the Future Vehicle Leading Technology Development Project (Electric vehicle frunk system development, Daegu Metropolitan City) | July 1 |
| Won the Best Partnership Award for the Automotive Division Closure System by Hyundai Motor Group | Nov. 29 |
| Earned top honors for '2022 Supplier of the Year in the New Vehicle Development Category' by Hyundai Motor Group | Feb. 3, 2023 |

R&D System



* CAE (computer-aided engineering) analysis: Computer software for simulation of performance results used to assist in the process of improving the product design or tackling extensive industrial engineering issues

Advancement into New Markets

Selected in the Future Vehicle Leading Technology Development Project

PHA was selected in the ‘2022 Future Vehicle Leading Technology Development Project’ contest by Daegu Metropolitan City, and is engaged in activities for ‘development of an integrated system on power frunk¹⁾ open & close control for application on electric pick-up trucks’ for about 24 months from July 2022 to June 2024. As the supply of eco-friendly vehicles increases continuously for realizing the goal of carbon neutrality, and autonomous driving technology and linked services are gaining traction, the Future Vehicle Leading Technology Development Project has been implemented from 2022 to transform the local auto parts industry centered on internal combustion engine parts into an ecosystem focused on future vehicles, and to support the development of the future vehicle industry. A total of 10 companies are selected to perform R&D activities with the local small and medium enterprises and agencies, and the project cost is supported. According to the selection on the relevant project, this results in enhancing the corporate status of PHA, while also providing an opportunity to develop new technologies and securing intellectual property rights in advance. With this in mind, PHA plans to participate faithfully to contribute to the local industry and economic growth.

1) Frunk: Term refers to the area under the front hood where an internal combustion vehicle’s engine would be utilized as cargo load space for an electric vehicle



Best Partner Award Received on the Closure System

On November 29, 2022, PHA won the Best Partner Award for the system committee activity organized and performed by the Hyundai-Kia Research Center. The system committee activity is a project performed with the relevant system partners for improvements to an advanced development process for each system, cost reductions, decrease in the number of parts and quality cost reduction applied in vehicles through supervision by Hyundai-Kia R&D headquarters. In this project, PHA earned the Best Partner Award for contributing greatly to strengthening product competitiveness compared to our competitors. From a customer perspective, the Best Partner Award is meaningful in recognition of our caliber of technology and customer response capabilities, and has increased our brand value compared to our competitors. With this award, PHA will continuously make strides to develop into a global company prioritizing customer needs.



Received the 2022 SDC Best Partner Award

Advancement into New Markets

Business Expansion

New Plant Constructed for Supplying Electric Vehicle Parts in the U.S.

To secure the expanding U.S. electric vehicle market and supply the exclusive parts for electric vehicles in response to the Inflation Reduction Act, PHA built the new 'PHA Georgia LLC' plant in Chatham County, Georgia, and construction of the production plant commenced in March 2023. Since the new PHA Georgia plant is the first plant constructed after declaring ESG management, PHA is carrying out various activities to construct the plant by conversion to an ESG eco-friendly plant.

To supply auto parts such as door modules, tailgate latches and hood latches, etc. equipped in electric vehicles produced at Hyundai Motor Group's Metaplant America (HMGMA), PHA Georgia LLC is constructing the plant while also developing and producing the auto parts with the goal of plant operation by October 2024. Based on technology and quality control accumulated for 38 years, PHA secured a production order from HMGMA by delivering our price competitiveness and unwavering trust from customers, while HMGMA is expected to increase the electric vehicle production models for expansion in the North American market. PHA will constantly promote sales activities targeting HMGMA and other automotive companies in the U.S. to boost the sales of PHA Georgia LLC and secure manufacture competitiveness, which will be secured by developing the optimal closure system geared to electric vehicles and operating the plant as an eco-friendly production base.



Aerial View of PHA Georgia

Selected as a Business Reorganization Enterprise

The business reorganization support system is aimed at reinforcing the competitiveness of the major domestic industry, and to establish the foundation for new growth engines according to the 'Special Act on the Corporate Revitalization'. The company is recognized as a business reorganization enterprise on account of advancing structural change or business innovation with the aim of improving business productivity significantly in part or whole, and approved companies are provided with various government support including R&D support and financial support, etc. On June 2023, PHA was approved by the Ministry of Trade, Industry & Energy as a business reorganization enterprise in the area of advancing toward a new industry, and was recognized as such an enterprise based on the 'Integrated Door Control System Design Technology on the Autonomous Driving Vehicle Equipped with Drive Unit and Radar Sensor', and our business reorganization technology. Our goal is to achieve over KRW 100 billion in sales of new business item. PHA will make relentless efforts to become a company that leads the market and satisfies customers through continuous technology and business innovation.



Business Reorganization Plan Approval Certificate

Advancement into New Markets

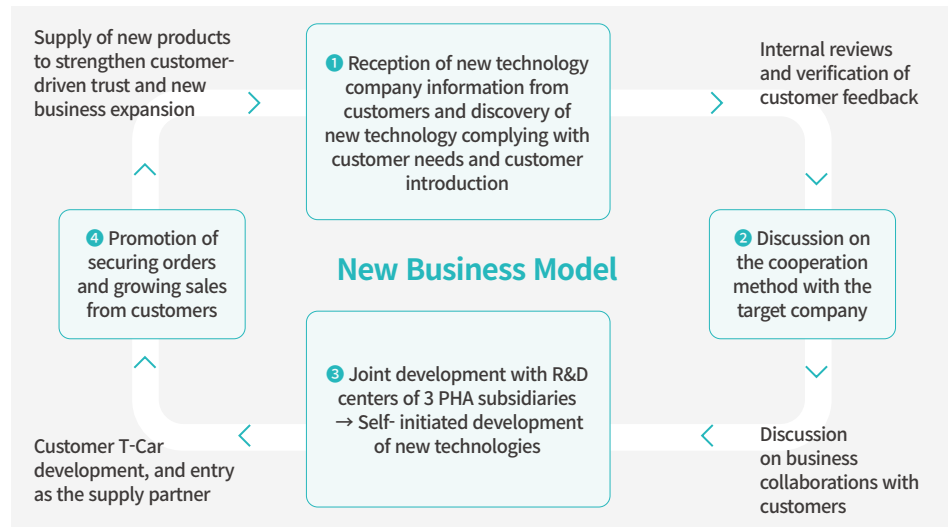
Discovery of New Business

Adoption and Implementation of Virtuous Cycle Model for Advancing New Business

In 2022, PHA newly established the New Business Team to identify and advance new businesses. Business expandability and customer strategies were considered to select new business investment fields in the vehicle and non-vehicle industries, while also operating the process for selecting a company eligible for investment through internal deliberation procedures, and determining the final investment target according to seven areas and 20 evaluation items with ESG relevance included.

In 2023, PHA is cooperating with companies with new technologies certified or verified from customers to advance and support new businesses, while also participating in the marketability verification process by the customer to establish and promote the virtuous cycle structure for prompt commercialization. For prompt commercialization of new businesses, PHA applies for participation in the Open Innovation Lounge, which is a form of 'Fast Track' to apply new technologies of various customers and subscribe to the 'New Technology Discovery' platform opened by any customer to cooperate with the companies with new technologies centered on those technologies certified or verified by customers in an effort to adopt and stably commercialize the new technology.

Virtuous Cycle Model for Advancing New Business



Radar Sensor Development and Order

Given the increasing need for better safety and convenience for end users and the technologies related to autonomous driving in the mobility industry, the use of sensors such as cameras, radars, LiDAR and ultrasound are increasing. Among various sensors, PHA has developed radar sensors that can measure longer distance compared to other sensors, are more resistant to external environmental influences, and are more cost-effective than LiDAR sensors by combining with the existing PHA product line. PHA drives and enables open innovation with startups centered on external radar sensor technologies for business collaborations to improve the performance of developed collision avoidance radar sensors and to secure cost-competitiveness in manufacturing. In addition, PHA has been selected as the supplier of radar sensors to be equipped in the latest new car models of Hyundai Motors, and has taken the first step toward securing market specialization in radar sensors. PHA will relentlessly advance and expand radar sensor technology development to the product line centered on detecting any blind spots of vehicles and sensing the passengers inside the vehicle, and also pursue new technology development to advance towards our capability to provide integrated solutions of recognition, control and driving based on systematization of auto parts.

MOU in the Electric Vehicle Wireless Charging Field

To diversify the products related to eco-friendly electric vehicles, PHA invested in WiPowerOne, Inc. in 2021, a startup boasting 'electric vehicle wireless charging system' technology. WiPowerOne, Inc. provides the technology to enable wireless charging regardless of whether the electric vehicle is stopped or driving on the road. In addition, to secure and develop this wireless charging technology, PHA signed a MOU in June 2023 with the Wireless Power Transfer Technology Center in Gyeongbuk Technopark for strengthening and exchanging the technology of wireless charging, with ongoing technology exchange, joint project performance, and joint utilization of test equipment and facilities to be performed through this MOU. Based on this collaboration, PHA strives to accelerate the development pace for this technology, and promote commercialization with WiPowerOne, Inc.

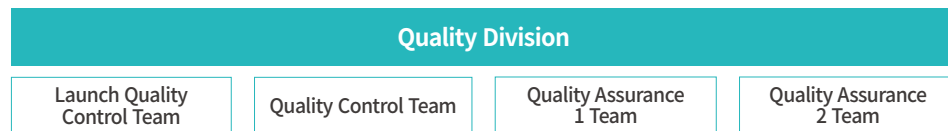


Quality Control Management

Quality Control Management

We operate four teams under the Quality Division to advance systemic quality management, and set our vision for the Quality Division of ‘pursuing ultimate quality cost savings to contribute to PHA’s profitability’. To ensure quality assurance from the viewpoint of customers, we implement activities to improve our quality competitiveness while securing future quality drivers and adopt quality certifications. In 2023, we are working to upgrade our parts specifications and reinforce the application of our in-house maintenance support system to reduce quality failure costs by 17% from the previous year.

Organizational Structure of the Quality Division



Quality Control Management Advancement

Operating a company-wide suggestion program

Our company-wide suggestion program was designed to encourage all our employees to freely suggest necessary improvements for organizational operation and work, and apply such suggestions to their day-to-day work. Suggestions may concern quality improvement, productivity improvement, work efficiency gains and any other areas, and they go through preliminary and final assessments twice made by leaders and personnel of the Quality Assurance Team and other relevant teams. High quality suggestions are awarded monthly based on their grade, and special rewards are offered to the Suggestion of the Year on an annual basis.

Between December 2021 and November 2022, a total of 985 ideas were submitted, and 67% of them were adopted for improvement. This program intends to develop a constructive corporate culture and work methods, and we will continue to encourage employees’ participation in this program.

Quality Control Management System

Vision 

Pursue ultimate quality cost savings to contribute to PHA’s profitability

Quality Goal 

- Achieve zero PPM¹⁾
- Maximize the efficiency of global quality management
- Establish an innovative quality assurance system

Mid/long-term Key Strategic Direction 

- Improve our current quality competitiveness**

 1. Engage in **prevention activities** through initial quality improvement
 2. **Prevent process failures** by abiding by the basic
 3. Bring **customer satisfaction** through improved detection
 4. **Reduce cost** through quality assurance

Secure future quality drivers

 1. **Establish electronic parts standards** to proactively respond to the shifting future landscape
 2. **Advance processes** for key operations
 3. **Level-up partners** to strengthen partner management

1) PPM (Parts Per Million): A quality measurement unit which refers to the ratio of defective products out of total. Generally, quality is managed against the threshold of 6 sigma or 3.4 PPM. This means 3.4 defects occur for every one million products and is considered a significantly high level of quality management.

Quality Control Management

Operating a room for success

To learn from failures to raise quality awareness and further commit ourselves to quality management, we operate a room for success to exhibit cases of failure. There is a dedicated space in the quality assurance room that is prepared to post the status of major quality failure cases, such as failure case's phenomenon and failure-related expenses, and products are also exhibited inside. Its location was changed to enable the quality assurance room to be more convenient to access, and quality failure cases are updated periodically to improve enterprise-wide awareness of quality control.



Room for success (exhibition of quality failures)

Performing Q.F.D¹⁾ analysis with the KANO model

The ultimate goal of our quality management is to deliver products void of any issues or defects all while catering to the requirements and functions presented by customers. To maximize customer satisfaction based on accurate understanding of customer needs, we introduced the Q.F.D analysis methodology which leverages the KANO model in advancing preventive quality management. The KANO model is a customer-centric quality element analysis methodology that intends to bring the greatest possible customer satisfaction. In the KANO model analysis process, we classify quality elements into attractive/must-be/general quality to comprehensively analyze customer needs. Looking ahead, we will remain committed to providing differentiated customer experience and quality.

1) Q.F.D (Quality Function Deployment): Systemic quality improvement process to manifest customer requirements in the final product in each step of the way from product design and development to production and sales.

| Collect information | Analyze quality elements | Maximize satisfaction |
|--|-------------------------------------|---|
| Customer requirements, market trends and other background/ environmental understanding | Attractive/must-be/ general quality | Deliver on customer requirements and necessary functionality, reduce issues/defects to zero |

Receiving quality difficulties from partners

We collect difficulties experienced by partners each quarter and provide them with necessary support to pursue stable quality and win-win partnership activities. In 2022, a total of 72 difficulties were gathered on three occasions from 52 partners subject to our QMS (Quality Control Management System) assessments, and improvements were made on 47 of them through working-level reviews. Types of difficulties include quality limit, relief of tolerance, realization of drawings, work efficiency, change in form and rationalization of inspection ports, etc., and reviewed results are provided with immediate feedback to partners to provide work support for improvements. We will always strive to heed the voice in the field and integrate it into our day-to-day operations.

Operation of QFCA for Reduction of Defect Leakage by Partners

To verify the validity of improvement measures and prevent a recurrence of quality control issue leakages to customers, the PHA Quality Division performs the QFCA¹⁾ activity on worst quality partners from 2021, and visible effects such as preventing partners from establishing false improvement measures, reducing the number of recurrence incidents with the same issue, and increase in the implementation rate of improvement measures (43.8%→72.6%) were shown in 2022. From 2023, PHA is expanding the application to individual PHA plants and overseas corporations to reinforce measures.

QFCA Operation Method (2023)

| Category | AS IS(2022) | TO BE(2023) |
|-------------------|--|--|
| Inspection Cycle | 1 time/quarter (spot check) | Spot check once every quarter (establish the annual plan) |
| Inspection Target | Worst-12 partners (No. of Items: 118 EA) | Unit plant & overseas corporation (new) + Worst-4 partners |
| Inspection Method | Partner onsite visits & validity checks on the measures | Onsite inspection visit immediately after completing the measures + Quarterly validity check |
| Penalty | Non-compliance: Independent autonomous total inspections (1 month) | 1st non-compliance: Independent total inspections (1 month) + Request for agenda in the quality evaluation meeting 2nd non-compliance: Request for agenda in the CEO quality evaluation meeting |
| Effect | - Preventing preparation on false and invalid measures (prompt inspections on the conformity of the measures) - Preventing a recurrence on the quality control issue and advanced prevention of similar issues according to ongoing inspections of quarterly implementation for the conformity of improvement measures (on a quarterly basis) | |

1) QFCA (quality fast check audit): Advanced prevention activity for preventing a recurrence of major quality control issues and defective LOTS through prompt checks on the validity of improvement measures for quality control issues

Quality Control Management

Advancing the field vehicle monitoring analysis

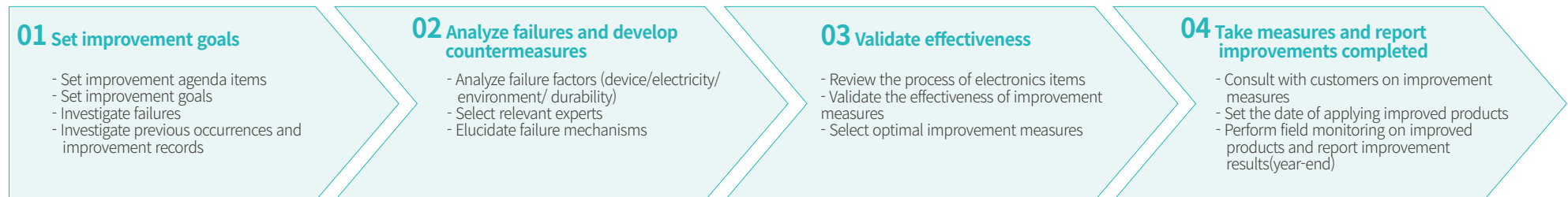
To secure initial quality in the vehicle sales process, we have introduced CAN communication protocol¹⁾ log data storage equipment for system analysis, and deployed this equipment to monitor vehicles while in motion. This analysis equipment is mounted on the vehicle in question to monitor the vehicle while driving and to improve on NTF²⁾ failures. This approach is advantageous in saving time for actual vehicle inspections made through maintenance appointment, and our plan is to nurture professionals to build specialized capabilities to analyze causes of defects.

- 1) CAN (Controller Area Network) communication protocol: A communication protocol designed to support the flexible performance of automotive applications with two wires collecting a large number of ECUs for communication
- 2) NTF (No Trouble Found): No trouble found refers to faults whose causes are hardly identified and analyzed due to difficulties with reproducibility while products show anomaly in the field.

Operation of Quality Control Checks by Field TF Team

To identify the fundamental cause of quality control issues preemptively, PHA operates a TF team, the dedicated group in each region for analyzing finished cars. The main regions of activity include Seoul/Gyeonggi, Jeolla and Gyeongsang regions, and issues of PHA parts mounted on the actual vehicle is checked visually to identify and analyze the precise reason of phenomenon. In addition, each TF team performs the role of identifying a linkage with other parts to establish improvement measures. Also, the service center of the automobile company is visited regularly to prevent inappropriate or excessive maintenance, while training is provided as to the operating principle of PHA parts, improvement cases and maintenance history, etc. PHA is actively devoting earnest efforts to increase the reliability of the product quality and minimize the failure costs.

Key Activities in Each Phase of Quality Improvement



01 Set improvement goals

- Set improvement agenda items
- Set improvement goals
- Investigate failures
- Investigate previous occurrences and improvement records

02 Analyze failures and develop countermeasures

- Analyze failure factors (device/electricity/ environment/ durability)
- Select relevant experts
- Elucidate failure mechanisms

03 Validate effectiveness

- Review the process of electronics items
- Validate the effectiveness of improvement measures
- Select optimal improvement measures

04 Take measures and report improvements completed

- Consult with customers on improvement measures
- Set the date of applying improved products
- Perform field monitoring on improved products and report improvement results(year-end)

What is PSW (PHA Service Way)?

As the dedicated maintenance support service of PHA, the service was developed to share many experiences and specialized information.

Call Center Contact Information [PHA Daegu Headquarters] 82-53-350-6570

Operating an Independent Maintenance Support System

To increase the maintenance level and improve the claim index through enhanced communication on quality matters with customers, PHA has opened the dedicated maintenance support system of ‘PSW (PHA Service Way)’ on the auto parts produced by PHA for operation. The maintenance guidelines that we previously distributed were not readily available at sites and thus were not easily accessible by maintenance technicians, and did not serve to address one-off claims. The PSW System was created by primarily improving on these limitations to make it more accessible and include component descriptions, maintenance guidelines, cases of maintenance, and inspection methods by failure code to prevent erroneous or excessive maintenance to help accurately identify the issue at hand, analyze technical problems and perform repairs. The opening of this system came in tandem with the distribution of promotional materials with the QR code on them to access the system as well as user training across 40 key service centers nationwide. The QR code can be scanned either through a tablet or a personal mobile phone to search for necessary information in real time, which will enable maintenance technicians to check information swiftly and accurately to better perform their maintenance work and reduce unnecessary claims as a result. In addition, the dedicated call center for the PSW System was launched to ensure better communication and greater effectiveness of the maintenance support system.

Quality Control Management

BSA Check and Improvement on New Vehicle Parts

PHA is operating the internal BSA (Booster Shot Audit) procedure and improvement for securing partners' initial quality control of mass production of new auto parts. BSA is a supplemental intensive audit procedure used to stabilize the product and process quality after the P2/ Process audit at the new vehicle development stage and before full-scale mass production, and to enhance the preventive effect on potential quality control issues. A process audit is performed before the parts approval for mass production, but as its name infers, the BSA performs a supplemental process audit for the improvement of issues. The BSA performs intensive reviews of the quality system, improvement and change history, parts verification, EOL inspection and conformity of the inspection criteria subject to partners producing new parts and important common parts for new vehicles, and reviews and improvements were performed on total of seven new vehicle model parts in 2022. To secure more competitive quality control in mass production of new vehicle models, PHA will proactively perform BSA inspections by selecting main new auto parts in 2023 as well.

Operation of the Qualitative Quality Box

PHA produced a 'Qualitative Quality Box' as part of measures to improve the qualitative quality for reducing the rate of customer defects due to poor management, the 'Qualitative Quality Box' is arranged and operated in the place visible to all employees. Qualitative quality refers to quality control with a genuine work ethic and the quality-oriented mindset of providing the best possible quality with a genuine and faithful mindset to devote best efforts for quality. As there is high portion of issues related to non-compliance with work ethic concerning customer defects in common among all partners, PHA accumulates KRW 100,000 in the 'Qualitative Quality Box' on each day of accomplishing zero customer defects in an effort to improve qualitative quality control, and incentives are given to the employees semi-annually. The launch of the 'Qualitative Quality Box' was posted on October 2022, and is still in active operation. Notably in May 2023, all employees were rewarded with a total of KRW 30.3 million including the accumulated amount in the 'Qualitative Quality Box' and the amount supported by the company for encouraging qualitative quality measures. PHA is committed to diligently improving qualitative quality control by motivating and enabling our employees to achieve outstanding performance by themselves.



Qualitative Quality Box

Quality Control Management

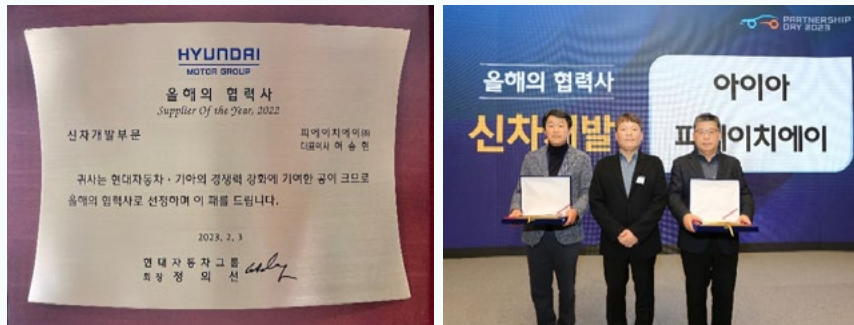
Customer Quality Satisfaction

Highlight

Awarded 'Supplier of the Year 2022' from Hyundai Motor Group (New Vehicle Development Category)

In recognition of diligence and dedication, PHA was awarded the Supplier of the Year 2022 in the New Vehicle Development Category from our main customer Hyundai Motor Group, on February 3, 2023. In 2017, PHA's India Corporation was awarded the Supplier of the Year in the Overseas Corporation Category. The 'Supplier of the Year' award by Hyundai Motor Group is divided into 16 categories including quality, new technology, management innovation, new vehicle development and overseas corporation, and total of 28 best partners are selected to be awarded.

PHA received this award in recognition of our success in ensuring quality control at the early stages of new vehicle mass production, including the award as the best new vehicle quality partner for the RS4 model in 2022, with achieving zero new vehicle development setbacks for five main development models, and measures to strengthen the pre-development verification on items with new technologies/ methods. PHA is committed to ensuring quality control by focusing on enterprise-wide capabilities that prioritizes the convenience and safety of customers and users.



PHA Selected as the Best Partner in RS4 New Vehicle Quality

On June 2022, PHA was selected as the best partner (RS4 model) in the "100-Day New Car Operation" from Hyundai Motor Group, Procurement headquarters. Among the models being newly developed by Hyundai Motor Group, the best partners are selected on account of successful development on the parts, new technologies applied, mass production quality control secured at the early stage, and 'ZERO' field claims achieved, and the selected companies are provided with financial support such as a lump-sum payment for mold development cost, and events such as providing coffee truck and cookie set to appreciate and incentivize diligence of the employees of partners. PHA's selection as the RS4 Best Partner was attributed to TFT activities to ensure top quality control in relevant divisions, price-product competitiveness by developing new technologies, and business system improvement by forming an organization that performs project management/control design functions. PHA will relentlessly ensure unmatched quality control to continue being the best partner for new vehicle development going forward.



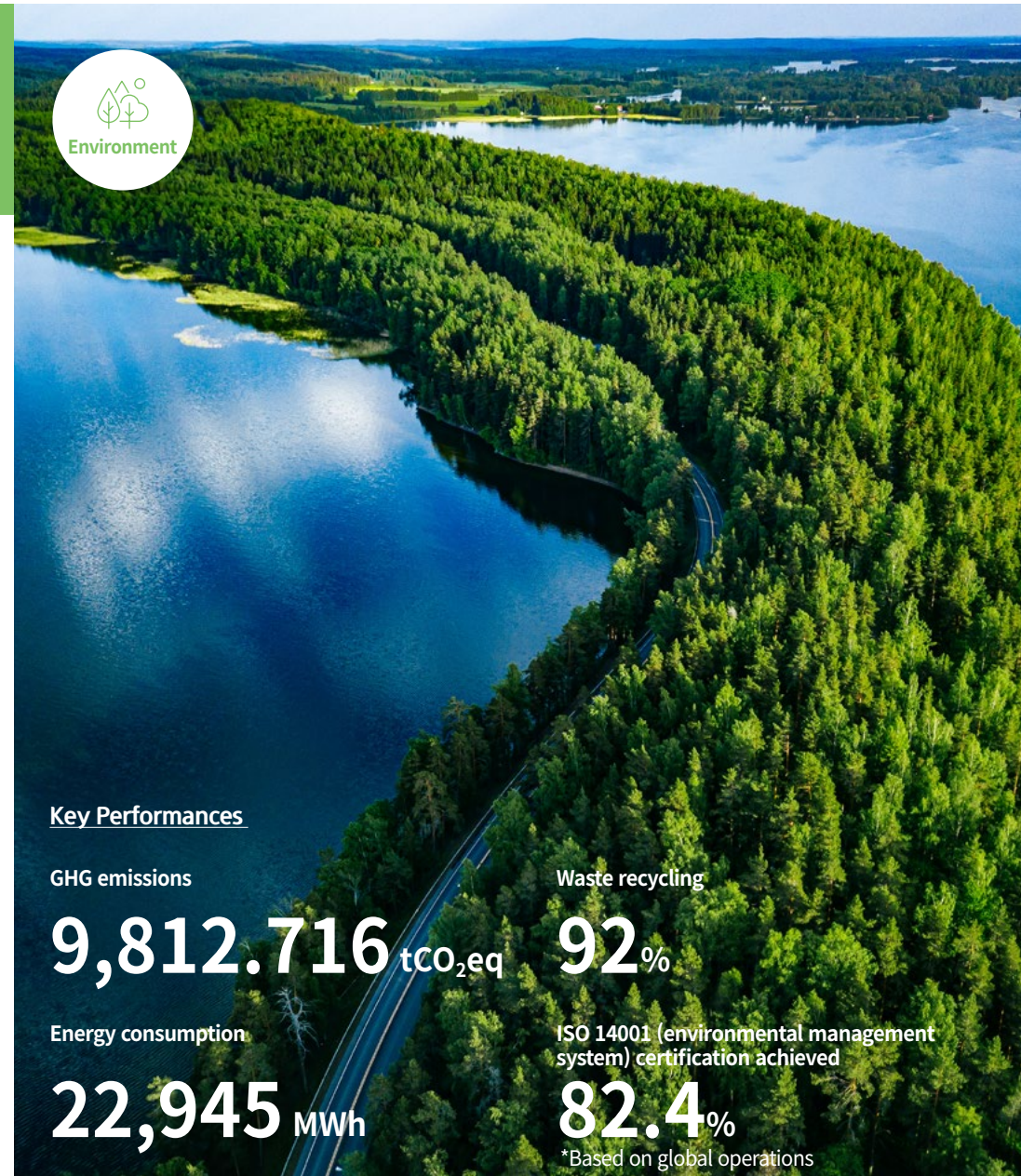
2022 RS4 Best Partner Award

ENVIRONMENT

Leadership in Environmental Efforts

Material Topic

#7 Waste and resource circulation



Link to UN SDGs



- 7.3. Improve energy efficiency
- 11.6. Reduce adverse environmental impact, including by paying special attention to air quality and municipal and other waste management
- 13.1. Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters

Background

As the global community recognizes the severity of climate change and environmental pollution, countries and businesses are taking measures to establish sustainable business models. Businesses are responsible for reducing their energy consumption and GHG emissions while minimizing waste generation to lower environmental pollution and contribute to improving the environment. In particular, the automotive industry is one of the major sources of GHG emissions, and global car OEMs are expanding their eco-friendly product portfolio to fulfill environmental responsibility, which may boost the demand for partners to develop eco-friendly products and improve their environmental performance.

PHA's Approach

We are committed to mitigating environmental impact across our entire business operations from product design to production and disposal. In preparation to the demand to be raised by car OEMs to become carbon neutral, we also engage in R&D to lower the input of energy and raw materials in the product use phase, and bolster our management of GHG emissions, energy consumption and other environmental performance data.

Key Performances

GHG emissions

9,812.716 tCO₂eq

Waste recycling

92%

Energy consumption

22,945 MWh

ISO 14001 (environmental management system) certification achieved

82.4%

*Based on global operations

Environmental Management Implementation

Environmental Management System

Based on the ‘Adoption of Eco-Friendly Management through Implementation of Environmental Responsibilities’, PHA disburses eco-friendly management consistently. Responsible employees within the environmental management organization collaborate closely to accurately identify and address internal/external issues, stakeholder requirements, and regulatory compliance on environmental management. Independent standards that are stricter than legal standards are

Organizational Structure for Environmental Management

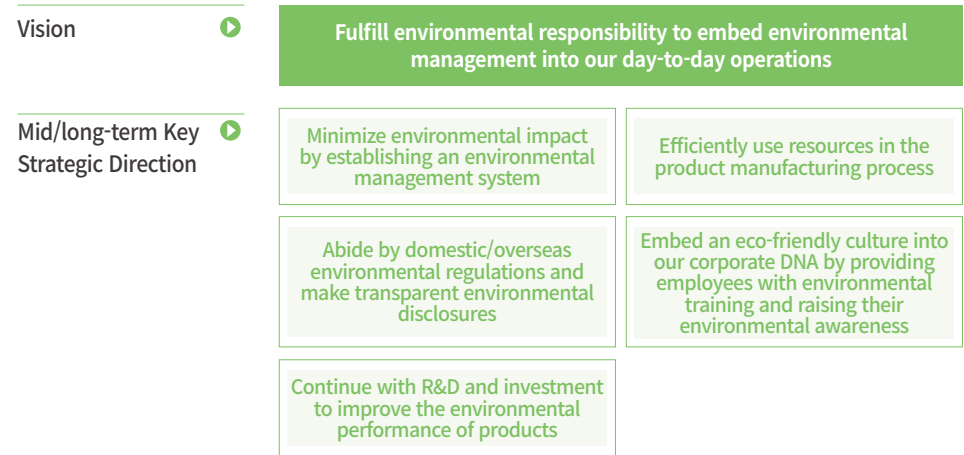
| | |
|--|---|
| CEO | - Approve the outcomes of identifying organizational status on environmental safety issues as well as the decisions made on risks and opportunities |
| Head of the Management Support Division | - Review the outcomes of identifying organizational status and the decisions made on risks and opportunities - Maintain and manage the SHE system |
| Leader of the SHE Team | - Compile and report the outcomes of identifying organizational status and the decisions made on risks and opportunities - Develop/implement/maintain the environmental management process |
| Environmental Manager | - Manage air/water quality, waste and other aspects of environmental management - Manage energy/carbon emissions |

KPI

| Category | Unit | 2022 Target | 2022 Performance | 2023 Target | 2025 Target |
|---|---------------------|-------------|------------------|-------------|-------------|
| Energy consumption | MWh | 21,870 | 20,216 | 21,870 | 19,960 |
| GHG emissions | tCO ₂ eq | 9,282 | 9,812 | 9,518 | 8,950 |
| Water consumption | ton | 36,442 | 38,672 | 34,620 | 33,260 |
| Non-compliance with environmental regulations | case | 0 | 0 | 0 | 0 |

applied in environmental pollutant management to create a green work site, and key performance indicators (KPI) and mid- to long-term goals, including the amount of waste generated, energy use, etc., are established to actively pursue safety, health & environment (SHE) management in practice for our employees and local communities.

Organizational Structure for Environmental Management & KPI

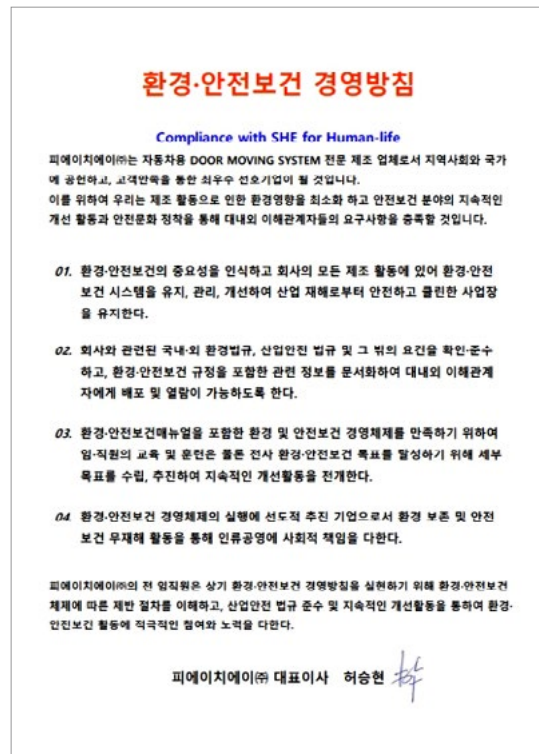


| Category | Unit | 2022 Target | 2022 Performance | 2023 Target | 2025 Target |
|-----------------------------|-------------|-------------|------------------|-------------|-------------|
| General waste generation | ton | 244.3 | 184.7 | 230 | 223.0 |
| Designated waste generation | ton | 28.2 | 15.8 | 26 | 25.8 |
| Waste recycling | % | 90.0 | 92.0 | 90.0 | 90.0 |
| Environmental investments | KRW million | 25 | 30 | 25 | 25 |

Environmental Management Implementation

SHE management guidelines

We established our Environmental, Safety and Health (SHE) management guidelines in April 2022 to commit ourselves to proactive participation in and endeavor for SHE operations. All our employees recognize the importance of SHE, understand overall procedures defined in the environmental system, and continue with regulatory compliance and improvement.



SHE management guidelines

Environment Management System Certification

Since acquiring the ISO 14001 international certification for environmental management systems for the first time in 2012, PHA has maintained this certification through annual post-reviews and renewal reviews of all domestic production plants and main overseas manufacturing plants, and matters requiring supplementation are improved consistently. As a result, an environmental management system is established enterprise-wide, while overall management activities, such as complying with environmental laws and regulations, managing environmental performance, and reducing environmental pollution are performed efficiently to meet the basic requirements of international standards. Renewal and internal reviews were performed in advance in March 2023, in addition to addressing matters for improvement from the previous year, identifying risks, and environmental impact assessments, etc. to be inspected. To enhance the executive ability of the environmental management system, environmental management expert development program will be operated for each department enterprise-wide, and domestic and overseas subsidiaries will also maintain, manage and expand the environmental management system certification going forward.

Environment Management System Certification Status

| No | Subsidiary | Certification Name | Expiry Date |
|----|---------------|--------------------|-------------|
| 1 | PHA | ISO 14001 | 2026.5.3 |
| 2 | PHA Beijing | ISO 14001 | 2025.11.7 |
| 3 | PHA Taicang | ISO 14001 | 2025.9.6 |
| 4 | PHA Yancheng | ISO 14001 | 2024.12.8 |
| 5 | PHA India | ISO 14001 | 2023.10.31 |
| 6 | PHA Czech | ISO 14001 | 2026.1.1 |
| 7 | PHA Slovakia | ISO 14001 | 2024.7.1 |
| 8 | PHA Alabama | ISO 14001 | 2024.7.2 |
| 9 | PHA Chongqing | ISO 14001 | 2024.10.8 |

Environmental Management Implementation

Bolstering Environmental Management Capabilities

Environmental management training for employees

To enhance employees’ awareness of environmental management, PHA publishes a quarterly newsletter by selecting issues in the areas of safety, health, environment and firefighting. In 2022, carbon neutrality and workplace environment management, such as workplace waste, carbon footprint, etc., were selected as the topics to share the methods of carbon neutrality and minimizing environmental pollution for practice in everyday life. Also, ESG training was provided to the TFT for publishing sustainability management to enhance the understanding of the concept and necessity for ESG management to tackle climate change. PHA plans to perform ESG and environmental awareness training for all employees in the second-half of 2023 for instilling and internalizing an environmental culture.

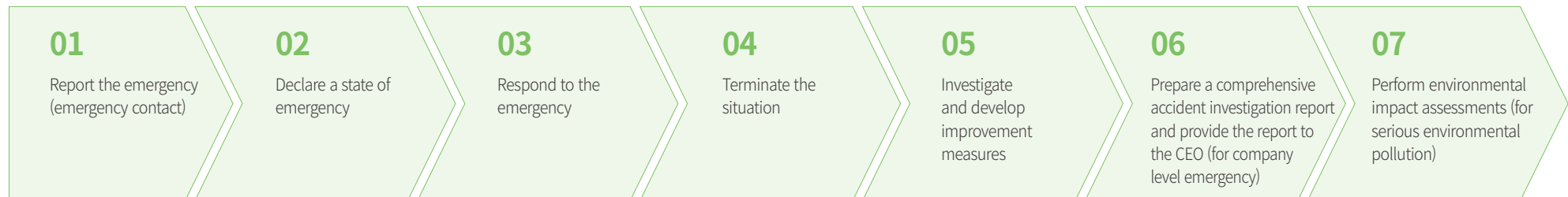
Emergency prevention training and exercise

We identify potential emergencies and develop emergency action plans by severity and type of emergencies based on annual health and safety risk assessments and environmental impact assessments. To render these plans more effective, we conduct regular training at least once a year to communicate our organizational structure and plans to respond to emergencies and inform individual employees of their roles and how to take emergency actions and use equipment as specified in emergency action plans. For production processes and areas where emergencies may occur, emergency response exercises are also conducted, and any issues identified following trainings and exercises are examined to re-develop and revise the emergency action plans.

Responding to environmental accidents and emergencies

To prevent accidents that leave environmental impact such as fires and explosions and any other potential accidents, we established emergency management regulations and abide by them in developing emergency response plans and conducting exercises. The CEO, as the Chair of the Emergency Action Committee, is responsible for the overall management of an emergency, and all employees promptly report the occurrence or signs of emergency according to the set emergency reporting system. Until the emergency situation is terminated, follow-up management is performed as defined in the emergency action plan, and the head (team leader) of the organization where the emergency occurred investigates into the incident, develops improvement measures, and communicates them to the responsible management team. In the event that emergencies caused by fires, explosions or gas leaks that occur within our sites or in their vicinity bring environmental impact to other companies and surrounding areas, a comprehensive accident investigation report is prepared and provided to the CEO. If it is believed that severe environmental pollution has occurred, environmental impact assessments should be made in accordance with environmental impact assessment regulations.

Emergency Response Process



Environmental Impact Mitigation

Response to Climate Change

Greenhouse Gas (GHG) Emission Management and Third-Party Assurance

PHA manages the GHG emissions according to the GHG emission source. Greenhouse gases generated by boilers and business vehicles used at work sites are classified as direct emissions (Scope 1), and greenhouse gases generated from power consumption at work sites are classified as indirect emissions (Scope 2) for management. GHG emissions are calculated annually in terms of greenhouse gas generated at the headquarters and six plants associated with use of energy, fuel and vehicles for logistics. Among direct and indirect GHG emissions in 2022, direct emissions were measured to be 5.2%, and indirect emissions were 94.8%. GHG emissions in 2022 increased by approximately 2.5% compared to 2021 due to an increase in operation of production equipment, expansion* of GHG measuring work sites through third-party assurance on GHG emissions and change** in measurement coefficients, but the GHG emission intensity was reduced by approximately 7% when considering the increase in production. Although PHA is not mandated to receive a third-party assurance on GHG emissions, we voluntarily hired an independent assurance provider to improve the reliability of GHG emission disclosure in 2022, and GHG emission reduction activities such as increasing the consistency of GHG emission and expanding the measurement range will be promoted continuously.

* Expansion of GHG-measuring work sites: Suwon R&D Center and Oe-dong Plant No. 2 were added

** Change in measurement coefficients: Coefficients on fuel usage of emergency generator and vehicles were changed.

Scope 1- 2 GHG Emission

| Category | 2020 | 2021 | 2022 |
|------------------------------|-------------------|------------------|-------------------|
| Scope 1 | 701 | 712 | 513 |
| Scope 2 | 8,774 | 8,857 | 9,299 |
| Total | 9,475 | 9,569 | 9,812 |
| Sales Amount** | KRW 560.9 billion | KRW 55.5 billion | KRW 605.9 billion |
| Intensity*** | 1.69 | 1.72 | 1.62 |
| GHG Reduction (year on year) | +651 | -94.7 | -242.8 |

* Unit : tCO₂e, tCO₂e/ sales amount (KRW 1 mil)

** Sales revenue: Total sales of domestic business sites (Based on the business report)

*** Intensity: GHG emissions compared to sales amount

GHG Emission Management on Domestic & Overseas Subsidiaries

PHA acknowledges the significance of GHG emission management, and in 2022, the scope was expanded to domestic and overseas subsidiaries, let alone the headquarters, in measuring GHG emissions. Measurements of GHG emissions will be used as a basis to establish the annual GHG emission reduction goals of domestic and overseas subsidiaries of PHA, with relevant activities to be promoted annually.

As a global company leading the eco-friendly auto parts industry, PHA takes on key roles of supplying eco-friendly vehicles, managing emissions systematically to minimize GHG emissions at work sites with the aim of fulfilling social responsibilities the planet and environment, and diligently working to mitigate our environmental impact on climate change. Carbon emissions are monitored annually based on the premise of the Low Carbon Green Growth Act adopted by the countries where PHA overseas business sites are located, and goal-based management activities for energy saving will be maintained going forward.

GHG Emissions of Domestic & Overseas Subsidiaries in 2022

| No | Subsidiary | Scope 1 | Scope 2 | Total |
|----|--------------|---------|---------|---------|
| 1 | AST | 273.0 | 3,543.4 | 3,816.4 |
| 2 | PHA Beijing | 23.9 | 626.0 | 649.9 |
| 3 | PHA Taicang | 404.5 | 2,715.1 | 3,119.6 |
| 4 | PHA Yancheng | 8.4 | 314.9 | 323.3 |
| 5 | PHA India | 157.4 | 423.1 | 580.4 |
| 6 | PHA Czech | 159.1 | 442.9 | 602.0 |
| 7 | PHA Slovakia | 112.5 | 382.8 | 495.3 |
| 8 | PHA Alabama | 6.3 | 682.4 | 688.7 |
| 9 | PHA Michigan | 1.5 | 176.6 | 178.1 |
| 10 | PHA Vietnam | 38.9 | 1,048.3 | 1,087.2 |

* PHA Chongqing: Plant not operated since May 2022

* Unit : tCO₂e

Environmental Impact Mitigation

Waste and resource circulation

Waste management process

We ensure the appropriate management and treatment of waste generated from the processes, activities and services of our respective worksites in accordance with waste management regulations with an aim to minimize waste generation and reduce environmental pollution. Waste is classified into domestic, industrial, designated, and food waste depending on their harmfulness, and their weight, type, and designation are reported to the environmental manager at the SHE Team. Treatment is contracted out to waste treatment companies, and this is followed by the documentation of the waste management ledger. For the transparent, real-time management of waste, we use the Allbaro system, the total waste management system operated by the Korea Environment Corporation.

Waste Management Process



Reducing waste generation

We make it a rule to sort out waste at the team level to reduce the generation of waste. Recycling bins are located at each team to sort general, recyclable, and designated waste and discharge them as such, and defective products collected from the manufacturing process or customers are stored in the waste storage area. Recyclable waste and metal scraps are treated through recycling companies. In purchasing such office supplies as toners and ink containers, we ensure that they are either recycled or collected by their supplier in principle. Reducing the consumption of office supplies is managed as a team-level goal in an effort to conserve resources and promote resource circulation across our entire operations.

Through waste recycling and resource recovery activities, the total amount of waste generated in 2022 was reduced by 80.3 tons year on year to record 200.6 tons, and the waste-recycling amount was reduced by approximately 67.2 tons year on year to be 184.7 tons. The overall amount of waste generated was reduced, and among them, the designated amount of waste generated was reduced by 45% year on year due to leftover waste oil and waste solvent management activities. The overall recycling rate was increased from 89.7% in 2021 to 92.1% in 2022.

Waste Recycling

| Category | 2020 | 2021 | 2022 |
|-------------------------|-------|-------|-------|
| Generation Amount (ton) | 250.7 | 280.9 | 200.6 |
| Recycling Amount (ton) | 214.8 | 251.9 | 184.7 |
| Recycling Rate (%) | 86 | 89.6 | 92.1 |

Environmental Impact Mitigation

Using recycled packaging materials

To reduce the unnecessary waste of resources, we use the reusable packaging materials – Danplar boxes, plastics, and steel pallets – that we delivered to domestic customers and collected from them. When transporting products among our plants, we also use reusable return pallet packaging to increase the applicability of these resources. In addition, we retrofit idle containers to store waste to minimize the environmental impact generated as a result of resource consumption, continuously exploring ideas and putting them into action.

Reusable Packaging Materials



Danplar boxes



Steel pallets




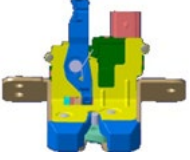
Plastics



Return pallets

Research for Energy Saving and Reducing the Environmental Impact

To minimize environmental impacts from the products, PHA is developing compact products to reduce the energy used in product manufacture, and R&D is performed and applied to products that improve vehicles' fuel efficiency of. The number and size of the parts assembled to the tailgate latch product were reduced to decrease the weight by 5% or more, and internal parts assembled through soldering were changed to the simple assembly process to minimize environmental impacts. The relevant product was applied to electric vehicles to contribute to improving the electricity efficiency of electric vehicles. In addition, parts in the product were integrated and reduced in the number of product parts to create lightweight products, and efforts are devoted to designing products that contribute to reducing carbon emissions for the environment by inputting less raw and subsidiary materials into the production process, in addition to energy-saving and waste reduction.

| Category | Existing Product | Compact Product |
|-------------------------|---|---|
| Size reduction | 90×75×90  | 72×64×73  |
| Assembly part reduction | 4 EA of assembly bolt | 2 EA of assembly bolt |
| Weight | 554g | 480g |
| Process improvement | Soldering on switch + terminal assembly | Switch + terminal assembly process applied |



Example of parts integration: Power tailgate latch

Environmental Impact Mitigation

Local Pollution Management

Managing water pollutants

We lawfully treat wastewater and sewage water generated from our operations in conformity with water pollution management regulations, along with activities to reduce the generation of wastewater. Environmental impact assessments are made under the leadership of the SHE Team, and we secure wastewater facilities to meet our needs and gain approval when needed. All wastewater generated is either contracted out for treatment or transported to the public wastewater treatment plant. The SHE Team regularly takes stock of our wastewater storage and management, and totals our monthly wastewater generation to lower the generation of wastewater.

Water Use and Wastewater Amount (unit : mL)

| Category | 2020 | 2021 | 2022 |
|---------------------|--------|--------|--------|
| Water withdrawal | 43,183 | 54,925 | 55,335 |
| Water Use* | 28,106 | 37,571 | 38,672 |
| Water discharge | 15,077 | 17,151 | 16,413 |
| Wastewater Amount** | | 203 | 250 |

* Water Use: PHA uses 100% municipal water for water.

** Wastewater Amount: 100% of the wastewater generated in PHA is from the test equipment, and the relevant wastewater is processed through the wastewater treatment system and discharged with the water. A wastewater treatment system for the wastewater generated from the test equipment was installed in December 2020, and wastewater generated from 2021 was aggregated for report.

Managing air pollutants

In compliance with the Clean Air Conservation Act, we equip our facilities generating air pollutants with air pollution prevention facilities, gain approval and operate such facilities accordingly. Through environmental reviews, processes newly installed in 2022 were additionally installed with the air pollution prevention facility pursuant to the Clean Air Conservation Act. To reduce the emission of pollutants, we check the performance of air pollution prevention facilities and use dust collectors to manage the dust generated from the injection molding dryer. We also regularly make self-measurement of air pollutants in conformity with the legal standards stipulated in the aforementioned Act.

Generation of Air Pollutants (Unit : ton)

| Category | 2020 | 2021 | 2022 |
|----------------|------|------|------|
| Dust emissions | 0.69 | 0.16 | 0.16 |

Managing noise

We conduct half-yearly work environment measurements to create a pleasant work environment and minimize environmental impact on stakeholders in the vicinity of our operations. In purchasing heavy equipment for the manufacturing process, we identify the sources of noise and install mitigation facilities to ensure the noise generated does not exceed the legal threshold. Even when the noise level is below the set standard, we provide workers with earplugs for their health and safety. When the management standard is not observed, the concerned team is required to take corrective and preventive measures in accordance with health and safety regulations. Our noise and vibration management regulations stipulate the standards to follow to address emergencies and complaints.

Managing harmful chemical substances

We lawfully manage the chemical substances that we receive, handle, use and store in accordance with chemical substance management regulations. For the safe use and handling of chemicals, we ensure that the MSDS¹⁾ is made available at the place of using chemicals, and provide training to employees handling such chemicals prior to their use. The SHE Team regularly reviews and manages matters concerning the handling, storage and use of chemical substances, and the head of the Management Support Division performs reviews and management at least on a half yearly basis through internal ISO 14001 audits.

1) MSDS: The Material Safety Data Sheet documents the name of materials, health and safety precautions to take when handling, and environmental impact

EMPLOYEE

Leadership in Shared Partnership with Employees

Material Topic

- #1 HR management
- #8 Health and safety

Link to UN SDGs



- 4.3.** Ensure equal access to quality technical, vocational and tertiary education, including university
- 5.5.** Ensure women’s participation and opportunities for leadership at all levels of decision-making
- 8.5.** Achieve full and productive employment and decent work and equal pay for work of equal value
- 10.3.** Ensure equal opportunity and reduce inequalities of outcomes by promoting appropriate legislation, policies and action

Background

Employees are the greatest driving force and the key competitive lever behind our growth as a company. Embracing diversity and respecting human rights forms the foundation for organizational soundness, and this represents the value that all businesses should seek to uphold. To create sustainable value, it is imperative that we recruit competent talent and manage individual employees in a fair and reasonable manner. Furthermore, the recent enforcement of the Serious Accidents Punishment Act has ignited social interest in health and safety issues and highlighted the need for more rigorous health and safety management.

PHA’s Approach

We have established fair recruitment, performance appraisal and compensation processes to create a culture of great work place and encourage employees to generate performance on an on-going basis. We operate a range of talent nurturing and welfare & benefits programs to build a sound corporate culture in accordance with global standards to improve both work satisfaction and professional competency on the part of our employees. To prevent fatal injuries, we thoroughly abide by and review health and safety laws and regulations and prevent safety risks from ever occurring in compliance with international health and safety standards.



Key Performances

Training hours per employee

51.9 hours

Welfare and benefits expenses per employee

KRW 1,802,000

Fatal occupational injuries

0 ea

ISO 45001 (health and safety management system) certification achieved

76.5% *Based on global operations

Great Workplace

HR System

PHA aims to establish a fair performance management system and nurture mechatronics talent to bolster its competitive edge for new technology. To this end, we remain focused on building a labor-management culture based on communication and trust and a sound, flexible and horizontal

corporate culture in accordance with global standards. With a goal of nurturing global talent with the highest level of professionalism, we set six mid/long-term key strategies as well as KPI targets and are implementing specific activities to create a Great Workplace culture.

Ideal Employee

Ideal Employee 

Global talent demonstrating the highest level of expertise through communication and cooperation on the strength of the spirit of a sound mind and passion to achieve goals

Core Values 



Spirit of a Sound Mind
Being honest performing duties according to the proper procedures and methods behaving with humility



Highest Level of Professionalism
Striving to acquire the best professional skills and knowledge in the field



Passion to Achieve Goals
Working in high spirit and passion for everything to enhance the value of the organization and oneself



Communication and Cooperation
Communicating with openness and mutual respect, and actively collaborating to create synergy

Labor and Human Rights Management Vision & KPI

Vision 

Create a Great Work Place Culture

Mid/long-term Key Strategic Direction 

1. Fundamentally prevent injuries by establishing a company-wide health and safety management system
2. Contribute to generating performance through a lasting labor-management culture based on communication and trust
3. Nurture mechatronics talent over the mid-to-long term to bolster competitiveness for new technology
4. Create a flexible and horizontal corporate culture for sustainable growth
5. Operate an HR management system intended for fair performance appraisal
6. Stabilize a global, wholesome corporate culture

| Category | Unit | 2022 Target | 2022 Performance | 2023 Target | 2025 Target |
|---|--------------|-------------|------------------|-------------|-------------|
| Fatal occupational injuries | No. of cases | 0 | 0 | 0 | 0 |
| Injuries for every 1,000 employees per year* | % | 2.50 | 3.19 | 0.83 | 0 |
| Welfare and benefits expenses per person | KRW 1,000 | 2,292 | 1,802 | 2,320 | 2,407 |
| Training expenses for employee | KRW 1,000 | 173 | 126 | 192 | 236 |
| Accidents involving child/compulsory labor | No. of cases | 0 | 0 | 0 | 0 |
| Employees who completed human rights training | % | 100 | 100 | 100 | 100 |

Great Workplace

Recruitment process

PHA establishes our human resources recruitment plan based on human resource recruitment guidelines and the hiring process, and outstanding talents complying with the company’s core values, talent image and internal code of conduct are screened and recruited through the hiring process of document screening, aptitude test (new hires), presentation interview (experienced employees) and structured interview (new hires and experienced employees), etc. We do not discriminate on the grounds of gender, and give precedence to men of national merit in the hiring process. We hire both on a regular and a year-round basis when staffing needs arise.

Fair Assessment and Compensation

We conduct comprehensive HR assessments on employees’ work performance and job competency for fair HR management. Each year, employees set their performance and competence goals through interviews with evaluators, followed by interim reviews and final assessments. Employees self-assess their own performance and competences while receiving performance and competency assessments performed by evaluators through interviews. The calibration process ensures that both employees and their evaluators engage in consultation or adjustment concerning assessment results, and the CEO deliberates on calibrated assessment grades and decides on the final grades awarded in the approval phase. Our salary system is operated to provide reasonable compensation based on one’s role and performance rather than seniority, and compensation is made differently according to individual performance which determines one’s salary raises and to organizational (team) performance which determines bonus pay.

Creating a performance appraisal appeals process

To strengthen the fairness of the HR assessment results, PHA has launched an appeal system in 2021. Following the assessments made in every November, assessment grades are notified individually to all employees at the end of December, and employees may use the appeals process to raise objections against assigned marks or grades from early January of the following year. When an objection is submitted, this triggers an interview with the director and the team leader of the department concerned, with the Appeals Deliberation Committee convened on the matter. Then, the committee comprehensively reviews underperformed KPI goals, work performance other than KPIs, efforts made for competence development, and assessment interview records to deliver its final approval on assessment grades.

360-degree leadership assessments

Every July, we perform 360-degree leadership assessments to review all our executives and team leaders in Korea and abroad for their leadership skills and present capacity building indicators required for organizational management. Online surveys are conducted on bosses, colleagues and subordinates of the leaders subject to assessments in the areas of vision management, talent nurturing, organizational management, and global competence, and the results are compiled to provide individual reports. Such assessment outcomes base our efforts to induce voluntary improvement on an individual level and create a healthy and innovative organization.

Job rotation program

Our job rotation program intends to help employees experience different job assignments to broaden their horizons and perform work aligned with their individual competences. Applications for job rotation are possible through the internal system during annual performance assessments and interim competency evaluations, and employees are supported to be assigned to the preferred job or task through an appraiser interview and discussion with the HR Team.

Performance Appraisal Appeals Process



Great Workplace

Employee Capacity Building

Employee Training System

For self-development and improving employees’ job competency, PHA is operating the education and training system based on the corporate vision and management philosophy. Training system is established through classification of each rank, duty and position, and training sessions customized for each individual capacity are conducted. Training sessions include common competency training for new hires and employees eligible for promotion, job competency training to improve expertise levels for assigned tasks, leadership training to strengthen the competency of existing leaders and next-generation leaders, linguistic fluency training to improve global competence, and training to develop employees set to work at overseas business sites. Through education and training, the company develops talents with proper job competency, and each employee is supported with self-development through various educational opportunities.

Onboarding training for new hires

We provide new hires with onboarding training to help them better understand the Company and their work. This touches upon the introduction of PHA and PHC Group and our core values, key HR programs and rules of employment, IT, and safety among others, and is accompanied by interviews with the head of the Management Support Division to go over matters required for their work assignment.

Training System

| Category | Common competence | | Job Competence | Leadership Competence | Global Competence | | |
|--------------|--|-----------------|----------------|--|--|---------------------------------------|-------------------------------------|
| G3 | Career Introduction | Promoter course | | Team leaders/ next-generation leaders | Oral linguistic fluency with native speakers | Overseas Expatriate Leadership Course | Overseas Expatriate Training Course |
| G2 | | | PHA Academy | Electrical & Electronics Training Course | | | |
| G1 | New entry | | | | | | |
| Total | GPC Online/ Collective Training | | | | | | |

PHA Academy

The PHA Academy is operated as a field-driven job competency reinforcement program for G1, G2 positions (staff/managers). The Academy provides eight courses by selecting in-house lecturers for each sector to nurture internal experts, and employees from partners are assisted in taking these courses if they wish to. In 2022, a total of 229 employees enrolled at the Academy including partner employees, and we will continue to share our technology and knowledge to pursue a culture of shared growth.

Major Courses of the PHA Academy

| Course | Graduates (EA) |
|---|----------------|
| Response strategy to future vehicles by local auto part manufacturing companies | 103 |
| Basic course training on electrical & electronics | 7 |
| Fundamentals and practice of computational fluid dynamics | 11 |
| Understanding of EV/ HEV inverters | 11 |
| Understanding of functions of main components in EV reducers | 21 |
| Fundamentals of solenoid motors | 20 |
| Fundamental understanding of BLDC motors | 33 |
| Fundamentals of Model Based Development | 12 |
| Total | 218 |

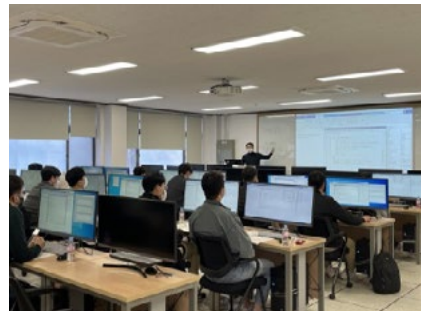
Electrical-Electronic Engineering Degree System

PHA is operating the PHA Electrical-Electronic Engineering Degree Course with a local university to improve the mechatronics expertise of employees. The training course (in electric and electronic engineering) of the university is designed with a PHA-specialized curriculum including the job competency required for the company to develop professional manpower. In 2023, applications were received from employees at each position and job, and a total of 28 employees are newly participating in this training course.

Great Workplace

Increase in Electrical-Electronic Training

PHA has reinforced the design capability from the existing focus on instrumental and mechanical design to electric and electronic design, and relevant training sessions were intensified to develop the mechatronics expert group. Electric & Electronic Curriculum specialized on PHA was opened through industry-university collaboration with a nearby local university, and the number of trainees were increased in 2022 with a total of 218 employees participating in training.



Offline Electric/Electronic Training

Linguistic Fluency Improvement Training

To realize the corporate vision to be the ‘Global Mechatronics Leader’, employees are supported with training to improve the foreign linguistic fluency. To improve English conversational skills, online (phone/ video call) English oral fluency training with a native speaker is supported, and foreign linguistic examination fees are supported annually. In 2023, in-house business English conversation training was newly established to enable employees to talk face-to-face with native speakers within the company.

English conversation training is performed twice a week for 90 minutes on each course, and approximately 30 employees are selected centered on the positions requiring foreign linguistic fluency. The number of trainees will be increased consistently.

Overseas Expatriate Appointment /Repatriation Training

For early adaptation and improvement of global management capability of the overseas corporation expatriates, PHA is providing training on foreign linguistic fluency, leadership empowerment and improving the understanding of the local culture six months before being dispatched for a long-term overseas assignment. Expatriates repatriating from overseas assignments undergo job training and an interview by a job expert for each department to facilitate with early adaptation and improve job competency and credentials.

Leadership Training

PHA provides training on improving core leadership competency, forming ideal mindset as a leader and enhancing core leadership skills. Team leaders and next-generation leader candidates in G3 positions are developed and implemented with the reputation for leadership in various leadership training areas, such as the role of a leader, organizational management, performance management, etc. in a bid to enhance the corporate culture and achieve the performance goals. In 2022, 41 team leaders and 200 next-generation leaders completed leadership training.



Leadership Training for Team Leader



Next-Generation Leadership Training

Operating a leadership coaching program for expatriates

We design and provide training for all our expatriates to improve their knowledge and skills required to strengthen their leadership capabilities so that they properly assume their role as global leaders at overseas subsidiaries. Along with leadership training, PHA devotes earnest efforts to develop and create global leaders internalizing an ethical character and in-depth understanding of diversity and inclusion of local cultures and ethnicity and local business affairs.

Expatriate Leadership Training Participation Status

(Unit: No. of persons)

| China | India | Czech | Slovakia | USA | Vietnam | Total |
|-------|-------|-------|----------|-----|---------|-------|
| 9 | 4 | 2 | 2 | 3 | 3 | 23 |

Great Workplace

Creating a Flexible Organizational Culture

Culture of complimenting

We have been implementing compliment coupon and compliment relay programs to reinvigorate our corporate culture which is under pressure amid the prolonged COVID-19 and difficult business conditions and to create a culture of respecting each other. Compliment coupons are issued by the head of divisions and team leaders to employees recognized for their exceptional practice of PHA's core values. These coupons can be redeemed to purchase snacks and can be exchanged with gifts through quarterly lucky draws. Compliment relays encourage employees to give and receive compliments and awards are given each quarter to those who received the largest number of compliments and high-quality compliments.



Issuance of compliment coupons

Key Communication/ Compliment Activities



Comm & Coop



Compliment coupon



Compliment relay

Highlight

P&C (People&Culture)

The junior board 'Comm & Coop' system operated from 2017 to create a distinct PHA corporate culture preferred by our employees was changed in system name to operation by P&C from January 2023. P&C fulfills the role as a window to facilitate horizontal communication between various departments and higher-lower job ranks, and to resolve enterprise-wide issues and problems. In addition, various communication activities are promoted for a consensus among all employees including senior employees, such as work efficiency, increase in welfare benefits, and social contribution, etc.

During 2021~2022, a total of 12 employees among MZ-generation employees with a tenure of 3 to 10 years were selected, and junior board empowerment training was provided with the key role of a bridge for communication to be effectively carried out. In addition, employee discussions are held to identify necessary improvements and ideas for corporate culture and to develop annual activity plans and make necessary improvements. We have increased incentives to encourage Comm & Coop activities by offering additional points in performance appraisal and giving precedence in promotion assessments. We will continue to provide necessary support and infrastructure to create a flexible and innovative corporate culture.



The 5th P&C Launching Ceremony

Great Workplace

Conducting Employee Opinion Surveys (EOS)

Each June, we conduct group-wide Employee Opinion Surveys (EOS) to take stock of our corporate culture and identify necessary improvements. This serves to collect candid employee feedback required for business operations and align items in need of management and improvement with organizational KPIs. In 2022, an online survey was performed on 456 office employees for 87 questions across seven areas, and the response rate amounted to 91.0% (415 respondents). The EOS identified HR management and organizational satisfaction index as areas requiring improvement from the previous year, and we have been reviewing our overall HR policy, identifying tasks for corporate culture improvement and organizing our systems, policies and specific programs.

EOS Questionnaire/ Survey

| Area | Description |
|-----------------------------------|--|
| Vision/ value | Relate to vision, accept and practice core values |
| Organizational operation | Organizational structure, work process, decision-making, communication, etc. |
| HR management | Recruitment, promotion, assessment, compensation, training, etc. |
| Leadership | Performance management, organizational management, qualification, competence, vision setting |
| Employees' emotional status | Survival mode, exhaustion mode, performance mode, rest mode |
| Perceptions on corporate culture | Innovation-driven, relationship-driven, performance-driven, management-driven |
| Organizational satisfaction index | Job satisfaction, organizational engagement, turnover intention |

Generational Empathy Talk

To facilitate open communication in the organization and create a corporate culture prioritizing mutual respect and sympathy, a 'Generational Empathy Talk' event was held for communication between the department director and employees concerned.

The talk event was held in relay by utilizing the conversation card (balance game), and provided an opportunity for learning about individual personalities and values by sharing a time to understand each other and form common empathy through conversation. In 2023, this event will be expanded into a communication program between departments for operation.

Operation of 'One PHA Lunch Day' for Communication with the CEO

To create a corporate culture of free and open communication by facilitating communication between management and employees, the 'One PHA Lunch Day' event was organized to facilitate communication with the CEO on topics of choice during a lunch box at lunch time. A total of 14 sessions were conducted with 109 employees participating in the event, and a total of 80 employee suggestions were received to complete improvement on 71 cases (89%). Except for two cases not possible for application, seven cases are currently in progress for improvements. In 2023, PHA is holding the 'Share a Drink with the CEO' event on communicating with the CEO outside the offices, as a change from the previous formal setting. PHA is committed to earnest efforts to build a consensus and trust with our employees through communication.



'PHA Town Hall Meeting' with the CEO

For improving sympathy through honest communication between management and employees and creating a horizontal corporate culture on sharing the corporate strategic direction, town hall meeting was held on the theme of 'Creating a Happy Company Together with All Employees'. The meeting was held in the method of CEO providing direct feedback on pre-submitted questions from employees, as well as those from employees during the meeting.

In 2023, PHA plans to hold a town hall meeting regularly for sharing the company's management status and facilitating better communication.



Great Workplace

Improvement of Working Environment and Conditions







Managing work hours

Our employees work 46 hours per week, which is more stringent than the legally-mandatory standard of 52 hours per week. We monitor work hours on a monthly basis as one of our team-level KPIs. In addition, a flexible work system such as staggered office hours and flexible work-hour systems are operated for effective work hour management.

Home Run Day

To promote employees' work-life balance, we designated every Wednesday and the second and fourth Fridays as Home Run Day to encourage employees to leave office at five p.m. On Home Run Day, office dinners, sports events and other team activities are prohibited, and walk-around office inspections are made under the leadership of the HR Team to establish Home Run Day as part of our corporate culture.

Key Work-Life Balance Programs

| | | |
|---|---|--|
|  <p>Fully take annual leave Make it mandatory to take leave once a month as one wishes</p> |  <p>Take refresh leave Take annual leave three consecutive times (recommended to do so on a half-yearly basis)</p> |  <p>Use staggered hours Choose when to start and finish work (recommended to use at least 3 times/week)</p> |
|  <p>Flexible work hours Choose one's own work hours (minimum 4 hours worked/day)</p> |  <p>Monitor work hours Check hours worked in real time (46 hours/week)</p> |  <p>Home Run Day Leave office at 5 p.m. on Wednesdays and Fridays (dinner not provided on Wednesday)</p> |

Introducing staggered hours

PHA institutes the staggered office hour system to instill and promote a flexible working culture. The staggered office hour system allows employees to adjust the time for commuting to the office and leaving work, while abiding by the standard 8-hour work day, and they can select the preferred work type for use freely without any application procedure. The staggered office hour system is promoted for active use consistently as part of efforts taken to instill a flexible working culture to create a distinct PHA culture.

Operational Guidelines for Staggered Hours

| Category | Description |
|--------------------|---|
| Work arrangement | Choose from type A and type B (possible to choose on a daily basis) -Type A: Arrive at 07:00 and leave at 16:00 -Type B: Arrive at 09:00 and leave at 18:00 |
| Application method | Verbal Report to the Team Leader |

Operation of the Flexible Working Hour System

PHA institutes the flexible work-hour system to stabilize the flexible working culture. The flexible work-hour system allows each employee to determine one's daily work hours, and based on the principle of four or more hours of work per day, each employee can come and leave the office freely by adjusting one's work hours flexibly.

Great Workplace

Welfare and benefits programs

To support employees' healthy and stable life, we operate welfare and benefits programs spanning tuition, rewards for long-term service, health check-ups, and support for family events. Employees who have children attending kindergarten, high school or university/college are all provided with tuition, and employees who have been working at PHA for 10 years are eligible for reward vacation and grants every five years. We closely take heed of employee feedback to reinforce our welfare and benefits that truly meet their needs.

Key Welfare & Benefits Programs*

| Category | Description |
|------------------|--|
| Internal welfare | <ul style="list-style-type: none"> - Provide tuition support for children - Provide financial support and supplies for family events - Provide resort memberships - Offer gifts on holidays, corporate anniversaries and labor union general assemblies - Operate commuter buses - Support health check-ups and operate in-house medical rooms - Operate in-house cafeterias and snack bars - Operate various welfare facilities (gyms, shower rooms, rest areas, rooftop gardens, etc.) |
| Internal rewards | <ul style="list-style-type: none"> - Reward for long-term service - Reward for exemplary employees - Best/excellent employee awards - Others (productivity gains, cost savings, injury-free safety, proposals, etc.) |
| Vacation | <ul style="list-style-type: none"> - Monthly/annual leave - Summer vacation - Reward vacation for long-term employees |

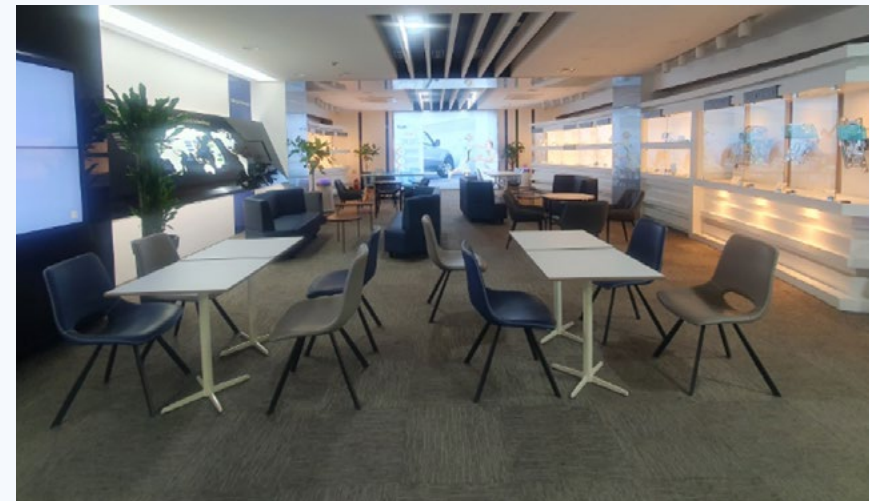
* PHA operates welfare & benefits programs for all employees, irrespective of their type of employment.

Highlight

Operation of the PHA Communication Cafe (Cafe Gonggam)

As the communication space for creating a family-oriented atmosphere in an internal culture between employees, the cafe is operated for their use freely without any restrictions, and the cafe is also used as a meeting space with outside visitors.

Cafe Gonggam is an open space with background music and coffee aroma scent, and makes it possible for employees to feel a moment of relaxation and comfort during busy hours, resulting in high utilization and satisfaction levels for employees.



Great Workplace

Respecting Employees' Rights

Providing human rights training

We provide training to help employees become more sensitive about human rights. In 2022, training was provided to raise awareness of the disabled, preventing workplace bullying and sexual harassment, with training on basic human rights to be provided in 2023 as well. Going forward, we will engage in wide-ranging activities, including continued human rights training, for employees to take interest in and broaden their understanding on human rights.

Establishment of the Human Rights Charter

PHA is committed to achieving in earnest the corporate vision of 'Creating Social Value through Human Rights Management', and 'Realization of Fair Society without Discrimination' and "Human Rights Management Considering Human in Top Priority" are pursued with the aim of enhancing human dignity and value in all management activity processes and protecting the human rights of all stakeholders including employees and partners. With this in mind, PHA has established our human rights management charter, and take efforts for its implementation.

PHA Human Rights Charter

| Category | Contents |
|----------|---|
| 1 | We support and comply with the international and domestic standards related to human rights. |
| 2 | We prohibit any form of discrimination on the basis of academic background, nationality, ethnicity and gender in overall employment, and work diligently to provide employment based on social equality and fairness. |
| 3 | We guarantee the freedom of association and collective bargaining. |
| 4 | We prohibit any form of forced labor or child labor, while maintaining a safe work environment from disasters and accidents. |
| 5 | We are committed to pursuing win-win development with partners, and providing support and cooperation to pursue human rights management in practice. |
| 6 | We are careful not to infringe on the human rights of local residents in the community. |
| 7 | We are committed to preventing the infringement of human rights and taking relief steps actively. |
| 8 | We are committed to protecting and respecting the human rights of all employees. |

Highlight

Conducting human rights surveys

We have conducted human rights surveys on employees and partners to identify the status of human rights across our operations and prevent the violation of human rights. In 2023, we collected feedback on 10 major human rights issues – power harassment as well as compulsory/ child labor and other unjustified labor practices – from 202 employees who responded to the survey. These employees rated the likelihood of human rights violation for each issue at 2.31 points on average on a scale of 1 to 5, which implies 'moderate' or 'not likely'. In addition, as a result of receiving various opinions from stakeholders for human rights protection, opinions were expressed to underscore the necessity activate an internal communication culture, pre-warning with a strengthened reward and punishment system, and transparent and fair measures against possible human rights issues, etc. The result of 2023 survey on the status of human rights was 2.31 points to be increased by 0.1 point on average, compared to 2.2 points in 2022, and risks will be analyzed and improved to prevent possible human rights infringement going forward. Also, improvement activities will be promoted for a more mature awareness on human rights and creating a better working culture.

Human Rights Questionnaire/ Survey

| Category | Description |
|----------|--|
| 1 | Power harassment |
| 2 | Human rights violation at partners |
| 3 | Employment-related discrimination |
| 4 | Limitation on the freedom of association and collective bargaining |
| 5 | Substandard occupational safety management |
| 6 | Violation of environmental rights |
| 7 | Violation of human rights for foreigners and local employees and lack of proper management |
| 8 | Unjustified labor practices(forced/child labor, etc.) |
| 9 | Violation of human rights of local people |
| 10 | Sexual harassment, assault and violence |

Great Workplace

Celebrating International Women’s Day

We celebrate International Women’s Day on March 8 every year to provide an open work environment and atmosphere for exceptional female employees to unleash their full potential. In 2023, roses and gifts were delivered to all incumbent female employees by the head of respective divisions. To improve work conditions for female employees, we provide parking support for expectant mothers and paid menstrual leave. As such, we remain committed to creating a corporate culture that encourages each and every one to reach their potential irrespective of gender differences.

Operating the Labor Management Council

Our Labor Management Council serves as a consultative body to promote the welfare of employees and sound corporate development. The Council consists of four labor and four management representatives. Labor representatives are appointed by the CEO among those who engage in work for the employer in relation to matters that concern the CEO, executive officers and workers. The Council meets every three months, and may convene extraordinary meetings as needed when either of the labor and management representatives requests such meetings. Meetings are held when a majority of the labor and management members are present, and decisions are made when a 2/3 majority or more of the attending members vote for or against. When management issues arise, we communicate through the Labor Management Council to prevent any misunderstanding between labor and management and reach consensus based on long-established trust.

Operating the Grievance Committee

In accordance with Labor Management Council regulations, we operate the Grievance Committee set up to collect and address employee grievances. The Committee consists of two members representing labor and management, each appointed from labor and management members of the Labor Management Council. The principle of confidentiality is observed to make sure that any secrets or privacy-related matters that were revealed in the process of grievance handling are not disclosed. Employees may ask for counseling in verbal or written format to Grievance Committee members to address their grievances.

When a grievance is submitted, members of the Committee sincerely review the grievance and should notify the action taken and other handling outcomes to the concerned employee within 10 days from the date of grievance submission. For matters that are difficult to be addressed by Committee members, these are referred to the Labor Management Council and addressed as such.

Caring for employees with disabilities

On Day of People with Disabilities celebrated every April 20, we extend our encouragement and rewards for employees registered for their disability. In 2022, rewards were given to 10 such employees to encourage their work motivation and loyalty. We also take a universal design¹⁾ approach to constructing new buildings to make them safely and conveniently accessible by everyone including those with disabilities. In building our Hyeonpung Plant, we installed ramps for employees or visitors with disabilities to access facilities without limitation, and installed doorknobs at lower positions to be easily accessible by people with disabilities. We strive to create conditions and perceptions that enable people to reach their potential irrespective of disability and employees with and without disabilities to cooperate.

1) Universal design: Design products, facilities, and services to ensure that users do not experience any limitation on the grounds of gender, age, disability or language barriers



Great Workplace

Highlight

Implementing labor-management partnership programs

To create an advanced labor-management culture based on mutual trust between labor and management, PHA was selected in the labor-management partnership program project hosted by the Korea Labor and Employment Service (KLES) in 2022. KLES is an agency affiliated to the Ministry of Employment and Labor (MOEL), and operated pursuant to the Act on Support for the Improvement in Labor-Management Relations, and the purpose is to promote win-win cooperation between labor and management, support innovation in workplaces, and also provide support to foreign workers.

According to the PHA slogan of ‘New PHA through Labor-Management Trust’, the program was performed successfully for six months from June to November 2022 to strengthen labor-management relations. In the Outstanding Labor-Management Partnership Contest held by the MODEL and KLES on end of each year on 100 workplaces nationwide, PHA participated for the first time in 2022 to earn a participation award.

Program was planned and promoted based on mutual trust between labor and management, and a mutual ambition for improvement and win-win on the PHA labor-management relations was shared. Through our successful performance of the labor-management partnership program in 2022, PHA was selected in the above program in 2023 as well, and program for partnership and win-win cooperation between labor and management are planned and being promoted.



‘GO PHA!’ on Strengthening Labor-Management Communication

To establish a reliable labor-management relations, joint labor-management workshop was held for the first time in PHA. The workshop was held for two days, and training on improving the PHA labor-management executive leadership and resolving conflict management were provided. On the first day, training on preventing workplace bullying was provided to labor-management executives, and opinions expressed to underscore the importance of communication between labor and management. For possible situations involving perpetrators or victims that can always happen, labor-management executives will take the lead in preventive activities. Also, training on conflict management was provided to analyze the types of conflicts and to cultivate knowledge on enhancing the understanding of oneself and others. On the second day, labor-management executives formed groups to exchange concerns on difficulties in the work, and solutions were provided. Many opinions on concerns and difficulties were actively shared, and some of them were resolved immediately, forming a consensus on improving issues through conversation instead of one-sided improvement request.

Workshop on Joint Declaration of Win-Win Development by Contractor and Subcontractor

As the contractor, PHA concentrates our efforts to derive methods for win-win development with subcontractors (internal contractors), and for win-win development through announcement of a joint statement. In the first workshop session, training was provided on the Labor Relations Act to build better knowledge of the subcontractor representatives under the Labor Act, and discussions were made for each group to derive methods for win-win outcomes between contractors and subcontractors. Derived methods were summarized and prepared into a joint statement, which was also announced. A workshop on joint declaration of win-win development by contractors and subcontractors will be held also in 2023 to underscore activities to prevent serious accidents between contractors and subcontractors.



Health and Safety

Health and Safety Management System

Vision and Policy of Health & Safety Management

In order to comply with the laws and regulations related to health and safety, namely the Occupational Safety & Health Act and Serious Accidents Punishment Act, and prevent safety accidents for all workers in the workplace, PHA has designated the CEO as the Health & Safety Management (General) Officer, and a separate safety & health team is newly established to form an enterprise-wide health & safety management system.

Also, three major goals of ZERO Serious Accidents, Achievement of ZERO Hazard and Stabilization of Safety Culture, and detailed health & safety management policies were established under the corporate vision of ‘Creating a Safe and Good Workplace (GWP) Culture’. These are posted and managed on our official website and at offices and sites for all employees and external workers to internalize.

PHA Health & Safety Management Policy

- 1 Recognizing significance in safety & health, and maintaining and improving the health & safety management system
- 2 Documenting industrial safety laws, regulations and relevant information, and distributing them to stakeholders for perusal
- 3 Establishing health & safety policies and enterprise-wide goal for education and training for employees
- 4 Implementing and realizing a health & safety management system and social responsibilities through respect for human dignity

Establishment Safe & Good Workplace (GWP) Culture

ZERO Serious Accidents

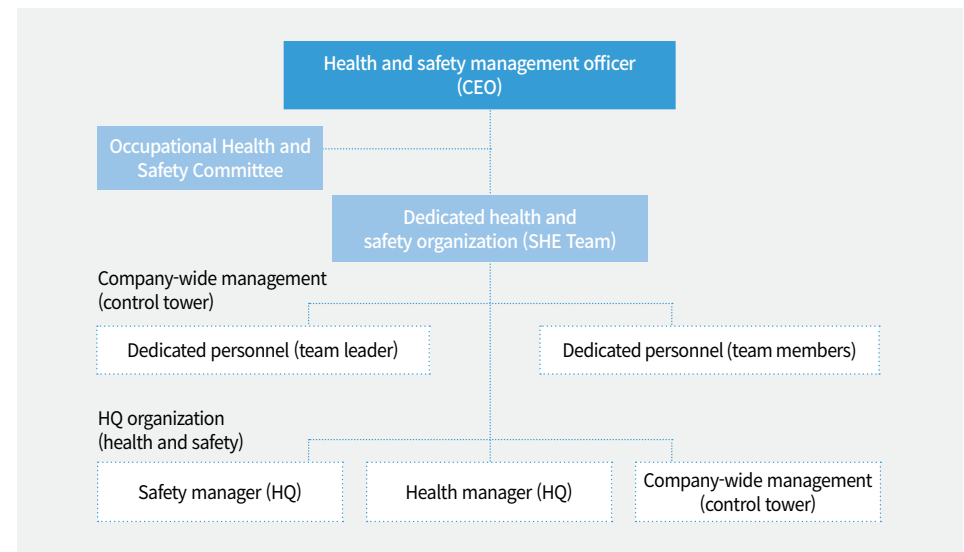
Achievement of ZERO Hazard

Stabilization of Safety Culture

Health and Safety Organizational Structure

All our employees put safety first in the entire work and management. To effectively advance health and safety management, we created the SHE Team as a dedicated health and safety organization. Pursuant to Paragraph 2, Article 4 of the Enforcement Decree of the Serious Accidents Punishment Act and Articles 17 and 18 of the Occupational Safety and Health Act, this organization consists of dedicated company-wide health and safety personnel and SHE managers. Health and safety managers are effectively responsible for all our worksites and have the responsibility and authority concerning the entire health and safety management of the Company. The dedicated health and safety organization is responsible for general health and safety management, including the development of policies to prevent health and safety hazards and risks, the allocation of professional personnel, and budget organization and execution.

Health and Safety Organizational Chart



Health and Safety

Discussions with the CEO on Health & Safety

PHA regularly holds discussions with the CEO on health & safety once a week, with the CEO (General Health & Safety Manager) presiding over the meeting. Discussions on health & safety include agenda such as status of occurrence of safety accidents in PHA, spread of cases of major serious accidents nationwide such as the same industry, etc., main issues on health & safety in the company, government trend on occupational health & safety, main revisions of the Occupational Safety & Health Act, etc. In addition, a health & safety-related council managed by the executive officer is operated as part of efforts for preventing safety accidents and to establish the health and safety management system.



PHA Discussions with the CEO on Health & Safety



On-site walk-around inspection led by the CEO

Health and Safety Management System Certification

After the initial acquisition of the health & safety management system certification ISO 45001 in 2020 to secure the safety and industrial health of employees and external manpower working in the workplaces, PHA is maintaining the certification through annual post-review and renewal review on all domestic production plants and main overseas manufacturing workplaces, and matters requiring supplementation are improved continuously. Through this, the health & safety management system is established, and overall activities on occupational safety and health are managed efficiently to satisfy the basic requirements of the international standards. Renewal review was conducted in November 2022, and, through the preliminary internal review, implementation of matters pointed out in the previous year was inspected and risk identification was done. PHA is planning to continue the maintenance and management of the health & safety system through the occupational safety & health system to secure the safety of employees and manpower working for PHA and to expand the system to domestic and overseas subsidiaries.

Health and Safety Management System Certification Status

| No | Subsidiary | Certification Name | Expiry Date |
|----|---------------|--------------------|-------------|
| 1 | PHA | ISO 45001 | 2025.11.3 |
| 2 | PHA Beijing | ISO 45001 | 2025.11.7 |
| 3 | PHA Taicang | ISO 45001 | 2024.11.25 |
| 4 | PHA Yancheng | ISO 45001 | 2025.8.2 |
| 5 | PHA India | ISO 45001 | 2023.10.31 |
| 6 | PHA Czech | ISO 45001 | 2024.12.31 |
| 7 | PHA Slovakia | ISO 45001 | 2024.7.1 |
| 8 | PHA Chongqing | ISO 45001 | 2024.10.8 |

Health and Safety

Operating the Occupational Health and Safety Committee

We operate the Occupational Health and Safety Committee which consists of the equal number of labor and management members to deliberate and decide on occupational health and safety issues in accordance with the Occupational Safety and Health Act and the Serious Accidents Punishment Act. The Committee is co-chaired by labor and management representatives, and meets every quarter and may hold extraordinary meetings when deemed necessary by the Chairs. The Committee deliberates and decides on health and safety agenda items such as the development of occupational injury prevention plans, health and safety management regulations, the development of health and safety standards and rules, and health and safety training. Meeting outcomes are communicated to all employees through in-house broadcasts and postings as well as regular meetings.

ZERO Hazard Practice Rally

PHA holds the ZERO hazard practice rally once a year to promote safety awareness throughout the company and to create an autonomous safety management culture. The ZERO hazard practice rally is held in order of opening speech and requests by the CEO, announcement by the executive responsible for safety on the methods of practicing ZERO hazard, oath and reciting of the resolution on practicing ZERO hazard, and preparation of the pledge on practicing ZERO hazard. Plans derived through the ZERO hazard practice methods are implemented with preventive activities on safety accidents through cooperation with the relevant management supervisors.



2023 ZERO Hazard Practice Rally

Health and Safety Risk Management

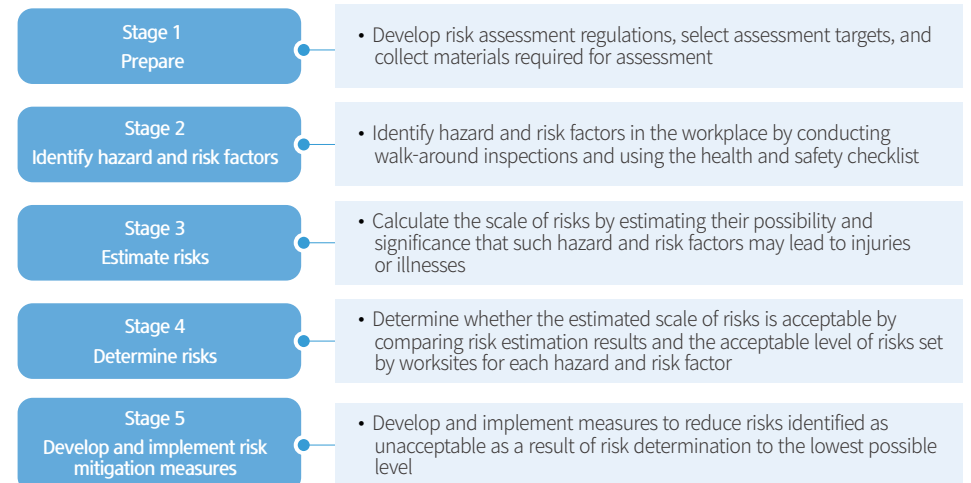
Assessing health and safety risks

PHA identifies the potential hazard and risk factors in the process of performing the work in the workplace according to the in-house risk assessment management regulations (PHA-GEP-0692), with the possibility (frequency) and materiality (intensity) of injuries or illnesses due to the relevant factor assessed to take the necessary measures for reducing the risk.



Risk assessment is performed once a year on all workplaces and for each team, and conformance to the risk assessment result is reviewed to perform self-improvement. In addition, survey on near miss is conducted before performing the risk assessment for reflection in the risk assessment and to carry out preliminary improvement activities on the hazard and risk factors, with outstanding proposers selected to provide incentives separately.

Health and Safety Risk Assessment Process



Health and Safety

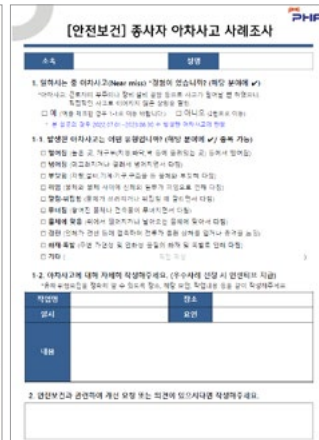
Operation of the Opinion Listening Program (QR) for Health & Safety Workers

PHA is operating the opinion listening program (QR) for health & safety workers to listen to their opinions on matters regarding health & safety in the business or workplace. All workers with access to the overall workplaces of PHA such as employees, contractors, suppliers, etc. can use the QR code on the PR material posted on each workplace to report the risk factors in the workplace related to health & safety, propose recommendations for improvement, etc.

The received opinions are discussed with the safety & health team and relevant teams to establish the improvement plan according to the significance, and the required actions are taken. Items adopted among the opinions received are rewarded to encourage the workers to provide opinions on health & safety more actively.



PR Material on the Opinion Listening Program (QR) for Health & Safety Workers



Survey Among Health & Safety Workers

Safety Management Activities for Overseas Corporations

PHA is also promoting global safety management activities annually among not only domestic workplaces but also 10 overseas workplaces. Main activities include performing the role as the global safety management control tower at the headquarters level, establishing global safety standards for all domestic and overseas workplaces, diagnosing the health & safety management system by visiting the local site for inspection, assessing the on-site risks and providing training support, etc.

Safety Management Plan for Overseas Corporations

Introduction Stage of Safety Management for Overseas Corporations (2019~)

Integrated management of overall domestic & overseas safety index (No. of accidents per year in thousands), establishment and distribution of basic safety order checklist and performance of self-improvement activities

Take-off Stage of Safety Management for Overseas Corporations (2020~2022)

Health & safety management system and on-site improvement details sharing for the standard of the head office, establishment and distribution of serious accident prevention checklist and performance of self-improvement activity

Mature Stage of Safety Management for Overseas Corporations (2023~)

Establishment and distribution of the PHA Global Safety Standard (PGSS), verification on the status of establishing the health & safety management system by visiting the overseas corporation site for inspection, and performance of risk assessment

- [Field Trip Inspection Plan]**
 2023: Vietnam Corporation, Taicang Corporation
 2024: India Corporation, Yancheng Corporation
 2025: Georgia Corporation



Field Trip Inspection on the Vietnam Corporation in 2023

Health and Safety

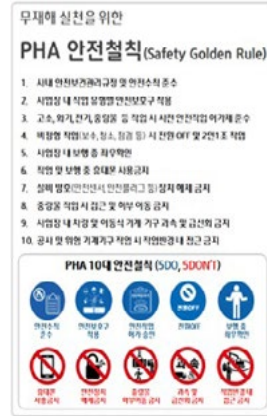
Internalizing a Health and Safety Culture

PHA Safety Golden Rule

PHA complies with the laws on health & safety and in-house safety regulations, and industrial accidents are prevented in advance through safety check before starting the work and by organizing and arranging after finishing the work.

In addition, all employees recognize that they are the entity of health & safety with the CEO at the center and participate actively in the in-house health & safety activities to create a safe workplace atmosphere.

10 major PHA safety rules are composed of 5 DOs for compliance and 5 DON'Ts for prohibition, and PR, posting, management, and supervision are performed to enable compliance by all employees and workers with workplace access.



Health and safety training for employees

To prevent occupational accidents and diseases arising from the risk of industrial accidents, PHA is conducting health & safety training for the employees according to the Occupational Safety & Health Act.

Methods such as collective training and online training are utilized to provide periodic health & safety training to production workers and office staff, with an external training institution invited once a year to provide specialized training for management supervisors.

| Category | Target | Training Hour |
|---|--|-----------------|
| Worker | Production worker | 6 hours/quarter |
| | Office staff | 3 hours/quarter |
| Training for new hires | New hires | 8 hours |
| Training for management | Production team leader, group leader, etc. | 16 hours |
| Training on change in work descriptions | Relevant workers | 1 hour |
| Special health and safety training | Relevant workers | 16 hours |

Supporting employees with health check-ups

To help employees promptly identify work-induced personal illnesses, work-related illnesses and work-related health disorders and maintain and manage their health, we developed health check-up management guidelines and provide health check-ups accordingly. Each year, we identify check-up items with employees subject to such check-ups according to annual health check-up plans, and provide check-ups in partnership with health check-up service providers. Based on check-up results, professional health counseling is provided, and follow-up management or action taken for follow-up management is reported to the Ministry of Labor and Employment when deemed necessary.

| Category | Target |
|---|---|
| Recruitment health check-up | Provided for new hires prior to their assignment |
| General health check-up | National check-up (once/year) |
| Comprehensive health check-up | For 35 and older (once/every two years) |
| Ultrasound health check-up | Epigastrium sonogram |
| Health check-up prior to and following assignment | For employees newly assigned to processes generating noise, requiring night work or handling harmful substances |
| Special health check-up | For employees engaging in processes requiring special check-up (once/year) |
| Temporary health check-up | Provided when deemed necessary to protect the health of employees |

Health and Safety

Firefighting/Lifesaving Training Jointly with the 119 Safety Center

PHA operates an emergency response system by preparing the manual for worker evacuation in emergencies such as various disasters and industrial accidents, performing relief measures, and preventing additional damage and through regular training.

For practical and effective fire and lifesaving training, firefighting training is performed once a year jointly with the competent 119 Safety Center in the head office and all workplaces, and understanding and training on firefighting equipment and facility, selection of self-defense fire brigade in the company and training on the tasks, and distribution of scenario upon occurrence of fire, etc. are performed.

In addition, AED (Automated External Defibrillator) is utilized in the CPR training and practice to conduct training on the basic emergency and relief measures for all employees. After the joint firefighting training, self-training evaluation and comments and feedback jointly with the Safety Center are provided to improve the training and educational contents annually.

Supporting Partners Safety & Firefighting Management

For win-win support and shared growth with partners, PHA establishes the safety & firefighting management and operation plan annually to support the preemptive improvement of risk factors on the overall industrial safety. An inspection guide for the self-management of safety and firefighting is provided annually to the main partners, and, according to the results, partners with high risk are subject to the on-site inspection conducted jointly with the specialized safety training agency.

Safety seminar is held annually for the main partners to share the result of joint on-site inspection, and government policies and trends related to occupational health & safety are explained to support partners in establishing a safety response system preemptively.

In addition, the health & safety council meeting is held once a month and joint inspection is performed quarterly on each workplace to prevent safety accidents of the in-house partner workers, and any identified issues are immediately improved.



Joint Firefighting Training with the 119 Safety Center



Joint Lifesaving Training with the 119 Safety Center



On-site visit inspection and technical support to partners



COMMUNITY

Leader Building Win-Win Partnerships with Stakeholders

Material Topic

- #3 Shared growth
- #6 Partner management

Link to UN SDGs



- 8.3.** Support productive activities, decent job creation, creativity and innovation, and encourage the formalization and growth of micro-, small-and medium-sized enterprises
- 17.16.** Enhance the Global Partnership for Sustainable Development to mobilize and share knowledge, expertise, technology and resources

Background

Businesses face the growing demand to fulfill social responsibility towards stakeholders including partners and local communities. To maintain and continue to grow the company, the economic stability of the overall society must be promoted to contribute to the sustainable growth of the automotive market, and win-win with the stakeholders must be realized through shared growth with partners, support for risk management and improvements for partners, and social contribution activities for the neglected class.

PHA's Approach

We are laying the basis to advance ESG issue management for partners to build a sustainable supply chain, and strive to fulfill our responsibility across the whole of our value chain by supporting partners with technology, financing and quality certification. As a leading automotive parts maker in the Daegu area, we sponsor the PHC Welfare Foundation of our holding company PHC Group, provide local scholarships, and support social welfare foundations and car sharing, contributing to the creation of social value in the process.



Key Performances

CSR expenditure

1.5 million KRW

Financing support for partners

257.6 million KRW

Employees joining CSR programs

219 persons

Participating partners in the ethical management survey

24 companies

Shared Growth with Partners

Partner Management

Supply chain management system

With the belief that quality is the lifeblood of PHA, all our employees and partners are aligned to the quality goal of achieving zero PPM¹. In 2021, we newly defined our mid/long-term strategy under the vision of establishing global competitiveness through strategic purchasing, and set KPIs to bolster our sustainable supply chain management. We are expanding our activities for respective

support areas to provide practical assistance that meet the needs of field operations, and continue to pursue win-win cooperation with partners to secure competitive technology and quality

1) PPM (Parts Per Million): A quality measurement unit which refers to the ratio of defective products out of total. Generally, quality is managed against the threshold of 6 sigma or 3.4 PPM. This means 3.4 defects occur for every one million products and is considered a significantly high level of quality management

Supply chain management vision & KPI

Vision

Establish global competitiveness through strategic purchasing
(establish robust purchasing competitiveness to respond to the evolving technology landscape and cost competition)

Mid/long-term Key Strategic Direction

| | | | |
|--------------------------------------|--|---|-------------------------------|
| Align a new technology supply system | Ensure strategic partner management (introduce environmental/ social risk assessments for partners) | Realign our purchasing organization and process (Expand environmental/ social issue assessments in selecting partners) | Advance our purchasing system |
|--------------------------------------|--|---|-------------------------------|

Shared Growth Activity

| Network reinforcement | | | Monitoring | Financing support | Technology support | Competitiveness enhancement | |
|--|----------------------------------|-------------------------------------|------------------------------------|--|--------------------------------|------------------------------------|-------------------------------------|
| Operate the Commission for Corporate Partnership | Operate the Supplier Association | Operate partner networking meetings | Conduct ethical management surveys | Support financing at a cost/free of cost | Jointly develop new technology | Provide capacity building training | Conduct regular partner assessments |

(Unit : %)

KPI

| Category | 2022 Target | 2022 Performance | 2023 Target | 2025 Target |
|---|-------------|------------------|-------------|-------------|
| Partners who received ESG assessments | 2 | 0 | 5 | 30 |
| ESG training and other ESG capacity building programs provided to partners | 30 | 36 | 40 | 50 |
| Working-level purchasing personnel who received training on sustainable procurement | 5 | 8 | 20 | 50 |

Shared Growth with Partners

Identifying and assessing new partners

We comprehensively assess partners for their technology, quality, development, cooperation, and management competence in accordance with partner selection and management regulations to identify reliable and competitive new partners. New partners are identified through the partner self-registration section of our website, exhibitions and stakeholder recommendations, and the most qualified ones are selected through basic and in-depth assessments in consideration of parts-specific characteristics. For SQ¹⁾ partners, we verify their achievement of such quality certifications as ISO 9001 and IATF 16949 to establish the credibility of quality certifications. In-depth assessments include ESG management items such as environmental pollution minimization and health and safety management in addition to the basic assessment items that mainly focus on general overview and field management. By upgrading our partner assessment system as such, we better distinguish partners in the selection process and discover high-performing partners. Assessment results support our efforts to preemptively respond to emerging technologies and select highly competent companies and register them as potential partners.

1) SQ business: Injection, welding, casting/forging, heat treatment, processing, press, etc.

New Partner Identification and Assessment

| Basic Partner Assessment | | In-depth Partner Assessment | |
|---|--|--|--|
| Stipulate that companies who fail to meet essential requirements in terms of financial status, track records, and quality certification are not allowed to register | | Add ESG management items to prevent risks in addition to the existing assessment items that focus on general overview and field management | |
| Assessment Item | Criteria | Assessment Item | Criteria |
| Financial status | - B or above in credit rating - If credit ratings are not available, 50% and above in liquidity ratio and 300% and below in debt-to-equity ration | Business environment | Management assessment, cost management, labor relations |
| Track records | - Stayed in business for 3 years and longer since incorporation - Have transaction records with industry peers | Environment /safety/ health | Environmental awareness, regulatory compliance, health/ safety assessment |
| Quality certification | - For SQ partners, achieve quality certifications such as ISO 9001 and IATF 16949 | Development competence | Technology competence, drawing management, outsourcing company management |
| | | Production capacity | Product/facility/work management, finished product management |
| | | Quality competence | Quality management, delivery, inspection facility, response to delivery requirements |
| | | General overview | Credit rating, ethical management, certification |

Restructuring our parts sourcing system

We have restructured our parts sourcing system to elevate our parts competitiveness. This involved the segmentation of the previous system into injection, press and electronics to create four large, 25 medium and 64 small classifications, and 64 sourcing groups defined as such were evaluated for their strategic importance and supply market risks. Each group was categorized based on the four factors of strategy, competition, management and general items in consideration of their strategic characteristics, and intensive management follows to lower supply market risks in line with type-specific characteristics. To advance our parts sourcing system, we will monitor changes in the defined sourcing groups and create a database out of collected information.

Classification of the Parts Sourcing System by Strategic Characteristics



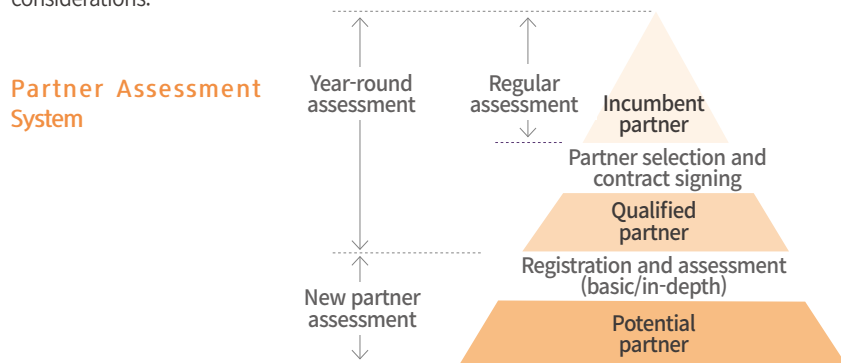
Shared Growth with Partners

Establishing guidelines on transactions with partners

To establish transparent and reasonable transaction practices with partners and prevent internal/external risks, we stipulated guidelines on transactions with partners in February 2022. These guidelines present basic business procedures on profile information input and the bidding process as well as matters that require partners' compliance concerning quality, delivery, SHE, and ethical management. In specifying partners' compliance in fulfilling environmental and social responsibility, these transaction guidelines serve to promote sustainable mutually-beneficial relationships with partners.

Bolstering the partner assessment system

We have upgraded our year-round and regular assessments to help partners elevate their competitiveness. Year-round assessments target qualified partners and incumbent partners to better distinguish competent partners and select competitive partners with mass-production capacity. The assessment cycle was revised into a quarterly one and latest data on management, quality, delivery, technology competence and bidding prices were included in the assessment scope to further differentiate partners based on their scores. Regular assessments are made on partners currently doing business with us to encourage their internal improvement activities. These annual assessments cover field-focused items concerning management, quality, delivery, technology, cooperation, and sustainability, and introduced incentives and penalties for participating in new development projects according to the grades given. In addition, we distribute the internal health, safety and firefighting checklist to partners to help them manage health & safety, waste, air quality and other environmental considerations.



Conflict Minerals Management

PHA prohibits partners from using conflict minerals that are mined unethically from conflict areas; when the parts supplied to PHA are applied with raw materials (minerals) including conflict minerals (tin, tungsten and tantalum, gold), continuous management is requested such as inspecting the social and environmental issues including infringement of human rights, ethical violation and negative environmental impact, etc. In 2022, partners with annual transaction amount of KRW 1 billion or more and parts suppliers enrolled in PHA Partner Cooperation Meetings are encouraged to carry out continuous management by receiving the pledge of compliance on conflict minerals from the CEO of the partner. In 2023 and 2024, conflict mineral compliance agreement, CMRT*, and EMRT** will be received from all parts suppliers. Establishing the responsible supply chain management system and encouraging the participation of partners are the most important practices of minimizing human rights infringement and destruction of the environment, and partners will be managed and supported continuously.

Conflict minerals management system for the main partners*** in 2023

| Category | Target Company | Acceptance Rate |
|--|----------------|-----------------|
| Conflict Minerals Compliance Agreement | 27 | 100% |
| CMRT | 27 | 100% |
| EMRT | 27 | 100% |

* CMRT: Conflict Minerals Reporting Template

** EMRT: Extended Minerals Reporting Template

*** Main Partner: Annual transaction amount of KRW 1 billion or more, parts suppliers enrolled in the PHA partner cooperation meetings

Partner Code of Conduct

In August 2022, PHA established and distributed the Partner Code of Conduct to overcome the changes in the industry paradigm and to establish a sustainable supply chain. The code of conduct requires all partners to comply strictly with laws and regulations applicable to corporate management activities and to have the best operational practices in the areas of ethics, environment, labor/human rights, safety/health, and management system.

Shared Growth with Partners

Fair Trade with Partners

Preventing unfair transactions concerning subcontracting

To prevent unfair transactions made in relation to subcontracting, we have stipulated subcontracting regulations and communicate issues requiring compliance with these regulations to partners. In the event that our employees fail to comply with internal regulations such as ethical management guidelines and ethical business conduct guides, they are subject to HR-related disadvantages according to our disciplinary regulations. If transactions are entered into in an illegal or unethical manner including but not limited to taking bribes from partners or power harassment occurs for partners, whistleblowing reports can be submitted to our Cyber Whistleblowing channel* or our ethical management personnel through e-mail or post.

* PHA(website) > Sustainability > Ethics and Compliance > Cyber Whistleblowing Channel

Signing the fair trade agreement

We prepare the ‘standard memorandum of understanding on fair trade and shared growth’ and sign the fair trade agreement. Implementation plans are developed for contractual fairness, prevention of legal non-compliance and efforts for legal compliance, and win-win partnership support, and the agreement remains valid for one year since the date of signing. When the agreement is expired, annual renewals are made available through consultations with the Korea Fair Trade Commission. In 2022, we signed the fair trade agreement with 56 partners to strengthen the transparency and fairness of our transactional relationships.

56
companies

Partners signing the fair trade agreement

Highlight

Conducting ethical management surveys on partners

We have conducted ethical management surveys since 2021 to take stock of ethical management practiced by our incumbent partners and strengthen our cooperation with partners. The questionnaire which consists of 19 questions across four areas was distributed and responses were collected anonymously. In 2022, 24 partners responded to the survey. Survey results will base our efforts to make improvements, and such surveys will be conducted on an annual basis to collect grievances and feedback from partners.

Main contents of the ethical management survey

| Category | Written document issuance/ management intervention (8 questions) | Payment (4 questions) | Unfair practices (6 questions) | Other (1 question) |
|-----------------|--|--|--|--|
| Description | Obligation to issue documents, delivery, partner selection, request for management /technology materials | On-time payment, delays, types of delay, reasons | Power harassment/unfair practices, bribe request | Improvement /suggestion |
| Survey Response | Positive response 78% → 87% (2021 → 2022) | Positive response 85% → 97% (2021 → 2022) | Positive response 99% → 96% (2021 → 2022) | Increase information sharing through regular networking events, comply with the warehousing process, secure stable volumes |

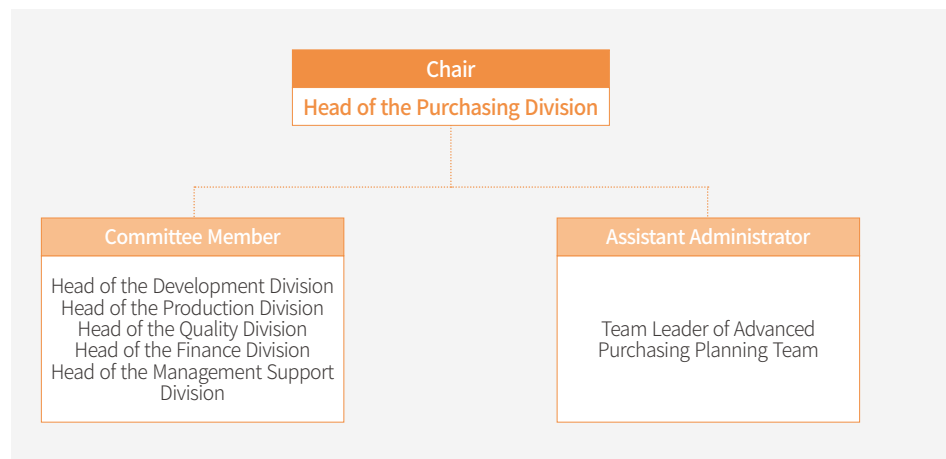
Shared Growth with Partners

Operation of the Subcontract Deliberation Committee

To establish fair subcontract transaction order and to prevent violations of the Subcontracting Act, PHA is operating the subcontract deliberation committee to deliberate on the fairness and legality of subcontract transactions between partners. The committee is composed of the Chair (Head of the Purchasing Division), deliberation committee members (Head of the Development/Production/Quality/Finance/Management Support Divisions), and assistant administrator (Advance Purchase Planning Team Leader); when professional matters such as technology are included in the deliberation agenda, the head of division or team leader participates as deliberation committee member.

In principle, the subcontract deliberation committee is held quarterly with the convocation and performance managed by the assistant administrator. Committee members may either agree or disagree with the agenda items proposed, and decisions are made by a majority of the attending members voting for or against. The assistant administrator compiles deliberation outcomes and communicates them to Committee members following internal reporting so that necessary action can be taken. Documents related to deliberation results and actions taken are retained for three years following the completion of deliberations.

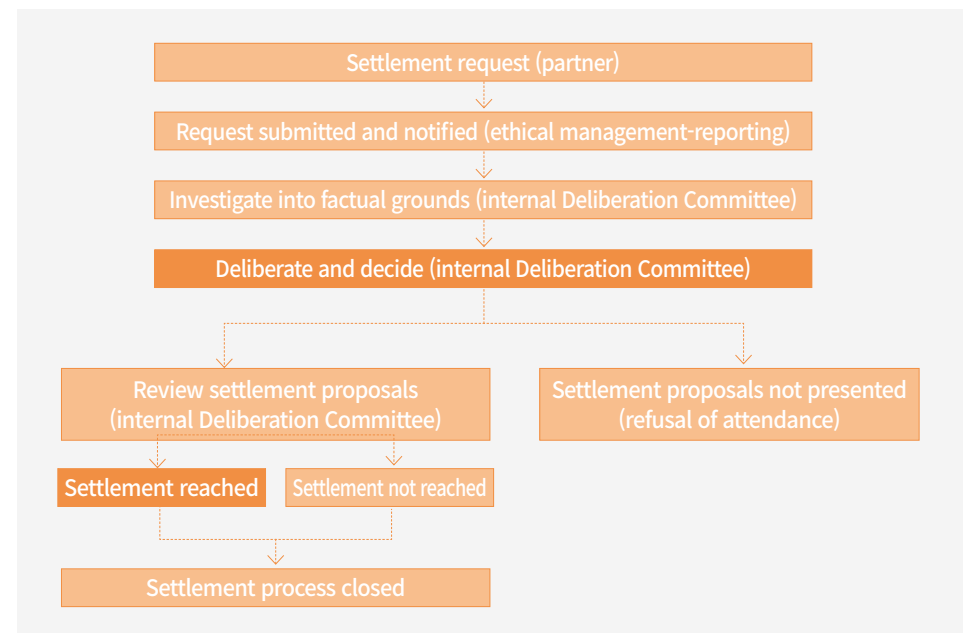
Organization Chart of the Subcontract Deliberation Committee



Dispute Settlement process

When disputes occur in relation to subcontracting transactions entered into with partners, this could trigger the dispute settlement process. The Ethical Management & Shared Growth section of the SRM, our purchasing system, receives dispute settlement requests, and they are communicated to the partner and the department involved in the dispute and to our internal Deliberation Committee. The Committee deliberates on the mediation of disputes and requests relevant documents to investigate into factual grounds. When necessary, the presence of concerned parties could be requested, and the settlement process comes to an end when both parties reach an agreement in the course of dispute settlement. If concerned parties refuse to accept mediation proposals, this could be elevated to the Korea Fair Trade Commission and referred to the Subcontract Dispute Mediation Councils.

Dispute Settlement Process



Shared Growth with Partners

Win-Win Partnership Support for Partners

Financing support for partners

To pursue win-win cooperation with partners, we operate financing (funding) support programs for their financial soundness. When a partner requests financing support, its application is submitted to DGB Daegu Bank through internal deliberation, and upon approval, we provide up to KRW 7.2 billion to the partner. We also support investments either at a cost or without cost made by partners in their molding or other facilities for the purpose of meeting our needs. For at-a-cost support, this is made available when early payments should be made to purchase materials or emergency funding needs arise. In 2022, at-a-cost support valued at KRW 4.29 billion was provided to partners. In addition, KRW 25.76 billion was provided to 21 partners to promote win-win cooperation.

Financing Support Provided to Partners in 2022

| Category | Support Case | Support Amount |
|---------------------------------|-----------------|--------------------------|
| Investment support at a cost | 7 cases | KRW 4.29 billion |
| Investment support without cost | 12 cases | KRW 21.47 billion |
| Total | 19 cases | KRW 25.76 billion |

Support for partners with credit rating assessment and financial soundness

To preemptively respond to supply chain risks and help partners ensure their financial soundness, we review all our partners supplying parts for their distribution of credit ratings, growth potential, profitability and reliability. When a partner is believed to carry management risks for its low credit ratings, we perform internal credit rating and purchasing assessments to help the company improve its financial soundness. With the partner’s consent, we perform on-site reviews in the presence of credit rating agencies to investigate into reasons behind poor finances and offer advice to help eliminate waste factors.

In 2023, credit-rating service cost will be supported for partners, and continuous support is being planned to secure the financial integrity of partners.

Advanced courses for partners provided in partnership with local universities

PHC Group including PHA as its member, signed an MOU with the Industry-Academia Cooperation Group at Yeungnam University to improve job competency of workers at automotive parts makers in January 2022, and developed advanced courses for partners with an aim to elevate technology expertise and business knowledge for their employees as well as Group employees.

Surveys were conducted to identify the needs of potential trainees to provide customized training for partners, and eight courses covering automotive overview, quality certification, production management and other topics were finalized based on survey results. These courses are operated by Yeungnam University to ensure their professionalism and effectiveness, and each course will accommodate 20 students and focus on practices and case studies.

Training reflecting the opinions of partners will also be provided in 2023.



Industry-Academe MOU signing between PHC and Yeungnam University (2022)



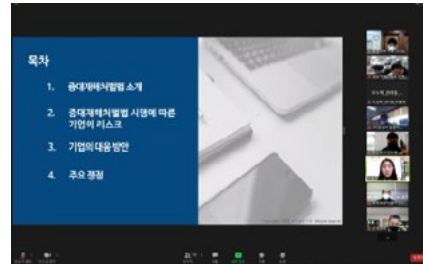
Partner training in the Industry-Academe Cooperation Group at Yeungnam Univ.

Shared Growth with Partners

Supporting partners with capacity building to respond to social issues

We assisted partners with capacity building prior to the enforcement of such key legislations as the 52-hour workweek system and the Serious Accidents Punishment Act. In 2021, labor attorneys were invited to give special lectures to respond to the 52-hour workweek system to guide partners of necessary preparations and ways to address relevant issues.

To help respond to the Serious Accidents Punishment Act, we distributed assessment sheets and manuals for partners to independently review their health and safety operations. In addition, 8 partners were selected for site visit to inspect industrial safety in order to provide technical guidance and diagnosis according to the safety management diagnosis guide and checklist in response to the Serious Accidents Punishment Act, and improvement activities on the issues were supported.



Non-face-to-face training for partners

ESG Training for Partners

To spread the expanding ESG management to partners, PHA held a briefing session for partners in November 2022 on the theoretical description of ESG and case study on the ESG management activities in the automotive industry. Through the briefing session, the ESG activity and significance were emphasized to partners, and participation in ESG management was requested. Through this training, partners were able to learn about the matters required for promoting ESG management and consider the role of PHA in expanding ESG to partners. In 2023, partners will be selected for the diagnosis on ESG management for partners in priority, with consulting to be supported and ESG training to be provided for the on-site personnel to support the ESG management activities of partners.

Cooperation meeting with suppliers

We operate regular cooperation meetings attended by the CEOs of partners twice a year to reach out closer to key partners and provide necessary support. General, press and surface treatment subcommittees were created by type of business and networking events are held at the subcommittee level while sharing subcommittee-specific best practices and improvements made and making on-site tours. Free discussions are arranged at each meeting for the development of subcommittees to collect ideas and suggestions and integrate them into our daily operations. In alignment with these meetings, we also host seminars to gain valuable business insights and improve organizational management capabilities.



Subcommittee networking events held as part of the cooperation meetings with partners



Sharing of best cases and improvement cases for each division

Shared Growth with Partners

PHA Partnership Conference

We operate networking events on an annual basis with approximately 65 partners in addition to cooperation meetings. Each year, top-performing partners are awarded and information is shared on the global automotive market and emerging technology trends. These events also serve to collect feedback from partners to reflect them into day-to-day work to lay a stronger basis for win-win partnerships



Outstanding Partner Awarded in the PHA Partnership Conference



Group Photo on the PHA Partnership Conference

Participated in Korea Commission for Corporate Partnership

The Korea Commission for Corporate Partnership is an agency for deriving private-public agreement regarding shared growth between small-medium enterprises and large enterprises based on the Act on the Promotion of Mutually Beneficial Cooperation Between Large Enterprises and Small and Medium Enterprises, and to create and spread the shared growth culture. Shared growth index evaluation is a system for consolidating the support performance and survey among small-medium enterprises to evaluate the efforts for shared growth by large enterprises. Subscription to the Korea Commission for Corporate Partnership and evaluation are performed voluntarily; as of September 2022, there are currently 215 companies participating domestically.

In 2015, PHA participated voluntarily for shared growth with partners based on win-win cooperation. The Korea Commission for Corporate Partnership conducts annual activities such as shared growth agreement and shared growth index evaluation to provide a guide to the shared growth activities. PHA has been undergoing shared growth index evaluation since 2017, and evaluation on the shared growth index includes items for win-win such as establishment of fair trade, win-win cooperation support, provision of other education and training, etc.

PHA is continuing efforts to comply with the guidelines of the Korea Commission for Corporate Partnership for shared growth with partners; as the new support activity in 2023, PHA will provide ESG training to partners' employees through the industry-academe cooperation group to enable partners to establish the ESG management system and perform diagnostic evaluation through the external specialized agency.



동반성장위원회

Corporate Social Responsibility

PHC Welfare Foundation

PHC's Welfare Foundation was established in 2008 as a social welfare corporation for PHC Group to fulfill its social responsibility and give back to society. The foundation develops and implements plans for PHA, PHC Valeo and Valeo Kapec to undertake Corporate Social Responsibility (CSR) activities in a more systemic and organized way. With a goal of extending support to the underprivileged to truly meet their needs, the foundation is committed to nurturing future talent and assisting welfare facilities. To nurture future leaders, scholarship support is provided to financially-challenged students to help them focus on their study. Welfare facility support involves wide-ranging welfare support programs for children, people with disabilities, multicultural families, and seniors, and aims to fulfill corporate social responsibility and advance value management to create a welfare society in its truest sense.

As part of the PHC Group, PHA sponsors the PHC Welfare Foundation, and no effort is spared in wielding good influence and practicing love for neighbors in the Daegu region where the PHC Group is located.

In 2022 and 2023, PHA provided monetary support such as sponsoring the support project for children suffering from abuse, love donation for neighbors by Maeil News, and contributions to the Community Chest of Korea in Daegu, etc., as well as supporting goods for residents living in subdivided flats through the Daegu Jjokbang Counseling Center and providing trucks for use in moving to better residential environments, etc.

Moreover, a partnership was forged with the Daegu Metropolitan Police Agency and National Council on Social Welfare in Daegu to protect the rights and interests of crime victims and to support their return to everyday life through economic support. PHA continues to promote the interests of and support not only the vulnerable classes but also places requiring help in society.

Key Program Areas



- 

Scholarship
Provide scholarships to students at middle/high school and university in Daegu chosen for their exemplary personality and conduct and future potential
- 

Support for welfare facilities
Support social welfare facility corporations established pursuant to the Social Welfare Services Act
- 

Free meals and life support
Provide free meals and living expense support to low-income groups and seniors living alone



Corporate Social Responsibility

CSR Program

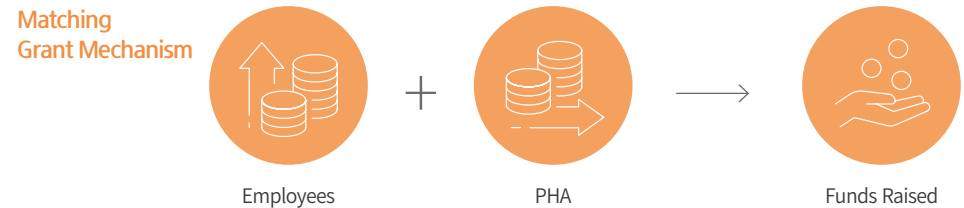
Sponsorship for ChildFund Korea

In November 2022, PHA sponsored KRW 400 million for ChildFund Korea and donated DIY furniture and gifts to the children in the Community Child Center. In addition, PHA participated in the Children’s Month Campaign in May 2023; to provide the children in the vulnerable class in the region with an opportunity to grow healthy through various leisure activities, KRW 500 million was sponsored for ChildFund Korea. We at PHA are aware that our future lies in our children, and we want to ensure that every child has the opportunity to grow up healthy and bright.



Hope Plus

Since September 2017, we have implemented Hope Plus as a matching grant program. Under this program, employees donate a set amount of their monthly wage and the Company provides grants in proportion to the donations made to raise funds for CSR activities. As of December 2022, 15% of our employees joined the Hope Plus program, and the funds raised go to the ChildFund Korea and finance internal volunteer activities. Detailed information on the funds raised and their expenditures are made available transparently to donators through post or individual texts each year.



Sponsorship for local communities

According to our annual CSR expenditure plan, we donate to the PHC Welfare Foundation each quarter and make in-kind donations to local welfare facilities. In 2022, PHA supported items such as food and medicine calendars for elders in the vulnerable class, with eco-bags and baby furniture provided for the children and youth. We will remain committed to offer much-needed support in a timely manner.

CSR Expenditures in 2022

| Category | Value (KRW 1,000) | Percentage (%) |
|---------------------------------|-------------------|----------------|
| Hope Plus (corporate donations) | 19,250 | 13 |
| In-kind donations | 109,810 | 73 |
| Volunteering | 21,000 | 14 |
| Total | 150,060 | 100 |

Corporate Social Responsibility

Operating an executive volunteer group

We operate an executive volunteer group joined by all our 18 executives in Korea to take the lead in undertaking CSR activities and establish a culture of fulfilling social responsibility. Each group consists of six to seven executives to provide meals in place of soup kitchens: they package and serve food for low-income seniors in local communities who often find it difficult to physically visit soup kitchens. By implementing CSR activities at all levels including executives, we will continue to contribute to our local communities.

Employee volunteering

We team up with local community welfare centers to plan necessary volunteer activities and provide employees with an opportunity to contribute. These activities are undertaken in in-person format in principle, and involve serving free meals for seniors living alone, environmental clean-ups, and blood donation campaigns each year. In 2022, virtual activities were implemented amid the spread of COVID-19. Employees made mood lamps, eco-bags, medicine calendars, handmade preserves, sanitary pad pouches, and baby furniture, and these were provided to the children and elderly in the vulnerable class through the welfare centers. As governmental COVID-19 guidelines ease, we will implement both in-person and virtual volunteering and will supplement such activities by giving employee families an opportunity to join.



GOVERNANCE

Leadership in Fairness & Transparency

Link to UN SDGs



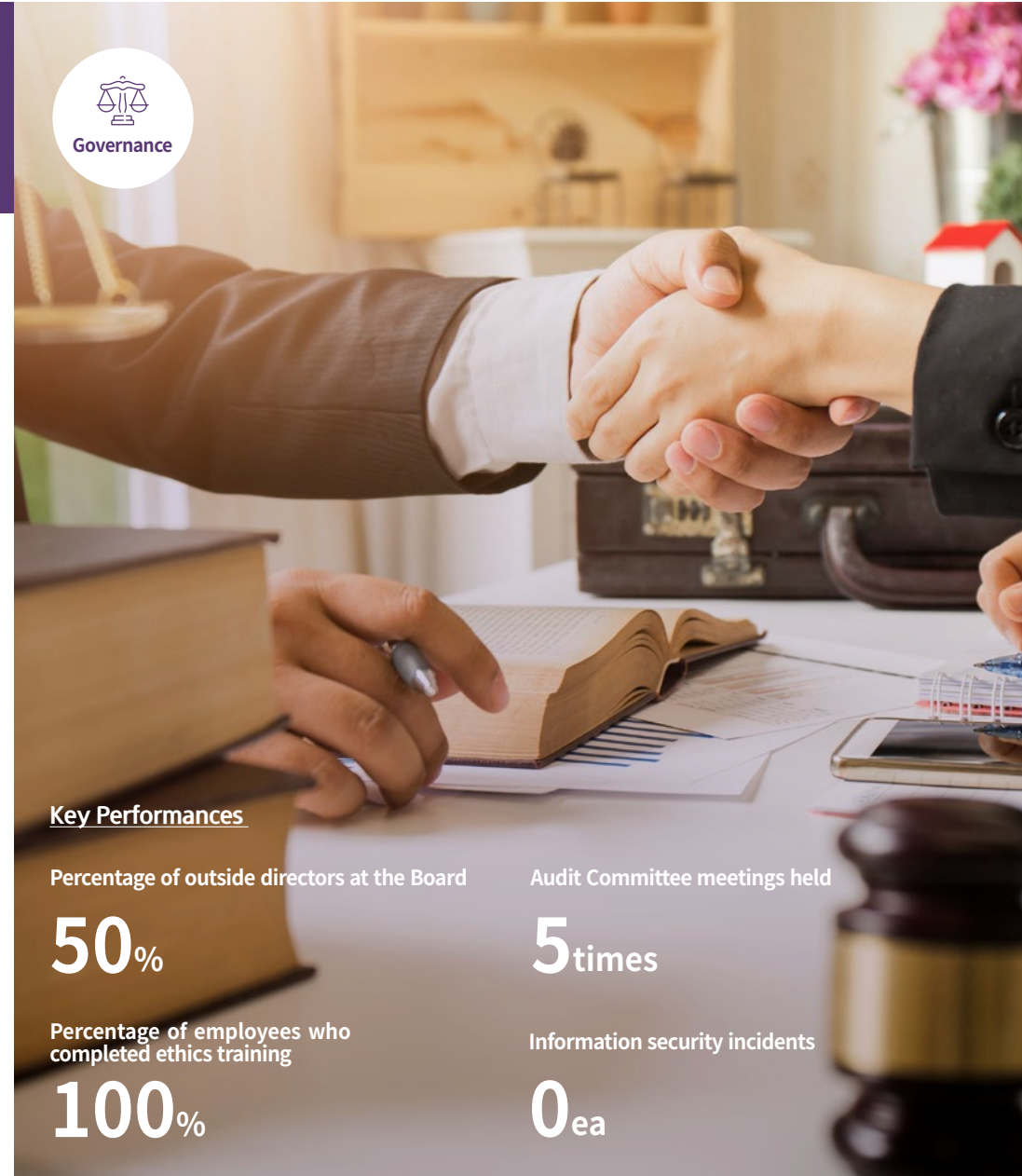
- 8.3. Promote the rule of law and ensure equal access to justice for all
- 16.5. Substantially reduce corruption and bribery in all their forms
- 16.6. Develop effective, accountable and transparent institutions at all levels

Background

Maintaining ethical and transparent governance is the most fundamental responsibility for any company. As non-financial value takes prominence recently, this further underscores the importance of ethical management. A variety of domestic and international business cases testify to the fact even the most stellar business performance pales before unethical business practices and unfair governance and such unjustified practices give rise to social criticism, which makes governance risk management an essential consideration.

PHA's Approach

We have stipulated the code of ethics and ethical management guidelines to serve as the standard of conduct to follow in our entire business operations with an aim to establish fair and transparent governance and build trust with stakeholders. Furthermore, we joined the UN Global Compact in June 2022 to internally and externally commit ourselves to transparent and ethical management in the four areas of human rights, labor, environment and anti-corruption.



Key Performances

Percentage of outside directors at the Board

50%

Audit Committee meetings held

5 times

Percentage of employees who completed ethics training

100%

Information security incidents

0 ea

Governance

Operating the Board of Directors

Composition of the Board

The Board of Directors serves as our highest decision-making body, and the Board consists of directors including outside directors and non-executive directors. The Board is chaired by the CEO of the Company in consideration of career and expertise in the automotive industry. In the event the CEO is not able to perform his/her duties as the Chair, such duties are assumed by directors in the set order of the Vice President, Senior Managing Director, Managing Director, and directors designated by the CEO. As of March 2023, the Board was composed of three inside directors and three outside directors. The Board meets monthly on a regular basis, and may convene extraordinary meetings as needed. Resolutions of the Board of Directors are made by majority of the attending Directors with voting rights.

PHA is currently handling sustainability management-related policies and main issues as matters for resolution by the CEO. As a requirement for improving shareholder values, protection of the rights and interests of the shareholders and significance of sustainability management are currently increasing, so the Board of Directors (BOD) of PHA is planning to receive the report from 2024 on the plan and performances related to sustainability management, and sustainability management-related activities and strategies will be discussed in advance through the BOD meeting for final approval.

Board Operations

(Unit : No. of meetings, %)

| Category | 2020 | 2021 | 2022 |
|---------------------------------|------|------|------|
| Board meetings held | 20 | 15 | 15 |
| Total director attendance | 87 | 89 | 90 |
| Attendance of outside directors | 73 | 78 | 80 |

Composition of the Board

As of the end of March 2023

| Category | Name | Date of Inauguration | Termination of Tenure | Note |
|------------------|------------------|----------------------|-----------------------|---|
| Inside director | Hur, Seong-Hyun | 2022.3.29 | 2025.3.29 | Appointed at the regular general meeting of shareholders on Mar. 29, 2022 |
| | Kim, Do-Yeon | 2022.3.29 | 2025.3.29 | |
| | Kang, Min-Bong | 2022.3.29 | 2025.3.29 | |
| Outside director | Jeong, Hyun-Yong | 2023.3.29 | 2026.3.29 | Appointed at the regular general meeting of shareholders on Mar. 29, 2022 |
| | Bae, Joon-Young | 2023.3.29 | 2026.3.29 | |
| | Lee, So-Hae | 2023.3.29 | 2026.3.29 | |

Independence of the Board

As specified in the Articles of Incorporation, we appoint directors at the general meeting of shareholders. While appointment decisions are made with a majority of the attending shareholders voting for or against, such decisions require 1/4 or more of the total shares outstanding to ensure the independence of the director appointment process. Director candidates are nominated by the Board and appointed at the general meeting of shareholders. When shareholder proposals are made for director appointment in compliance with applicable laws, the Board places such proposals as the agenda for the general meeting of shareholders within the legally permissible boundary. We ensure that outside directors account for 1/4 or more of total directors to guarantee the independence of the Board.

Expertise of the Board

We have created a supporting organization for outside directors to perform their professional duties at the Board. Materials are provided in advance so that outside directors may fully review them prior to Board meetings, and in-person briefings are made when necessary.

In addition, information is provided on an on-going basis for key internal pending issues. In March 2021, three outside directors received training on the Company's business and products. Outside directors are chosen for their expertise on corporate accounting, tax, economics and finance to ensure the competent operation of the Board.

Governance

Audit Committee

PHA may set up various committees under the Board as stipulated in the Articles of Incorporation to ensure swift and efficient decision-making. The Audit Committee has been up and running under the Board since March 28, 2017, and the Committee is exclusively composed of outside directors. At PHA, audit work is performed in accordance with the Audit Committee regulations which defines the composition, operation, powers and responsibilities of the Committee pursuant to applicable laws and the Articles of Incorporation. The Committee met five times in 2022 to review the internal accounting control system and improve the transparency of accounting operations.

The Audit Committee members have a high level of understanding of the company as well as sufficient qualifications such as serving as a representative tax accountant at the tax firm, so there was no training conducted in 2022. For the efficient operation of the Audit Committee, the internal accounting management team supports the preparation and operation of the audit committee meeting including training and information regarding the main pending issues of the company, etc.

Supporting Organization for the Audit Committee

Department

- Internal Control over Financial Reporting (ICFR) Team(3 people)

Activity

- Support work in relation to meeting preparations and operations
- Support trainings/seminars to improve Audit Committee members' expertise
- Provide information on key pending issues of the Company
- Support training on the internal accounting control system

Shareholder Friendly Operation

We adopted electronic voting through the decision made by the Board concerning shareholders' exercise of voting rights in March 2021, and have implemented electronic voting since the 36th regular general meeting of shareholders. The electronic option of exercising shareholders' voting rights was specified in the notice of convocation of the general meeting of shareholders, and shareholders with voting shares are able to cast their ballot through electronic voting no earlier than 10 days and no later than one day prior to the meeting. Furthermore, proxy solicitation was introduced for the 37th general meeting of shareholders in March 2022, and the proxy statement form was uploaded on our official website and distributed to shareholders.

In conformity with the Articles of Incorporation, we pay dividends through the decision made by the Board and the approval granted at the general meeting of shareholders. An appropriate level of payout ratio is determined within the boundary of profits attributable to dividend payments in consideration of investments required for our sustained growth, shareholder value improvement, and business conditions. We strive to make the greatest possible dividends by taking into account our cash flow to gain trust from investors on our overall dividend policy, and matters on the Board and executive compensation are transparently disclosed through business reports.



Electronic voting introduced for the general meeting of shareholders

Stock Ownership of the Largest Shareholder and Related Parties

As of the end of 2022

| Name | Relationship | Type of Share | Number and Percentage of Shares Owned | | Note |
|---------------|--------------------------------------|-----------------|---------------------------------------|--------|----------------|
| PHC Co., Ltd. | Largest shareholder | Common share | 10,841,409 shares | 51.63% | |
| Kim, Sang-Tae | Principal | Common share | 630,000 shares | 3.00% | |
| PHA Co., Ltd. | Affiliate of the largest shareholder | Common share | 463,438 shares | 2.20% | Treasury share |
| | | Common share | 11,934,847 shares | 56.83% | |
| | | Preferred share | - | - | |
| | | Others | - | - | |
| Total | | | | | |

Ethical Management

Code of Ethics

We have stipulated the code of ethics and ethical management guidelines to guide our entire business conduct and actions taken by our employees with an aim to fulfill our ethical responsibility and build trust-based, cooperative relationships with stakeholders. These guidelines governing our management transparency, win-win partnerships, information security, and social responsibility are disclosed on our official website* and our SRM purchasing system**. We defined our ethics vision as ‘corruption-free, transparent business conduct’, and set four mid/ long-term key strategic directions and KPIs to advance ethical management.

* PHA website > Sustainability > Ethics & Compliance > Ethical management guidelines

** PHA SRM system > Ethical management & shared growth

Ethical Management Guidelines

| Category | Contents |
|----------|--|
| 1 | We compete fairly in the market and serve customers honestly. |
| 2 | We prohibit bribery and corruption under any and all circumstances. |
| 3 | We do not misappropriate corporate assets and ensure accuracy in keeping records and books. |
| 4 | We safeguard the assets and information of customers. |
| 5 | We maintain quality through top-notch expertise and knowledge. |
| 6 | We respect human rights and do not discriminate employees on the grounds of personal attributes. |
| 7 | We support all our employees to work in an improved environment. |
| 8 | We proactively communicate and cooperate with employees and customers. |

Ethical Management Vision & KPI

Vision 

Corruption-free, transparent business conduct

Mid/long-term Key Strategic Direction 

Embed a culture of integrity into business operations by establishing an ethical management system

Implement preemptive anti-corruption activities

Disseminate ethics awareness through ethics training for employees

Strengthen internal/ external communication on ethical management

KPI 

| Category | Unit | 2022 Target | 2022 Performance | 2023 Target | 2025 Target |
|---|--------------|-------------|------------------|-------------|-------------|
| Corruptive practices | No. of cases | 0 | 0 | 0 | 0 |
| Whistleblowing reports submitted and handled through the Cyber Whistleblowing Channel | % | 100 | 100 | 100 | 100 |
| Information security incidents | No. of cases | 0 | 0 | 0 | 0 |
| Employees who completed ethics training | % | 100 | 100 | 100 | 100 |

Ethical Management

Establishing a Culture of Ethics

Disseminating commitment to ethical management

To disseminate our robust commitment to ethical management among stakeholders and encourage its practice, we posted our CEO’s message for ethical management on our website*. We send annual official letters to partners calling for their cooperation to comply with our ethical management guidelines, and all our employees sign the ethical management pledge each year to establish a sound set of ethical values and commit themselves to advancing ethical management.

* PHA website > Sustainability > Ethics & Compliance > CEO Message on Ethical Management



Employees who signed the ethical management pledge

100%

Conducting ethics training

We provide ethics training to employees to raise their ethics awareness on the prevention of corruption and bribery. In 2022, PHA provided training to understand the ethical dilemma situations that may arise in the workplace and to practice proper ethical management. Individual online training and group training through online were performed in combination, and a total of 683 employees completed the training.

Ethics Training Provided in 2022



Employees who completed training

683 persons



Completion rate

100%

Operating the Cyber Whistleblowing Channel

We operate the Cyber Whistleblowing Channel* as a communication channel to closely monitor and oversee any non-compliance with ethical management. Any illegal or unethical practices – unfair transactions, child/forced labor, power harassment, discrimination and harassment – can be reported anonymously, and the identity of whistleblowers remain strictly confidential to protect them from any disadvantages. Submitted reports are investigated based on documentary evidence in accordance with our guidelines for the code of ethics and disciplinary regulations, and the HR Committee convenes to deliberate on the reports to determine disciplinary action to be taken. This is followed by the development of improvement measures to prevent reoccurrence, reporting to the CEO and the issuance of disciplinary notice. To make our whistleblowing mechanisms more accessible, we receive whistleblowing reports through our SRM purchasing system** and the Cyber Whistleblowing Channel of PHC Group*** as well as our official website.

* PHA website > Sustainability > Ethics & Compliance > Cyber Whistleblowing Channel

** PHA SRM system > Ethical management & shared growth

*** PHC Group website > Whistleblowing

Cyber Whistleblowing Channel Operations in 2022

| Category | 2022 |
|-------------------------------------|--------|
| Whistleblowing reports submitted | 3cases |
| Whistleblowing reports handled | 3cases |
| Whistleblowing report handling rate | 100% |

Cyber Whistleblowing Channel Handling Process



Information Security

Information Security System

We comply with the procedures established to perform security operations, including security regulations and log management regulations, to prevent any personal and property damage and leak of confidential information caused by illegal penetration and to protect our operations. Our information security policy is reviewed and supplemented four times a year, and information security guidelines were developed as part of the code of ethics to serve as the standard to follow for specific conduct and value judgment required for information security. We set our mid/long-term KPI goal of reducing information security incidents to zero, and categorize security into managerial, physical and technical security to manage security issues systematically according to their type.

Information Security Guidelines

| Category | Contents |
|----------|---|
| 1 | We do not use the information obtained in relation to work for personal gains under any circumstances. |
| 2 | We do not randomly disclose the information obtained from the Company, customers and partners to third parties. |
| 3 | We do not engage in any arbitrary distortion of information on customers and partners, the spread of false information, or unauthorized data damage. |
| 4 | We bolster management controls and security measures for the Company's information security. |
| 5 | We embed information security into our day-to-day work. (do not leave key materials unattended when away and ensure the complete disposal of key documents) |

Bolstering Information Security

Raising information security awareness

We make new hires, retirees, external contract parties, and outsourcing staff sign our information security pledge in accordance with our security regulations to prevent any and all security breaches. Security training is provided to security personnel when deemed necessary – recruitment, resignation, opening of new worksites, incorporation of subsidiaries and for other security reasons – and training is conducted to help employees raise their security awareness and improve security breach response capabilities. In 2022, 487 employees completed online security training on the topics of document security, physical security and data privacy. To thoroughly manage data breaches, we make sure only pre-authorized personnel can access our data centers, and logs are kept to document access information, concerning reasons and the time of entry and exit to prevent data breaches caused by unauthorized access.



Information security training video

Information Security System

Vision 

Build a culture of security through responsible security management

Information Security 

Managerial security

Physical security

Technical security

Key Activity 

- Security policy management
- Information security training
- Security Council operation

- Control over information asset entry/exit
- Professional security guard operation
- Access card management

- Data breach management
- System utility assessment
- System investment

Information Security

Information security assessment and review

Security assessments are made at least once a year for all departments under the supervision of the Labor & Support Team, and security personnel at each team conduct team-level security assessments on a quarterly basis. Team-level security assessments aim to review security document management, personal computer management and access management, and measures are developed and action is taken accordingly to address areas in need of improvement.

We simultaneously engage in regular security checks and the 3R5S¹⁾ initiative and to embed information security into our daily operations. These activities undertaken in Q4 of 2022 resulted in appropriate organization and clean-up across team-level office spaces and warehouses. In particular, the number of cases where key documents were left unattended on the desk dropped from 38 in 2018 to zero in 2022, and the number of cases of personal drawer locks left unlocked fell significantly from 113 in 2018 to ten in 2022.

1) 3R5S: Refers to Right Product, Right Location, and Right Quantity (3R) and Seiri (organization), Seiton (order), seosoh (clean-up), Seiketsu (cleanness), and Shitsuke (mindset) (5S) to eliminate waste in the work and office environment and create pleasant work conditions

Team Security Assessment Questionnaire

| | Questionnaire (No. of Questions) |
|----------------------------------|--|
| Locks (4) | Keeping one's employee card on (2) |
| Office organization (4) | Access management (2) |
| Security document management (6) | Security check (2) |
| Personal computer management (4) | Others_ Placement of security stickers, understanding of security guidelines (2) |

Response to information security incidents

Our regulations stipulate that security incidents, upon their identification, are communicated to security managers in wired and wireless format. Relevant teams and security managers are mandated to develop and implement measures to prevent their reoccurrence, and such incidents are investigated according to the set security procedure and deliberated upon by the Disciplinary Committee. Those responsible for security breaches are referred to the Disciplinary Committee, become subject to disciplinary action and are handled pursuant to applicable civil and criminal laws.

Inspection of the Security System According to the Increase in Ransomware Infection Cases

To prevent and respond quickly to ransomware infection accidents, PHA is providing security training to employees on the introduction of ransomware cases and prevention methods and procedures for action on infection, and simulation training on ransomware virus is conducted at least once a year. In addition, main systems such as ERP, PLM, and SRM are established with the DB access control system to block access by unauthorized users, and access log is managed.

Reporting security issues

We operate a range of channels to report security issues to prevent and swiftly respond to information security incidents. All stakeholders, including our employees, may report information security breaches and security-related concerns through e-mail, fax, phone and the Cyber Whistleblowing Channel* on website. To thoroughly protect the identity of whistleblowers, reports can be submitted anonymously, and whistleblowers are protected not to suffer any disadvantage for their act of whistleblowing.

* PHA website > Sustainability > Ethics & Compliance > Cyber Whistleblowing Channel

Increasing investment in security systems

We follow our security system management guidelines to efficiently operate all hardware, software, networks, data and other information and computer equipment and to promptly respond to any disruptions that may occur.

In 2022, KRW 1.56 billion was invested for the sophistication of the SRM system and GQMS system. In 2023, investments are expanded consistently for safe and sophisticated infrastructure such as establishing the mobile system for GQMS.

Work System Maintenance and Investments Made

(Unit: KRW 100 million)

| Category | 2022 | 2023 Plan | 2024 Plan |
|----------------------|------|-----------|-----------|
| Maintenance expenses | 16 | 16 | 16 |
| Investment expenses | 15.6 | 17.5 | 20.6 |

Risk Management

Risk Management System

To identify risks that mainly revolve around our business conduct and a single point of failure and to consider measures to minimize the possibility of risks occurring and their resulting damage, we conducted risk assessments on 141 risk management items. This helped us reveal major risks by understanding the damage and scope of impact caused by job-specific risks and evaluating the frequency of incidents occurring, the scale of damage, and the time taken for recovery. These risks are managed by documenting risk-level preventive measures, processing plans, and responsible managers in the risk assessment registration document for risk mitigation. Besides, we forecast our sales and profit for the next five years on an annual basis and review potential risks to identify strategic tasks. Implementation plans set to undertake strategic tasks are managed as KPIs to minimize the occurrence of risks.

Management of Major Risks

Currency fluctuation risk

When it is believed that currency risk hedging is required in the course of sales transactions, we enter into F/X forward contracts to manage risks that stem from currency fluctuations. When expected transactions and recognized assets and liabilities are denominated in currencies other than functional currencies, we regularly measure FX risks stemming from currency fluctuations affecting the Korean won to brace for such fluctuations that occur in relation to product exports or material imports.

Liquidity risk

We set short/mid/long-term financing management plans to manage liquidity risks, and continuously analyze and review budgeted cash outflow and actual cash outflow to match the maturity structure of financial liabilities and assets. Our management believes that repayments can be made on financial liabilities with cash flows from operating activities and cash inflows from financial assets.

Tax risk

We manage any non-compliance with corporate tax laws to prevent such risks as tax authorities charging additional taxes due to non-compliant tax filings. Our corporate tax returns are reviewed by tax corporations following accounting audits performed four times a year, and documentary evidence is thoroughly verified and retained to ensure lawful tax returns.

Development of Purchase Compliance Guide and Operation of Compliance Day

The PHA Purchase Division performs legal and sensitive work with partners such as concluding contracts and agreements with partners, etc., and efforts are continued for legal compliance.

In 2022, PHA developed the Purchase Compliance Guide that includes the course of action, obligations and responsibilities, and cautions in the business stage and preparation of various contracts, etc.

In addition, every first Wednesday of the month was designated as Compliance Day, improvement activities are performed independently such as self-inspection on the legal compliance matters, review of the new laws and regulations, establishment of response methods, etc. Moreover, workshops are held continuously with external experts in an effort to secure expertise in the company.



















Purchase Division holding a meeting on Compliance Day

Risk Management

ESG Risks & Opportunities

To establish a sustainable management system that meets the specific needs of the automotive parts industry, we have analyzed risks and opportunities for each of the eight material issues identified through the materiality assessment. Based on these material issues identified, we will continue to manage our response performance, strategy and measures and perform systemic and objective risk analyses to advance our sustainability management system.

| Material Issue | Possibility of Risk Occurrence & Impact | ESG Risks | ESG Opportunities |
|---|---|--|--|
| 01 HR management | Occurrence Possibility (67.4/100)  | - Decreasing motivation due to the unfair distribution of outcomes - Key talent drain, lack of learning opportunity for capacity building | - Boost employee motivation through performance-aligned reasonable compensation |
| | Impact on Occurrence (70.2/100)  | | |
| 02 R&D and New Business | Occurrence Possibility (66.6/100)  | - Decrease in sales according to the intensified competition in the market and market shrinkage | - Secure business growth engine through new business - Increase in sales and profit improvement - Secure position in the market |
| | Impact on Occurrence (70/100)  | | |
| 03 Shared Growth | Occurrence Possibility (65/100)  | - Partner management deterioration - Decrease in possible partners in business transaction | - Reinforce the Company's competitiveness through win-win management with partners - Convenience of discovering new outstanding partners |
| | Impact on Occurrence (66/100)  | | |
| 04 Product quality | Occurrence Possibility (60/100)  | - Declining trust in quality - Reduced product competitiveness - Safety accidents affecting customers | - Boost product competitiveness in landing new contracts by securing 'super-gap' quality - Improve customer satisfaction through reinforced quality management |
| | Impact on Occurrence (65/100)  | | |
| 05 Customer satisfaction | Occurrence Possibility (59.4/100)  | - Decrease in sales due to less order - Decrease in profit due to customer claim | - Secure position in the market as the Total Solution Provider - Secure global competitiveness |
| | Impact on Occurrence (65/100)  | | |
| 06 Partner management | Occurrence Possibility (60/100)  | - Corruption issues concerning partners' labor/environment/ human rights - Violation of regulations on conflict minerals | - Smooth supply of high-quality parts - Alleviate ESG risks in the supply chain |
| | Impact on Occurrence (62.9/100)  | | |
| 07 Waste and resource circulation | Occurrence Possibility (61.2/100)  | - Penalties imposed due to non-compliance with waste-related regulations - Increasing demand for resource circulation including waste recycling | - Develop eco-friendly products and swiftly secure competitiveness by embracing the circular economy - Reduce waste treatment cost through recycling |
| | Impact on Occurrence (61.6/100)  | | |
| 08 Health and safety | Occurrence Possibility (57.8/100)  | - Increasing financial/non-financial burden stemming from tightening health and safety disciplinary action including the Serious Accidents Punishment Act - Fatal injuries caused by lack of safety awareness | - Enhance corporate reputation for excellent health and safety performance by continuously achieving zero in injury occurrence - Create a safe work environment through systemic health and safety management |
| | Impact on Occurrence (64.2/100)  | | |

Risk Management

Our Response

Employees are the greatest driver and the key competitive lever behind our growth as a company. Creating sustainable value is only possible when we recruit competent talent and treat them in a fair and reasonable manner. We establish a fair performance management system, nurture talent with the highest level of professionalism through the PHA Academy and electronics training, and build a globally renowned organizational culture based on flexible and horizontal communication.

As the paradigm of the automotive market is changing from the internal combustion engine (ICE) to eco-friendly vehicles and autonomous driving vehicles, and automotive closure parts are changing to system products including driving, recognition, and control technologies, PHS is operating a new business team, a new technology TFT, and a new technology research team to become the company leading the changing market. PHA was selected as the business reorganization enterprise by the Ministry of Trade, Industry & Energy, and efforts are continued in R&D and new businesses.

In the automotive industry, partners have more value and significance beyond simply being a supplier of parts. Securing the stability of the supply chain and discovering outstanding partners required for new businesses and products have significant impact on the sustainability of PHA. Accordingly, PHA joined the Korea Commission for Corporate Partnership voluntarily for shared growth with partners, and the guide for shared growth is observed. In addition, support of win-win funds, partner cooperation meeting, advanced courses for partners operated in partnership with local universities, etc. are provided to listen to the difficulties of partners and to maintain and expand activities for technological development consistently.

Given the inherent characteristics of the automotive parts industry which depends on the orders awarded by car OEMs, it is critical that we make our products competitive by embracing new technology and continue to improve the quality of our products. Competition is intensifying in the automotive parts industry due to changing mobility trends represented by autonomous driving and eco-friendly vehicles and the emergence of Chinese companies that are expanding their business territory based on price competitiveness. To evolve into a global company leading the automotive door moving system sector, we are building an internal maintenance support system to establish market-leading quality with a goal of reducing quality failure cost to zero.

To become the leading company in the changing automotive parts market, customer needs must be satisfied, and the level of satisfaction must be maximized; therefore, PHA immediately responds to any customer complaints through field vehicle driving monitoring analysis and quality check by the field TF team and by preventing maintenance errors in advance through the independent maintenance support system (PHA Service Way) to continue the efforts for customer satisfaction.

COVID-19 and its resulting disruptions to global supply chains have highlighted the importance of flexible supply chains and sustainable supply chain management. As the competitiveness of parts supplied by partners may directly impact the quality of finished products, it is imperative that we support partners and help them sharpen their competitiveness to improve our own competitive edge. PHA detects the risks in advance by sophisticating the partner assessment, and the necessary support is provided. In addition, PHA is committed to partner management by supporting partners in strengthening capabilities of responding to social issues, providing ESG training, etc.

Businesses carry greater environmental responsibility than before to efficiently use limited resources and minimize the environmental impact of their products to contribute to resource circulation. We appropriately manage and process waste generated from the processes, activities and services of respective worksites in accordance with waste management regulations, and are improving our processes to reduce the input of raw materials while increasing the recycling of products.

The recent enforcement of the Serious Accidents Punishment Act has ignited growing social interest in health and safety issues, and providing a safe work environment is essential for both employees and the sustainable growth of PHA. We have created the Safety, Health and Environment Team and achieved the ISO 45001 health and safety management system certification to bolster our professional safety system.

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Data Center

Financial Performance*

Consolidated Statement of Financial Position

| Item | Unit | 2020 | 2021 | 2022 |
|------------------------------|-----------------|---------|---------|----------------|
| Total assets | KRW 100 million | 9,337.0 | 9,571.1 | 9,798.8 |
| Current assets | KRW 100 million | 5,277.7 | 5,627.7 | 5,904.8 |
| Non-current assets | KRW 100 million | 4,059.3 | 3,943.5 | 3,894.0 |
| Total liabilities | KRW 100 million | 3,478.9 | 3,113.5 | 3,067.8 |
| Current liabilities | KRW 100 million | 3,301.3 | 2,921.8 | 2,843.7 |
| Non-current liabilities | KRW 100 million | 177.6 | 191.7 | 224.1 |
| Total equity | KRW 100 million | 5,858.1 | 6,457.6 | 6,731.0 |
| Total liabilities and equity | KRW 100 million | 9,337.0 | 9,571.1 | 9,798.8 |

Comprehensive Income Statement

| Item | Unit | 2020 | 2021 | 2022 |
|-----------------------------------|-----------------|---------|---------|-----------------|
| Income (sales) | KRW 100 million | 9,490.6 | 9,276.1 | 10,244.4 |
| Gross profit | KRW 100 million | 979.0 | 1,006.8 | 1,257.3 |
| SG&A | KRW 100 million | 836.0 | 940.9 | 1,028.6 |
| Operating profit (loss) | KRW 100 million | 143.1 | 65.8 | 228.7 |
| Financial income | KRW 100 million | 101.3 | 206.8 | 230.4 |
| Other income | KRW 100 million | 96.8 | 254.5 | 48.6 |
| Income (loss) before income taxes | KRW 100 million | 139.0 | 488.9 | 404.4 |
| Income tax expenses | KRW 100 million | 59.7 | 113.1 | 121.8 |
| Net profit (loss) | KRW 100 million | 79.3 | 375.8 | 282.6 |

Distribution of Economic Value

| Item | Unit | 2020 | 2021 | 2022 | |
|------------------------------|-------------|-------------|----------|----------------|-----------------|
| Dividends | KRW million | 3,696.6 | 3,696.6 | 3,779.8 | |
| National taxes | KRW million | 6,383.9 | 3,870.8 | 7,218.5 | |
| Total labor expenses | Wage | KRW million | 30,190.5 | 34,920.7 | 35,457.7 |
| | Bonus | KRW million | 11,557.0 | 11,890.8 | 13,807.8 |
| | Total | KRW million | 41,747.5 | 46,811.5 | 49,265.5 |
| Base pay and regular bonus** | KRW million | 34,402.5 | 39,983.4 | 40,874 | |
| CSR expenses | KRW million | 110.1 | 150.0 | 150.1 | |

* Entities included in Consolidated Statement of Financial Position: PHA India Pvt, Ltd. / PHA Taicang Co., Ltd. / PHA China R&D Center. Co.,Ltd / AST Co., LTD / PHA Beijing Co., Ltd. / PHA Chongqing Co., Ltd. / PHA Slovakia s.r.o / PHA Czech s.r.o / PHA America, Inc. / PHA Alabama, LLC / PHA Michigan, LLC / PHA Yancheng Co., Ltd. / PHA VIETNAM Co., LTD.

** Basic pay and regular bonus are the amount added with basic pay and regular bonus, and the amounts in 2020 and 2021 were modified for disclosure as the partial amount was not reflected in the relevant amount

Data Center

Environmental Performance

Energy Consumption

| Category | Unit | 2020 | 2021 | 2022 | Scope of Data |
|-----------------------|-------------------------|--------|--------|---------------|---------------|
| Total energy consumed | MWh | 22,051 | 22,547 | 22,478 | A~H |
| Electricity | MWh | 19,099 | 19,394 | 19,937 | |
| Fuel (LNG) | MWh | 2,806 | 3,026 | 2,081 | |
| Fuel (LPG) | MWh | 145 | 127 | 460 | |
| Total domestic sales* | KRW 100 million | 5,609 | 5,554 | 6,059 | |
| Energy intensity | MWh/ KRW 100 million | 4.00 | 3.97 | 3.73 | |

* Gross Domestic Sales: Based on the gross sales of domestic workplaces (business report)

GHG Emissions

| Category | Unit | 2020 | 2021 | 2022 | Scope of Data |
|-------------------------------|---------------------|---------|---------|----------------|---------------|
| Total GHG emissions generated | tCO ₂ eq | 9,475.2 | 9,569.9 | 9,812.7 | A~H |
| Scope 1 | tCO ₂ eq | 701.1 | 712.6 | 512.9 | |
| Scope 2 | tCO ₂ eq | 8,774.1 | 8,857.3 | 9,299.8 | |

Scope of Data : A:HQ B:Hyeonpung C:Seongseo1 D:Seongseo2 E:Oedong1 F:Oedong2 G:Asan1 H:Asan2 I:Overseas

GHG emission of domestic & overseas subsidiaries (2022)*

| Subsidiary | Unit | Scope 1 | Scope 2 | Total |
|--------------|---------------------|---------|---------|----------------|
| AST | tCO ₂ eq | 273.0 | 3,543.4 | 3,816.4 |
| PHA Beijing | | 23.9 | 626.0 | 649.9 |
| PHA Taicang | | 404.5 | 2,715.1 | 3,119.6 |
| PHA Yancheng | | 8.4 | 314.9 | 323.3 |
| PHA India | | 157.4 | 423.1 | 580.4 |
| PHA Czech | | 159.1 | 442.9 | 602.0 |
| PHA Slovakia | | 112.5 | 382.8 | 495.3 |
| PHA Alabama | | 6.3 | 682.4 | 688.7 |
| PHA Michigan | | 1.5 | 176.6 | 178.1 |
| PHA Vietnam | | 38.9 | 1,048.3 | 1,087.2 |

* The initial measurement of the GHG emissions of domestic and overseas subsidiaries was performed in 2022, and PHA will continue to manage the measurement value annually

Waste Generation*

| Category | Unit | 2020 | 2021 | 2022 | Scope of Data |
|------------------------------------|------|-------|-------|--------------|---------------|
| Total waste generated (discharged) | ton | 250.7 | 280.9 | 200.6 | A~H |
| General waste | ton | 214.8 | 251.9 | 184.7 | |
| Designated waste | ton | 35.9 | 29.0 | 15.9 | |

* The treatment of all general waste is contracted out to recycling companies, and designated waste is lawfully treated through incineration under the contract entered into with waste treatment companies.

Data Center

Environmental Performance

Waste Treatment

| Category | Unit | 2020 | 2021 | 2022 | Scope of Data |
|---------------------|------|-------|-------|--------------|---------------|
| Total waste treated | ton | 251 | 281 | 200.6 | A~H |
| Recycling* | ton | 214.8 | 251.9 | 184.7 | |
| Incineration | ton | 35.9 | 29.0 | 15.9 | |
| Waste recycled | % | 86 | 89.6 | 92 | |

* Steel plate scraps and injection-molded plastics are treated through recycling companies.

Raw Material Consumption*

| Category | Unit | 2020 | 2021 | 2022 | Scope of Data |
|--|------|--------|--------|---------------|---------------|
| Total raw materials used | ton | 67,700 | 69,700 | 71,000 | A~H |
| Steel plate | ton | 58,100 | 58,100 | 59,500 | |
| Injection (Plastic) | ton | 9,600 | 11,600 | 11,500 | |
| Renewable raw materials use | ton | 67,700 | 69,700 | 71,000 | |
| Renewable or recycled raw materials used | % | 100 | 100 | 100 | |

* Steel plate scraps and injection-molded plastics are treated through recycling companies.

Water Use and Wastewater Amount

| Category | Unit | 2020 | 2021 | 2022 |
|---------------------|------|--------|--------|---------------|
| Water withdrawal | mL | 43,183 | 54,925 | 55,335 |
| Water Use* | mL | 28,106 | 37,571 | 38,672 |
| Water discharge | mL | 15,077 | 17,151 | 16,413 |
| Wastewater Amount** | mL | | 203 | 250 |

* Water Use: PHA uses 100% municipal water for water.

** Wastewater Amount: 100% of the wastewater generated in PHA is from the test equipment, and the relevant wastewater is processed through the wastewater treatment system and discharged with the water. A wastewater treatment system for the wastewater generated from the test equipment was installed in December 2020, and wastewater generated from 2021 was aggregated for report.

Scope of Data : A:HQ B:Hyeonpung C:Seongseo1 D:Seongseo2 E:Oedong1 F:Oedong2 G:Asan1 H:Asan2 I:Overseas

Air Pollutant

| Category | Unit | 2020 | 2021 | 2022 | Scope of Data |
|---------------|------|------|------|-------------|---------------|
| Dust emitted* | ton | 0.65 | 0.16 | 0.16 | A, B, C, E** |

* Data was increased from 2020 due to the increase in scope of data owing to the expansion of air discharge facilities

** Oedong 2 Plant is used as a warehouse and Asan 2 Plant is vacant, which makes them not applicable.

Environmental Training and Investment

| Category | Unit | 2020 | 2021 | 2022 | Scope of Data |
|--|----------------|------|------|------------|---------------|
| Employees who participated in environmental training | No. of persons | 686 | 699 | 683 | A~H |
| Environmental investment expenditures* | KRW million | 14 | 24 | 30 | |

* Including the purchase of eco-friendly products and services.

Environmental Management System Certification (ISO 14001)

| Category | Unit | 2020 | 2021 | 2022 | Scope of Data |
|---|--------------|------|------|-------------|---------------|
| Manufacturing sites | No. of sites | 17 | 17 | 17 | A~E, G, I* |
| Manufacturing sites certified against ISO 14001 | No. of sites | 12 | 14 | 14 | |
| Achievement of ISO 14001 | % | 70.6 | 82.4 | 82.4 | |

* Oedong 2 Plant is used as a warehouse and Asan 2 Plant is vacant, which makes them not applicable.

Environmental Complaints

| Category | Unit | 2020 | 2021 | 2022 | Scope of Data |
|---------------------------------|--------------|------|------|----------|---------------|
| Environmental complaints raised | No. of cases | 0 | 0 | 0 | A~H |

Data Center

Social Performance

Employee Data

| | Category | Unit | 2020 | 2021 | 2022 | Scope of Data |
|----------|--|----------------|-------|-----------|--------------|---------------|
| Domestic | Total employees (domestic+overseas) | No. of persons | 3,023 | 2,705 | 2,696 | A~H |
| | Total employees* | No. of persons | 686 | 699 | 683 | |
| | Male | No. of persons | 639 | 651 | 636 | |
| | Female | No. of persons | 47 | 48 | 47 | |
| | Ratio of female employees | % | 6.9 | 6.9 | 6.9% | |
| | Total full-time employees | No. of persons | 685 | 699 | 682 | |
| | Male | No. of persons | 638 | 651 | 636 | |
| | Female | No. of persons | 47 | 48 | 46 | |
| | Total part-time employees | No. of persons | 1 | 0 | 1 | |
| | Male | No. of persons | 1 | 0 | 0 | |
| | Female | No. of persons | 0 | 0 | 1 | |
| | Employees in executive positions | No. of persons | 20 | 19 | 18 | |
| | Male | No. of persons | 20 | 19 | 18 | |
| | Female | No. of persons | 0 | 0 | 0 | |
| | Executive positions who fall into vulnerable and minority groups | No. of persons | 0 | 0 | 0 | |
| | No. of Workers Office staffs | No. of persons | 398 | 419 | 409 | |
| | Male | No. of persons | 366 | 385 | 376 | |
| | Female | No. of persons | 32 | 34 | 33 | |
| | Production workers | No. of persons | 267 | 261 | 256 | |
| | Male | No. of persons | 252 | 247 | 242 | |
| Female | No. of persons | 15 | 14 | 14 | | |

Scope of Data : A:HQ B:Hyeonpung C:Seongseo1 D:Seongseo2 E:Oedong1 F:Oedong2 G:Asan1 H:Asan2 I:Overseas

Employee Data

| | Category | Unit | 2020 | 2021 | 2022 | Scope of Data |
|----------|----------------------------------|----------------|-------|-------|--------------|---------------|
| Overseas | Total employees | No. of persons | 2,337 | 2,006 | 2,013 | A~H |
| | Office staffs | No. of persons | 496 | 456 | 452 | |
| | Production workers | No. of persons | 1,804 | 1,517 | 1,531 | |
| | Employees in executive positions | No. of persons | 9 | 7 | 7 | |
| | Expatriates | No. of persons | 28 | 26 | 23 | |

* Excluding seconded staff and expatriates

New Hires

| | Category | Unit | 2020 | 2021 | 2022 | Scope of Data |
|----------|------------------|----------------|------|------|-------------|---------------|
| Domestic | New hires | No. of persons | 32 | 33 | 16 | A~H |
| | Male | No. of persons | 32 | 32 | 14 | |
| | Female | No. of persons | 0 | 1 | 2 | |
| | New male hires | % | 100 | 97.0 | 87.5 | |
| | New female hires | % | 0 | 3.0 | 12.5 | |

Data Center

Social Performance

Parental Leave

| Category | Unit | 2020 | 2021 | 2022 | Scope of Data |
|--|----------------|------|------|-------------|---------------|
| Employees eligible for parental leave* | No. of persons | 306 | 288 | 275 | A~H |
| Male | No. of persons | 290 | 274 | 264 | |
| Female | No. of persons | 16 | 14 | 11 | |
| Employees who took parental leave | No. of persons | 16 | 18 | 18 | |
| Male | No. of persons | 6 | 8 | 11 | |
| Female | No. of persons | 10 | 10 | 7 | |
| Employees who returned to work after parental leave | No. of persons | 6 | 7 | 8 | |
| Male | No. of persons | 3 | 0 | 4 | |
| Female | No. of persons | 3 | 7 | 4 | |
| Employees who returned from parental leave and worked 12 months | No. of persons | 2 | 6 | 8 | |
| Male | No. of persons | 0 | 3 | 1 | |
| Female | No. of persons | 2 | 3 | 7 | |
| Employees who returned from parental leave (male) | % | 100 | 0 | 50.0 | |
| Employees who returned from parental leave (female) | % | 33.3 | 70.0 | 40.0 | |
| Retention of employees who returned from parental leave (male) | % | 0 | 100 | 100 | |
| Retention of employees who returned from parental leave (female) | % | 66.7 | 100 | 100 | |
| Employee who took maternity leave | No. of persons | 29 | 32 | 29 | |
| Male | No. of persons | 24 | 30 | 26 | |
| Female | No. of persons | 5 | 2 | 3 | |

* Employees whose child was 8 years old or younger in the concerned year

Scope of Data : A:HQ B:Hyeonpung C:Seongseo1 D:Seongseo2 E:Oedong1 F:Oedong2 G:Asan1 H:Asan2 I:Overseas

Employee Retention

| Category | Unit | 2020 | 2021 | 2022 | Scope of Data |
|-----------------------------|----------------|------|------|-------------|---------------|
| Total turnover | No. of persons | 38 | 23 | 101 | A~H |
| Total turnover | % | 6.1 | 3.6 | 14.8 | |
| Voluntary turnover | % | 5.5 | 3.3 | 3.5 | |
| Non-voluntary turnover | % | 0.6 | 0.3 | 11.3 | |
| Average years of employment | No. of years | 11.3 | 11.9 | 12.7 | |
| Male | No. of years | 11.2 | 11.9 | 12.7 | |
| Female | No. of years | 11.6 | 11.8 | 12.5 | |

Employee Welfare & Benefits

| Category | Unit | 2020 | 2021 | 2022 | Scope of Data |
|--|----------------|-----------|-----------|------------------|---------------|
| Employees who used flexible hours | No. of persons | 94 | 111 | 190 | A~H |
| Total welfare & benefits expenditures* | KRW 1,000 | 1,333,022 | 1,580,405 | 1,230,602 | |
| Welfare & benefits expenses per person | KRW 1,000 | 1,943 | 2,183 | 1,802 | |

* Sum of wage-like welfare and benefits items for the concerned year

Data Center

Social Performance

Employees from Vulnerable Backgrounds

| Category | Unit | 2020 | 2021 | 2022 | Scope of Data |
|-----------------------------|----------------|------|------|------------|---------------|
| Employees with disabilities | No. of persons | 9 | 10 | 10 | A~H |
| Employees with disabilities | % | 1.3 | 1.4 | 1.5 | |
| Employees of national merit | No. of persons | 1 | 1 | 0 | |
| Employees of national merit | % | 0.1 | 0.1 | 0 | |

Employee Compensation

| Category | Unit | 2020 | 2021 | 2022 | Scope of Data |
|--|------|------------|------------|-------------------|---------------|
| Base pay for executives (male) | KRW | 12,312,964 | 14,529,382 | 14,028,807 | A~H |
| Base pay for executives (female) | KRW | - | - | - | |
| Base pay for office staffs (male)* | KRW | 4,203,490 | 4,525,367 | 4,651,704 | |
| Base pay for office staffs (female)* | KRW | 3,524,643 | 4,009,682 | 4,057,823 | |
| Base pay for production workers (male) | KRW | 3,425,194 | 3,599,127 | 3,680,317 | |
| Base pay for production workers (female) | KRW | 3,484,074 | 3,632,586 | 3,663,726 | |
| Hourly wage of employees who receive the lowest amount of pay above the legal minimum wage | % | 147 | 153 | 149 | |

* Gender-based wage discrepancies among employees in management positions are attributable to differences in job levels, and in actuality, wage is determined and paid equally for both men and women

Scope of Data : A:HQ B:Hyeonpung C:Seongseo1 D:Seongseo2 E:Oedong1 F:Oedong2 G:Asan1 H:Asan2 I:Overseas

Employee Health and Safety

| Category | Unit | 2020 | 2021 | 2022 | Scope of Data |
|--|-------------------------------|-----------|-----------|------------------|---------------|
| Average hours worked per person per week | No. of hours | 39.9 | 41.3 | 40.5 | A~H |
| Overtime work per person per week* | No. of hours | 4.3 | 4.8 | 4.4 | |
| Total hours worked per year** | No. of hours | 1,356,408 | 1,432,862 | 1,413,932 | |
| Workdays lost | No. of days | 2 | 1 | 9 | |
| Lost time incidents | No. of cases | 2 | 1 | 1 | |
| Employees injured | No. of persons | 5 | 4 | 4 | |
| Employees who became ill due to work | No. of persons | 0 | 0 | 0 | |
| Fatalities | No. of persons | 0 | 0 | 0 | |
| Fatalities of subcontractor/outsourcing employees | No. of persons | 0 | 0 | 0 | |
| Occupational injury rate | % | 0.4 | 0.3 | 0.3 | |
| Injuries that occur for every 1,000 employees per year | ‰ | 4.14 | 3.19 | 3.19 | |
| Executives | ‰ | 4.28 | 4.28 | 4.28 | |
| Office staffs | ‰ | 0 | 0 | 0 | |
| Production workers | ‰ | 11.11 | 11.11 | 11.11 | |
| Subcontractor/outsourcing employees | ‰ | 3.96 | 1.98 | 1.98 | |
| Lost time injury severity rate | - | 0.02 | 0.01 | 0.01 | |
| Lost time injury frequency rate (LTIFR) | No. of cases/ 1 million hours | 0.25 | 0.22 | 0.22 | |
| Employees who completed health and safety training | No. of persons | 686 | 699 | 683 | |
| Employees who completed health and safety training | % | 100 | 100 | 100 | |
| Employees who received health check-ups | No. of persons | 394 | 244 | 442 | |
| Employees who received health check-ups | % | 100 | 100 | 100 | |

* Overtime work performed in excess of 40 hours/week

** Total hours worked per year: Regular working hours + Overtime/Holiday working hours

** Re-description of information: Total hours worked per year during the period 2020-2021 were re-described in the 2022 Sustainability Report (76p) (Reason: Corrections made due to omission of overtime/holiday working hours)

Data Center

Social Performance

Health and Safety Management System Certification (ISO 45001)

| Category | Unit | 2020 | 2021 | 2022 | Scope of Data |
|---|--------------|------|------|-------------|---------------|
| Manufacturing sites | No. of sites | 17 | 17 | 17 | A~E, G, I* |
| Manufacturing sites certified against ISO 45001 | No. of sites | 11 | 13 | 13 | |
| Achievement of ISO 45001 | % | 64.7 | 76.5 | 76.5 | |

* Oedong 1 Plant is used as a warehouse and Asan 2 Plant is vacant, which makes them not applicable.

Talent Nurturing and Capacity Building

| Category | Unit | 2020 | 2021 | 2022 | Scope of Data |
|--|----------------|---------|--------|---------------|---------------|
| Total employee training | No. of hours | 28,352 | 28,231 | 33,749 | A~H |
| Training hours per employee | No. of hours | 41.3 | 40.4 | 51.9 | |
| Male | No. of hours | 42 | 41 | 52 | |
| Female | No. of hours | 28 | 34 | 38 | |
| Total employee training expenditures | KRW 1,000 | 102,421 | 50,957 | 85,216 | |
| Training expenses per employee | KRW 1,000 | 149 | 73 | 126 | |
| Employee satisfaction (ESO satisfaction score) | Point | 68.6 | 60.9 | 60.3 | |
| No. of employees undergoing periodic performance assessment and career development review* | No. of persons | 411 | 420 | 416 | |
| Male | No. of persons | 382 | 390 | 388 | |
| Female | No. of persons | 29 | 30 | 28 | |
| No. of employees undergoing periodic performance assessment and career development review* | % | 59.9 | 60.1 | 60.9 | |
| Male | % | 59.8 | 59.9 | 61 | |
| Female | % | 61.7 | 62.5 | 59.5 | |

* Target of performance assessment: Employees in management positions who worked 6 months or longer in the concerned year (excluding production workers as well as office staffs who were hired in the second half of the year or who took leave for six months or longer)

Scope of Data : A:HQ B:Hyeonpung C:Seongseo1 D:Seongseo2 E:Oedong1 F:Oedong2 G:Asan1 H:Asan2 I:Overseas

Human Rights Training

| Category | Unit | 2021 | 2022 | Scope of Data |
|---|----------------|------|-------------|---------------|
| Total human rights training | No. of hours | 727 | 701 | A~H |
| Human rights training provided per employees | No. of hours | 1.04 | 1.00 | |
| Employees who completed human rights training | No. of persons | 699 | 701 | |
| Employees who completed human rights training | % | 100 | 100 | |

Child/Compulsory Labor

| Category | Unit | 2020 | 2021 | 2022 | Scope of Data |
|--|--------------|------|------|----------|---------------|
| Incidents involving child/compulsory labor | No. of cases | 0 | 0 | 0 | A~H |
| Inspections made on the occurrence of child/compulsory labor | No. of cases | 0 | 0 | 0 | |

Data Center

Social Performance

Labor Relations

| Category | Unit | 2020 | 2021 | 2022 | Scope of Data |
|--|----------------|------|------|------------|---------------|
| Employees subject to the collective agreement | No. of persons | 686 | 699 | 683 | A~H |
| Employees subject to the collective agreement* | % | 100 | 100 | 100 | |
| Unionized employees** | No. of persons | 264 | 261 | 259 | |
| Labor union membership | % | 39.4 | 38.5 | 38 | |

* (Employees subject to the collective agreement / total employees for the concerned year)*100

** Production workers and production staffs

CSR

| Category | Unit | 2020 | 2021 | 2022 | Scope of Data |
|---|----------------|---------|---------|----------------|---------------|
| CSR expenditures | KRW 1,000 | 110,100 | 150,000 | 150,060 | A~H |
| In-kind donations made | KRW 1,000 | 88,580 | 117,060 | 109,810 | |
| Hope Plus (corporate donations) | KRW 1,000 | 20,520 | 15,440 | 19,250 | |
| Volunteering | KRW 1,000 | 1,000 | 17,500 | 21,000 | |
| Employees who participated in CSR programs | No. of persons | 15 | 123 | 219 | |
| Employees who participated in CSR programs | % | 2.2 | 17.6 | 26.7 | |
| Total hours of employees' participation in CSR programs | No. of hours | 45 | 354 | 550 | |
| Hours of participating in CSR programs per person | No. of hours | 0.1 | 0.5 | 1.3 | |

Scope of Data : A:HQ B:Hyeonpung C:Seongseo1 D:Seongseo2 E:Oedong1 F:Oedong2 G:Asan1 H:Asan2 I:Overseas

Supply Chain Data

| Category | Unit | 2020 | 2021 | 2022 | Scope of Data |
|---|------------------|---------|---------|----------------|---------------|
| Partners* | No. of companies | 81 | 84 | 79 | A~H |
| Key partners** | No. of companies | 32 | 27 | 27 | |
| Total purchases made from partners | KRW million | 320,628 | 326,748 | 341,418 | |
| Purchases made from key partners | KRW million | 307,469 | 301,622 | 317,229 | |
| Ratio of expenses paid to key partners out of total purchasing expenditures | % | 96 | 92 | 93 | |
| No. of new partners covered by the environmental standards for appointment | No. of companies | | | 3 | |
| No. of partners undergoing environmental impact assessment | No. of companies | 0 | 0 | 0 | |
| No. of new partners covered by the social standards for appointment | No. of companies | | | 3 | |
| No. of partners undergoing assessment on the social standards | No. of companies | 0 | 0 | 38 | |

* Based on parts companies (excluding raw material suppliers, MRO companies, facilities, molding companies, tier 1 partners, importers, and external procurements)

** Parts partners whose transaction value amounts to KRW 1 billion/year or more

Support for Partners

| Category | Unit | 2020 | 2021 | 2022 | Scope of Data |
|---|------------------|------|-------|--------------|---------------|
| Financial support provided to partners (win-win cooperation funds approved) | KRW million | - | 4,708 | 6,150 | A~H |
| Partners who completed training* | No. of companies | 0 | 28 | 37 | |
| Partners who completed training out of total partners | % | 0 | 33 | 47 | |
| Partner employees who completed training | No. of persons | 0 | 28 | 44 | |

* Partner training performed in 2022 through the Yeungnam Univ. HRD (Human Resource Development) Program (8 sessions)

Data Center

Governance Performance

Composition of the Board of Directors

| Category | Unit | 2020 | 2021 | 2022 | Scope of Data |
|--|----------------|------|------|-----------|---------------|
| Inside directors | No. of persons | 3 | 3 | 3 | A* |
| Outside directors | No. of persons | 3 | 3 | 3 | |
| Female directors | No. of persons | 0 | 0 | - | |
| Outside directors with professional qualifications | No. of persons | 1 | 1 | 1 | |
| Outside directors at the Board | % | 50 | 50 | 50 | |
| Female directors at the Board | % | 0 | 0 | - | |

* The Board of Directors in Korea is making decisions for overseas subsidiaries.

Board of Directors Operation

| Category | Unit | 2020 | 2021 | 2022 | Scope of Data |
|--|-----------------|------|------|-----------|---------------|
| Board meetings held | No. of meetings | 20 | 15 | 15 | A* |
| Total attendance in Board meetings | % | 87 | 89 | 90 | |
| Attendance of outside directors in Board meetings | % | 73 | 78 | 80 | |
| Outside directors with low attendance (under 75%) | No. of persons | 2 | 1 | 1 | |
| Agenda items discussed | No. of items | 25 | 23 | 17 | |
| Agenda items for which objections or amendments were raised by outside directors | No. of items | 0 | 0 | - | |

* The Board of Directors in Korea is making decisions for overseas subsidiaries.

Scope of Data : A:HQ B:Hyeonpung C:Seongseo1 D:Seongseo2 E:Oedong1 F:Oedong2 G:Asan1 H:Asan2 I:Overseas

Audit

| Category | Unit | 2020 | 2021 | 2022 | Scope of Data |
|--|-----------------|---------|---------|----------------|---------------|
| Audit Committee meetings held | No. of meetings | 4 | 5 | 4 | A |
| Compensation made to external auditors for their audit service | KRW 1,000 | 530,000 | 550,000 | 570,000 | |
| Compensation made to external auditors for their non-audit service | KRW 1,000 | 0 | 0 | 0 | |

Compliance

| Category | Unit | 2020 | 2021 | 2022 | Scope of Data |
|---|--------------|------|------|--------------|---------------|
| Non-compliance with environmental regulations | No. of cases | 0 | 0 | - | A~H |
| Penalties imposed for non-compliance with environmental regulations | KRW million | 0 | 0 | - | |
| Non-compliance with the Fair Trade Act* | No. of cases | 0 | 0 | 1 | |
| Penalties imposed for non-compliance with the Fair Trade Act* | KRW million | 0 | 0 | 1,088 | |
| Non-compliance with safety regulations | No. of cases | 0 | 0 | - | |
| Penalties imposed for non-compliance with safety regulations | KRW million | 0 | 0 | - | |
| Non-compliance with data privacy regulations | No. of cases | 0 | 0 | - | |
| Penalties imposed for non-compliance with data privacy regulations | KRW million | 0 | 0 | - | |
| Data security breaches related to customer (car OEMs) data | No. of cases | 0 | 0 | - | |

* On September 26, 2022, PHA was slapped with a KRW 1,088 million fine by the Fair Trade Commission for the misappropriation of technical data from a partner, and the relevant fine was paid. Regarding this case, litigation for revocation on the disposition by the Fair Trade Commission is currently pending in the Seoul High Court.

Data Center

Governance Performance

Anti-Corruption

| Category | Unit | 2020 | 2021 | 2022 | Scope of Data |
|--|------------------|-------|-------|--------------|---------------|
| Employees who completed ethics training* | No. of persons | 686 | 699 | 683 | A~H |
| Employees who completed ethics training | % | 100 | 100 | 100 | |
| Employees who signed the anti-corruption and ethical management pledge | No. of persons | 680 | 699 | 683 | |
| Employees who signed the anti-corruption and ethical management pledge | % | 100 | 100 | 100 | |
| Partners with whom we shared our anti-corruption policy | No. of companies | 1,100 | 1,100 | 1,100 | |
| Partners with whom we shared our anti-corruption policy | % | 100 | 100 | 100 | |
| Corruptive practices that occurred | No. of cases | 0 | 0 | 0 | |
| Corruptive practices handled | No. of cases | 0 | 0 | 0 | |
| Corruptive practices handled | % | 100 | 100 | 100 | |

Cyber Whistleblowing Channel Operation

| Category | Unit | 2020 | 2021 | 2022 | Scope of Data |
|---|--------------|------|------|------------|---------------|
| Whistleblowing reports submitted to the Cyber Whistleblowing Channel | No. of cases | 0 | 1 | 3 | A~H |
| Whistleblowing reports handled through the Cyber Whistleblowing Channel | No. of cases | 0 | 1 | 3 | |
| Whistleblowing reports handled through the Cyber Whistleblowing Channel | % | 100 | 100 | 100 | |

Information Security

| Category | Unit | 2020 | 2021 | 2022 | Scope of Data |
|---|----------------|------|------|------------|---------------|
| Information security incidents that occurred | No. of cases | 0 | 0 | 0 | A~H |
| Employees who completed information security training | No. of persons | 0 | 472 | 487 | |

* Online security training was conducted for domestic corporations in 2022

Scope of Data : A:HQ B:Hyeonpung C:Seongseo1 D:Seongseo2 E:Oedong1 F:Oedong2 G:Asan1 H:Asan2 I:Overseas

Intellectual Property Rights

| Category | Unit | 2020 | 2021 | 2022 | Scope of Data |
|-------------------------------|--------------|------|------|-----------|---------------|
| Parents registrations granted | No. of cases | 17 | 19 | 20 | A~H |
| Patent applications made | No. of cases | 41 | 30 | 70 | |

R&D

| Category | Unit | 2020 | 2021 | 2022 | Scope of Data |
|-------------------------------|-----------------|-------|-------|--------------|---------------|
| R&D workforce | No. of persons | 144 | 169 | 175 | A~H |
| R&D investments made | KRW 100 million | 130.2 | 155.3 | 168.1 | |
| R&D investments against sales | % | 2.32 | 2.80 | 2.78 | |

Automotive Quality Management System Certification (IATF 16949)

| Category | Unit | 2020 | 2021 | 2022 | Scope of Data |
|--|--------------|------|------|------------|---------------|
| Manufacturing sites | No. of sites | 17 | 17 | 17 | A~E, G, I* |
| Manufacturing sites certified against IATF 16949 | No. of sites | 16 | 17 | 17 | |
| Achievement of IATF 16949 | % | 94.1 | 100 | 100 | |

* Oedong 2 Plant is used as a warehouse and Asan 2 Plant is vacant, which makes them not applicable

GRI Content Index

| No | Indicators | Report Page | Remarks |
|---|---|-------------|-------------------|
| GRI 2 : General Disclosures 2021 | | | |
| The Organization and Its Reporting Practices | | | |
| 2-1 | Detailed information of the organization | 6 | |
| 2-2 | Sustainability report entity | | About this Report |
| 2-3 | Report period, cycle, and place of inquiry | | About this Report |
| 2-4 | Re-description of information | | 77, 82 |
| 2-5 | External assurance | 92~93 | |
| Activities and Workers | | | |
| 2-6 | Activity, value chain, and other business relationships | 7~11, 84 | |
| 2-7 | Employees | 80 | |
| 2-8 | Non-employee workers | 80 | |
| Governance | | | |
| 2-9 | Governance structure and composition | 67 | |
| 2-10 | Appointment and selection of the top decision-making organization | 67 | |
| 2-11 | Chairman of the top decision-making organization | 67 | |
| 2-16 | Communication on significant issues | 67 | |
| 2-19 | Remuneration policy | | Business report |
| 2-20 | Remuneration determination procedure | | Business report |
| 2-21 | Total annual remuneration ratio | | Business report |

| No | Indicators | Report Page | Remarks |
|---|--|------------------------------------|---------|
| Strategy, Policies and Practices | | | |
| 2-22 | Statement on sustainable development strategy | 4~5 | |
| 2-23 | Policy fulfillment commitments | 19, 29, 37, 48, 55, 69 | Website |
| 2-24 | Internalization of policy commitments | 19, 29, 37, 48, 55, 69 | Website |
| 2-25 | Negative impact improvement process | 25, 31, 34, 38, 41, 46, 50, 59, 68 | |
| 2-26 | Mechanism on advice and concerns | 42, 45, 51, 58, 70 | |
| 2-27 | Compliance with Laws and Regulations | 86 | |
| 2-28 | Membership in associations | 95 | |
| Stakeholder Engagement | | | |
| 2-29 | Approach to stakeholder engagement | 16 | |
| 2-30 | Collective agreement | 46 | |
| GRI 3 : Material Topics 2021 | | | |
| 3-1 | Significant topic determination procedure | 14~15 | |
| 3-2 | Significant topic list | 14~15 | |
| 3-3 | Significant topic management | 74~75 | |
| GRI 302 : Energy 2016 | | | |
| 302-1 | Energy consumption inside the organization | 78 | |
| 302-3 | Energy intensity | 78 | |
| 302-4 | Reduction of energy consumption | 34 | |
| 302-5 | Reduction of energy needs of products and services | 34 | |

GRI Content Index

| No | Indicators | Report Page | Remarks |
|---|---|-------------|---------|
| GRI 305 : Emissions 2016 | | | |
| 305-1 | Direct GHG emission (Scope 1) | 32, 78 | |
| 305-2 | Indirect GHG emission (Scope 2) | 32, 78 | |
| 305-4 | Intensity of greenhouse gas (GHG) emissions | 32, 78 | |
| 305-5 | Reduction of greenhouse gas (GHG) emission | 32 | |
| GRI 301 : Materials 2016 | | | |
| 301-2 | Use of recycled raw materials | 79 | |
| 301-3 | Recycling of products and packing materials | 34 | |
| GRI 306 : Waste 2020 | | | |
| 306-1 | Waste generation and waste-related significant impact | 33 | |
| 306-2 | Management of significant impact related to wastes | 33 | |
| 306-3 | Waste Generation | 33 | |
| 306-4 | Waste recycling and reuse, etc. | 33 | |
| 306-5 | Waste Treatment | 33 | |
| GRI 201 : Economic Performance 2016 | | | |
| 201-1 | Creation and distribution of direct economic value | 77 | |
| GRI 202 : Market Presence 2016 | | | |
| 202-1 | Wage ratio of new employees compared to the local minimum wage of the workplace | 82 | |
| GRI 203 : Indirect Economic Impacts 2016 | | | |
| 203-1 | Social infrastructure investment and service support | 63-65 | |
| 203-2 | Significant indirect economic impact | 23-27 | |

| No | Indicators | Report Page | Remarks |
|---|--|-------------|---------|
| GRI 205 : Anti-corruption 2016 | | | |
| 205-2 | Communication and training on anti-corruption policies and procedures | 69-70 | |
| 205-3 | Confirmed incidents of corruption and actions taken | 70 | |
| GRI 206 : Anti-competitive Behavior 2016 | | | |
| 206-1 | Legal actions for anti-competitive behavior and monopoly | 85 | |
| GRI 207 : Tax 2019 | | | |
| 207-1 | Tax Management | 73 | |
| 207-2 | Tax structure, control, and risk management | 73 | |
| GRI 303 : Water and Effluents 2018 | | | |
| 303-2 | Impact management related to discharge | 35 | |
| 303-3 | Water intake | 35 | |
| 303-4 | Water discharge | 35 | |
| 303-5 | Water consumption | 35 | |
| GRI 308 : Supplier Environmental Assessment 2016 | | | |
| 308-1 | New supplier completing review on environmental standards | 84 | |
| 308-2 | Negative environmental impact in the supply chain and relevant actions | 84 | |
| GRI 401 : Employment 2016 | | | |
| 401-1 | Employment and turnover | 80-81 | |
| 401-2 | Benefits provided for permanent positions but not to temporary and part-time workers | 80 | |
| 401-3 | Parental leave | 81 | |

GRI Content Index

| No | Indicators | Report Page | Remarks |
|---|---|-------------|---------|
| GRI 403 : Occupational Health and Safety 2018 | | | |
| 403-1 | Occupational Health & Safety Management System | 49 | |
| 403-2 | Risk identification, risk assessment, and accident investigation | 50-51 | |
| 403-3 | Occupational health & safety service | 52-53 | |
| 403-4 | Worker participation, discussion, and communication on occupational health & safety | 50-51 | |
| 403-5 | Worker training on occupational health & safety | 52, 82 | |
| 403-6 | Promotion of worker health | 82 | |
| 403-7 | Prevention and alleviation of occupational health & safety impact directly connected to the business relationship | 48-53 | |
| 403-8 | Workers covered by the occupational health and safety management system | 82 | |
| 403-9 | Injury related to the work | 82 | |
| 403-10 | Disease related to the work | 82 | |
| GRI 404 : Training and Education 2016 | | | |
| 404-1 | Average training hours per employee | 83 | |
| 404-2 | Program for supporting employee empowerment and conversion | 39-40 | |
| 404-3 | Ratio of employees undergoing periodic performance and work experience development review | 39-40 | |
| GRI 405 : Diversity and Equal Opportunity 2016 | | | |
| 405-1 | Governance body and employee diversity | 80-82, 85 | |
| 405-2 | Ratio of basic salary and remuneration of women to men | 82 | |
| GRI 411 : Rights of Indigenous People 2016 | | | |
| 411-1 | No. of infringement accidents regarding the rights of indigenous people | 79, 85 | |

| No | Indicators | Report Page | Remarks |
|--|--|-------------|---------|
| GRI 413 : Local Communities 2016 | | | |
| 413-1 | Local community participation, impact assessment, and development program operation | 63-65 | |
| GRI 414 : Supplier Social Assessment 2016 | | | |
| 414-1 | New suppliers that completed review on social standards | 84 | |
| 414-2 | Negative social impact in the supply chain and relevant actions | 61 | |
| GRI 416 : Customer Health and Safety 2016 | | | |
| 416-2 | Incident of violating the regulations related to health & safety impact on products and services | 85 | |
| GRI 418 : Customer Privacy 2016 | | | |
| 418-1 | Substantiated complaints concerning breaches of customer privacy and loss of customer data | 85 | |


SASB Index

In accordance with the SASB Framework presented by the Sustainability Accounting Standards Board (SASB) as industry-specific standards to assist businesses with voluntary sustainability disclosure, PHA aims to disclose information to help investors and other varying stakeholders make informed decisions, and makes disclosures as follows in conformity with SASB’s Auto Parts industry standards.

| Topic | CODE | Accounting Metric | Unit | Page |
|----------------------|--------------|--|------|------|
| Energy Management | TR-AP-130a.1 | (1) Total energy consumed | GJ | 78 |
| | | (2) Percentage grid electricity | GJ | 78 |
| | | (3) Percentage renewable | % | 78 |
| Waste Management | TR-AP-150a.1 | (1) Total amount of waste from manufacturing | ton | 78 |
| | | (2) Total amount of hazardous waste | % | 78 |
| | | (3) Percentage recycled | % | 79 |
| Materials Sourcing | TR-AP-440a.1 | Description of the management of risks associated with the use of critical materials | - | 57 |
| Materials Efficiency | TR-AP-440b.2 | Percentage of input materials from recycled or remanufactured content | % | 79 |
| Competitive Behavior | TR-AP-520a.1 | Total amount of monetary losses as a result of legal proceedings associated with anti-competitive behavior regulations | KRW | 85 |

UN Global Compact

In June 2022, PHA joined the global sustainability management initiative of the UN Global Compact to endorse its Ten Principles in the four areas of human rights, labour, the environment, and anti-corruption. We abide by all UNGC principles, and will commit to advance our sustainability management.



COMMUNICATION ON PROGRESS

This is our **Communication on Progress** in implementing the Ten Principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

| Human Rights | Page |
|--|-----------|
| Principal 1: Businesses should support and respect the protection of internationally proclaimed human rights | 45 |
| Principle 2: make sure that they are not complicit in human rights abuses | 45 |
| Labor | Page |
| Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining | 46 |
| Principle 4: the elimination of all forms of forced and compulsory labour | 36, 45 |
| Principle 5: the effective abolition of child labour | 45-46 |
| Principle 6: the elimination of discrimination in respect of employment and occupation | 45-46 |
| Environment | Page |
| Principle 7: Businesses should support a precautionary approach to environmental challenges | 29 |
| Principle 8: undertake initiatives to promote greater environmental responsibility | 25-35 |
| Principle 9: encourage the development and diffusion of environmentally friendly technologies | 21~22, 34 |
| Anti-corruption | Page |
| Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery | 67~70 |

Independent Assurance Statement

Control Union Certifications (hereafter, Control Union) was commissioned by PHA Co., Ltd. (hereafter, PHA) to conduct an independent assurance of the ‘PHA Sustainability Report 2023 (hereafter, the report)’.

The information in the report is the exclusive responsibility of PHA. Control Union was not involved in the preparation of any material included in this document.

The responsibility of Control Union is to express an opinion concerning the information including graphs, tables and statements included in the report, within the assurance scope mentioned below, with the purpose to inform all the interested parties.

Assurance Scope

The assurance engagement has been planned and performed in accordance with AA1000AS v3 and the assurance criteria below to a “Moderate level of assurance” where the scope was a Type 2 engagement. The report is developed using the Global Reporting Initiative (GRI) standards. The assurance process involves evaluation of adherence to the AA1000 AccountAbility Principles of Inclusivity, Materiality, Responsiveness and Impact. Confirming that the report is in accordance with GRI Standards and evaluating the accuracy and reliability of data and information for only the indicators listed below:

- GRI 2: General Disclosures 2021
- GRI 3: Material Topics 2021
- Material Topic 1, Energy 2016: GRI 302-1,3~5
- Material Topic 2, Emissions 2016: GRI 305-1~2,4~5
- Material Topic 3, Materials 2016: GRI 301-2~3
- Material Topic 4, Waste 2020: GRI 306-1~5
- Material Topic 5, Economic Performance 2016: GRI 201-1
- Material Topic 6, Market Presence 2016: GRI 202-1
- Material Topic 7, Indirect Economic Impacts 2016: GRI 203-1~2
- Material Topic 8, Anti-corruption 2016: GRI 205-2~3
- Material Topic 9, Anti-competitive Behavior 2016: GRI 206-1
- Material Topic 10, Tax 2019: GRI 207-1~2
- Material Topic 11, Water and Effluents 2018: GRI 303-2~5
- Material Topic 12, Supplier Environmental Assessment 2016: GRI 308-1~2
- Material Topic 13, Employment 2016: GRI 401-1~3
- Material Topic 14, Occupational Health and Safety 2018: GRI 403-1~10

- Material Topic 15, Training and Education 2016: GRI 404-1~3
- Material Topic 16, Diversity and Equal Opportunity 2016: GRI 405-1~2
- Material Topic 17, Rights of Indigenous People 2016: GRI 411-1
- Material Topic 18, Local Community 2016: GRI 413-1
- Material Topic 19, Supplier Social Assessment 2016: GRI 414-1~2
- Material Topic 20, Customer Health and Safety 2016: GRI 416-2
- Material Topic 21, Customer Privacy 2016: GRI 418-1

INCLUSIVITY

Engagement with stakeholders in the report development process and their involvement in organizational decision making.

PHA has defined the stakeholders by dividing them into executives and employees, customers, partner companies, shareholders, investors, academy, local society/NGO and reflects their opinions in decision-making. The verification team did not find any important stakeholder groups excluded from the process of communicating with stakeholders.

MATERIALITY

Identification of issues in the report that are relevant and significant to the organization’s stakeholders, the presence of and the extent to which these material issues are disclosed in the report.

PHA identified the material issues using the stakeholder communication channel and their own materiality assessment process. The outcome is a materiality matrix which shows Human Resource Management as the most prioritized topic by the stakeholders PHA.

RESPONSIVENESS

Acting on stakeholder issues and provision of feedback through decisions, actions, performance and communication.

In order to establish an ESG-friendly management system, PHA has established a system that allows transparent communication with stakeholders by connecting and expanding the distributed activity values of each ESG field to the ESG management platform. It was also confirmed that PHA was communicating with various stakeholders through corporate value reflecting non-financial performance.

Independent Assurance Statement

IMPACT

Monitoring, measurement and providing accountability for how the actions of the organization affect the economy, the environment, society, stakeholders or the organization itself.

PHA conducted surveys to identify material issues and to communicate with stakeholders continuously. Additionally, PHA performed monitoring for their impact on the environment, energy consumption, legal compliance (labour, safety), supply chain and ethical management. As a result, it was confirmed that PHA is making effort to a positive impact on the local community.

Level of Assurance

The level of Assurance is used to determine the depth of detail that an assurance provider uses to identify if there are material errors, omissions or misstatements. The level of assurance for the report is moderate.

Methodology

- Review of internal and external documentary evidence presented by PHA
- Review of approach to data collection at company level
- Audit of data presented in the Report including a detailed review of a sample of data
- Review of a selection of internal performance documents

Independence and quality control

Control Union Certifications is accredited according to ISO 17021-1:2015/ISO 17065:2012 covering our global scope and operations. This includes the need to maintain a comprehensive system of quality control including documented policies and procedures on compliance to ethical and legal requirements as well as objectivity throughout our operations. The auditors were selected appropriately based on our internal qualifications, training and experience. It is also reviewed by management to ensure that the applied approach and assurance are strictly followed and operated transparently.

Conclusions

Based on our moderate assurance process, nothing has come to our attention that causes us to believe that the scope (subject matter) as detailed above and presented in the report is not presented fairly in accordance with the criteria.

Hence, our work confirms that the information included in the report is reliable and objective and is presented clearly and understandably.

We provide the following recommendations to the extent that it does not affect the results of the assurance:

PHA is one of the largest automobile parts manufacturing company in Korea, that possesses global supply/logistics/sales network in the door moving parts market. In the process of verifying the report, it was confirmed that issues such as Energy, Emissions, Materials, Waste, Economic Performance, Market Presence, Indirect Economic Impacts, Anti-corruption, Anti-competitive Behavior, Tax, Water and Effluents, Supplier Environmental Assessment, Employment, Occupational Health and Safety, Training and Education, Diversity and Equal Opportunity, Rights of Indigenous People, Local Community, Supplier Social Assessment, Customer Health and Safety, Customer Privacy are sufficiently important. It was also confirmed, as automobile parts manufacturing company in Korea, that it is strengthening community-based social contribution activities. However, the 'PHA Sustainability Report 2023' is the second sustainability report of PHA. It is necessary to accumulate, manage, and report related data to respond to impact measurement, internalization of ESG management, and ESG-related performance reporting issues that will be more emphasized in the future. With regard to this, PHA is also planning to establish ESG committee in the near future. In addition, it is necessary to steadily publish the sustainability reports to track and manage PHA's ESG performance.



Jon Heinrichs
Program Manager
12 September, 2023

Greenhouse Gas (GHG) Verification Statement

2022 Statement on Greenhouse Gas (GHG) Emission

Preface

The Korea Foundation for Quality (KFQ) performed verification on the greenhouse gas (GHG) emission of PHA Co., Ltd. in 2022.

Scope of Verification

The verification covered all GHG emission facilities in the overall workplaces under the operational control of PHA Co., Ltd. based on 2022.

Verification Standard

The verification standard was based on the “Guidelines for Emission Report & Certification on the Emission Trading Scheme (Ministry of Environment Notification No. 2022-279),” “Verification Guidelines for the Operation of the Emission Trading Scheme (Ministry of Environment Notification No. 2021-112),” and “ISO14064-3.”

Level of Assurance

Verification was planned and performed according to the procedure defined in the Verification Guidelines for the Operation of the Emission Trading Scheme, and assurance on the verification was performed to satisfy the rational level of assurance. In addition, internal review was conducted to confirm whether the procedures on the process prior to verification were being performed effectively.

Limitations of Verification

The verification has unique limitations that may occur in the process of applying the standards and methods, etc.

Conclusion of Verification

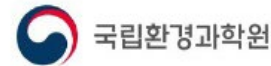
By performing the verification, the following conclusion is provided with regard to the greenhouse gas emission data included in the statement:

- 1) Greenhouse gas emission was calculated appropriately according to the “Guidelines for the Emission Report & Certification by the Emission Trading Scheme” and calculation guideline in “ISO14064-1.”
- 2) As a result of significance assessment on the GHG emission of each company, PHA is a company with less than 500,000 tons/CO2-eq GHG emission, and the significance satisfies less than 5% standard on the total emission in the quantitative standard.
- 3) Therefore, we hereby provide the opinion that the 2022 greenhouse gas (GHG) emission below is “appropriate.”

| Scope 1 | Scope 2 | Total |
|---------|-----------|-------|
| 512,925 | 9,299.790 | 9,809 |

June 07, 2023

Song Ji-young, CEO of the Korea Foundation for Quality



Ji Young Song

Memberships

Daegu Chamber of Commerce and Industry

Korea Automobile Manufacturers Association

Korea Automobile Parts Association

Federation of Middle Market Enterprises of Korea

Korea International Trade Association

Daegu Enterprises Federation under the Korea Enterprises Federation

Munsan General Industrial Complex Association

West Daegu Industrial Complex Management Corporation Association

Korean Society of Mechanical Engineers

Korean Society for Noise and Vibration Engineering

Korean Society of Automotive Engineers

KOSDAQ Listed Companies Association

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