



**FoE
Japan**



Yoon Young-Joon
President & CEO
Hyundai E&C
03058 Hyundai Bldg.,
75, Yulgok-ro, Jongno-gu, Seoul

19 July 2021

Dear Mr. Yoon Young-Joon:

Re: Hyundai E&C's involvement in Quang Trach 1

We understand that Hyundai E&C has signed an engineering, procurement and construction (EPC) contract to build Quang Trach 1, a new 1,200MW coal power project in Quảng Bình province, Vietnam. Building this coal power project would go against your stated vision of sustainable management and support of the United Nations Sustainable Development Goals (SDGs). We urge you to withdraw from this project as soon as possible and officially announce termination of coal power business to mitigate any resulting risk to your reputation.

Contradictions to Hyundai E&C's vision, principles and support for UN Sustainable Development Goals

Hyundai E&C's states "the creation of sustainable habitat for humanity" is its vision for sustainable management. Moreover, one of your management principles is the "protection of human rights in (your) value chain." Your company also actively supports the UN Sustainable Development Goals (SDGs), including climate action (SDG 13), affordable and clean energy (SDG 7), and good health and well-being (SDG 3). Furthermore, last month, Hyundai E&C announced that its ESG effort was recognized as the "Best Company in Climate Change Response."

Despite your stated vision, principles and support for the SDGs and ESG management, your company bid on the EPC contract for Quang Trach 1 (in conjunction with Japan's Mitsubishi Corporation) in October 2020. Vietnamese news reported that EVN awarded this consortium the contract last month (June 2021).

This new dirty coal power project puts our climate at risk and would violate Vietnamese communities' human right to health. Hyundai E&C's involvement in Quang Trach 1 clearly contradicts your stated aims and raises serious questions about Hyundai E&C's sincerity with regards to its sustainability initiative. Such contradiction will risk not only Hyundai E&C's reputation but also the affiliates in the broader

Hyundai Group, including Hyundai Motors, which has joined the global RE100 initiative just this month.

Climate, environmental and social concerns with the project

Quang Trach 1 itself has not made significant progress since its groundbreaking in July 2011. Part of the reason for delay has been land acquisition, with communities in the area alleging that they have not been appropriately compensated or resettled and remain concerned about environmental pollution. According to an article written in 2018:

- Although there was a plan created to relocate 78 households, which included land allotted for both residences and agricultural purposes, the relocation plan had not yet been implemented.
- Local authorities asserted that an additional 400 households who lived outside the land being acquired to build the plant wished to be resettled because of fears of environmental pollution.
- As these issues had not been addressed, in 2018, villagers blockaded the plants' construction site seeking responses from the project's sponsors.

There is also concern that the construction of the adjacent coal port would cause pollution by submerging waste and sludge into the sea. Given these issues, in February 2021, it was reported that the government of Vietnam would assess the impacts of the project through the Ministry of Natural Resources and Environment. It is unclear whether such an assessment was completed. **We request information about the status of this assessment.**

More importantly, any plans to build new coal power plants such as Quang Trach 1 are completely out of line with the Paris Agreement goal of keeping global warming to 1.5°C. The proposed coal power plant will produce multiple million tons of carbon dioxide every year, depleting the carbon budget at an unaffordable scale.

While Hyundai E&C claims to recognize the "world's sustainability is threatened by global climate change" and that strategic risk responses are needed, building a coal power project does not demonstrate that it is managing those risks and will be recognized as one of the worst examples of "greenwashing."

Reputational damage amongst investors and peers

Hyundai E&C has already faced reputational damage because of your involvement in Cirebon 2 coal fired power project in Indonesia, and the allegations of bribery against your company. This case and other cases of alleged bid-rigging have drawn negative attention from investors, including Norges Bank which has placed Hyundai E&C under observation. Additional support of coal power will no doubt tarnish your reputation further.

Global investors are expecting EPC companies to make changes to their business strategy to demonstrate alignment with the goals of Paris. Internationally, General Electric (GE) and Siemens announced they would stop bidding in tenders for new coal power plants. In Korea, Samsung Construction and Trading announced in October 2020 that it would not build any new coal power projects. Investors would consider any company without restrictions to coal as a laggard. Sumitomo Corporation recently faced a strong rebuke from investors voting for a shareholder resolution which referenced Sumitomo's construction of coal power projects as an EPC contractor. Investors found that continued involvement in coal power was an indication that its business strategy was not Paris-aligned. Hyundai E&C would likely face the same concerns from its shareholders.

Given the concerns highlighted above, we urge you to withdraw from Quang Trach 1 as soon as possible. Considering that the construction of the project has yet begun, withdrawal from the project would be the only reasonable course of action in the best interest of the company, the communities in Vietnam, and the global climate. We also strongly urge you to officially terminate all involvement in coal power business going forward, starting with Quang Trach 1.

We would be happy to discuss this further, and please contact meg.fukuzawa@marketforces.org.au for any queries.

Yours sincerely

Market Forces

Mekong Watch

Friends of the Earth Japan

Fridays For Future

c.c.: Hyundai Motors, Jae Hoon Chang

