

DEFENCE COMPANIES INDEX (DCI) ON ANTI CORRUPTION AND CORPORATE TRANSPARENCY 2020

FINAL ASSESSMENT

DAEWOO SHIPBUILDING & MARINE ENGINEERING CO. LTD.

The following pages contain the detailed scoring for this company based on publicly available information.

The table below shows a summary of the company's scores per section:

Section	Number of Questions*	Score Based on Publicly Available Information
1. Leadership and Organisational Culture	4	5/8
2. Internal Controls	6	5/12
3. Support to Employees	7	5/14
4. Conflict of Interest	4	0/8
5. Customer Engagement	7	1/14
6. Supply Chain Management	5	3/10
7. Agents, Intermediaries and Joint Ventures	10	2/20
8. Offsets	4	0/8
9. High Risk Markets	4	3/8
10. State-Owned Enterprises	0	N/A
TOTAL		24/102
BAND		E

*This column represents the number of questions on which the company was eligible to receive a score; i.e. where the company did not receive a score of N/A.

1. Leadership and Organisational Culture

Question
1.1. Does the company have a publicly stated anti-bribery and corruption commitment, which is authorised by its leadership?
Score
1
Comments
<p>There is evidence that the company’s CEO makes a public statement in support of the company’s ethics programme and promotes a commitment to ‘transparent business practice’ and ‘high ethical standards’.</p> <p>However, the company receives a score of ‘1’ because the CEO’s public statement does not explicitly address or promote the company’s stance against bribery and corruption. There is evidence that in 2015 the company’s leadership explicitly endorsed its commitment to anti-bribery and corruption, however there is no evidence of a more recent statement to reaffirm this position.</p>
Evidence
<p>[1] Ethics Message from the CEO (Webpage) Accessed 20/09/2019 https://www.dsme.co.kr/epub/management/management06010801.do Ethics message from the CEO</p> <p>Ethical management is an integral part of corporate growth and sustainability. We cannot stress its importance enough.</p> <p>At DSME, we are committed to becoming a game-changer to stay ahead and lead the market. Through collaboration and competition with stakeholders, we are driving technological innovation that will put us on the path to global leadership. In the process, we believe the rules of the game should always be reliable and fair, and it is important for us to set an example and build a strong reputation.</p> <p>We are dedicated to creating a fair workplace culture through ethical and responsible decision-making, and transparent business practice. By doing so, we are building trust in and outside the company.</p> <p>To this end, we have organized the Audit Committee to oversee our internal audit practice and take the necessary actions against unethical practices with work analysis under the direct control of the president. In addition, the Ethical Promotion Committee consists of production and office technical positions as well as internal and external suppliers while the Sexual Harassment Report Center was established as part of our efforts to create a healthy and safe workplace environment. We are also improving our work process and implementing systems to prevent unethical practices at an organizational level.</p> <p>However, nothing can be achieved without our action. Ethical management starts with our commitment and voluntary participation. Our employees are dedicated to upholding the highest ethical standards combining compliance, responsibility and passion without compromise. As the president, I will set an example with ethical leadership and live up to the high standard.</p> <p>With the aim to become a game changer, we will always play by the rules and promote fair competition. I will take the lead myself. And our employees will take the initiative in fulfilling ethical responsibilities.</p> <p>Thank you.</p> <p>CEO & President Sung Geun Lee</p>

[2] CEO Message (Webpage)

Accessed 20/09/2019

<https://www.dsme.co.kr/epub/introduction/introduction0201.do>

CEO Message

[...]

As long as the sea exists, the ship marine industry and DSME will always be there. With DSME, human history on the sea will be even brighter. We invite you to our website to witness the past, present, and future of DSME built on our core values, trust and passion.

Thank you.

President & CEO of DSME
Sung Geun Lee

[3] DSME Anti-Corruption 3 Principles (Webpage)

Accessed 20/09/2019

<https://www.dsme.co.kr/epub/management/management06010101.do>

DSME Anti-Corruption 3 Principles

: These principles apply to all employees and board members

1. Zero Tolerance to Corrupt Practice
The company and its employees reject all types of corrupt behavior.
2. Engagement of Leaders in Anti-Corruption Campaign
All leaders should influence their subordinates' ethical behavior and create an ethical environment in their respective organizations.
3. No Leniency for Corruptors
The company will never tolerate an employee or a partner company who are engaged in corrupt practices.

[10] 2015 DSME Sustainability Report (Document)

Accessed 20/09/2019

https://www.dsme.co.kr/epub/images/contents/DSME_2015ER_english.pdf

[p.6] Dear DSME stakeholders

[...]

Moreover, with the belief that building trust with stakeholders based on ethical conducts in business is a prerequisite of sustainable growth, DSME continues its zero tolerance policy on any kind of corruption and misconduct in all business activities. In particular, every organization of the company takes part in ameliorating business processes with ethical risks to prevent any corruption.

[...]

President & CEO Sungleep Jung

Question
<p>1.2. Does the company have a comprehensive anti-bribery and corruption policy that explicitly applies to both of the following categories:</p> <p>a) All employees, including staff and leadership of subsidiaries and other controlled entities;</p> <p>b) All board members, including non-executive directors.</p>
Score
1
Comments
<p>There is evidence that the company publishes an anti-bribery and corruption policy, and that this policy applies to all employees and board members as described in (a) and (b) above.</p> <p>However, the company receives a score of '1' because there is no evidence that its publicly available policy extends beyond a general commitment to comply with anti-bribery laws. There is no evidence that the company specifically addresses and prohibits payments to public officials, commercial bribery or facilitation payments.</p>
Evidence
<p>[3] DSME Anti-Corruption 3 Principles (Webpage) Accessed 20/09/2019 https://www.dsme.co.kr/epub/management/management06010101.do DSME Anti-Corruption 3 Principles</p> <p>: These principles apply to all employees and board members</p> <ol style="list-style-type: none"> 1. Zero Tolerance to Corrupt Practice The company and its employees reject all types of corrupt behavior. 2. Engagement of Leaders in Anti-Corruption Campaign All leaders should influence their subordinates' ethical behavior and create an ethical environment in their respective organizations. 3. No Leniency for Corruptors The company will never tolerate an employee or a partner company who are engaged in corrupt practices. <p>[13] Exchange - Cooperation (Webpage) Accessed 20/09/2019 https://www.dsme.co.kr/epub/management/management06010305.do Exchange · Cooperation</p> <p>Ethical Management for the subsidiaries</p> <p>Support for the subsidiaries' adoption and implementation of ethical management</p> <ul style="list-style-type: none"> -Provide the subsidiaries with the ethical management work manual to assist their adoption of ethical management -Train the audit team of subsidiaries' at the DSME on audit techniques and know-how <p>Integrated ethical management of DSME and its subsidiaries</p> <ul style="list-style-type: none"> -Assist the subsidiaries with implementation of the ethics/anti-corruption policies, such as ethics standards and compliance programs, same as the parent company <p>[6] Code of Ethics Implementation Guidelines (Document) Accessed 20/09/2019 https://www.dsme.co.kr/epub/images/contents/Ethics_eng_201705.pdf [p.1] Article 1 Purpose</p>

The purpose of guidelines herein is to define major types of unethical behavior, determine the permitted limits, and thereby protect employees, board members, and stakeholders from the dangers of unethical behavior while ensuring efficient implementation of the code of ethics.

Article 2. Terminology

1. Stakeholder: An individual, juridical person or other organization whose rights or interests may be affected by the employee's performance of their duty. 2. Partners: All contracted parties (individuals, juridical persons, and other organizations) in a business relationship with the company, including but not limited to internal and external partners, materials suppliers, general goods and services providers, and agents.

[p.2] Article 3 Prohibition of Receiving Money and Valuables, Entertainment, or Convenience

1. Regardless of whether or not something was expected in return, requesting or receiving money, valuables, entertainment, or convenience from stakeholders for any reason is strictly prohibited.

[p.3] Article 11. Fair Competition

1. Employees are required to compete with others in the industry based on good will and without infringing on a competitor's interests by an inappropriate means.

2. The individual must respect domestic and international norms in business transactions and comply with all laws governing the company's business activities in the particular country or region, including the Anti-graft law, the Act on Combating Bribery of Foreign Public Officials in International Business Transactions, and FCPA.

[p.4] Article 13

[...]

4. The principle of zero tolerance will be implemented strictly on employees who commit any one of the three major ethical violations (receipt of money or valuables, embezzlement, and influence padding/improper solicitation) regardless of having no history of prior offence. Such a violation, regardless of the sum of the monetary value involved, may result in termination of employment and corporate criminal proceedings if the employee is deemed to have been an active participant.

[4] Code of Ethics (Document)

Accessed 20/09/2019

https://www.dsme.co.kr/epub/images/contents/ethics_eng.pdf

[p.1] Code of Ethics

Daewoo Shipbuilding and Marine Engineering strives to provide superior products and services and pursue mutual prosperity with stakeholders with the goal of becoming a respected comprehensive heavy industries group. This Code of Ethics sets forth the company's ethical standards that must be observed by all employees and board members with trust and passion.

Question

1.3. Does the board or a dedicated board committee provide oversight of the company's anti-bribery and corruption programme?

Score

2

Comments

Based on publicly available information, there is evidence that the company's Audit Committee is ultimately responsible for the oversight of its anti-corruption programme. There is evidence that this includes reviewing reports from management on investigations and the performance of the company's ethics programme.

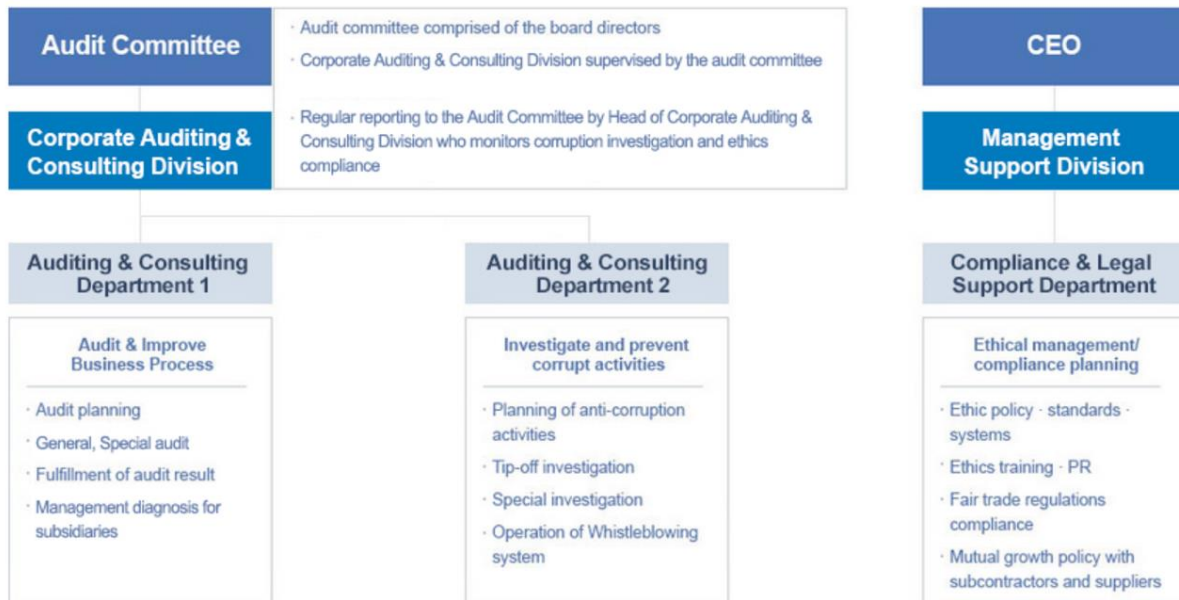
Evidence

[7] Ethical Management System (Webpage)

Accessed 20/09/2019

<https://www.dsme.co.kr/epub/management/management06010103.do>

Ethical Management Organization



[10] 2015 DSME Sustainability Report (Document)

Accessed 20/09/2019

https://www.dsme.co.kr/epub/images/contents/DSME_2015ER_english.pdf

[p.25] Audit Committee

In accordance with Articles 415-2 and 542-11 of the Commercial Law, DSME has been operating the Audit Committee consisting of four outside directors and one other non-standing director. The Audit Committee independently audits the company's business activities and accounting. It also cooperates with independent auditors and internal audit organizations to ensure better audit performances. In particular, the audit team was organized under the Audit Committee to secure the independency and function of internal audit organizations. The roles of the Audit Committee also include operating ethical management system, analyzing and improving work process, investigating and preventing corruptions, and diagnosing management conditions of subsidiaries.

[8] Organization Chart (Webpage)

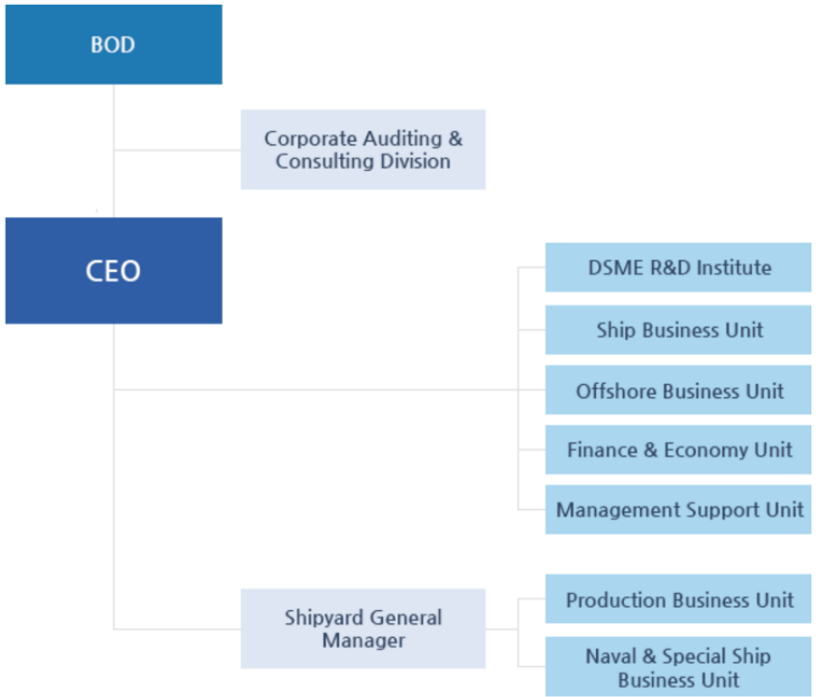
Accessed 20/09/2019

<https://www.dsme.co.kr/epub/introduction/introduction0401.do>

Organization Chart

Superior Transparent Management System

[...]



Question

1.4. Is responsibility for implementing and managing the company’s anti-bribery and corruption programme ultimately assigned to a senior executive, and does he or she have a direct reporting line to the board or board committee providing oversight of the company’s programme?

Score

1

Comments

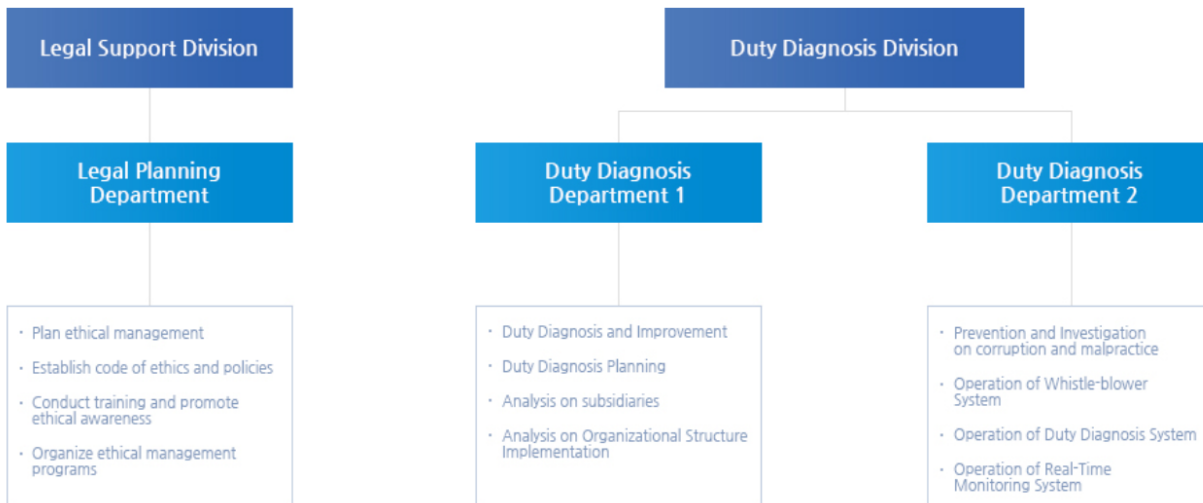
Based on publicly available information, there is evidence that a managerial-level individual, the Head of Corporate Auditing & Consulting Division, has ultimate responsibility for managing the company's anti-corruption programme. There is evidence that this individual has a direct reporting line to the Audit Committee and there is evidence of feedback activities between this person and the Audit Committee as part of the company's reporting structure.

However, the company receives a score of '1' because there is no evidence that the individual heading the Corporate Auditing & Consulting Division is a senior executive. It is also noted that, based on publicly available information, there is evidence that the development of ethics training and policies appears to fall under the remit of a different department: Compliance & Legal Support.

Evidence

[22] Updated Ethical Management System Page (Document)
 Accessed 02/06/2020
<https://www.dsme.co.kr/epub/management/management06010103.do>

Ethical Management Organization



- The results of Duty Diagnosis, Investigation on Corruption and Real-Time Monitoring are reported in accordance with the Approval Matrix.
- The general matters of Duty Diagnosis, Investigation on Corruption and Real-Time Monitoring are reported to the Head of Division, major issues are reported to CEO.
- They are also reported to the Board of Directors for feedback (Supplementary investigation, Revision and upgrade on the rules and systems) on a quarterly basis.
- If (internal) investigation results concludes illegal act, report it to the police or file a complaint with the prosecution to request an investigation and report it to the Board of Directors(BOD).

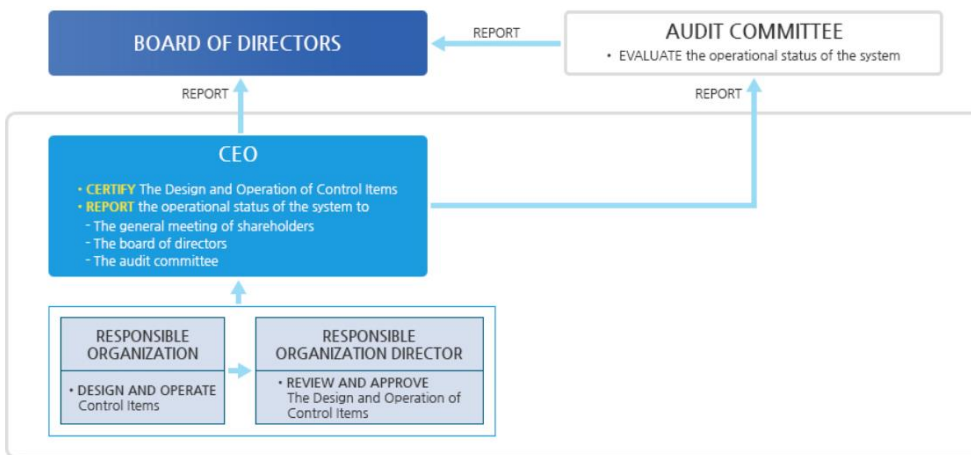
Management and Supervision on Ethical Management Activity

- Manages and supervises by Internal Accounting Control System

1. Internal Accounting Control System

- The system is designed and operated in order to secure trustworthiness of accounting information recorded and published according to the business accounting standard. It includes program for protection of the company asset and prevention of the unethical behaviors
- In order to prevent unethical behaviors, the control entries includes ethical management, reporting on violations, independence of the operating group, reporting to the board of directors and the audit committee which manage and supervise its operation, etc.

[...] 2. Internal Accounting Control System Procedure



3. Management and Supervision of Internal Accounting Control System

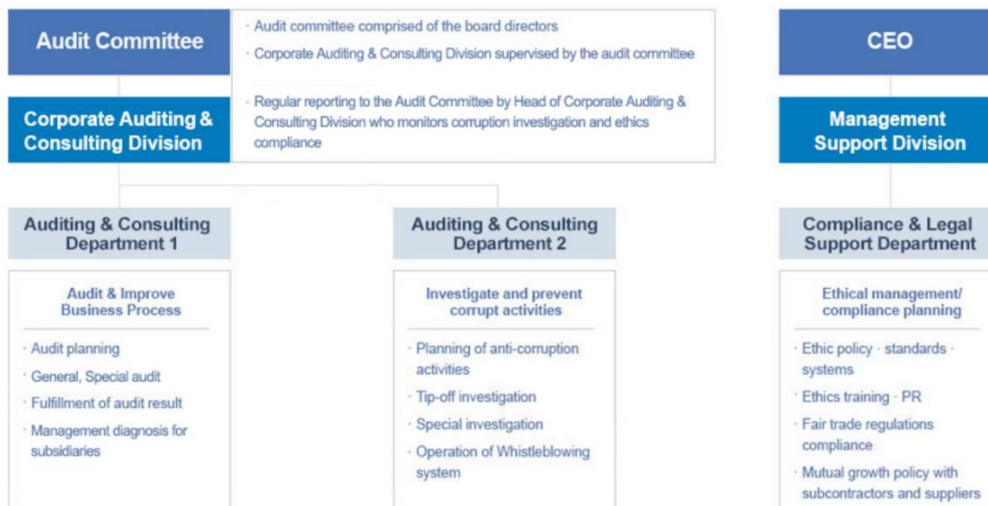
CEO and Internal Accounting Manager : responsible for managing and supervising on the system
 BOD : responsible for the system which the company management designs and operates
 Audit Committee : responsible for evaluating on the system independently from the company management and supporting its appropriate operation and improvement.

[7] Ethical Management System (Webpage)

Accessed 20/09/2019

<https://www.dsme.co.kr/epub/management/management06010103.do>

Ethical Management Organization



2. Internal Controls

Question
<p>2.1. Is the design and implementation of the anti-bribery and corruption programme tailored to the company based on an assessment of the corruption and bribery risks it faces?</p>
Score
<p>1</p>
Comments
<p>Based on publicly available information, there is some evidence that the company has a formal risk assessment procedure that informs the design of its ethics programme.</p> <p>However, the company receives a score of ‘1’ because there is limited publicly available information concerning this procedure. There is also no clear evidence that risk assessments are reviewed on at least an annual basis at board level.</p>
Evidence
<p>[11] System - Program (Webpage) Accessed 20/09/2019 https://www.dsme.co.kr/epub/management/management06010302.do</p> <p>Unethical Risk Map</p> <ul style="list-style-type: none"> -It defines types of possible unethical conducts of each organization and evaluates the likelihood and its impact. -It is intended to increase management abilities of each organization handling unethical risks. <p>Voluntary ethical practice initiative</p> <ul style="list-style-type: none"> -Promote an attitude and behavior change of individuals and organizations through voluntary audits on a regular basis (Through voluntary audit checklist) -Prevent the ethical risks by identifying and improving a process vulnerable to unethical practices (ethical challenge tasks) -Encourage enterprise-wide participation (all organizations, all directors and employees) -Apply levels of participation to performance evaluations by individual and organization <p>1.Checklist for voluntary audits</p> <ul style="list-style-type: none"> -Monitor each individual's attitude and behavior voluntarily against work ethics on a monthly regular basis -Audit work processes voluntarily for any vulnerability or unethical factor on a monthly regular basis <p>2.Activities for addressing ethical challenge tasks</p> <ul style="list-style-type: none"> -Select ethical challenge tasks for improvement by prioritizing ethical issues that are identified at each organization <p>-Remove and prevent any ethical risks through continuous cooperation to address the challenges</p> <p>[22] Updated Ethical Management System Page (Document) Accessed 02/06/2020 https://www.dsme.co.kr/epub/management/management06010103.do Management and Supervision on Ethical Management Activity</p> <p>Manages and supervises by Internal Accounting Control System</p> <p>1. Internal Accounting Control System</p> <p>The system is designed and operated in order to secure trustworthiness of accounting information recorded and published according to the business accounting standard. It includes program for protection of the company asset and prevention of the unethical behaviors</p>

In order to prevent unethical behaviors, the control entries includes ethical management, reporting on violations, independence of the operating group, reporting to the board of directors and the audit committee which manage and supervise its operation, etc.

(1) Code of Ethics, Code of Ethics Implementation Guidelines

- Documentation
- Definitions on classification and limits of unethical actions
- Regular review on the updates
- Easily accessible and legible publication for employees and officers
- Index set-up identifying violations of Code of Ethics Implementation Guidelines
- Annual scheduling and training for the Code of Ethics and compliance programs

(2) Reporting on Violation

- Enactment of rules and regulations and operation on reporting on the violations, protection and reward for whistleblower, etc.
- Operation of Whistle-blower System(with anonymity or autonym)
- Independent Investigation
- For security, documented report to Board of Directors(BOD)
- Report to BOD analysis and countermeasure on corruption actions

(3) Evaluation on Ethics Implementation and Disciplinary Procedure on Unethical Behaviors

- Ethical Management Performance result shall be included in HR assessment
- Disciplinary procedure on personnel who violate the Ethical Standard is included in HR policy

(4) Smart Auditor(Real-Time Monitoring System)

- Real time Monitoring System is operated with massive unbiased data
- The system refers to the previous unethical risks.
- It monitors tendency and pattern on the cases by scenarios

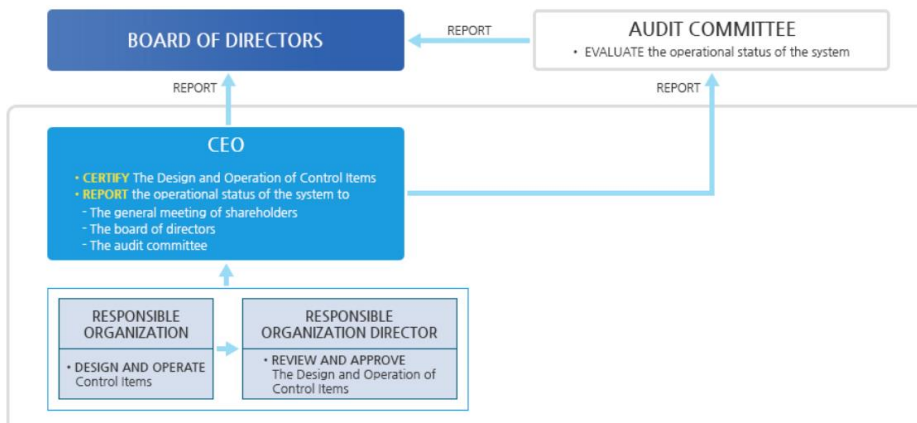
(5) Duty Diagnosis

- Review on the possibilities of the various unethical risks when performing duty diagnosis
- Annual planning and reporting on performance and results of duty diagnosis

(6) Internal Audit Division and Manager

- Designating the division monitoring steadily and evaluating the unethical risk. Defining the requirements for Internal Accounting Manager
- Management of performance improvement

2. Internal Accounting Control System Procedure



[10] 2015 DSME Sustainability Report (Document)

Accessed 20/09/2019

https://www.dsme.co.kr/epub/images/contents/DSME_2015ER_english.pdf






[p.28] Risk Management

Our business is experiencing a rapidly changing environment in terms of client, technology, regulation and competition. And rising new orders for offshore products and diversified client demands require us to extend the scope of risk management. In response to these challenges, DSME has been operating a company-wide risk management system in all business areas in order to create stable business values and boost sustainable growth. With this system, we define any possible risks in management activities by type and develop customized risk management solutions to manage those risks.

Definition of ERM (Enterprise Risk Management)

DSME's ERM is a part of efforts to build a more effective relationship with all stakeholders. That is, through ERM, we are committed to forming more stable and sustainable relationship with all stakeholders including shareholders, investors, customers, suppliers, local community, government, competitors, and related parties, as well as employees in order to increase our business value.

ERM System

Type	Risks	How to Manage
 Strategy	Shortfall in targeted level of competency due to failure or delay of achieving strategic tasks	Strategy Rolling TFT
 Operation	Setback in operational efficiency and business goals due to problems related to employees, process, and system	KPI management centered on each function
 Environment	Impacts on operational performances or sustainability due to changes in external environment	Building a regular e-monitoring system
 Compliance	Direct and indirect losses from noncompliance with laws and regulations at home and abroad	Operating the Code of Ethical Behaviors and Compliance Program
 Risk Management	Management of major events that can affect reputation of the company or the Group	Preparing and managing manuals for risk management

Question
2.2. Is the company’s anti-bribery and corruption programme subject to regular internal or external audit, and are policies and procedures updated according to audit recommendations?
Score
0
Comments
Based on publicly available information, there is some evidence indicating that the company’s ethics programme is subject to continuous review by the internal audit department. However, there is evidence that this department is also responsible for implementing the programme and it is unclear based on publicly available evidence whether there is a separate, independent review of the programme. There is also no clear evidence that the findings of audits are used to update the company’s anti-bribery and corruption programme.
Evidence
<p>[22] Updated Ethical Management System Page (Webpage) Accessed 02/06/2020 https://www.dsme.co.kr/epub/management/management06010103.do Management and Supervision on Ethical Management Activity</p> <p>Manages and supervises by Internal Accounting Control System</p> <p>1. Internal Accounting Control System</p> <p>The system is designed and operated in order to secure trustworthiness of accounting information recorded and published according to the business accounting standard. It includes program for protection of the company asset and prevention of the unethical behaviors</p> <p>In order to prevent unethical behaviors, the control entries includes ethical management, reporting on violations, independence of the operating group, reporting to the board of directors and the audit committee which manage and supervise its operation, etc.</p> <p>(1) Code of Ethics, Code of Ethics Implementation Guidelines</p> <ul style="list-style-type: none"> - Documentation - Definitions on classification and limits of unethical actions - Regular review on the updates - Easily accessible and legible publication for employees and officers - Index set-up identifying violations of Code of Ethics Implementation Guidelines - Annual scheduling and training for the Code of Ethics and compliance programs <p>(2) Reporting on Violation</p> <ul style="list-style-type: none"> - Enactment of rules and regulations and operation on reporting on the violations, protection and reward for whistleblower, etc. - Operation of Whistle-blower System(with anonymity or autonym) - Independent Investigation - For security, documented report to Board of Directors(BOD) - Report to BOD analysis and countermeasure on corruption actions <p>(3) Evaluation on Ethics Implementation and Disciplinary Procedure on Unethical Behaviors</p> <ul style="list-style-type: none"> - Ethical Management Performance result shall be included in HR assessment - Disciplinary procedure on personnel who violate the Ethical Standard is included in HR policy <p>(4) Smart Auditor(Real-Time Monitoring System)</p> <ul style="list-style-type: none"> - Real time Monitoring System is operated with massive unbiased data - The system refers to the previous unethical risks. - It monitors tendency and pattern on the cases by scenarios

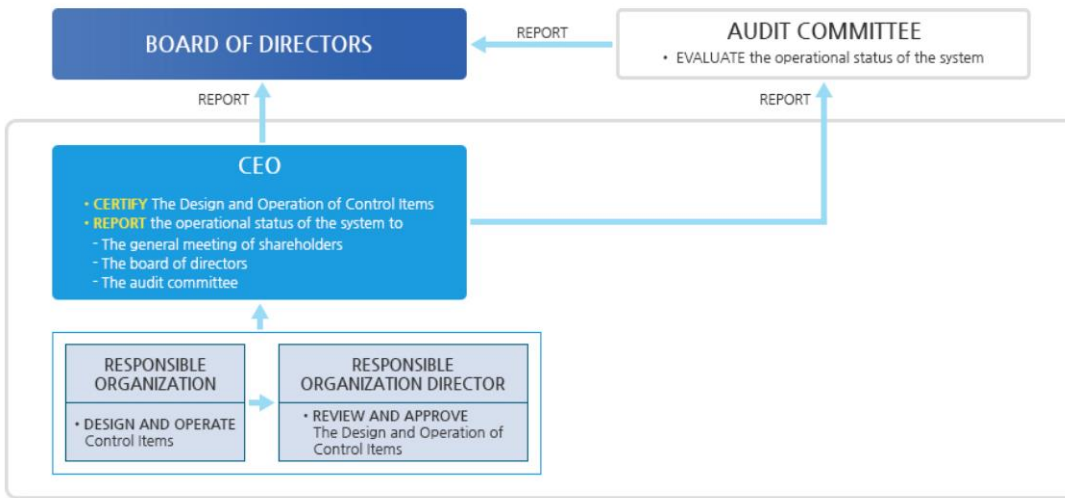
(5) Duty Diagnosis

- Review on the possibilities of the various unethical risks when performing duty diagnosis
- Annual planning and reporting on performance and results of duty diagnosis

(6) Internal Audit Division and Manager

- Designating the division monitoring steadily and evaluating the unethical risk. Defining the requirements for Internal Accounting Manager
- Management of performance improvement

2. Internal Accounting Control System Procedure

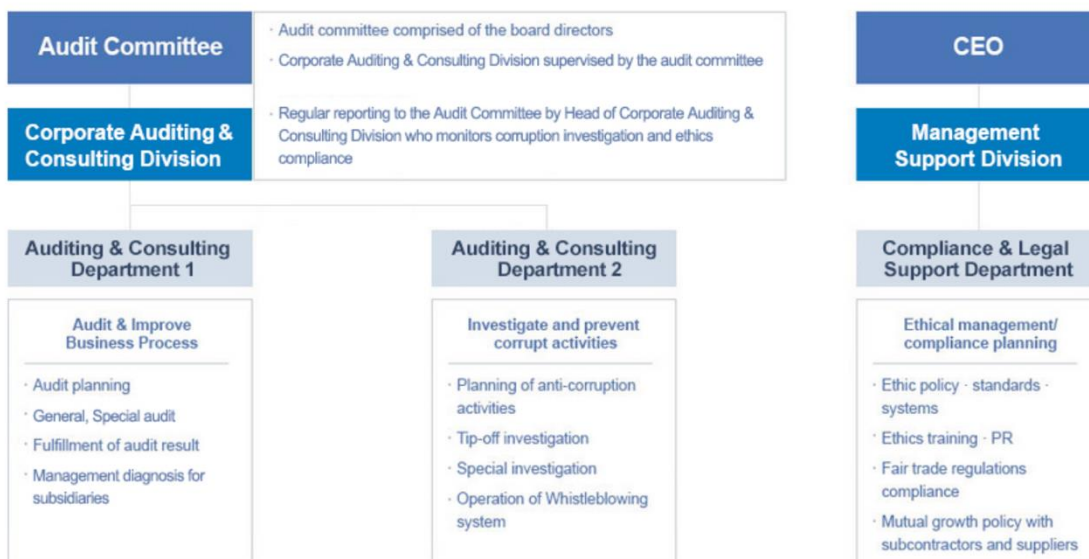


[7] Ethical Management System (Webpage)

Accessed 20/09/2019

<https://www.dsme.co.kr/epub/management/management06010103.do>

Ethical Management Organization



[10] 2015 DSME Sustainability Report (Document)

Accessed 20/09/2019

https://www.dsme.co.kr/epub/images/contents/DSME_2015ER_english.pdf

[p.25] Audit Committee

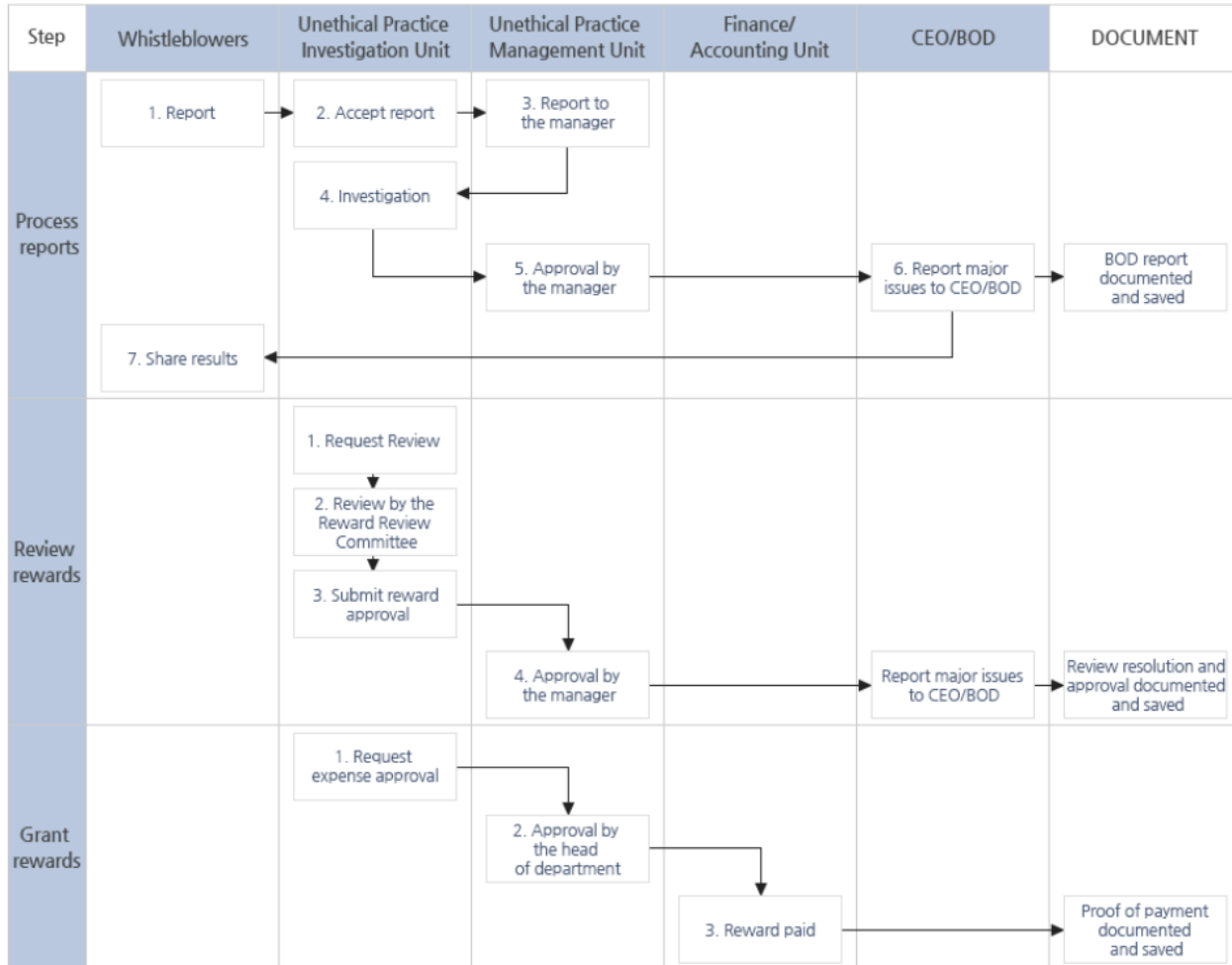
In accordance with Articles 415-2 and 542-11 of the Commercial Law, DSME has been operating the Audit Committee consisting of four outside directors and one other non-standing director. The Audit Committee independently audits the company's business activities and accounting. It also cooperates with independent auditors and internal audit organizations to ensure better audit performances. In particular, the audit team was organized under the Audit Committee to secure the independency and function of internal audit organizations. The roles of the Audit Committee also include operating ethical management system, analyzing and improving work process, investigating and preventing corruptions, and diagnosing management conditions of subsidiaries.

Question
2.3. Does the company have a system for tracking, investigating and responding to bribery and corruption allegations or incidents, including those reported through whistleblowing channels?
Score
2
Comments
<p>Based on publicly available information, there is evidence that the company publicly commits to investigating incidents and that there is a specific procedure in place to deal with whistleblowing cases which stipulates actions to be taken and documented at each step. There is evidence that investigations are carried out by an independent team and reported to the Audit Committee. The company’s stated procedure covers the whole investigation process from receipt to final outcome. There is further evidence that the company informs whistleblowers of the outcome of investigations.</p>
Evidence
<p>[9] Whistleblower system (Webpage) Accessed 20/09/2019 https://www.dsme.co.kr/epub/management/management06010505.do Whistleblower system (Ombudsman)</p> <p>The purpose of this system is to clearly articulate and effectuate an internal reporting process of any inappropriate activities (unlawful/unethical/corrupt activities) that can occur inside and outside of the company in the ordinary course of business.</p> <p>Reporting Process</p> <p>1.Applicable Activities</p> <ol style="list-style-type: none"> 1.1 Accepting inappropriate bribes, entertainment, or favors from stakeholders 1.2 Taking advantage of his/her job position to gain profit or causing damage to the company 1.3 Interfering with other employee's work to benefit oneself or others 1.4 Disclosing company's confidential information and customer information without permission 1.5 Collusion among stakeholders such as bid rigging to close a deal 1.6 Spreading malicious rumors and lies and damaging the company image or reputation of certain employees 1.7 Retaliation against whistle-blowers by exposing the identity or unfair treatments 1.8 Other activities in violation of code of ethics, employee code of conduct, and laws <p>2. How to File a Report</p> <ol style="list-style-type: none"> 2.1 A report may be made using the real name or anonymously. However, in case of an anonymous report, there may be a difficulty in the investigation and the payment of compensation, so it is recommended to make a report using the real name. 2.2 Include the name of reporter (if reporting with real name) and the information of the person involved in the alleged misconduct in detail and provide the supporting documents if there is any. 2.3 Where to File <ol style="list-style-type: none"> (1) Online Report Channel: Company Website (www.dsme.co.kr) or Company Portal (DSME Portal) (2) Visit the Duty Diagnosis Division or Call: Phone) 055-735-9085/9081, Fax) 055-735-1277 (3) Report by mail: (656-714) DSME Duty Diagnosis Division, 3370, Geoje-daero, Geoje-si, Gyeongsangnam-do, Korea (4) Reports can also be filed at different locations by different methods upon request. <p>3. Duty of a Whistle blower</p> <p>A person who reports must not intentionally make a false accusation to defame or slander others.</p> <p>4. Follow-up Procedures</p> <ol style="list-style-type: none"> 4.1 Duty Diagnosis Division clarifies the submitted information as soon as possible. 4.2 Reports the information to the Head of Duty Diagnosis Division and conducts an investigation. However, if after reviewing the submitted information, the alleged violation is determined to be not applicable or its obscurity makes it impossible to verify the report, or it is a minor violation having no significance in relation to duty diagnosis, the Office can close the case at its sole discretion.

4.3 When the report turns out to be a false accusation, the applicable department can request disciplinary action against reporter to degree of damage.

4.4 Once the approval by the manager who has the authority is obtained, duty diagnosis results, along with any disciplinary or corrective action necessary, will be notified to the pertinent department.

Whistle-blower System Procedure



[10] 2015 DSME Sustainability Report (Document)

Accessed 20/09/2019

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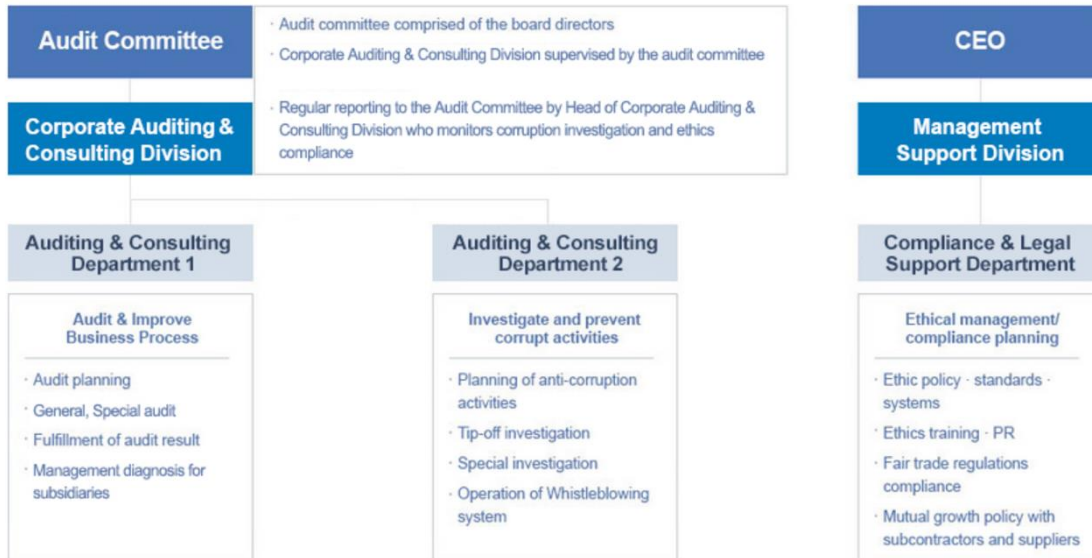
The roles of the Audit Committee also include operating ethical management system, analyzing and improving work process, investigating and preventing corruptions, and diagnosing management conditions of subsidiaries.

[7] Ethical Management System (Webpage)

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Ethical Management Organization



Question
2.4. Does the company have appropriate arrangements in place to ensure the quality of investigations?
Score
1
Comments
<p>Based on publicly available information, there is some evidence that the company assures itself of the quality of its internal investigations. The company states that its internal audit department, which carries out investigations, takes steps to ensure that investigators are sufficiently trained and qualified to perform investigations.</p> <p>However, there is no clear evidence that the company assures itself of the quality of both incident investigations and whistleblowing cases. In publicly available information, there is no evidence of how complaints about the investigation process are handled. There is also no evidence that the company reviews its investigations procedure at least every three years or in response to any changes in the regulatory environment.</p>
Evidence
<p>[23] System – Program – Updated Page (Webpage) Accessed 02/06/2020 https://www.dsme.co.kr/epub/management/management06010302.do Ethics Reformation Committee</p> <ul style="list-style-type: none"> Organized to support the existing ethical management monitoring system and implement comprehensive ethical practice reform to take proactive measures against unethical practices. Composed of 9 members representing various internal and external organizations and working independently. Process: Acknowledgement of reports on unethical/corruption and malpractice actions → Gathering information → When necessary to fact-check, request investigation to the relevant departments → Assessment on the investigation reports Operate as a corruption report channel separate from the Whistleblower System. Contacts : yully@dsme.co.kr/ +82-2-2129-0283 <p>[...]</p> <p>Internal Audit Performance Improvement Program</p> <ul style="list-style-type: none"> In order to improve its competency, the departments in charge of internal audit, duty diagnosis, corruption and malpractice investigation support two (2) of its members per year to get a Corporate Internal Auditor Certification by Korea Listed Companies Association. The certification holders are already back to work and proceed their duties. Additionally, the internal education and training for Certified Internal Auditor (CIA) by the Institute of Internal Auditors is provided.

Question

2.5. Does the company's investigative procedure include a commitment to report material findings of bribery and corruption to the board and any criminal conduct to the relevant authorities?

Score

1

Comments

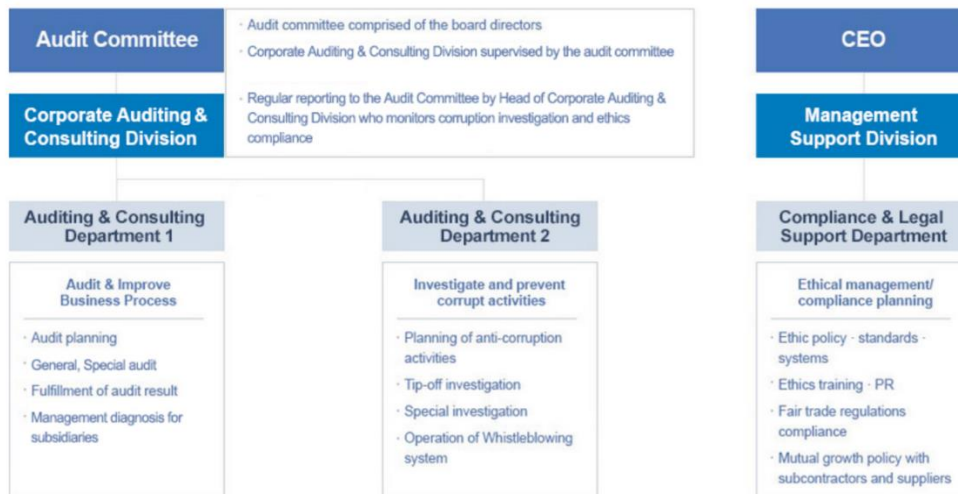
Based on publicly available information, there is evidence that the company commits to report material findings of bribery and corruption investigations to the board and external authorities. However, there is no evidence that the company has an appropriate senior individual who is responsible for ensuring the disclosure of criminal offences to the relevant authorities is evaluated and acted upon if necessary.

Evidence

[7] Ethical Management System (Webpage)

Accessed 20/09/2019
<https://www.dsme.co.kr/epub/management/management06010103.do>

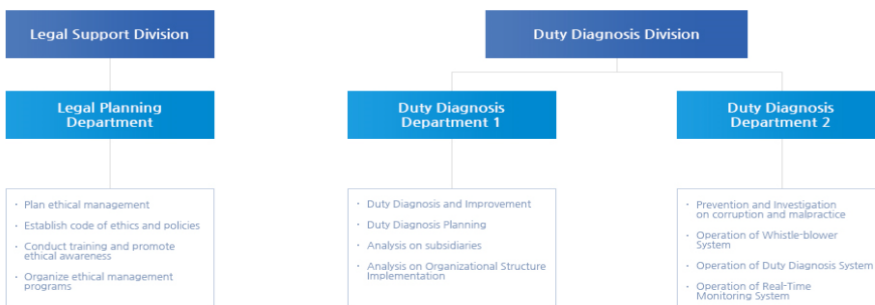
Ethical Management Organization



[22] Updated Ethical Management System Page (Webpage)

Accessed 02/06/2020
<https://www.dsme.co.kr/epub/management/management06010103.do>

Ethical Management Organization



- The results of Duty Diagnosis, Investigation on Corruption and Real-Time Monitoring are reported in accordance with the Approval Matrix.
- The general matters of Duty Diagnosis, Investigation on Corruption and Real-Time Monitoring are reported to the Head of Division, major issues are reported to CEO.
- They are also reported to the Board of Directors for feedback (Supplementary investigation, Revision and upgrade on the rules and systems) on a quarterly basis.
- If (internal) investigation results concludes illegal act, report it to the police or file a complaint with the prosecution to request an investigation and report it to the Board of Directors(BOD).

Question
2.6. Does the company publish high-level results from incident investigations and disciplinary actions against its employees?
Score
0
Comments
There is no evidence that the company publishes any data on ethical or bribery and corruption investigations or the disciplinary actions involving its employees.
Evidence
No evidence found.

3. Support to Employees

Question
3.1. Does the company provide training on its anti-bribery and corruption programme to all employees across all divisions and geographies, and in all appropriate languages?
Score
1
Comments
<p>Based on publicly available information, there is some evidence that the company systematically provides training to its employees, outlining its anti-corruption policy and the whistleblowing options available to them. The training is provided to all employees. The company states that employees at different levels receive some version of ethics training on a monthly and quarterly basis.</p> <p>However, the company receives a score of '1' because there is no clear evidence to indicate that all employees are required to undertake and refresh their training on anti-bribery and corruption at least every three years. The company indicates that some employees may be required to refresh their training on ethics, but it is not clear which employees this includes nor which the topics that might be covered. There is also no clear evidence that the company provides training in all appropriate languages for employees of subsidiaries or offices in other countries.</p>
Evidence
<p>[24] Education PR (Webpage) Accessed 20/09/2019 https://www.dsme.co.kr/epub/management/management06010303.do <i>Ethics Education</i></p> <p><i>Ethics Training Focus</i></p> <ul style="list-style-type: none"> -Understanding the ethics policy and systems against corruption -Attitude and behavior change of employees <p>Training Topics</p> <ul style="list-style-type: none"> -Understanding ethical management -Ethical standards and anti-corruption policy -Examples of unethical practices, ethical dilemmas, prevention of sexual harassment <p>Training Programs</p> <ul style="list-style-type: none"> -Online : DSME customized training (5hrs) mandatory for all employees including expatriate employees -Offline : ethics class for executives/leaders, ethics training for new managers, new foremen and new hires, ethics training by employee level, ethics training for employees engaged in sensitive tasks (Contracting job for subcontractors and suppliers etc.), ethics training for subcontractors and suppliers <p>[6] Code of Ethics Implementation Guidelines (Document) Accessed 20/09/2019 https://www.dsme.co.kr/epub/images/contents/Ethics_eng_201705.pdf</p> <p>[p.1] Article 1 Purpose The purpose of guidelines herein is to define major types of unethical behavior, determine the permitted limits, and thereby protect employees, board members, and stakeholders from the dangers of unethical behavior while ensuring efficient implementation of the code of ethics.</p> <p>[p.4] Article 13 Code Compliance and Violation</p> <p>[...]</p>

2. Supervisors and managers are required to educate, train, and consult members of their unit to help them understand and uphold the Code of Ethics and the Implementation Guidelines measures to prevent violations thereof.

3. Should an employee be asked to act in violation of the Code of Ethics and the Implementation Guidelines or becomes aware of such behavior, said employee must immediately report the matter to the Ethics department or the Audit department.

[12] Campaign - Event (Webpage)

Accessed 20/09/2019

<https://www.dsme.co.kr/epub/management/management06010304.do>

Ethics day

Designate the first Thursday of each month as Ethics Day to encourage voluntary ethics practices.

Using the Ethics Letter, group leaders provide their members with monthly ethics training and team leaders provide quarterly training.

Question
<p>3.2. Does the company provide tailored training on its anti-bribery and corruption programme for at least the following categories of employees:</p> <ul style="list-style-type: none"> a) Employees in high risk positions, b) Middle management, c) Board members.
Score
1
Comments
<p>Based on publicly available information, there is some evidence that certain employees in certain positions receive different or tailored anti-bribery and corruption training. The company makes reference to employees in high risk positions and management employees.</p> <p>However, the company receives a score of ‘1’ because there is no evidence that board members receive tailored training. The company also does not specify whether training for employees in high risk positions is refreshed on at least an annual basis.</p>
Evidence
<p>[24] Education PR (Webpage) Accessed 20/09/2019 https://www.dsme.co.kr/epub/management/management06010303.do Education-PR Ethics Education</p> <p>[...]</p> <p>Training Programs</p> <p>-Online : DSME customized training (5hrs) mandatory for all employees including expatriate employees -Offline : ethics class for executives/leaders, ethics training for new managers, new foremen and new hires, ethics training by employee level, ethics training for employees engaged in sensitive tasks (Contracting job for subcontractors and suppliers etc.), ethics training for subcontractors and suppliers</p>

Question
3.3. Does the company measure and review the effectiveness of its anti-bribery and corruption communications and training programme?
Score
0
Comments
Based on publicly available information, there is no clear evidence that the company reviews its anti-bribery and corruption communications and training programme. Although the company states that it hosts an ethics conference to obtain employee feedback, it is not clear whether this includes a review of its anti-bribery and corruption communications and training activities.
Evidence
<p>[24] Education PR (Webpage) Accessed 20/09/2019 https://www.dsme.co.kr/epub/management/management06010303.do Ethics Conference</p> <ul style="list-style-type: none"> -Achieving consensus on ethical practices, conferences are held to accept suggestions, concerns, and complaints directly from the employees on the job. -Hosted by Corporate Auditing & Consulting Division, it provides a communication window among the employees at all levels such as group leaders, mid-level managers/supervisors, female employees, and managers of subcontractors. <p>Ethics Letters</p> <ul style="list-style-type: none"> -Sent by the top ethical management officer to all companies at the beginning of each year. -Emphasize the applicable year's ethical management focus to all employees and request that they put ethical management into practice. <div data-bbox="124 1245 1254 1514" style="border: 1px solid #ccc; padding: 10px; margin-top: 10px;"> <p>Evaluate the level of practice on DSME ethical management Education-PR</p> <p>Everybody is welcome to participate</p> <div style="display: flex; align-items: center; gap: 10px;"> <input type="radio"/> ★★★★★ <input type="radio"/> ★★★★★ <input type="radio"/> ★★★★★ <input type="radio"/> ★★★★★ <input type="radio"/> ★★★★★ </div> <div style="margin-left: auto;"> <input type="button" value="Evaluate"/> </div> </div>

Question
3.4. Does the company ensure that its employee incentive schemes are designed in such a way that they promote ethical behaviour and discourage corrupt practices?
Score
1
Comments
<p>Based on publicly available evidence, there is some evidence that the company's incentive schemes for employees incorporate ethical and anti-bribery and corruption principles. There is evidence indicating that performance evaluations take account of compliance with the company's ethics policies.</p> <p>However, the company provides limited public information on how it incentivises ethical conduct. There is also no evidence that financial incentives must be proportionate to the employee's base salary in the case of high-risk roles, such as sales.</p>
Evidence
<p>[23] System – Program – Updated Page (Webpage) Accessed 02/06/2020 https://www.dsme.co.kr/epub/management/management06010302.do Evaluation on Ethics Implementation</p> <p>Individual Evaluation: Performance results of the employees and officers apply in the MBO (Management By Objectives) evaluation</p> <ul style="list-style-type: none"> • Organizational Evaluation: Performance results of each organization apply in the MOU evaluation (evaluated by Department, Division, Unit) • Special Evaluation <ul style="list-style-type: none"> • Addition: Cooperating to the company's ethics policy, the employees, officers and organizations participating in the Ethics Implementation are given additional points. • Deduction: Individual who violates ethical standards and organization which the individual is belonged to are given points deduction. • HR Discipline: according to the principle with no leniency for corruptors, HR policy applies its discipline. <p>[4] Code of Ethics (Document) Accessed 20/09/2019 https://www.dsme.co.kr/epub/images/contents/ethics_eng.pdf [p.2] Chapter 5 Mutual Development of the Company and Employees</p> <p>[...]</p> <p>2. We will provide employees with a clean and safe working environment, encourage creative thinking, and offer fair opportunities for growth and development.</p> <p>3. We will conduct fair employee evaluations based on their ability and performance and provide reasonable compensation.</p>

Question
3.5. Does the company commit to and assure itself that it will support and protect employees who refuse to act unethically, even when it might result in a loss of business?
Score
0
Comments
Based on publicly available information, there is no evidence that the company commits to support or protect employees who refuse to act unethically.
Evidence
<p>[14] Whistleblower Rewards and Protection (Webpage) Accessed 20/09/2019 https://www.dsme.co.kr/epub/management/management06010501.do Whistle-blower Rewards & Protection</p> <p>[...]</p> <p>Whistle-blower Rewards Reward up to 30 million won for reporting acceptance of a bribe, entertainment, or favors Reward up to 100 million won for a report resulted in increasing profit or reducing loss to the company. Please refer to '<u>Whistle-blowing System</u>' for more information on rewards and calculation methods.</p> <p>Protection of Whistle-blower The identity of whistle-blowers and the report shall be kept in confidence Exposing identity or tracking down is prohibited (violators are subject to disciplinary action) Retaliation against the whistle-blower or unfair treatment is prohibited (violators are subject to disciplinary action)</p> <p>[10] 2015 DSME Sustainability Report (Document) Accessed 20/09/2019 https://www.dsme.co.kr/epub/images/contents/DSME_2015ER_english.pdf [p.27] Reward to Reporting and Protection of Reporters DSME operates a system for handling reports on unethical behaviors, giving rewards for reporting and protecting reporters.</p>

Question
3.6. Does the company have a clear policy of non-retaliation against whistleblowers and employees who report bribery and corruption incidents?
Score
1
Comments
<p>Based on publicly available information, there is evidence that the company has a policy of non-retaliation against whistleblowers who report bribery and corruption incidents. There is evidence indicating that this policy applies to both employees of the company and those outside of the company.</p> <p>However, there is no evidence that the company assures itself of its employees' confidence in this commitment through surveys, usage data, or other clearly stated means.</p>
Evidence
<p>[14] Whistleblower Rewards and Protection (Webpage) Accessed 20/09/2019 https://www.dsme.co.kr/epub/management/management06010501.do</p> <p>Protection of Whistle-blower</p> <p>[...]</p> <p>Retaliation against the whistle-blower or unfair treatment is prohibited (violators are subject to disciplinary action)</p> <p>[9] Whistleblower system (Webpage) Accessed 20/09/2019 https://www.dsme.co.kr/epub/management/management06010505.do</p> <p>Whistleblower system (Ombudsman)</p> <p>[...]</p> <p>Protection of the Whistleblower</p> <p>1. Prohibition of Exposing Identity or Tracking Down</p> <p>1.1 Any employee who accidentally or in his/her course of business comes across the identity of a reporter or the submitted claim shall not disclose the pertinent information to anybody.</p> <p>1.2 The person involved in the alleged misconduct or anyone from his/her department shall not make any attempts to find out the identity of reporter by asking Duty Diagnosis Division or questioning other employees.</p> <p>1.3 Anybody who violates any one of the above articles is subject to disciplinary action.</p> <p>2. Managing the Exposed Whistle blowers and Prohibition of Unfair Treatment against the Whistle blower</p> <p>2.1 When a reporter's identity is exposed, he/she shall report the incident to Duty Diagnosis Division, who will then track down the route and request disciplinary action.</p> <p>2.2 Any discrimination or unfair treatment against reporter is prohibited, and any violator is subject to disciplinary action.</p> <p>2.3 When a reporter believes he/she was discriminated or received unfair treatment or such actions are expected, he/she will request Duty Diagnosis Division for protection measures, such as a change of position. Duty Diagnosis Division shall make their best efforts to solve the situation without detriment to reporter after conducting through research.</p> <p>[15] Filing a Report (Webpage) Accessed 20/09/2019 https://www.dsme.co.kr/epub/cv/vc/cvvc020Q.do</p> <p>Filing a Report</p> <p>Everybody is encouraged to report any suspected inappropriate activities within or outside the company.</p>

Question
3.7. Does the company provide multiple whistleblowing and advice channels for use by all (e.g. employees and external parties), and do they allow for confidential and, wherever possible, anonymous reporting?
Score
1
Comments
<p>Based on publicly available information, there is evidence that the company has whistleblowing and advice channels that allow anonymous reporting and are accessible to all employees. There is also evidence that the whistleblowing channel is accessible to external parties and is available in multiple languages.</p> <p>However, the evidence indicates that the company only offers internally operated whistleblowing channels and does not provide any external channels operated by an independent third party. There is also no clear evidence to indicate that the available channels allow for confidential reporting, nor that they are available to the employees of suppliers and joint venture partners.</p>
Evidence
<p>[25] 신고센터 운영안내 / Report a Concern - Korean (Webpage) Accessed 02/06/2020 https://www.dsme.co.kr/pub/management/management06010501.do 신고센터 운영안내 신고 대상</p> <ul style="list-style-type: none"> • 이해관계자로부터 부당한 금품·접대·편의를 수수하는 행위 • 직위 또는 직무를 이용하여 부당한 이익을 얻거나 회사에 손해를 끼치는 행위 • 자신이나 타인의 이익을 위해 다른 직원의 공정한 업무수행을 방해하는 행위 <p>Translation:</p> <p>Report Centre Operation Guide Issues For Reports</p> <ul style="list-style-type: none"> • Collecting unreasonable money, entertainment or convenience from stakeholders • Unfair profit or damage to the company by using a position or job • Interfering with other employees' fair work for the benefit of themselves or others <p>[Page describes the whistleblowing reporting options]</p> <p>[9] Whistleblower system (Webpage) Accessed 20/09/2019 https://www.dsme.co.kr/epub/management/management06010505.do Whistleblower system (Ombudsman)</p> <p>The purpose of this system is to clearly articulate and effectuate an internal reporting process of any inappropriate activities (unlawful/unethical/corrupt activities) that can occur inside and outside of the company in the ordinary course of business.</p> <p>Reporting Process</p> <p>1.Applicable Activities</p> <ol style="list-style-type: none"> 1.1 Accepting inappropriate bribes, entertainment, or favors from stakeholders 1.2 Taking advantage of his/her job position to gain profit or causing damage to the company 1.3 Interfering with other employee's work to benefit oneself or others 1.4 Disclosing company's confidential information and customer information without permission

- 1.5 Collusion among stakeholders such as bid rigging to close a deal
- 1.6 Spreading malicious rumors and lies and damaging the company image or reputation of certain employees
- 1.7 Retaliation against whistle-blowers by exposing the identity or unfair treatments
- 1.8 Other activities in violation of code of ethics, employee code of conduct, and laws

2. How to File a Report

2.1 A report may be made using the real name or anonymously. However, in case of an anonymous report, there may be a difficulty in the investigation and the payment of compensation, so it is recommended to make a report using the real name.

2.2 Include the name of reporter (if reporting with real name) and the information of the person involved in the alleged misconduct in detail and provide the supporting documents if there is any.

2.3 Where to File

- (1) Online Report Channel: Company Website (www.dsme.co.kr) or Company Portal (DSME Portal)
- (2) Visit the Duty Diagnosis Division or Call: Phone) 055-735-9085/9081, Fax) 055-735-1277
- (3) Report by mail: (656-714) DSME Duty Diagnosis Division, 3370, Geoje-daero, Geoje-si, Gyeongsangnam-do, Korea
- (4) Reports can also be filed at different locations by different methods upon request.

3. Duty of a Whistle blower

A person who reports must not intentionally make a false accusation to defame or slander others.

4. Follow-up Procedures

4.1 Duty Diagnosis Division clarifies the submitted information as soon as possible.

4.2 Reports the information to the Head of Duty Diagnosis Division and conducts an investigation. However, if after reviewing the submitted information, the alleged violation is determined to be not applicable or its obscurity makes it impossible to verify the report, or it is a minor violation having no significance in relation to duty diagnosis, the Office can close the case at its sole discretion.

4.3 When the report turns out to be a false accusation, the applicable department can request disciplinary action against reporter to degree of damage.

4.4 Once the approval by the manager who has the authority is obtained, duty diagnosis results, along with any disciplinary or corrective action necessary, will be notified to the pertinent department.

[14] Whistleblower Rewards and Protection (Webpage)

Accessed 20/09/2019

<https://www.dsme.co.kr/epub/management/management06010501.do>

Whistle-blower Rewards & Protection

Applicable Activities

- Accepting inappropriate bribes, entertainment, or favors from stakeholders
- Taking advantage of his/her job position to gain profit or causing damage to the company
- Interfering with other employee's work to benefit oneself or others
- Disclosing company's confidential information and customer information without permission
- Collusion among stakeholders such as bid rigging to close a deal
- Retaliation against whistle-blowers by exposing the identity or unfair treatments
- Other activities in violation of code of ethics, employee code of conduct, and laws
- Breach of mutual growth agreements and fair transaction agreements with subcontractors
- Report corrupt or unfair business activities of subcontractors

Accounting Improprieties and Errors

- Inappropriate representation of the state of management and/or figures in financial statements.
- Embezzlement and/or misuse of company assets.
- Accounting errors

How to File a Report

- Although anonymous reporting is allowed under certain circumstances, using a real name is recommended.
- If a report is submitted anonymously, it should be explicitly stated with evidence to be under investigation.
- A report must not be intentionally made for a false accusation to defame or slander others.

[...]

Other Report Channels

-Phone | 055-735-9085/9084/9080/9081

-FAX | 055-734-9102

-Mail | 3370, Geoje-daero, Geoje-si, Gyeongsangnam-do, Korea, DSME. Duty Diagnosis Department 2

-Reports can also be filed at different locations by different methods upon request.

[15] Filing a Report (Webpage)

Accessed 20/09/2019

<https://www.dsme.co.kr/epub/cv/vc/cvvc020Q.do>

Filing a Report

Everybody is encouraged to report any suspected inappropriate activities within or outside the company.

Report with Real-Name
 Report Anonymously

※ If a report is submitted anonymously, you will not receive an e-mail, SMS notification or any compensation.

Name	<input type="text"/>
Title	<input type="text"/>
Description	<div style="border: 1px solid #ccc; height: 150px; width: 100%;"></div> <small>* Maximum of 5000 characters</small>
Attachments	<input type="text"/> <input type="button" value="files search"/>
※ Check either [Email Notification] or [SMS Notification] to receive a report status message.	
E-mail	<input type="text"/> @ <input type="text"/> <input type="button" value="Direct input"/> <input type="checkbox"/> E-mail
Cell Phone	<input type="button" value="Select"/> <input type="text"/> <input type="checkbox"/> SMS Notification

Agreement on the Collection of Personal Information

Terms and Conditions of Handling Personal Information

This report collect necessary personal information
 - We may need 'email address', 'cell phone number' for the purpose of better communication channel to give additional information and to receive the result of this report by DSME

Agree
 Disagree

[10] 2015 DSME Sustainability Report (Document)

Accessed 20/09/2019

https://www.dsme.co.kr/epub/images/contents/DSME_2015ER_english.pdf

[p.27] Online Counseling on Business Ethics

We have an online consultation channel to answer any question about ethical management and practices. All employees can post their questions in real name or anonymity.

[p.28]

GRI Index

● Fully Reported ● Partially Reported ○ Not Reported N/A Not Applicable

1. General Standard Disclosure

Status **Page** **Remarks**

[...]

g. Ethics and Integrity

[...]

G4-58	Report the internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines	○	27
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4. Conflict of Interest

Question
4.1. Does the company have a policy defining conflicts of interest – actual, potential and perceived – that applies to all employees and board members?
Score
0
Comments
Based on publicly available information, there is no clear evidence that the company has a policy to define and address conflicts of interest. There is some evidence that the company acknowledges some risks related to employee relationships and outside employment; however, this information is not sufficiently detailed to satisfy the requirements of score '1'.
Evidence
<p>[6] Code of Ethics Implementation Guidelines (Document) Accessed 20/09/2019 https://www.dsme.co.kr/epub/images/contents/Ethics_eng_201705.pdf</p> <p>[p.1] Article 1 Purpose The purpose of guidelines herein is to define major types of unethical behavior, determine the permitted limits, and thereby protect employees, board members, and stakeholders from the dangers of unethical behavior while ensuring efficient implementation of the code of ethics.</p> <p>[p.3] Article 6. Prohibition of Financial Transactions</p> <ol style="list-style-type: none"> 1. Loans; loan guarantees; loan repayment; real estate leasing; joint purchase of real estate or membership; and the purchase at bargain price or disposal at high price of goods, real estate, marketable securities, memberships, business rights, etc. with stakeholders are prohibited. 2. Investment and acquisition of shares in stakeholders (including suppliers, partners, and client affiliates) are prohibited. 3. Investment or share acquisition by an employee's family members, relatives or acquaintances will be regarded as investment or share acquisition by the said employee. <p>Article 7. Prohibition of Influence Paddling and Inappropriate Favors</p> <ol style="list-style-type: none"> 1. Employees must not use their position for personal gain or the gain of a third party or request an inappropriate favor that severely obstructs fair and just execution of duty. 2. Employees must not seek a promotion or an assignment from the company via an acquaintance from either within or outside the company. 3. Employees must not request the company or a stakeholder to facilitate employment, assignment, or promotion of a family member or an acquaintance. 4. Employees must not request the company or a stakeholder to register as a vendor or trade with a business operated by a family member or an acquaintance. <p>[p.3] Article 9. Separation of Official and Personal Affairs</p> <ol style="list-style-type: none"> 1. Employees must not use corporate credit cards, corporate funds or assets intended for operational needs and events, or the company's information for personal purposes. 2. Employees shall refrain from false reporting or conduct that runs counter to the company's interests for the purpose of embellishing their personal performance or their unit's performance. 3. Employees may not concurrently be employed by another firm or perform for another firm without the company's approval.

Question
4.2. Are there procedures in place to identify, declare and manage conflicts of interest, which are overseen by a body or individual ultimately accountable for the appropriate management and handling of conflict of interest cases?
Score
0
Comments
There is no publicly available evidence that the company has procedures to manage conflicts of interest or their oversight.
Evidence
No evidence found.

Question
4.3. Does the company have a policy and procedure regulating the appointment of directors, employees or consultants from the public sector?
Score
0
Comments
There is no publicly available evidence that the company has a policy regulating the employment of current or former public officials.
Evidence
No evidence found.

Question
4.4. Does the company report details of the contracted services of serving politicians to the company?
Score
0
Comments
There is no evidence that the company reports details of the contracted services of serving politicians.
Evidence
No evidence found.

5. Customer Engagement

5.1 Contributions, Donations and Sponsorships

Question
5.1.1. Does the company have a clearly defined policy and/or procedure covering political contributions?
Score
0
Comments
Based on publicly available information, there is no evidence that the company has a policy covering corporate political contributions. The company states that employees may engage in the political process privately but does not provide further information on its approach to corporate political contributions.
Evidence
<p>[6] Code of Ethics Implementation Guidelines (Document) Accessed 20/09/2019 https://www.dsme.co.kr/epub/images/contents/Ethics_eng_201705.pdf</p> <p>[p.1] Article 1 Purpose The purpose of guidelines herein is to define major types of unethical behavior, determine the permitted limits, and thereby protect employees, board members, and stakeholders from the dangers of unethical behavior while ensuring efficient implementation of the code of ethics.</p> <p>[p.3] Article 10. Prohibition of Political Involvement</p> <ol style="list-style-type: none"> 1. Employees may express their political opinions but must make it clear that their opinions do not constitute the official view of the company. 2. Employees may not engage in any political activity within the company in whatsoever form or use the company, its personnel, or its assets for political purposes

Question
5.1.2. Does the company publish details of all political contributions made by the company and its subsidiaries, or a statement that it has made no such contribution?
Score
0
Comments
There is no evidence that the company publishes details of its political contributions.
Evidence
No evidence found.

Question
5.1.3. Does the company have a clearly defined policy and/or procedure covering charitable donations and sponsorships, whether made directly or indirectly, and does it publish details of all such donations made by the company and its subsidiaries?
Score
0
Comments
<p>The company publishes some details of its charitable donations and sponsorships. However, based on publicly available information, there is no evidence it has clear policies or procedures in place to ensure donations are not used as vehicles for bribery and corruption, for example, by specifying criteria for donations, procedures for senior sign-off, or due diligence on recipients.</p>
Evidence
<p>[10] 2015 DSME Sustainability Report (Document) Accessed 20/09/2019 https://www.dsme.co.kr/epub/images/contents/DSME_2015ER_english.pdf [p.54] Contributions to the local Communities</p> <p>1. Why is social contribution activity important?</p> <p>Under the slogan of “Sharing Happiness, Sharing Joy,” DSME has been conducting corporate citizenship activities for local communities to fulfill its corporate social responsibility as well as to grow together with its clients and the nation. These activities serve as a driving force for our sustainable growth.</p> <p>2. How to manage social contribution activities?</p> <p>We have been running a social contribution calendar system on the web portal to encourage all employees to participate in volunteering activities. Employees can register and manage their individual volunteering records through the online system, which is connected automatically to “Volunteering Work Recording System.” Moreover, for the transparent and fair fund management, we are cooperating with the Fruit of Love, a non-profit organization, in selecting the potential beneficiary and managing donations thoroughly.</p> <p>3. How to assess social contribution activity management system?</p> <p>Representatives of 7 DSME volunteer groups do a fair deliberation to reward excellent individuals or teams who are proactively participating in various volunteering activities such as helping welfare facilities for handicapped people and undernourished children in order to encourage all employees to pay attention to corporate citizenship activities.</p> <p>[p.56] Performances in Social Contribution</p> <p>Contribution to the Local Communities</p> <p>Participation in Voluntary Community Services 26,703 persons 58,761 hours</p> <p>DSME’s Sea Tree Planting Day We have held the “Sea Tree Planting Day” to take first step toward protecting the environment of the planet. About 300 employees and their families attended the campaign to carry out various activities for restoring marine ecosystem in Jisepo-ri, Irun-myeon, Geoje-si. In particular, we have planted sea grass to prevent devastation of sea and protect marine ecosystem. This campaign will extend from the coast of Gyeongsangnam-do to cover east and west coast.</p> <p>One Love One Village Program</p> <p>We have set up sisterhood relationship called “Dasom Ilchol” with 49 senior citizens centers in Geoje to improve welfare of the aged in the area. Dasom Ilchol is a mixed word of love and village (or the closest kinship) in Korean. In November 2014, we invited senior citizens of the centers to conduct and yard tour and serve foods. Each department visited rural areas with the sisterhood relationship to clean facilities and provide daily necessities.</p>

Joining-together Concert

Since 2011, DSME has been hosting a joining-together concert for residents in Geoje for free. The concert, held on the outdoor stage of a waterside park, has been welcomed a lot by local residents as a good chance to enjoy cultural life.

Support for Oil Spill Cleaning in Yeosu

For faster cleanup and recovery from an oil spill in Yeosu in February 2014, we provided goods necessary for recovery activities of about 1,500 participants.

Joint Labor-Management “Loving My Village Project”

In November 2014, about 300 DSME employees visited citizens in need to share warmth and pleasure with them in Jangmok-myeon, Geoje. Our volunteer corps provided around 450 senior citizens with a variety of services such as delivering foods, holding entertainment event, and delivering free reading glasses. Also, they served side dishes for 100 senior citizens living alone and handicapped people. For four households with poor housing condition, we repaired the roof and electrical facilities to keep them warm in winter, and renovated school facilities for children to feel free to play. In addition, we decorated the Hwangpo Village with environmental cleanup and wall painting services. This love sharing project for needy residents has been undertaking annually since 2012

Vitalization of Local Economy

Support for local events



KRW **224** million

Purchasing of Geoje Gift Card



KRW **2.26** million

Donations to local communities



KRW **76** million

Purchasing of local products in Geoje



KRW **34.4** million

Sponsorship to Gyeongnam FC



KRW **3.6** million

[p.58]

Donation by Employees

Donation by Employees

Joint labor-management donation in 2014



KRW **114,342,874**

Executives' voluntary donation



KRW **51,300,000**

Employee donation



KRW **64,524,804**

Monthly donation to local welfare facilities



KRW **107,581,000**

Donation by the Company

Gifts to local welfare facilities on traditional holidays



KRW **56,000,000**

Occasional donations to local welfare facilities



KRW **25,123,000**

Donations by matching grant program



KRW **64,524,804**

Scholarships



KRW **14,500,000**

Support for drawing contests



KRW **8,200,000**

1004 Money Donation

We have been operating the 1004 (meaning Angel in Korean/numerical text) Donation program, a matching grant system wherein KRW 1,004 is taken from the salary of employees who wish to join and the company donates the same amount of fund donated by them. In 2014, approximately KRW 120 million was raised through the program, which was used for supporting senior citizens living alone for heating in winter, providing beneficiary of national basic livelihood with cost of middle and high school textbooks, and donating money to the Hope Welfare Foundation in Geoje.

Executives' Voluntary Donation

Executives' Voluntary Donation aims to encourage executives to take the lead in social contribution activities. Monthly, KRW 50,000 is deducted from salary, and CEO and executives visit underprivileged residents to give foods and donation at the end of every year. In December 2014, 21 executives visited local welfare and childcare facilities to cheer residents and donated about KRW 51 million.

[16] Community Contribution (Webpage)

Accessed 20/09/2019

<https://www.dsme.co.kr/epub/management/management060201.do>

DSME Community Service

Through active and constant community service activities, we take our responsibility as a model corporate citizen seriously.

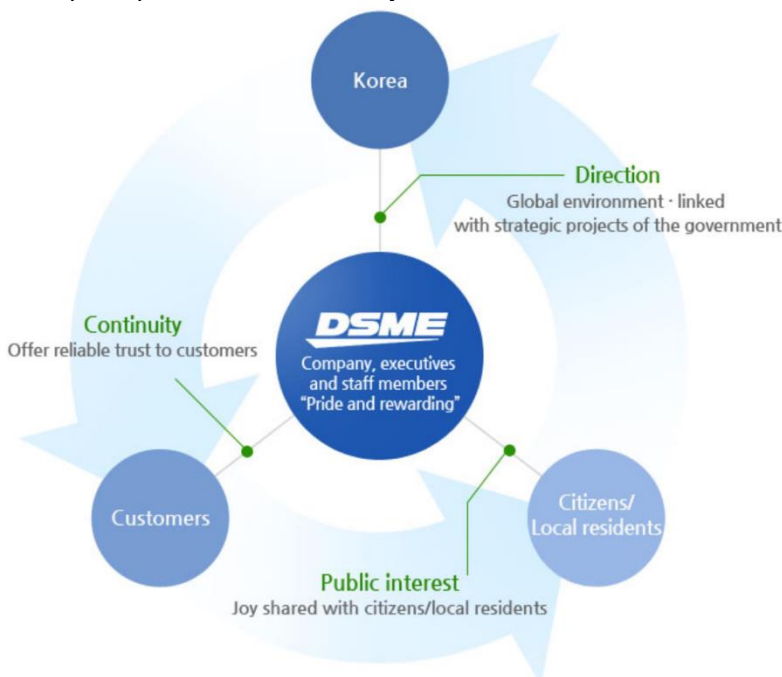
To contribute in creating a world for all, DSME employees started a volunteer group in 1993 led by the executives. In 2003, DSME officially established the 'DSME Volunteer Corps' to manage the community service programs more systematically and actively.

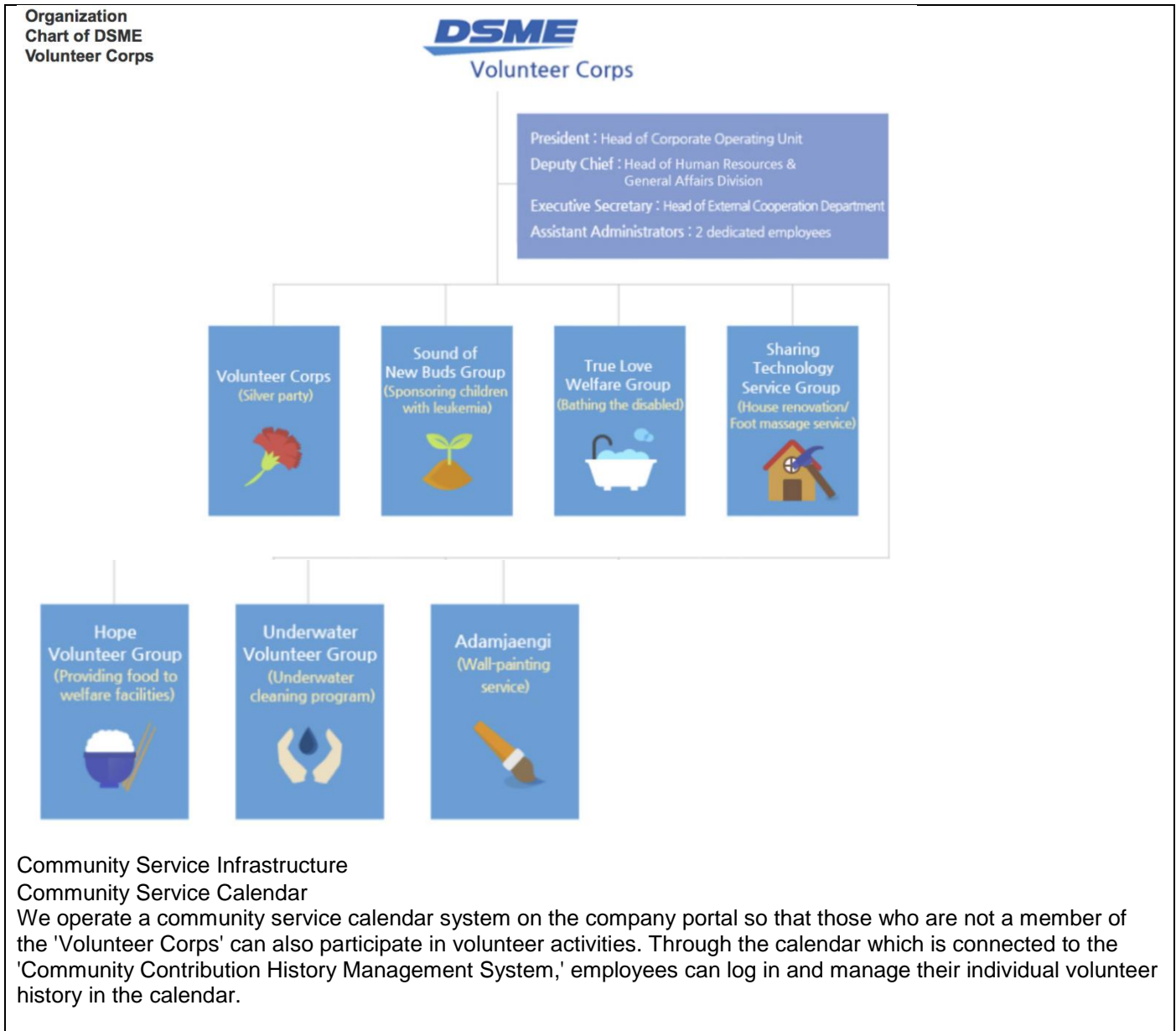
Community Service Overview and Organization

DSME Community Service Slogan

Joy of Sharing, Joy of Togetherness: In order to emphasize the importance of community service and to create interest in community service activities, we have used this slogan in the Community Service Calendar and on the vests for the Volunteer Corps.

Concept map of DSME community service





5.2 Lobbying

Question
5.2.1 Does the company have a policy and/or procedure covering responsible lobbying?
Score
0
Comments
There is no publicly available evidence that the company has a policy or procedure on lobbying.
Evidence
No evidence found.

Question
5.2.2 Does the company publish details of the aims and topics of its public policy development and lobbying activities it carries out?
Score
0
Comments
There is no evidence that the company publishes any information on its lobbying aims, topics or activities.
Evidence
No evidence found.

Question
5.2.3 Does the company publish full details of its global lobbying expenditure?
Score
0
Comments
There is no evidence that the company publishes any details about its global lobbying expenditure.
Evidence
No evidence found.

5.3 Gifts and Hospitality

Question
5.3.1 Does the company have a policy and/or procedure on gifts and hospitality to ensure they are bona fide to prevent undue influence or other corruption?
Score
1
Comments
<p>Based on publicly available information, there is evidence that the company has a policy and procedure on the giving and receipt of gifts and hospitality. The policy specifies financial limits for different types of promotional expenses.</p> <p>However, the company receives a score of ‘1’ because it is not clear that the company acknowledges the risks associated with giving or receiving gifts from public officials. There is also no evidence that all gifts and hospitality above a certain threshold are recorded in a dedicated register or central depository that is accessible to those responsible for oversight of the process.</p>
Evidence
<p>[4] Code of Ethics (Document) Accessed 20/09/2019 https://www.dsme.co.kr/epub/images/contents/ethics_eng.pdf [p.2] Chapter 5 Mutual Development of the Company and Employees [...]</p> <p>7. Employees will treat each other with mutual respect as colleagues and refrain from demanding or accepting gifts, entertainment or favors from stakeholders.</p> <p>[6] Code of Ethics Implementation Guidelines (Document) Accessed 20/09/2019 https://www.dsme.co.kr/epub/images/contents/Ethics_eng_201705.pdf [p.2] Article 3 Prohibition of Receiving Money and Valuables, Entertainment, or Convenience</p> <ol style="list-style-type: none"> 1. Regardless of whether or not something was expected in return, requesting or receiving money, valuables, entertainment, or convenience from stakeholders for any reason is strictly prohibited. 2. Does not apply as the money, valuable, entertainment, or convenience prohibited in Article 3-1 under each of the following circumstances in which the provider’s sincerity, spontaneity, and willingness are recognized: <ol style="list-style-type: none"> 2.1 Marketing and promotional gifts; souvenirs with the stakeholder company's logo; and souvenirs generally provided by all participants of the events organized by stakeholders valued at less than ₩50,000. 2.2 Business-related meals and conveniences valued at less than ₩30,000. 3. If providing money, valuables, entertainment, or convenience to a stakeholder or a public servant for a business purpose, the employee must comply with the recipient’s code of ethics and Improper Solicitation and Graft Act. 4. Acceptance by an employee’s family members, relatives or acquaintances will be regarded as acceptance by the said employee. 5. Should employee receive money, valuables, entertainment, or convenience as per Article 3-1 against their will, the employee must immediately return the item in question or provide monetary compensation equal in value, voluntarily register the matter on the portal, or report the matter to the Ethics department.

[12] Campaign - Event (Webpage)

Accessed 20/09/2019

<https://www.dsme.co.kr/epub/management/management06010304.do>

No exchange of gifts on holidays

- Inform all stakeholders of the company's no-gift policy and request their cooperation before holidays
- Notify all employees of the company's no-gift policy regardless of the amount
- Immediately return any gift (gifts or cash equivalents) received under certain inevitable situations to the sender, and report the fact to Compliance & Legal Support Department

No congratulations plants on one's promotion

- A letter is sent to subcontractors and suppliers requesting that they do not to send congratulations plants during the promotion season
- Any employee who received a congratulations plant is responsible for returning it to the sender.
- No congratulations plants are currently allowed to be brought into the company's premises.

6. Supply Chain Management

Question
6.1. Does the company require the involvement of its procurement department in the establishment of new supplier relationships and in the oversight of its supplier base?
Score
1
Comments
<p>There is publicly available evidence that the company's procurement department is involved, in some capacity, in the establishment of supplier relationships.</p> <p>However, the company receives a score of '1' because there is no evidence that the procurement department is the main body responsible for oversight of the company's supplier base. There is also no evidence that the company assures itself of the procurement department's involvement at least every three years.</p>
Evidence
<p>[26] Ethical Management of Suppliers and Partners (Webpage) Accessed 03/06/2020 http://www.dsme.co.kr/epub/management/management06010305.do Ethical Management of Suppliers/Partners</p> <ol style="list-style-type: none"> 1. Registration Screenings <ul style="list-style-type: none"> • On registration of new suppliers/partners, the strict screening process is applied and the key elements include its ethical management • New registration is not permissible on the company if its directors, employees or officers involve in unethical conducts, or any retiree from DSME involved in any corruption is employed by the company. • The screening process is participated by relevant groups and related departments including procurement and quality management, HSE, etc., thus, risk of conflict of interest is eliminated. 2. Signing Contract with Suppliers/Partners <ul style="list-style-type: none"> • Ethical compliance obligations are included in the DSME standard contract form to promote ethical practice of suppliers/partners. • Under the ethical compliance obligations, suppliers/partners are not allowed to engage in any act of bribery such as money (including facilitation payments, etc.), gifts, entertainment and convenience with any DSME employees, government officials, employees of partners and any affiliated personnel. • The ethical management pledge should be signed and complied, which include the prohibition of unfair practice and bribery (money (including facilitation payments, etc.), entertainment, convenience, gifts) with DSME and all other suppliers. • Any violation of the pledge may lead to the termination of the contract depending on its severity. 3. Commitment to Suppliers/Partners <ul style="list-style-type: none"> • Pledge to cooperate with the DSME's anti-corruption policies. <ul style="list-style-type: none"> · Gifts for national holidays, promotion, excessive condolence money, and golf are prohibited. • Pledge to comply with the Code of Ethics and its Practice Guidelines. • Pledge to comply with the sanctions against former employees who committed corrupt practice. • Pledge to protect the whistleblowers under the Unethical Practice Report Reward System Rules. 4. Evaluation of Suppliers/Partners <ul style="list-style-type: none"> • Suppliers/partners are subject to ethical practice evaluations on a regular basis depending on the transaction terms. • The related organizations of the suppliers/partners are also subject to evaluation to eliminate the risk of conflict of interest.

Question
6.2 Does the company conduct risk-based anti-bribery and corruption due diligence when engaging or re-engaging with its suppliers?
Score
1
Comments
<p>Based on publicly available information, there is some evidence that the company conducts due diligence on its suppliers, which includes a review of corruption risks. There is also some evidence indicating that the company might be willing to review and/or terminate supplier relationships in circumstances where a red flag highlighted in the due diligence cannot be mitigated.</p> <p>However, there is no evidence that the due diligence process includes checks on ultimate beneficial ownership, nor that the highest risk suppliers are subject to enhanced due diligence. There is also no clear evidence that due diligence is repeated at least every two years or whenever there is a change in the business relationship.</p>
Evidence
<p>[26] Ethical Management of Suppliers and Partners (Webpage) Accessed 03/06/2020 http://www.dsme.co.kr/epub/management/management06010305.do Ethical Management of Suppliers/Partners</p> <p>1. Registration Screenings</p> <ul style="list-style-type: none"> On registration of new suppliers/partners, the strict screening process is applied and the key elements include its ethical management New registration is not permissible on the company if its directors, employees or officers involve in unethical conducts, or any retiree from DSME involved in any corruption is employed by the company. The screening process is participated by relevant groups and related departments including procurement and quality management, HSE, etc., thus, risk of conflict of interest is eliminated. <p>2. Signing Contract with Suppliers/Partners</p> <ul style="list-style-type: none"> Ethical compliance obligations are included in the DSME standard contract form to promote ethical practice of suppliers/partners. Under the ethical compliance obligations, suppliers/partners are not allowed to engage in any act of bribery such as money (including facilitation payments, etc.), gifts, entertainment and convenience with any DSME employees, government officials, employees of partners and any affiliated personnel. The ethical management pledge should be signed and complied, which include the prohibition of unfair practice and bribery (money (including facilitation payments, etc.), entertainment, convenience, gifts) with DSME and all other suppliers. Any violation of the pledge may lead to the termination of the contract depending on its severity. <p>[...]</p> <p>4. Evaluation of Suppliers/Partners</p> <ul style="list-style-type: none"> Suppliers/partners are subject to ethical practice evaluations on a regular basis depending on the transaction terms. <p>The related organizations of the suppliers/partners are also subject to evaluation to eliminate the risk of conflict of interest.</p> <p>[10] 2015 DSME Sustainability Report (Document) Accessed 20/09/2019 https://www.dsme.co.kr/epub/images/contents/DSME_2015ER_english.pdf [p.60] Assessment of Suppliers</p>

With regard to DSME's suppliers, we have changed the annual quality assessment scheme into a comprehensive assessment system, through which DSME evaluates suppliers and registers assessment results frequently if any problem happens in transactions.

Comprehensive Monitoring

The company offers employees in charge of monitoring suppliers summarized "To-Do List" and practical information on actual performance compared with budget and cost data of the past for the same product. We also manage ordering and supply at a right time for KPI (Key Performance Indicator), help prevent errors by step of procurement, and conduct a follow-up monitoring for fair transaction.

Management of Potential Suppliers

DSME collects and manages information on its suppliers systematically, and is on the process of developing a new rating system jointly with a consulting company to evaluate the rating of prospective, potential, new, and existing suppliers.

Reestablishing Supplier Assessment System

We are creating a system in cooperation with a consulting company to assess performance of suppliers in a more effective and fair way by reflecting sourcing features of raw materials and equipment. In addition, based on assessment results, we will create incentive and penalty systems to make our supply chains differentiated.

[23] System – Program – Updated Page (Webpage)

Accessed 02/06/2020

<https://www.dsme.co.kr/epub/management/management06010302.do>

Smart Auditor (Real Time Monitoring System)

- Monitor high-risk areas to prevent unethical and corrupt practices on an ongoing basis.
- Strengthen risk management through feedback on monitoring results.
- Implement the system in various scenarios in 8 areas including HR, finance, procurement, external suppliers, internal suppliers contract, security and general monitoring.
- Develop, test and transfer new scenarios for active monitoring by relevant teams.

Question
6.3 Does the company require all of its suppliers to have adequate standards of anti-bribery and corruption policies and procedures in place?
Score
1
Comments
<p>Based on publicly available information, there is evidence that the company requires its suppliers to abide by anti-bribery and corruption contractual terms. The company states that its suppliers are prohibited from engaging in bribery and making facilitation payments, as well as referring to conflicts of interest, gifts and hospitality and whistleblowing provisions in its commitments to suppliers.</p> <p>However, there is no evidence to suggest that the company takes active steps to ensure that its suppliers have adequate anti-bribery and corruption policies and procedures in place, either when onboarding new suppliers or when there is a significant change in the business relationship. While it refers to ethical practice evaluations, it is not clear from publicly available materials what this process entails.</p>
Evidence
<p>[26] Ethical Management of Suppliers and Partners (Webpage) Accessed 03/06/2020 http://www.dsme.co.kr/epub/management/management06010305.do Ethical Management of Suppliers/Partners</p> <ol style="list-style-type: none"> 1. Registration Screenings <ul style="list-style-type: none"> • On registration of new suppliers/partners, the strict screening process is applied and the key elements include its ethical management • New registration is not permissible on the company if its directors, employees or officers involve in unethical conducts, or any retiree from DSME involved in any corruption is employed by the company. • The screening process is participated by relevant groups and related departments including procurement and quality management, HSE, etc., thus, risk of conflict of interest is eliminated. 2. Signing Contract with Suppliers/Partners <ul style="list-style-type: none"> • Ethical compliance obligations are included in the DSME standard contract form to promote ethical practice of suppliers/partners. • Under the ethical compliance obligations, suppliers/partners are not allowed to engage in any act of bribery such as money (including facilitation payments, etc.), gifts, entertainment and convenience with any DSME employees, government officials, employees of partners and any affiliated personnel. • The ethical management pledge should be signed and complied, which include the prohibition of unfair practice and bribery (money (including facilitation payments, etc.), entertainment, convenience, gifts) with DSME and all other suppliers. • Any violation of the pledge may lead to the termination of the contract depending on its severity. 3. Commitment to Suppliers/Partners <ul style="list-style-type: none"> • Pledge to cooperate with the DSME's anti-corruption policies. <ul style="list-style-type: none"> · Gifts for national holidays, promotion, excessive condolence money, and golf are prohibited. • Pledge to comply with the Code of Ethics and its Practice Guidelines. • Pledge to comply with the sanctions against former employees who committed corrupt practice. • Pledge to protect the whistleblowers under the Unethical Practice Report Reward System Rules. 4. Evaluation of Suppliers/Partners <ul style="list-style-type: none"> • Suppliers/partners are subject to ethical practice evaluations on a regular basis depending on the transaction terms. • The related organizations of the suppliers/partners are also subject to evaluation to eliminate the risk of conflict of interest.

5. Suppliers/Partners Sanctions

- As part of Sub-Contractor Sanction Policy, DSME issues a warning and suspends unethical suppliers/partners to promote ethical practice.
- The sanction applies to all suppliers/partners of DSME.
- The reasons and standards for sanctions are deliberated by the Sanction Deliberation Committee in accordance with Sub-Contractor Sanction Guidelines and its results are provided to the company in the form of an official letter.
- The guidelines are included in the contract so the suppliers/partners understand the consequences of the violations depending on the types of corrupt practice.

[23] System – Program – Updated Page (Webpage)

Accessed 02/06/2020

<https://www.dsme.co.kr/epub/management/management06010302.do>

Sub-Contractor Sanction Policy

Issue warning and suspend transactions with unethical or corrupt suppliers.

Apply to all suppliers/partners of DSME.

Subject of Sanction

1. Submitting false or misleading information in deliveries, specifications, services and documents which results in damage to DSME's reputation and credibility.
2. Theft and embezzlement of DSME assets and acquisition of unfair gains on consigned assets.
3. Bribery (e.g. money (including facilitation payments, etc.), gifts, entertainment and convenience) to DSME employees or officers
4. Monetary transactions and joint investment with DSME employees or officers who have a conflict of interest.
5. Social activities such as golf and overseas travel with DSME employees or officers who have a conflict of interest.
6. Influence on the registration and transaction with suppliers.
7. Damaging the reputation or false accusation on DSME employees or officers and other suppliers.
8. Disturb fair trade practices such as bid rigging, promotional advertising during bidding process, giving a bribe to client and related parties.
9. Violations of the ethics-related policies and contract entered with DSME.
10. Other violations of DSME Code of Ethics (and Guidelines).

Types of Sanction

Suspension of transaction (permanent/ 5 years/ 3 years/ 1 year, etc.), Warning, Pledge of Prevention.

Decision on Sanction

Decisions are made by the Sanction Deliberation Committee.

Voluntary Ethical Compliance Programs

Promote an attitude and behavior change of individuals and organizations through voluntary audits on a regular basis

(Through voluntary audit checklist)

Prevent the ethical risks by identifying and improving a process vulnerable to unethical practices (ethical challenge tasks)

Encourage enterprise-wide participation (all organizations, all directors and employees)

Apply levels of participation to performance evaluations by individual and organization

[13] Exchange - Cooperation (Webpage)

Accessed 20/09/2019

<https://www.dsme.co.kr/epub/management/management06010305.do>

Ethical Management for Subcontractors

-Share DSME's anti-corruption & ethics policies and request their active cooperation

*No exchange of gifts on holidays, no congratulations plants on one's promotion, no excessive condolence or congratulatory money, no golfing with DSME employees. etc.

-Include ethics compliance obligation in all contracts with a subcontractor company and use the results in the subcontractor evaluation

- Conduct a meeting and a survey on a regular basis for open communication
- *Explain about DSME's current focus on ethical issues and listen to the difficulties faced by subcontractors in implementing ethical management, conduct an anonymous survey for damage cases resulting from unethical practices of DSME employees.
- Establish and implement disciplinary measures for subcontractors engaged in fraud or corruption
- *Establish the types of fraud, corruption and sanctions criteria and apply them to subcontractors without an exception

[12] Campaign - Event (Webpage)

Accessed 20/09/2019

<https://www.dsme.co.kr/epub/management/management06010304.do>

No exchange of gifts on holidays

- Inform all stakeholders of the company's no-gift policy and request their cooperation before holidays
- Notify all employees of the company's no-gift policy regardless of the amount
- Immediately return any gift (gifts or cash equivalents) received under certain inevitable situations to the sender, and report the fact to Compliance & Legal Support Department

No congratulations plants on one's promotion

- A letter is sent to subcontractors and suppliers requesting that they do not to send congratulations plants during the promotion season

[7] Ethical Management System (Webpage)

Accessed 20/09/2019

<https://www.dsme.co.kr/epub/management/management06010103.do>

Consensus by Ethics education	Building consensus among employees and stakeholders on practicing ethical management	<ul style="list-style-type: none"> Training & PR Ethics conference Campaign Integrated ethics management for all subsidiaries Ethics management support for subcontractors and suppliers
		DSME Ethical Management

[21] Ethical Management System – Korean (Webpage)

Accessed 26/11/2019

<https://www.dsme.co.kr/pub/management/management06010103.do>

공감대 Consensus by Ethics education	윤리실천에 대한 임직원 및 이해관계자의 공감대 형성	<ul style="list-style-type: none"> - 윤리경영 자율실천활동 - 윤리교육/홍보 - 윤리캠페인 - 윤리준수의무 계약제도 - 부정비리 협력회사 제재 제도
		DSME 윤리경영

Translation:

Consensus by Ethics education

Building consensus among employees and stakeholders on practicing ethical management

- Training & PR
- Ethics conference
- Campaign
- Integrated ethics management for all subsidiaries
- Policy controlling collaborative companies which are involved in corruption or bribery

Question
6.4 Does the company ensure that its suppliers require all their sub-contractors to have anti-corruption programmes in place that at a minimum adhere to the standards established by the main contractor?
Score
0
Comments
Based on publicly available information, there is no clear evidence that the company takes steps to ensure that the substance of its anti-bribery and corruption programme and standards are required throughout the supply chain.
Evidence
<p>[26] Ethical Management of Suppliers and Partners (Webpage) Accessed 03/06/2020 http://www.dsme.co.kr/epub/management/management06010305.do</p> <p>2. Signing Contract with Suppliers/Partners</p> <ul style="list-style-type: none"> • Ethical compliance obligations are included in the DSME standard contract form to promote ethical practice of suppliers/partners. • Under the ethical compliance obligations, suppliers/partners are not allowed to engage in any act of bribery such as money (including facilitation payments, etc.), gifts, entertainment and convenience with any DSME employees, government officials, employees of partners and any affiliated personnel. • The ethical management pledge should be signed and complied, which include the prohibition of unfair practice and bribery (money (including facilitation payments, etc.), entertainment, convenience, gifts) with DSME and all other suppliers. • Any violation of the pledge may lead to the termination of the contract depending on its severity.

Question
6.5 Does the company publish high-level results from ethical incident investigations and disciplinary actions against suppliers?
Score
0
Comments
There is no evidence that the company publishes any data on ethical, bribery or corruption-related investigations or associated disciplinary actions relating to its suppliers.
Evidence
No evidence found.

7. Agents, Intermediaries and Joint Ventures

7.1 Agents and Intermediaries

Question
7.1.1 Does the company have a clear policy on the use of agents?
Score
1
Comments
<p>Based on publicly available information, there is some evidence that the company has a policy covering the use of agents, which stipulates certain measures and controls to mitigate the corruption risks associated with their use.</p> <p>However, the company receives a score of '1' because there is no evidence that the company commits to establishing and verifying that the use of agents is, in each case, necessary to perform a legitimate business function. The company furthermore does not specify that this policy also applies to subsidiaries and joint ventures.</p>
Evidence
<p>[6] Code of Ethics Implementation Guidelines (Document) Accessed 23/09/2019 https://www.dsme.co.kr/epub/images/contents/Ethics_eng_201705.pdf [p.1] Article 2 Terminology [...]</p> <p>2.Partners: All contracted parties (individuals, juridical persons, and other organizations) in a business relationship with the company, including but not limited to internal and external partners, materials suppliers, general goods and services providers, and agents.</p> <p>[p.2] Article 4. Restrictions on Golfing, Traveling Overseas, and Fraternizing with Partners</p> <ol style="list-style-type: none"> 1. Irrespective of at which party's expense, employees must not play golf, travel overseas, or equivalent activities with a partner employee or a public servant as per the Improper Solicitation and Graft Act, unless at an official event organized by the company. 2. Should employee be required to play golf, travel overseas or equivalent activities with a partner employee or a public servant due to unavoidable circumstances, the employee must obtain the approval of the department manager and voluntarily register the matter on the portal beforehand. <p>Article 5. Restrictions on Notification of Family Events</p> <ol style="list-style-type: none"> 1. Employees may not inform an external stakeholder of family events. In particular, employees must not inform a partner of family events via mail, electronic mail, telephone (texting), or fax. <p>Article 6. Prohibition of Financial Transactions</p> <p>[...]</p> <ol style="list-style-type: none"> 2. Investment and acquisition of shares in stakeholders (including suppliers, partners, and client affiliates) are prohibited. <p>[26] Ethical Management of Suppliers and Partners (Webpage) Accessed 03/06/2020 http://www.dsme.co.kr/epub/management/management06010305.do Ethical Management of Suppliers/Partners</p>

1. Registration Screenings

- On registration of new suppliers/partners, the strict screening process is applied and the key elements include its ethical management
- New registration is not permissible on the company if its directors, employees or officers involve in unethical conducts, or any retiree from DSME involved in any corruption is employed by the company.
- The screening process is participated by relevant groups and related departments including procurement and quality management, HSE, etc., thus, risk of conflict of interest is eliminated.

2. Signing Contract with Suppliers/Partners

- Ethical compliance obligations are included in the DSME standard contract form to promote ethical practice of suppliers/partners.
- Under the ethical compliance obligations, suppliers/partners are not allowed to engage in any act of bribery such as money (including facilitation payments, etc.), gifts, entertainment and convenience with any DSME employees, government officials, employees of partners and any affiliated personnel.
- The ethical management pledge should be signed and complied, which include the prohibition of unfair practice and bribery (money (including facilitation payments, etc.), entertainment, convenience, gifts) with DSME and all other suppliers.
- Any violation of the pledge may lead to the termination of the contract depending on its severity.

3. Commitment to Suppliers/Partners

- Pledge to cooperate with the DSME's anti-corruption policies.
 - Gifts for national holidays, promotion, excessive condolence money, and golf are prohibited.
- Pledge to comply with the Code of Ethics and its Practice Guidelines.
- Pledge to comply with the sanctions against former employees who committed corrupt practice.
- Pledge to protect the whistleblowers under the Unethical Practice Report Reward System Rules.

4. Evaluation of Suppliers/Partners

- Suppliers/partners are subject to ethical practice evaluations on a regular basis depending on the transaction terms.
- The related organizations of the suppliers/partners are also subject to evaluation to eliminate the risk of conflict of interest.

5. Suppliers/Partners Sanctions

- As part of Sub-Contractor Sanction Policy, DSME issues a warning and suspends unethical suppliers/partners to promote ethical practice.
- The sanction applies to all suppliers/partners of DSME.
- The reasons and standards for sanctions are deliberated by the Sanction Deliberation Committee in accordance with Sub-Contractor Sanction Guidelines and its results are provided to the company in the form of an official letter.
- The guidelines are included in the contract so the suppliers/partners understand the consequences of the violations depending on the types of corrupt practice.

[23] System – Program – Updated Page (Webpage)

Accessed 02/06/2020

<https://www.dsme.co.kr/epub/management/management06010302.do>

Sub-Contractor Sanction Policy

Issue warning and suspend transactions with unethical or corrupt suppliers.

Apply to all suppliers/partners of DSME.

Subject of Sanction

1. Submitting false or misleading information in deliveries, specifications, services and documents which results in damage to DSME's reputation and credibility.
2. Theft and embezzlement of DSME assets and acquisition of unfair gains on consigned assets.
3. Bribery (e.g. money (including facilitation payments, etc.), gifts, entertainment and convenience) to DSME employees or officers

4. Monetary transactions and joint investment with DSME employees or officers who have a conflict of interest.
5. Social activities such as golf and overseas travel with DSME employees or officers who have a conflict of interest.
6. Influence on the registration and transaction with suppliers.
7. Damaging the reputation or false accusation on DSME employees or officers and other suppliers.
8. Disturb fair trade practices such as bid rigging, promotional advertising during bidding process, giving a bribe to client and related parties.
9. Violations of the ethics-related policies and contract entered with DSME.
10. Other violations of DSME Code of Ethics (and Guidelines).

Types of Sanction

Suspension of transaction (permanent/ 5 years/ 3 years/ 1 year, etc.), Warning, Pledge of Prevention.

Decision on Sanction

Decisions are made by the Sanction Deliberation Committee.

Voluntary Ethical Compliance Programs

Promote an attitude and behavior change of individuals and organizations through voluntary audits on a regular basis

(Through voluntary audit checklist)

Prevent the ethical risks by identifying and improving a process vulnerable to unethical practices (ethical challenge tasks)

Encourage enterprise-wide participation (all organizations, all directors and employees)

Apply levels of participation to performance evaluations by individual and organization

Question
7.1.2 Does the company conduct risk-based anti-bribery and corruption due diligence when engaging or re-engaging its agents and intermediaries?
Score
1
Comments
<p>Based on publicly available information, there is some evidence that the company has procedures to conduct due diligence prior to engaging with its business partners, the definition of which includes agents. There is some evidence indicating the company would not engage with an agent when the risks identified in due diligence can not be mitigated.</p> <p>However, there is no evidence that agents and the highest risk intermediaries are subject to enhanced due diligence, nor that the company repeats due diligence at least every two years and/or when there is a significant change in the business relationship.</p>
Evidence
<p>[6] Code of Ethics Implementation Guidelines (Document) Accessed 23/09/2019 https://www.dsme.co.kr/epub/images/contents/Ethics_eng_201705.pdf [p.1] Article 2. Terminology</p> <p>[...]</p> <p>2.Partners: All contracted parties (individuals, juridical persons, and other organizations) in a business relationship with the company, including but not limited to internal and external partners, materials suppliers, general goods and services providers, and agents.</p> <p>[26] Ethical Management of Suppliers and Partners (Webpage) Accessed 03/06/2020 http://www.dsme.co.kr/epub/management/management06010305.do Ethical Management of Suppliers/Partners</p> <p>1. Registration Screenings</p> <ul style="list-style-type: none"> • On registration of new suppliers/partners, the strict screening process is applied and the key elements include its ethical management • New registration is not permissible on the company if its directors, employees or officers involve in unethical conducts, or any retiree from DSME involved in any corruption is employed by the company. • The screening process is participated by relevant groups and related departments including procurement and quality management, HSE, etc., thus, risk of conflict of interest is eliminated. <p>[...]</p> <p>4. Evaluation of Suppliers/Partners</p> <ul style="list-style-type: none"> • Suppliers/partners are subject to ethical practice evaluations on a regular basis depending on the transaction terms. • The related organizations of the suppliers/partners are also subject to evaluation to eliminate the risk of conflict of interest.

Question
7.1.3 Does the company aim to establish the ultimate beneficial ownership of its agents and intermediaries?
Score
0
Comments
There is no publicly available evidence that the company aims to establish the beneficial ownership of its agents.
Evidence
No evidence found.

Question
7.1.4 Does the company’s anti-bribery and corruption policy apply to all agents and intermediaries acting for or on behalf of the company, and does it require anti-bribery and corruption clauses in its contracts with these entities?
Score
0
Comments
Based on publicly available information, there is some evidence that that all third party and agents are subject to the company’s ethics policies. The company indicates that these standards are ensured through anti-corruption clauses in contractual agreements, which include termination rights. However, there is no evidence that the company explicitly includes audit rights in its contracts with these entities and therefore the company receives a score of ‘0’.
Evidence
<p>[26] Ethical Management of Suppliers and Partners (Webpage) Accessed 03/06/2020 http://www.dsme.co.kr/epub/management/management06010305.do Ethical Management of Suppliers/Partners</p> <p>[...]</p> <p>2. Signing Contract with Suppliers/Partners</p> <ul style="list-style-type: none"> • Ethical compliance obligations are included in the DSME standard contract form to promote ethical practice of suppliers/partners. • Under the ethical compliance obligations, suppliers/partners are not allowed to engage in any act of bribery such as money (including facilitation payments, etc.), gifts, entertainment and convenience with any DSME employees, government officials, employees of partners and any affiliated personnel. • The ethical management pledge should be signed and complied, which include the prohibition of unfair practice and bribery (money (including facilitation payments, etc.), entertainment, convenience, gifts) with DSME and all other suppliers. • Any violation of the pledge may lead to the termination of the contract depending on its severity. <p>3. Commitment to Suppliers/Partners</p> <ul style="list-style-type: none"> • Pledge to cooperate with the DSME’s anti-corruption policies. • Gifts for national holidays, promotion, excessive condolence money, and golf are prohibited. • Pledge to comply with the Code of Ethics and its Practice Guidelines. • Pledge to comply with the sanctions against former employees who committed corrupt practice. • Pledge to protect the whistleblowers under the Unethical Practice Report Reward System Rules. <p>4. Evaluation of Suppliers/Partners</p> <ul style="list-style-type: none"> • Suppliers/partners are subject to ethical practice evaluations on a regular basis depending on the transaction terms. • The related organizations of the suppliers/partners are also subject to evaluation to eliminate the risk of conflict of interest. <p>5. Suppliers/Partners Sanctions</p> <ul style="list-style-type: none"> • As part of Sub-Contractor Sanction Policy, DSME issues a warning and suspends unethical suppliers/partners to promote ethical practice. • The sanction applies to all suppliers/partners of DSME. • The reasons and standards for sanctions are deliberated by the Sanction Deliberation Committee in accordance with Sub-Contractor Sanction Guidelines and its results are provided to the company in the form of an official letter. • The guidelines are included in the contract so the suppliers/partners understand the consequences of the violations depending on the types of corrupt practice.

[23] System – Program – Updated Page (Webpage)

Accessed 02/06/2020

<https://www.dsme.co.kr/epub/management/management06010302.do>

Sub-Contractor Sanction Policy

Issue warning and suspend transactions with unethical or corrupt suppliers.

Apply to all suppliers/partners of DSME.

Subject of Sanction

1. Submitting false or misleading information in deliveries, specifications, services and documents which results in damage to DSME's reputation and credibility.
2. Theft and embezzlement of DSME assets and acquisition of unfair gains on consigned assets.
3. Bribery (e.g. money (including facilitation payments, etc.), gifts, entertainment and convenience) to DSME employees or officers
4. Monetary transactions and joint investment with DSME employees or officers who have a conflict of interest.
5. Social activities such as golf and overseas travel with DSME employees or officers who have a conflict of interest.
6. Influence on the registration and transaction with suppliers.
7. Damaging the reputation or false accusation on DSME employees or officers and other suppliers.
8. Disturb fair trade practices such as bid rigging, promotional advertising during bidding process, giving a bribe to client and related parties.
9. Violations of the ethics-related policies and contract entered with DSME.
10. Other violations of DSME Code of Ethics (and Guidelines).

Types of Sanction

Suspension of transaction (permanent/ 5 years/ 3 years/ 1 year, etc.), Warning, Pledge of Prevention.

Decision on Sanction

Decisions are made by the Sanction Deliberation Committee.

Voluntary Ethical Compliance Programs

Promote an attitude and behavior change of individuals and organizations through voluntary audits on a regular basis

(Through voluntary audit checklist)

Prevent the ethical risks by identifying and improving a process vulnerable to unethical practices (ethical challenge tasks)

Encourage enterprise-wide participation (all organizations, all directors and employees)

Apply levels of participation to performance evaluations by individual and organization

Question
7.1.5 Does the company ensure that its incentive schemes for agents are designed in such a way that they promote ethical behaviour and discourage corrupt practices?
Score
0
Comments
There is no publicly available evidence that the company addresses incentive structures as a risk factor in agent behaviour.
Evidence
No evidence found.

Question
7.1.6 Does the company publish details of all agents currently contracted to act with and on behalf of the company?
Score
0
Comments
There is no evidence that the company publishes any details of the agents currently contracted to act for and/or on its behalf.
Evidence
No evidence found.

Question
7.1.7 Does the company publish high-level results from incident investigations and sanctions applied against agents?
Score
0
Comments
There is no evidence that the company publishes any data on ethical or bribery and corruption related investigations, incidents or associated disciplinary actions involving agents.
Evidence
No evidence found.

7.2 Joint Ventures

Question
7.2.1 Does the company conduct risk-based anti-bribery and corruption due diligence when entering into and operating as part of joint ventures?
Score
0
Comments
Based on publicly available information, there is no clear evidence that the company has formal procedures to conduct risk-based anti-bribery and corruption due diligence prior to entering and while operating in joint ventures. The company does not refer to joint ventures in its definition of business partners of the company.
Evidence
<p>[6] Code of Ethics Implementation Guidelines (Document) Accessed 23/09/2019 https://www.dsme.co.kr/epub/images/contents/Ethics_eng_201705.pdf [p.1] Article 2. Terminology</p> <p>[...]</p> <p>2. Partners: All contracted parties (individuals, juridical persons, and other organizations) in a business relationship with the company, including but not limited to internal and external partners, materials suppliers, general goods and services providers, and agents.</p> <p>[26] Ethical Management of Suppliers and Partners (Webpage) Accessed 03/06/2020 http://www.dsme.co.kr/epub/management/management06010305.do Ethical Management of Suppliers/Partners</p> <p>1. Registration Screenings</p> <ul style="list-style-type: none"> • On registration of new suppliers/partners, the strict screening process is applied and the key elements include its ethical management • New registration is not permissible on the company if its directors, employees or officers involve in unethical conducts, or any retiree from DSME involved in any corruption is employed by the company. • The screening process is participated by relevant groups and related departments including procurement and quality management, HSE, etc., thus, risk of conflict of interest is eliminated. <p>[...]</p> <p>4. Evaluation of Suppliers/Partners</p> <ul style="list-style-type: none"> • Suppliers/partners are subject to ethical practice evaluations on a regular basis depending on the transaction terms. • The related organizations of the suppliers/partners are also subject to evaluation to eliminate the risk of conflict of interest.

Question
7.2.2 Does the company commit to incorporating anti-bribery and corruption policies and procedures in all of its joint venture partnerships, and does it require anti-bribery and corruption clauses in its contracts with joint venture partners?
Score
0
Comments
Based on publicly available information, there is no evidence that the company commits to establishing or implementing anti-bribery and corruption policies or procedures in its joint ventures. The company does not refer to joint ventures in its definition of business partners of the company.
Evidence
No evidence found.

Question
7.2.3 Does the company commit to take an active role in preventing bribery and corruption in all of its joint ventures?
Score
0
Comments
There is no publicly available evidence to indicate that the company commits to take an active role in preventing bribery and corruption in all of its joint ventures.
Evidence
No evidence found.

8. Offsets

Question
8.1 Does the company explicitly address the corruption risks associated with offset contracting, and is a dedicated body, department or team responsible for oversight of the company's offset activities?
Score
0
Comments
There is no publicly available evidence that the company addresses the corruption risks associated with offset contracting, nor is there evidence that a dedicated body, department or team is responsible for monitoring the company's offset activities.
Evidence
No evidence found.

Question
8.2 Does the company conduct risk-based anti-bribery and corruption due diligence on all aspects of its offset obligations, which includes an assessment of the legitimate business rationale for the investment?
Score
0
Comments
There is no publicly available evidence that the company has formal procedures in place to conduct risk-based anti-bribery and corruption due diligence on its offset obligations.
Evidence
No evidence found.

Question
8.3 Does the company publish details of all offset agents and brokers currently contracted to act with and/or on behalf of the company?
Score
0
Comments
There is no evidence that the company publishes any details of the offset agents, brokers or consultancy firms currently contracted to act with and on behalf of the company's offset programme.
Evidence
No evidence found.

Question
8.4 Does the company publish details about the beneficiaries of its indirect offset projects?
Score
0
Comments
There is no evidence that the company publishes any details of its offset obligations and contracts.
Evidence
No evidence found.

9. High Risk Markets

Question
9.1 Does the company have enhanced risk management procedures in place for the supply of goods or services to markets or customers in countries identified as at a high risk of corruption?
Score
0
Comments
There is no publicly available evidence to indicate that the company acknowledges the corruption risks of operating in different markets.
Evidence
No evidence found.

Question

9.2 Does the company disclose details of all of its fully consolidated subsidiaries and non-fully consolidated holdings (associates, joint ventures and other related entities)?

Score

1

Comments

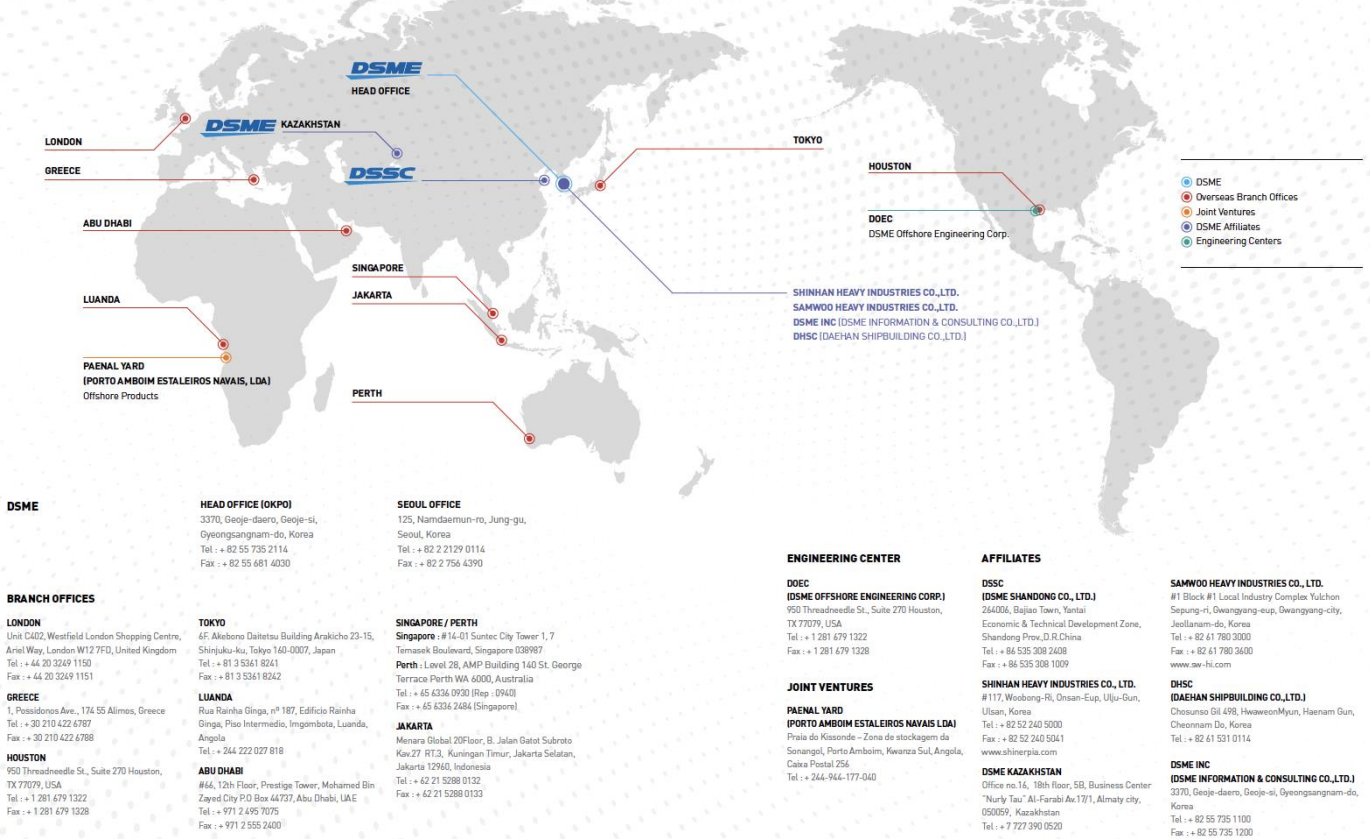
The company publishes some information about its subsidiaries and joint ventures. There is evidence that this information is updated on an annual basis.

However, the company receives a score of '1' because it is not clear that this list includes all of the company's holdings. The company's publicly available information also does not indicate the percentages owned, country of incorporation or countries of operation for each entity.

Evidence

[5] 2018 DSME Annual Report (Document)
 Accessed 20/09/2019
https://www.dsme.co.kr/epub/iv/sr/ivsr010Q.do?is_type=earp
 [pp.52-53]

Global Network



[...]

JOINT VENTURES

PAENAL YARD (PORTO AMBOIM ESTALEIROS NAVAIS LDA)

Praia do Kissonde – Zona de stockagem da Sonangol, Porto Amboim, Kwanza Sul, Angola, Caixa Postal 256

Tel : + 244-944-177-040

[17] Global Network (Webpage)

Accessed 23/09/2019

<https://www.dsme.co.kr/epub/introduction/introduction0301.do>

Global Network



The Advance Guard of the Global Network Strategy

DSME's Subsidiaries, including DSME Shandong CO., LTD. (DSSC) which produces large vessel blocks and land/offshore infrastructure, spearhead our global network strategy.

DSME Shandong CO., LTD. (DSSC)



Established in Bajiao Town, Yantai Economic & Technical Development Zone, under DSME's global network strategy to be the world's best shipbuilding company, DSME SHANDONG CO., LTD. (DSSC) produces blocks and on/offshore infrastructure.

URL : www.dsme.cn

Company Type	Limited Company	Date of Establishment	Sept. 13, 2005
Capital	USD 79.9 million		
Address	Bajiao Town, Yantai Economic&Technical Development Zone, Shandong Prov. China, 264006		
Contact Numbers	TEL : 86-535-308-2400 FAX : 88-535-308-1069		
Shareholding	DSME 100%		
Main Products and Services	<ul style="list-style-type: none"> - Research & development, manufacturing, and sales of blocks, parts and other related products - Design, production, and installation of offshore/land plants - Other related businesses 		
Production Capacity	Annual block production of 300,000 ton		
Company Size	A. Major Production Facility		
	<ul style="list-style-type: none"> - Cutting: N/C cutting equipment and bending equipment, 150,000 ton per year - Assembly: Line production system, 800 ton per year - Painting: Steel pretreatment and painting, 200,000 ton per year 		
	B. Floor Area : 1 million m²		
	C. No. of Employees : 2,000		

Samwoo Heavy Industries Co., Ltd. (DSSW)



Located in the Yulchon Industrial Complex of Gwangyang Free Trade Zone, Samwoo produces blocks, hatch covers, rudder and on/offshore products. With "Trust" and "Passion" as core values, Samwoo strives to be the best partner for our customers.

🏠 URL : www.sw-hi.com

Company Type	Limited Company	Date of Acquisition	June 1, 2010
Capital	KRW 41.9 billion		
Address	111, Yulchonsandan 3-ro, Gwangyang-eup, Gwangyang-si, Jeollanam-do, Korea		
Contact Numbers	TEL : 061-780-3000		
Shareholding	DSME 100%		
Main Products and Services	<p>Shipbuilding / Heavy Industries</p> <ul style="list-style-type: none"> - Hatch Cover - Trance Bulkhead - Side shell (Bench Block) - LNGC Trunk Deck - CMR(Cargo Machinery Room) - Lashing Bridge - Rudder - Other Iron Structures 		

Shinhan Heavy Industries Co., Ltd. (DSHI)



DSHI, a subsidiary of DSME who is one of the world's top shipbuilders, is the world's largest living quarter module maker for offshore facilities and topside production platforms. Established in 1990, the company has the best technology and know-how in offshore living quarters and modules accumulated through extensive experience of building blocks for vessels. DSHI believes in giving back to society and growing with local communities, and is committed to becoming the leader in the living quarter and module area in cooperation with its parent company, DSME.

🏠 URL : www.shinhanheavy.co.kr

Date of Acquisition	Oct. 1. 2007	Capital	KRW 7.7 billion
Address	35, Ubong-gil, Onsan-eup, Ulju-gun, Ulsan, Korea		
Contact Numbers	TEL : 052)240-5000 FAX : 052)240-5041		
Shareholding	DSME 89.2%		
Main products and Services	<p>[Shipbuilding]</p> <ul style="list-style-type: none"> - Deck House - Engine casing - Funnel - Bow & Stern block <p>[Offshore]</p> <ul style="list-style-type: none"> - Living Quarter - Pontoon & Column - E & I Building - Module <p>[Plants]</p> <ul style="list-style-type: none"> - Industrial machinery - Environmental facilities - Iron & steel manufacturing facilities 		

Question

9.3 Does the company disclose its beneficial ownership and control structure?

Score

2

Comments

The company publishes information about its beneficial ownership in corporate reporting documents and in a freely accessible public register. In each case, identifiable information about the company's significant shareholders is made publicly available.

The company is also publicly traded on the Korea Stock Exchange, though it is noted that this is not on the list of regulated markets mentioned in the scoring criteria.

Evidence

[5] 2018 DSME Annual Report (Document)
 Accessed 23/09/2019
https://www.dsme.co.kr/epub/iv/sr/ivsr010Q.do?is_type=earp
 [p.14]

2. Shareholder Structure

(Unit : %)

	2018	2017
KDB Bank	55.72	56.01
KEB Hana Bank	8.41	8.45
BlackRock Institutional Trust Company, N.A.	5.57	-
Financial Services Commission	2.17	2.18
Other Minority Shareholders	28.13	33.36

[27] DART Corporate Registry (Webpage)
 Accessed 03/06/2020
<http://englishdart.fss.or.kr/dsbc002/main.do>

Company Name	Daewoo Shipbuilding & Marine Engineering Co., Ltd.	Company Code	042660		
Representative Director	Lee Seong-geun	External Auditor	SAMDEOK ACCOUNTING CORPORATION		
Main Office Address	3370, Geoje-daero, Geoje-si, GYEONGSANGNAM-DO		Telephone	055)735-2114	
Seoul Office Address	24, Namdaemun-ro 9-gil, Jung-gu, Seoul		Telephone	2129-0334	
Shareholder register kept by	KEB HANA BANK	Ending Month of FY	12	Establishment Date	2000.10.23
Newspaper(s) used For major notices	MAEIL BUSINESS NEWSPAPER, THE KOREA ECONOMIC DAILY, www.dsme.co.kr	Employees	9780	Listing Date	2001.02.02

Changes in Capital [More >](#)

- * 20180315 - Paid-in Capital Increase (541,028,760)
- * 20171222 - Paid-in Capital Increase (538,281,440)
- * 20170812 - Paid-in Capital Increase (530,144,045)
- * 20170629 - Paid-in Capital Increase (431,119,980)
- * 20161230 - Paid-in Capital Increase (332,884,800)

Major Stockholders [More >](#)

- * KDB(55.72)
- * Hana Bank(8.41)
- * BlackRock Institutional Trust Company, N.A.(5.57)
- * Employee Stock Ownership Association(0.27)
- * Choi Yong-seok(0.00)

[...]

more

Major Stockholders

Type of Shareholder	Relationship	Name	Common Stocks		Preferred Stocks	
			Number	Percentage	Number	Percentage
Total of the Largest Shareholder	Sum for large stockholders	KDB And 1 person	59,738,222	55.72	0	0.00
Affiliates of the Largest Shareholder	The principal	KDB	59,738,211	55.72	0	0.00
Major Shareholders with 5% or More Shares	Main stockholder holding more than 5%	Hana Bank	9,015,563	8.41	0	0.00
Major Shareholders with 5% or More Shares	Main stockholder holding more than 5%	BlackRock Institutional Trust Company, N.A.	5,967,010	5.57	0	0.00
	Employee stock ownership association	Employee Stock Ownership Association	285,364	0.27	0	0.00
Affiliates of the Largest Shareholder	Executive of Issuer	Choi Yong-seok	11	0.00	0	0.00

[Above graphic is generated by clicking on the “More” tab beside the Major Stockholders heading]

[19] Shareholders (Webpage)

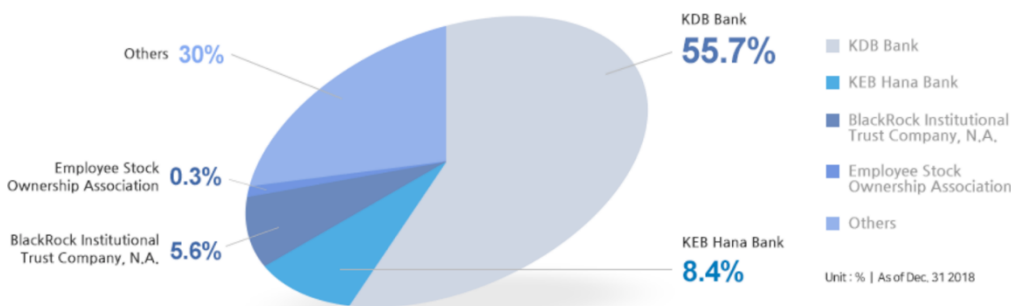
Accessed 23/09/2019

<https://www.dsme.co.kr/epub/investment/investment0103.do>

Percentage of Shareholders

Shareholders

Percentage of Shareholders



[18] Stock Information (Webpage)

Accessed 23/09/2019

<https://www.dsme.co.kr/epub/investment/investment0102.do>

Listing Information (The face value of stock: KRW 5,000)

As of December 31, 2018

Capital	541,029 mil. KRW
Business Category	Shipbuilding & Marine Engineering
Total SharesListed	107,205,752 shares
Closing Period	December of each year
Public Notice	Printed in Electronic Public Announcement

Ticker Symbols

Listed Exchange	Common shares (Original)	DR	Remarks
Korea Exchange	042660	-	Feb. 2, 2001, Securities Market Committee

* For information regarding Depository Receipts, please contact Citibank, N.A

Question

9.4 Does the company publish a percentage breakdown of its defence sales by customer?

Score

0

Comments

The company publishes a percentage breakdown of its sales by product type and also discloses a number of its clients in the defence sector. However, the company does not provide a percentage breakdown to indicate at least 50% of its defence sales by customer.

Evidence

[5] 2018 DSME Annual Report (Document)

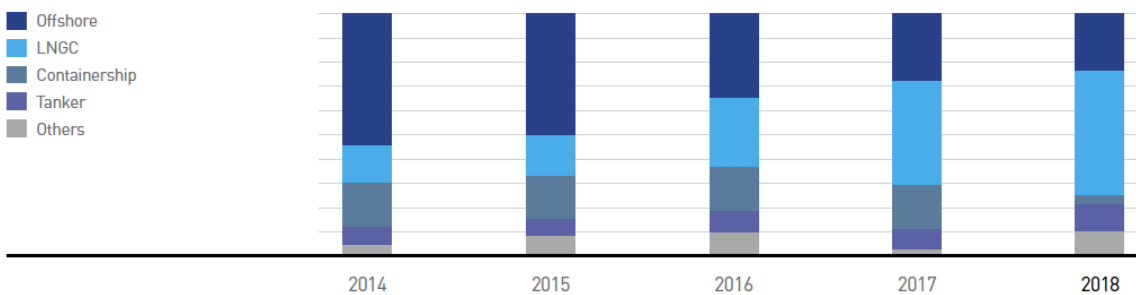
Accessed 20/09/2019

https://www.dsme.co.kr/epub/iv/sr/ivsr010Q.do?is_type=earp

[p.15]

3. Sales Breakdown

(Unit : %)



[28] DSME IR Presentation February 2020 (Document)

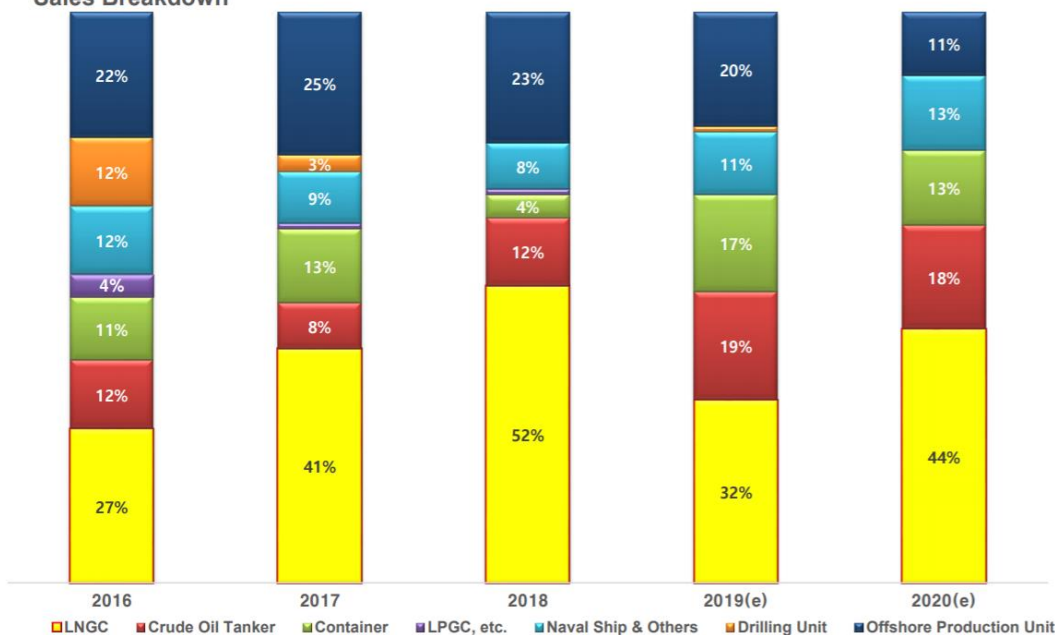
Accessed 03/06/2020

<http://www.dsme.co.kr/cm/ma/downloadFile.do?dnID=1594&dnType=ivsr>

[p.7]

3-1 Performance Highlight

Sales Breakdown



[p.13]

Naval & Special Ships (Surface ship and Submarine)

Naval Ships Fact

- DSME is a leading contractor of turn-key naval projects, including state-of-the-art submarines, destroyers, frigates, corvettes and offshore patrol vessels
- So far in Dec. 2019, delivered 58 units (including 44 surface ships & 14 submarines)

Activities

2010	Delivered KDX-III (Aegis) destroyer 'Yulgok Yi I'
2011	Nation's first submarine export (3 submarines to Indonesian Navy)
2018	Launched the nation's first mid-size submarine, 'Dosan Ahn Changho'
2019	October 2019, Secured design and construction contract of the first vessel of KSS-III (Changbogo) Batch-II submarine project for the Korean Navy



Building Experience

* () : under construction

Surface ship				Submarine			
Owner	Type of Ship	Displacement	Quantity	Owner	Type of Ship	Displacement	Quantity
🇰🇷	KDX-III	10,000 Ton	1	🇰🇷	KSS-III (DW3000) Submarine	3,300 Ton	(3)
	KDX-II	5,500 Ton	3		KSS-II (214) Submarine	1,800 Ton	2 (1)
	KDX-I	4,000 Ton	3		KSS-I (209) Submarine	1,200 Ton	9
	FFX Batch 2 (Frigate)	3,800 Ton	1(3)		Submarine Overhaul	-	21 (4)
	Frigate	2,300 Ton	3		Indonesian DSME 1400 Class Submarine Batch-II	1,400 Ton	(3)
	ASR (Submarine Rescue Vessel)	4,000 Ton	1(1)	Indonesian DSME 1400 Class Submarine Batch-I	1,400 Ton	2(1)	
	Others	Corvette, OPV, ATS-II, etc.		26	Indonesian 209 Submarine Overhaul	-	2(1)
🇧🇩	Bangladesh Frigate	2,300 Ton	1				
🇲🇾	Malaysian TRV	1,200 Ton	2				
🇬🇧	UK MARS	40,300 Ton	4				
🇳🇴	Norwegian LSV	27,500 Ton	1				
🇹🇭	Thai Frigate	3,800 Ton	1				

10. State-Owned Enterprises (SOEs)

Question
10.1 Does the SOE publish a breakdown of its shareholder voting rights?
Score
N/A
Comments
N/A
Evidence

Question
10.2 Are the SOE's commercial and public policy objectives publicly available?
Score
N/A
Comments
N/A
Evidence

Question
10.3 Is the SOE open and transparent about the composition of its board and its nomination and appointment process?
Score
N/A
Comments
N/A
Evidence

Question
10.4 Is the SOE's audit committee composed of a majority of independent directors?
Score
N/A
Comments
N/A
Evidence

Question
10.5 Does the SOE have a system in place to assure itself that asset transactions follow a transparent process to ensure they accord to market value?
Score
N/A
Comments
N/A
Evidence

List of Evidence & Sources

No.	Type (Webpage or Document)	Name	Download Date	Link
01	Webpage	Ethics Message from the CEO	20/09/19	https://www.dsme.co.kr/epub/management/management06010801.do
02	Webpage	CEO Message	20/09/19	https://www.dsme.co.kr/epub/introduction/introduction0201.do
03	Webpage	DSME Anti-Corruption 3 Principles	20/09/19	https://www.dsme.co.kr/epub/management/management06010101.do
04	Document	Code of Ethics	20/09/19	https://www.dsme.co.kr/epub/images/contents/ethics_eng.pdf
05	Document	2018 DSME Annual Report	20/09/19	https://www.dsme.co.kr/epub/iv/sr/ivsr010Q.do?is_type=earp
06	Document	Code of Ethics Implementation Guidelines	20/09/19	https://www.dsme.co.kr/epub/images/contents/Ethics_eng_201705.pdf
07	Webpage	Ethical Management System	20/09/19	https://www.dsme.co.kr/epub/management/management06010103.do
08	Webpage	Organization Chart	20/09/19	https://www.dsme.co.kr/epub/introduction/introduction0401.do
09	Webpage	Whistleblower system	20/09/19	https://www.dsme.co.kr/epub/management/management06010505.do
10	Document	2015 DSME Sustainability Report	20/09/19	https://www.dsme.co.kr/epub/images/contents/DSME_2015ER_english.pdf
11	Webpage	System - Program	20/09/19	https://www.dsme.co.kr/epub/management/management06010302.do
12	Webpage	Campaign - Event	20/09/19	https://www.dsme.co.kr/epub/management/management06010304.do
13	Webpage	Exchange - Cooperation	20/09/19	https://www.dsme.co.kr/epub/management/management06010305.do
14	Webpage	Whistleblower Rewards and Protection	20/09/19	https://www.dsme.co.kr/epub/management/management06010501.do
15	Webpage	Filing a Report	20/09/19	https://www.dsme.co.kr/epub/cv/vc/cvvc020Q.do
16	Webpage	Community Contribution	20/09/19	https://www.dsme.co.kr/epub/management/management060201.do
17	Webpage	Global Network	23/09/19	https://www.dsme.co.kr/epub/introduction/introduction0301.do

18	Webpage	Stock Information	23/09/19	https://www.dsme.co.kr/epub/investment/investment0102.do
19	Webpage	Shareholders	23/09/19	https://www.dsme.co.kr/epub/investment/investment0103.do
20	Webpage	Open Ownership Register	23/09/19	https://register.openownership.org/search?utf8=%E2%9C%93&q=Daewoo+Shipbuilding+%26+Marine+Engineering+
21	Webpage	Ethical Management System (Korean)	26/11/19	https://www.dsme.co.kr/pub/management/management06010103.do
22	Webpage	Updated Ethical Management System Page	02/06/2020	https://www.dsme.co.kr/epub/management/management06010103.do
23	Webpage	System – Program – Updated Page	02/06/2020	https://www.dsme.co.kr/epub/management/management06010302.do
24	Webpage	Education PR	20/09/2019	https://www.dsme.co.kr/epub/management/management06010303.do
25	Webpage	Report a Concern - Korean	02/06/2020	https://www.dsme.co.kr/pub/management/management06010501.do
26	Webpage	Ethical Management of Suppliers and Partners	03/06/2020	http://www.dsme.co.kr/epub/management/management06010305.do
27	Webpage	DART Corporate Registry	03/06/2020	http://englishdart.fss.or.kr/dsbc002/main.do
28	Document	DSME IR Presentation February 2020	03/06/2020	http://www.dsme.co.kr/cm/ma/downloadFile.do?dnID=1594&dnType=ivsr