

A Report on Workplace Injuries at HHI

HYUNDAI HEAVY INDUSTRIES

SHOULD

TAKE RESPONSIBILITY

FOR THE DEATHS OF

SUBCONTRACT WORKERS



**Korea Trans-National
Corporation Watch
(KTNC Watch)**



**Solidarity for Worker's
Health
(SWH)**



**In-house Subcontract
Workers' Union in HHI
(an affiliate of Korean Metal
Workers' Union)**

April 13, 2015

Executive Summary

In 2014, a total of 13 workers were killed in their workplace, while working for Hyundai Heavy Industries (HHI). The death toll was the highest in recent years. It is believed that workplace injuries have increased, although we cannot confirm it because HHI did not report all the injury cases to the authorities.

In-house subcontract workers are particularly vulnerable to occupational injuries. Indeed, all of the 13 casualties in 2014 were in-house subcontract workers. In addition, workers' healthcare costs are usually paid by the subcontractors or workers themselves, i.e. neither by HHI nor through insurance. Accordingly, workers cannot get adequate treatment or receive compensation for their loss. Subcontractors and their employees usually do not report workplace injuries or claim the workers' compensation, for fear of discontinuation of their contracts or being fired, though they are under the national workers' compensation system by law.

The recent increase of death toll among subcontract workers is associated with the "risk-outsourcing" policy of HHI. HHI has never openly taken responsibility for injuries of in-house subcontract workers. HHI has also denied illegal cover-ups of such cases. Rather, HHI asserts that the subcontractors are responsible for workplace injuries and the purported cover-ups. However, all workers and their tasks are clearly under the control of HHI and it has not taken adequate health and safety measures for workers. In a strictly hierarchical structure of production, HHI is the only entity which can effectively prevent or mitigate workplace injuries. Without HHI's sincere engagement, neither workers' injuries nor their cover-ups will be reduced.

HHI's refusal to take responsibility is a clear human rights violation. If HHI investors and customers connive at such behaviors of HHI, it is equivalent to human rights violations.

We urge all investors, purchasers, and civil society to realize the current situation and to exercise their influence to make HHI take responsibility for workers' injuries and implement adequate measures to protect subcontractors and their employees.

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1. Introduction for Authors

This report was prepared by Korea Trans-National Corporation Watch (KTNC Watch), Solidarity for Worker's Health (SWH) and In-house Subcontract Workers' Union in HHI (an affiliate of Korean Metal Workers' Union).

KTNC is a coalition of Korean Non-Governmental Organizations(NGOs), comprising The Korean Confederation of Trade Unions(KTCU), Korean House for International Solidarity(KHIS), Korean Lawyers for Public interests and Human rights(KLPH), Gong Gam Human Rights Law Foundation, MINBYUN's Labor Committee, CSR and Law Center, Advocates for Public Interest Law(APIL), Corporation For All(CFA), for monitoring and solving human rights, environment, and community issues related to overseas Korean corporations. SWH is a NGO that advocates for workers' health and safety and the prevention of occupational injuries and diseases. In-house Subcontract Workers' Union in HHI(an affiliate of Korean Metal Workers' Union) is the only subcontract workers' union in Korea's shipbuilding industry.

2. Statement of Purposes

Purposes of this paper are as follows:

- A. To report the state and condition of industrial accidents at HHI;*
- B. To report that HHI has not taken responsibility for industrial accidents within its supply chains; and*
- C. To encourage investors and customers, who have overlooked HHI's industrial injuries, to actively recognize and intervene on these abuses.*

3. Overview of HHI

HYUNDAI HEAVY INDUSTRIES CO., LTD is a Korean corporation with 61 subsidiaries. This paper will focus on industrial injuries within three of these subsidiaries: HHI; Hyundai Mipo Dockyard Co.(HMD); and Hyundai Samho Heavy Industries Co.(HSHI)¹. These three entities

¹ Three subsidiaries are independent corporations, but HMD and HSHI are ultimately subordinate to their parent

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were chosen because major industrial injuries have occurred within shipbuilding, offshore engineering, and industrial plant area, which are the main functions of these subsidiaries. Considering that human resources and worker safety issues within HMD and HSHI are controlled by HHI, industrial accidents within these three corporations are assumed to be the responsibility of HHI.

Table 1) HHI's three subsidiaries whose major business area includes shipbuilding, offshore engineering, or industrial plant (from HHI Business Report on March 2015).

Corporation Name	Major Business Area	Place of Business	Listed or Unlisted	Shareholders
Hyundai Heavy Industries Co. (HHI)	Shipbuilding, Offshore Engineering, and Industrial Plant	Ulsan Metropolitan City	Listed	Parent Company (7.98% of shares are owned by HMD)
Hyundai Mipo Dockyard Co. (HMD)	Shipbuilding	Ulsan Metropolitan City	Listed	43.51% of shares are owned by HSHI.
Hyundai Samho Heavy Industries Co.(HSHI)	Shipbuilding	Yeongam-gun, Jeollanam-do	Unlisted	94.92% of shares are owned by HHI

4. Issues

A. Surge in Serious Workplace Injuries

As seen in Table 2 below, 13 in-house subcontract workers were killed in industrial accidents under HHI's control in 2014.

company, HHI (from K-IFRS).

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Table 2) Deceased workers within HHI's workplace, including shipbuilding department, in 2014.

No.	Date	Place of Business	Casualty (Mr.)	Cause of Death	Subcontractor's Name	Name of HHI`s Clients
1	Mar. 3	HSHI	Oh	Crushed by heavy object	Il-Joo LLC.	
2	Mar. 20	HSHI	Park	Falling to the floor	Dae-Guk ENG	
3	Mar. 25	HHI	Kim	Falling and drowning	Sun-II ENG	Diamond Offshore
4	Apr. 7	HMD	Chung	Falling to the floor	Se-Hyun	
5	Apr. 21	HHI	Lee and Kim	Burn by explosion	Bu-Kwang(Kim), Jiscorp(Lee)	Dorian
6	Apr. 26	HHI	Chung	Falling	Seo-Mun	Enesel
7	Apr. 28	HHI	Kim	Falling and drowning	Woosung Corp.	
8	Aug. 23	HHI	Cho	Died during work preparation	.	
9	Oct. 23	HHI	Ahn	Crushed by heavy objects (3,000kg)	Young-Soo	
10	Oct. 25	HHI (in Gunsan)	Lee	Head injury	Chang-Sung Inc.	Olendorff
11	Nov. 27	HHI	Lee	Falling	Kum-Nong	BW Maritime
12	Dec. 27	HHI	Lee	Squeezed	BC tech	ENI

Recently, the death toll of workers within HHI has sharply increased compared to the past few decades. The Coalition of Industrial Accidents Prevention Group in Ulsan (CIAP) has monitored the number of death within HHI's workplace since 2000. As seen in Table 3 below, there were only seven deaths in 2000, but jumped to 13 in 2014. The number in 2014 is considerably larger than even 2013 when there were only eight deaths.

Table 3) Numbers of fatalities within HHI's workplace since 2000 (source: CIAP).

Year	Employees Hired by HHI	Employees Hired by Subcontractors	Sum
2000	7	.	7
2001	5	2	7
2002	8	1	9
2003	4	3	7
2004	8	2	10
2005	1	1	2
2006	6	5	11
2007	2	8	10
2008	.	5	5
2009	1	3	4
2010	3	1	4
2011	.	2	2
2012	.	2	2
2013	5	3	8
2014	.	13	13
Sum	50	51	101

B. Outsourcing Risks: disproportionate burden of severe injuries among subcontract workers

It is important to note that all of workers killed in 2013 were not hired directly by HHI, but rather by HHI's in-house subcontractors.² According to statistics released by the Korea Offshore & Shipbuilding Association (KOSHIPA), approximately 80% of manual laborers in the shipbuilding and offshore engineering department of HHI were in-house subcontract workers. This means that a substantial number of ship part and offshore plants have been built by employees who are not directly hired by HHI. These employees take part in all phases of shipbuilding, including painting, welding, grinding, and wiring.

² In-house subcontract workers mean employees who enter into labor contracts with subcontractors, which take HHI's outsourced jobs. Under the Civil Law, a subcontract is a type of contract between a prime contractor and a subcontractor, and the subcontractor is a person who is hired by the prime contractor to perform a specific task and is normally paid for services provided to the originating general contractor. The in-house subcontract workers perform the very similar tasks done by workers hired by HHI in HHI's workplace, but they belong to subcontractors.

Table 4) Types of employment of manual laborers within HHI (source: KOSHIPA 2014 Facts and Figures on Shipbuilding).

Corporation	Business Area	Employer		Sum	Percentage Employed by Subcontractors (%)
		General Contract or	Subcontractor		
HHI	Shipbuilding	7,906	17,157	25,063	68.4
	Offshore Engineering	2,268	15,578	17,846	87.2
HSHI	Shipbuilding	2,907	7,290	10,197	71.4
	Offshore Engineering
HMD	Shipbuilding	2,323	9,192	11,515	79.8
	Offshore Engineering
Sum		15,404	49,217	64,621	76.1

In-house subcontract workers are more likely to be exposed to a hazardous working condition than employees directly hired by HHI. A recent research paper quoted an in-house subcontract worker as follows:

"Tasks that should be done under hostile working environment are usually assigned to workers not directly hired by HHI. Thus, employees directly hired by HHI barely work on any task related to the exterior of ships, but only to the interior."³

³ Analysis on Hazardous Occupation by Industrial Accidents, released by the Industrial- Academic Cooperation Group of Hallym University.

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The paper also indicates that setting up scaffoldings, which support laborers at the height of 10 to 20 meters for painting and welding the ship's exterior, are extremely dangerous, and always assigned to subcontractors.⁴

The exploitative form of employment is a tool to "outsource risks." Risk outsourcing occurs when any task avoided by HHI's employees due to its danger and potential harm is shifted to subcontractors. Considering the employee's remark quoted above and the number of deaths shown in Table 3, it seems that HHI's policy is to outsource dangerous jobs to subcontractors. Even though the outsourced tasks need to be handled with expertise and extra care by nature, subcontractors taking such tasks are usually small scale business owners who are not able to afford to deal with such jobs. Moreover, subcontractors tend to put their employees in more danger by assigning fewer employees to more dangerous and demanding jobs and by requiring them to finish the job in a short period of time to maximize their profits. Also, even in-house subcontract workers perform their outsourced task within HHI's workplace, they are not entitled to directly request that HHI improve working conditions because they are not nominally employed by HHI.



Full-time employees directly hired by HHI are entitled to make request regarding working conditions through their collective bargaining agreement and/or the Labor Standards Act, whereas in-house subcontract workers have less bargaining power due to their precarious position and lack of unity; thus, they are far less protected through contractual agreement and national laws. This translates into more work and danger for subcontractors. Considering the comparably larger number of workplace injuries among shipbuilding workers⁵, it cannot be denied that in-house subcontract workers are systematically more exposed to serious workplace hazards than HHI employees.

⁴ Industrial-Academic Cooperation Group of Hallym University, A Study on Industrial Accidents, 2014, p82.

⁵ According to Korea Occupational Safety and Health Agency, the accident rate in shipbuilding industry is 1.20%, which is comparably higher than entire industry (0.69%) and manufacturing industry (1.06%) (from <http://www.kosha.or.kr/content.do?menuId=1763>, researched on Jan. 27, 2015).

C. Existence of the "Mullyang Team", Temporary Employees Hired by Subcontractors, Amplifying the Possibility of Severe Workplace Injuries

The possibility of severe workplace injuries among subcontract workers is amplified by another type of employment rampant in Korea's shipbuilding industry known as the "Mullyang Team (Mullyang means the amount of products to be made by the due date). The Mullyang Team is a group of temporary employees hired by a subcontractor. The Mullyang Team, a form of multi-stage subcontract, is a group of temporary employees hired for a temporary task and let go after the task is completed. In practice, Mullyang Teams are temporarily organized to perform certain tasks within HHI's workplace, dismissed after completing the task, and reorganized for another future task.

Until recently, HHI has refused to admit the existence of Mullyang Teams within its supply chain. However, according to the Health and Safety Inspection conducted by the Ministry of Employment and Labor in June 2014, 296 of HHI's subcontractors were found to have their own versions of Mullyang Team. Also, the vice-president of HHI, Yoon Moonkyun, admitted the existence of Mullyang Teams when he was present in the Congressional Environment and Labor Committee as a reference witness in November 2014.

Mullyang Teams are assumed to be more exposed to severe workplace injuries not only because they are responsible for completing heavy workloads in a short period of time, but also because the nature of their employment as a "in-house sub-subcontract worker". A governmental audit report prepared by the Ministry of Employment and Labor in April 2014, describes why Mullyang Teams are more likely to be exposed to severe workplace injuries as follows:

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- 1) There is not enough safety and health education for Mullyang Team.*
 - 2) The principal contractor, HHI, is arguably exempted from legal duty to train Mullyang Team workers for workplace safety and health because workers are technically hired by the subcontractor, not by HHI.*
 - 3) Mullyang Teams rarely have a chance to get systemic job training due to their unstable job status and frequent change of duties.*
 - 4) In industrial accidents, Mullyang Teams themselves handle the accidents without getting any financial assistance from their employers, including HHI.*
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Recognizing this hazardous and unfair working condition, Democratic Assemblyman, Lee In-Young, condemned "This distorted multi-stage subcontract that has put shipbuilding laborers on the verge of death, and overlooking this dire situation is not different from tolerating an illegality, or even abetting a murder."

D. Concealment of Workplace Injuries.

Severe injuries including fatalities, are usually reported to the government authorities; thus, they are more likely to be revealed. However, because less severe injuries, particularly those of in-house subcontract workers, are less likely to be reported, it is almost impossible to identify all injuries occurring within HHI's workplace. In other words, even though employees are actually injured in their workplaces, they cannot or do not handle such injuries as 'occupational injuries'; therefore, the number of workplace injuries are not accurately counted.

There has been an allegation that HHI has systematically concealed workers' injuries within its workplace, i.e., HHI allegedly aided, abetted, or tolerated subcontractor's blatant cover-ups of workplace injuries. According to two Assembly members, Eun Sumi and Chang Hana, a Perfect Safety Award given to HHI was revoked after discovering that HHI concealed ten cases of workplace injuries in 1999. The two Assembly members also indicated that four cases of death occurred within HHI were covered up. Also, they pointed out that HHI was accused of concealing 39 cases of workplace injuries, and the president of HHI was called as a witness to the Congressional inspection of the administration. As seen in Table 5, HHI's In-House Subcontract Workers Union office of Korean Metal Workers' Union(HISWU) and CIAP have reported 252 cases of workplace injuries that HHI attempted to cover up to the Ministry of Employment and Labor office at Ulsan.

Table 5) Reported cases of workplace injuries covered-up by HHI (source: HISWU and CIAP).

	Date of Report	Cases Covered up
1	October 9, 2012	3
2	July 5, 2013	106
3	October 23, 2013	25
4	May 20, 2014	86
5	October 6, 2014	32
	sum	252

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Moreover, one in-house subcontract worker had a heart attack while working within HHI's workplace, but he eventually died after being transported by truck, not by an ambulance equipped with first-aid kit.⁶ Ha Chang-Min, the head of HHI's subcontractor's group, pointed out that "HHI is hesitant to transport injured employees by ambulances or by any way that workplace injuries might be reported to authorities. Thus, HHI often transports its injured employees by truck, motorcycle, or private car."⁷

HHI's blatant effort to cover up workplace injuries remains rampant. According to the "Field Survey of Work Conditions in HHI's Subcontractor" conducted by labor union groups⁸ in Ulsan March 2014, only 3.7% of respondents claimed that their injuries at HHI were legally recognized as occupational injuries for the past three years. 50% of respondents answered that they had to pay their own healthcare costs, and 43% answered that their employers paid the healthcare costs without reporting to the authorities or insurance companies, which lead to insufficient treatment and compensation. 50% of respondents who did not make claims directly to HHI did so because they were afraid of being laid off, forcibly shutting down of their business, and being branded as problem employees. 22% answered that the prime contractor, HHI, pressured subcontractors not to recognize their employees' injuries as occupational injuries.⁹ In the eyes of the subcontractors, there is huge systematic pressure from HHI not to reveal workplace injuries. In practice, HHI adopted a vicious "two or three strikes policy," which automatically terminates a contract between HHI and a subcontractor whose employees are involved in more than two or three workplace injuries¹⁰

A spokesperson for HHI responded by claiming that HHI had nothing to hide, no motivation to conceal facts, and that all claims of cover-up were made by labor union.¹¹ However, it seems obvious that HHI benefits from not recognizing workplace injuries within its workshop. First, HHI has gained financial benefits by paying for workers' compensation by the lower rate of premium, which is based on the number of recent claims. According to the Assembly member, Eun Sumi, the amount HHI benefitted over a three-year period was approximately \$58.3M USD, \$15.2M in 2009, \$24.7M in 2011, and \$18.4M in 2013. Moreover, because prospective ship buyers consider the frequency of safety accidents within a shipbuilding company before entering into a purchase agreement, HHI has significant reasons to cover up workplace injuries within its workshop. Therefore, HHI's claim that it does not receive any benefit from hiding workplace injuries is not persuasive.

⁶ Eun Sumi (Assemblywomen), Transcript of a Press Conference on Reporting HHI's Concealment of Industrial Accidents of Subcontractors' Employees and Proposing an Improvement of Legal System, July 5, 2013.

⁷ Available at <http://www.pressian.com/news/article.html?no=40954>

⁸ These groups include Ulsan Regional Head Office of Korean Confederation of Trade Unions, HHI Labor Union, and HHI's In-House Subcontract Workers' Union.

⁹ Ulsan Regional Head Office of Korean Confederation of Trade Unions, 2014 Press Conference Releasing Results of Survey on Work Environment within HHI's Subcontractors, p. 3.

¹⁰ Lee Tae-Kyeong, Who Is Ultimately Responsible for Safety and Health of Subcontractors' Employees?, Coalition for Labor's Health 2011 Fall, citing Final Report on Research of Industrial Accidents, 2014, p. 72.

¹¹ Ohmynews, "Labors Group in Ulsan Reported 86 Cases of Industrial Accidents Covered Up by HHI", May 20, 2014, available at http://www.ohmynews.com/NWS_Web/View/at_pg.aspx?CNTN_CD=A0001993682.

5. Mr. Chung's Death Is Reflective of the Way HHI Responds to Industrial Accidents of its Subcontractors.

As mentioned above, HHI's in-house subcontract workers are substantially exposed to severe workplace injuries. However, it has been doubted how seriously and sincerely HHI has dealt with such issues. Even though KTNC Watch and Solidarity for Worker's Health have mailed questionnaires to HHI in September and December 2014 to ask how HHI is addressing these issues, HHI has never responded to such request. Thus, the only way to figure out how seriously and sincerely HHI has handled these matters is to review how HHI has responded to actual workplace injury cases. HHI's response to the death of Mr. Chung is the best example of how HHI addresses workplace injuries of its subcontractors.

Mr. Chung was an employee of Seo-Mun, a subcontractor of HHI. On April 26, 2014, Mr. Chung was strangled to death by an air-hose while he was working in HHI's painting area No. 13. The ship he was working on is a LNG carrier ordered by Enesel S.A.¹² According to another employee working with Mr. Chung on that date, during a break before the accident, Mr. Chung told him, "A remote control box controlling the air-hose does not work properly. So, I might need to change the box after working a few more sessions." However, the box failed before Mr. Chung could fix it, which ultimately led to his death.



Figure 1) At the Press conference, National Assemblywoman Jin Sun-mi(middle) criticized the investigation and urged the police to reinvestigate Mr. Chung`s cause of death.

¹² N.S. Lemos & Co. Ltd. are the London agents of the Athens-based ship-management company Enesel S.A.(<http://www.eneselsa.com/>)

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HHI's response reveals two-pronged strategy in such cases: cover up the injuries and deny responsibility. First, HHI was eager to cover Mr. Chung's death. HHI did not perform its legal duty under the Occupation Safety and Health Acts by failing to notify the injuries to the regional labor office. Also, HHI claimed that Mr. Chung's cause of death was suicide, not an 'occupational injury'. According to HHI's labor union and his family, right after Mr. Chung was taken to the Ulsan University Hospital, one of HHI field managers told Mr. Chung's family that the death was the result of a suicide. Also, because no one witnessed the death, almost the only way to identify the cause of his death was a thorough investigation on the scene. However, HHI did not fully cooperate with the local police, failing to even hand any pictures of the scene over to the police. Without substantial evidence, the Ulsan Dongbu Police Station concluded that Mr. Chung committed suicide as HHI had claimed. However, after the conclusion was doubted by a team of the National Assemblymen for inspection of administration affairs, the case is currently being reinvestigated.

Second, HHI has not taken responsibility for Mr. Chung's death. Even though Mr. Chung worked within HHI's workplace, HHI claimed that it is not liable for the death because Mr. Chung was an in-house subcontract worker. Later, his family asked HHI staff to meet in person, however HHI refused any such meetings through April 2015, completely ignoring the family's request for an apology and compensation.

6. KTNC Watch, SWH and the Union's Opinions on the Issues

Based on above-mentioned facts and recognition of the problem, this Report considers workplace injuries within HHI as follows:

1) It is assumed that HHI enters into subcontracts in order to shift its burden and liability on workplace injuries to subcontractors. As a result, HHI's attempt to evade responsibility would increase the number of workers' injuries within the shipbuilding industry as a whole, and injured employees are less likely to be compensated. This exploitative practice of HHI should be deemed a human rights abuse.

2) HHI should be held liable for any type of workers' injuries within HHI's workplace. HHI should also take every measure to prevent workplace injuries and to compensate the injured. In particular, workplace injuries to in-house subcontract workers should be deemed

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equivalent to those of HHI's employee not only because subcontractors are under the substantial influence of HHI, but also because HHI, being at the peak of the supply chain, should be responsible for preventing human rights violations within its chain.

3) HHI should hold itself responsible for covering up workers' injuries within its workplace. HHI should admit that it has benefited from covering up the injuries. When HHI deals with workplace injuries, it should listen and respond to the request of injured workers. HHI should not pressure its subcontractors to cover up the number of workplace injuries.

4) "Comprehensive Measures for Safety Management Improvement" proposed by HHI on May 13, 2014 has not resolved any health and safety issues within HHI. It was announced in the proposal that HHI would spend approximately \$270M USD to eliminate potential dangers in its workplace, to encourage subcontractors to get involved in safety management activity, and to beef up the safety department in HHI. However, HHI never publicized how it would spend its proposed budget, nor responded to inquires about it. Also, the fact that five in-house subcontract workers were killed following the HHI proposal, "Comprehensive Measures for Safety Management Improvement", shows that such measures have not been effective.

5) Therefore, HHI should propose much more practical and effective measures to protect health and safety of subcontract workers. First and foremost, HHI should acknowledge that HHI is responsible for health and safety of in-house subcontract workers. To put it concretely, any workplace injury should be uncovered and handled with a clear and official process which includes the participation of the injured. HHI should not shift its responsibility for injuries to subcontractors. Also, HHI should take more effective and concrete measures that can substantially reduce injury rates of its in-house subcontract workers.

6) HHI should hold itself liable for the death of Mr. Chung, apologize for hiding the truth and its unsympathetic attitude toward his family, and provide compensation.

7. Requests for Improving the Situation

A. Requests to HHI

HHI should take the following actions:

- 1) *Publicly admit that it is liable for all injuries of workers occurring within its workplace.*
- 2) *Develop measures to prevent workplace injuries to the greatest extent and to make such measures public.*
- 3) *Discourage subcontractors to cover up workplace injuries and make such measures public.*
- 4) *Administer and resolve all workplace injuries suffered by in-house subcontract workers, as a part of its own official remedial process.*
- 5) *Resolve the situation with Mr. Chung as follows:*
 - a) *Apologize for failing to prevent Mr. Chung's death.*
 - b) *Apologize for being inattentive to the case by not cooperating the police investigation.*
 - c) *Take responsibility for handling all the issues resulting from his death.*
 - d) *Take measures to prevent future workplace injuries similar to Mr. Chung's case and make such measures public.*

B. Requests to HHI's Investors

HHI's investors should take the following actions:

- 1) *Require HHI to take measures to prevent workplace injuries to its subcontractors and to make such measures public.*
- 2) *Urge HHI to assume responsibility of Mr. Chung's death, to actively handle the case, and to report the result of its action to investors.*
- 3) *Withdraw their investments if either of the above is not implemented by HHI.*

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C. Requests to Clients of HHI

Clients should take the following actions:

- 1) *Require HHI to take measures to prevent workplace injuries of its subcontractors and to make such measures public.*
- 2) *Withdraw orders if the above is not implemented by HHI.*

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