

# Road to sustainability

2017 Sustainability Report





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# CEO Message

Dear valued stakeholders,  
I would like to extend my heartfelt gratitude for your continuing and steadfast support for the sustainable growth of Hyundai Motor Company. It is my great pleasure to welcome you to the 2017 Sustainability Report.



President & CEO,  
Hyundai Motor Company  
**Won Hee Lee**

Sustainability is at the core of future growth for Hyundai Motor Company (Hyundai), because we know that our success as a company requires us to look beyond the short-term growth. This is why we have set out five values for sustainability – product responsibility, eco-friendliness, suppliers, employees and society. These values, created by all Hyundai staff in partnership around the world, are aligned with the values of all our stakeholders, including customers, and will be the basis for our long-term growth and development.

Our commitment to ‘product responsibility’ for perfect quality has extended company-wide, and enabled Hyundai to solidify its position as a top brand. We were one of the highest-ranked companies in the Initial Quality Study from J.D. Power and Associates, and number one in the quality survey from Auto Bild of Germany. In addition, the IONIQ electric vehicle (EV) has demonstrated its autonomous driving capability in an urban setting, at day and during the night, and thus proved both our technological prowess and commitment to realizing zero traffic accidents. ‘Hyundai Smart Sense’, our intelligent safety system, was first installed on the Grandeur IG in 2016, and will be applied to all Hyundai models, delivering greater comfort and safety to drivers and pedestrians.

In order to deliver ‘eco-friendliness’, we have accelerated the pace of our sustainable growth. Hyundai is the first company in the world to mass-produce hybrid, plug-in hybrid and all-electric vehicles with a single dedicated eco-car platform, which we did through the IONIQ. In particular, the hybrid and EV models ranked first in fuel efficiency in the U.S. Furthermore, in 2013, Hyundai became the first company to mass-produce a hydrogen-powered fuel cell electric vehicle, the Tucson FCEV, which opened a new chapter for the future of eco-friendly cars.

We have set out five values for sustainability – product responsibility, eco-friendliness, suppliers, employees and society – and strive to create better values for our stakeholders.

We continue to upgrade and popularize FCEVs, and these efforts will be recognized by a new FCEV-dedicated model, scheduled to be introduced in 2018.

We have strengthened long-term partnerships with our ‘suppliers’. Not only do we help them to improve their quality and technology, but we also support them with laying the foundations for their growth through win-win systems. In 2016, we hosted an Employee Relations seminar for our suppliers, which have advanced into overseas jointly with Hyundai. In addition, the ‘Didimdol’ employment support program created jobs for young people and helped our suppliers secure human resources.

For our ‘employees’, we have undertaken various WorkSMART initiatives which allow them to strike the right work and life balance, aimed at improving work engagement and creating a proactive culture. In particular, the Leaders’ Morning Forums held in 2016 reinforced our commitment to change. We also improved ICT support for a more efficient work environment. These efforts have helped our staff recognize the ever-evolving business landscape, and to prepare for work appropriately.

Lastly, we have continued to generate sustainable value for ‘society’ in the fields of environment, health and education of global communities. Our wide-ranging cooperation and support initiatives in 2016 included hosting the IONIQ Longest Run event and building the IONIQ Forest in Korea, environmental improvement and child educational support projects in Valparaíso Region in Chile, a pilot project in the Philippines to build a village with a sustainable water circulation system, and extracurricular activity facilities for children without proper care in rural areas of China.

2017 marks the 50th anniversary of Hyundai. Over the past half-century, we have become a truly global automaker in a country that had zero infrastructure for the automobile industry. We have striven to create better economic, environmental and social value by being an automobile company that looks to a sustainable future. We never cease to step up to challenge we have set ourselves of becoming a ‘Lifetime partner in automobiles and beyond’. We will do this by offering automobiles that are not just a mere means of transportation, but vehicles with optimum mobility that make people’s lives more convenient and enjoyable.

We will continue to communicate and collaborate with our stakeholders, and share with them our creative thinking and pioneering action. Despite the challenges expected in the automobile market in 2017, all of us at Hyundai will work together to create shared value and achieve win-win growth, making 2017 a new beginning of the next 50 years. I look forward to your continuing interest and support for the sustainable future which we are building for all our stakeholders.

Thank you.



President & CEO,  
Hyundai Motor Company  
**Won Hee Lee**



# Company Overview

Hyundai is leading a new culture in the automobile industry, thus improves quality of life by embracing new possibilities. Since our founding in 1967, we have pioneered the development of the automobile industry in Korea, achieving many firsts and bests in the process, and have now grown into a global brand. We will continue to think from new perspectives and take on new challenges, thus create a sustainable future for all.

## Company Profile

Company Name	Hyundai Motor Company
Chairman/CEO	Mong Koo Chung
No. of Employees	118,320 persons
Type of Business	Manufacturing business (Production and sales of automobiles)
Date of Establishment	December 29, 1967
Total Assets	KRW 178,835.9 billion
Sales Revenue	KRW 93,649.0 billion
Production	4,865,500 units

\* As of the end of 2016; Based on K-IFRS consolidated financial statements

## Major Management Activities

Headquarters	Launched the New Grandeur, Launched the New i30, Launched the IONIQ HEV and EV, Launched the Genesis facelift model, Launched the Porter facelift model, Launched the Avante Sport, Launched the G80 Sport, Launched the Maxcruz facelift model, Launched the Tucson facelift model, Launched the EQ900 Limousine
BHMC	Mass-produced the new Avante, Mass-produced the new Sonata PHEV, Mass-produced the new Verna, Mass-produced the Santa Fe facelift model
HMMA	Increased the production volume of the Santa Fe
HMI	Mass-produced the new Avante, Mass-produced the new Tucson
HMMR	Mass-produced the Creta
HMMC	Mass-produced the new i30
HMB	Mass-produced the HB facelift model

## 2016 Best-selling Models

(Unit: Vehicle sold globally)



Avante  
**875,275**



Tucson  
**735,242**



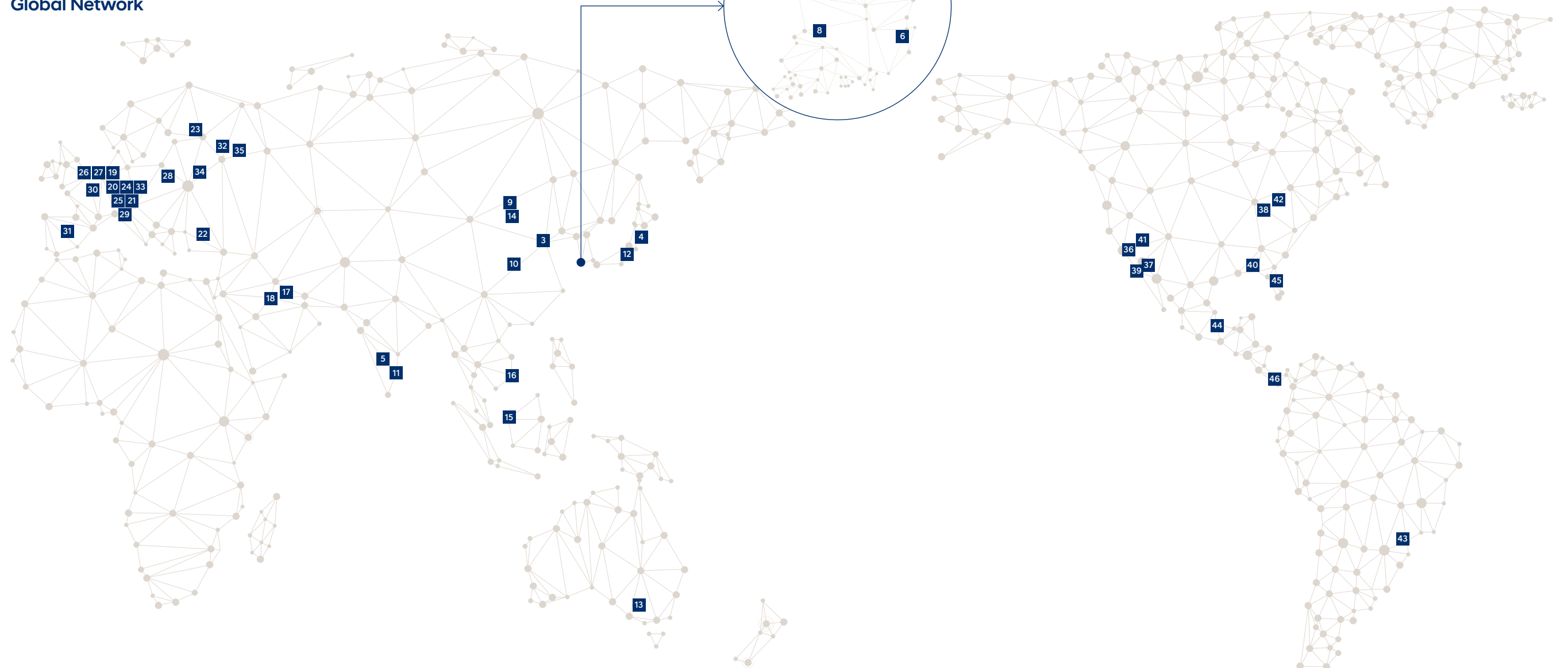
Accent  
**514,748**



Sonata  
**354,838**

\* As of the end of 2016

# Global Network



## ASIA PACIFIC

- 1 Hyundai Motor Company Headquarter (HMC)
- 2 Namyang Technology Research Center
- 3 Hyundai Motor China R&D Center
- 4 Hyundai Motor Japan R&D Center
- 5 Hyundai Motor India Engineering Pvt. Ltd. (HMIE)
- 6 Hyundai Motor Ulsan Plant
- 7 Hyundai Motor Asan Plant
- 8 Hyundai Motor Jeonju Plant
- 9 Beijing Hyundai Motor Company (BHMC)
- 10 Sichuan Hyundai Motor Company (CHMC)
- 11 Hyundai Motor India (HMI)
- 12 Hyundai Motor Japan (HMJ)
- 13 Hyundai Motor Company Australia (HMCA)
- 14 Hyundai Motor Group China (HMGC)
- 15 Asia & Pacific Regional Headquarter
- 16 CV Asia & Pacific Regional Headquarter
- 17 Africa & Middle East Regional Headquarter
- 18 CV Africa & Middle East Regional Headquarter

## EUROPE

- 19 Hyundai Motor Europe Technical Center GmbH (HMETC)
- 20 Hyundai Motor Europe Design Center
- 21 Hyundai Motor Manufacturing Czech (HMMC)
- 22 Hyundai Assan Otomotiv Sanayi (HAOS)
- 23 Hyundai Motor Manufacturing Russia (HMMR)
- 24 Hyundai Motor Europe GmbH (HME)
- 25 Hyundai Motor Deutschland GmbH (HMD)
- 26 Hyundai Motor United Kingdom, Ltd. (HMUK)
- 27 Hyundai Motor Netherlands b.v (HMNL)
- 28 Hyundai Motor Poland (HMP)
- 29 Hyundai Motor Company Italy (HMCI)
- 30 Hyundai Motor France (HMF)
- 31 Hyundai Motor Espana, S.L. (HMES)
- 32 Hyundai Motor Commonwealth Independent States (HMCIS)
- 33 Hyundai Motor Czech s.r.o. (HMCZ)
- 34 CIS & Eastern Europe Regional Headquarter
- 35 CV CIS & Central Europe Regional Headquarter

## AMERICAS

- 36 Hyundai Design Center America
- 37 Hyundai Translead (HT)
- 38 Hyundai America Technical Center Inc. (HATCI)
- 39 California Proving Ground
- 40 Hyundai Motor Manufacturing Alabama (HMMA)
- 41 Hyundai Motor America (HMA)
- 42 Hyundai Auto Canada (HAC)
- 43 Hyundai Motor Brazil (HMB)
- 44 Hyundai Motor de Mexico (HMM)
- 45 Central & South America Regional Headquarters
- 46 CV Central & South America Regional Headquarters



# Business Highlights

● Social Interest ● Business Impact



One of the best brands in the world

● 12th ● 2nd ● P.49

## Beyond automaker, being the most loved brand.

Hyundai's goal is not simply to become the world's biggest car company, but to become the brand that is most appreciated by customers. To achieve this goal, we strive to offer our unique premium value at all customer contact points, guided by our brand direction 'Modern Premium'. As a result, in 2016, our brand value grew by 11.1% year-on-year to USD 12.5 billion, and we ranked 35th on the list of 'Best Global Brands 2016' chosen by Interbrand, a global brand consulting group. In 2005, Hyundai became the first Korean automotive company to be chosen as one of the world's top 100 brands, and it has sustained this success for 12 consecutive years. Hyundai first achieved a top 40 position in 2015, proving that its value has been steadily rising.



Brand Homepage of Hyundai Motor Company





## 2

### Top rankings in global quality indices

In the 2016 Initial Quality Study (IQS) in the U.S., conducted by the renowned global market research firm, J.D. Power and Associates, Hyundai has ranked second among non-premium brands, and third among all brands including luxury cars. In addition, the Accent and Azera won the 'Segment Winner' at their respective segments. Hyundai has also ranked second among non-premium brands in the 2016 China IQS, and earned fourth place in the Vehicle Dependability Study (VDS), one place higher than the previous year. The Sonata, Tucson and Santa Fe were Segment Winners in the IQS, while the Verna, Yuedong, Tucson, ix35 and Santa Fe were Segment Winners in the VDS, thereby earning further recognition for the excellence of Hyundai products.

● 1st ● 1st

Q P. 51, 55-56



## 3

### Completed the full line-up of the IONIQ

In February 2017, Hyundai completed the line-up of its eco-friendly cars with the launch of the IONIQ Plug-in, a plug-in hybrid electric vehicle (PHEV). The IONIQ first emerged as an important player of the eco-friendly car market when the IONIQ hybrid electric vehicle (HEV) was released in Korea in January 2016. The IONIQ EV was subsequently launched in March 2016, followed by the release of the PHEV, completing the line-up of Hyundai's eco-friendly cars. A total of 31,165 units<sup>1)</sup> of the IONIQ have been sold world-wide as of the end of January 2017, including 24,350 units of the HEV model and 6,797 units of the EV model.

● 8th ● 4th

Q P. 13-18, 47, 50

<sup>1)</sup> Based on shipments



## 4

### Building a hydrogen society

Hyundai is an official member of the Hydrogen Council that was launched in January 2017, and is cooperating with global companies to bring about a hydrogen society. The Council consists of 13 companies from automobile and energy industries, and its members aim to work together to fulfill the goals of the 2015 Paris Agreement. In Korea, Hyundai is a member of the Hydrogen Convergence Alliance, established by the government in August 2016, with an aim to promote FCEVs and expand charging infrastructure. As such, we are supporting the government's roadmap for increasing sales of FCEVs and expanding the use of hydrogen energy.

● 7th ● 6th

Q P. 68-69

## 5

### ER seminar for suppliers operating overseas

Hyundai strictly observes all labor-related regulations in the countries where it operates, and where its overseas subsidiaries are located. We also expect the suppliers of our overseas business to do their best to promote stable Employee Relations (ER). In 2016, we hosted an ER seminar for suppliers jointly advanced into overseas, in order to emphasize the importance of global ER management, where participants discussed major ER issues for each region, including the Americas, Europe and Asia Pacific, and suppliers also gave presentations on examples of outstanding ER.

● 15th ● 3rd



# CSR Highlights

● Social Interest ● Business Impact



# 6

**Social contributions system for the decade ahead**

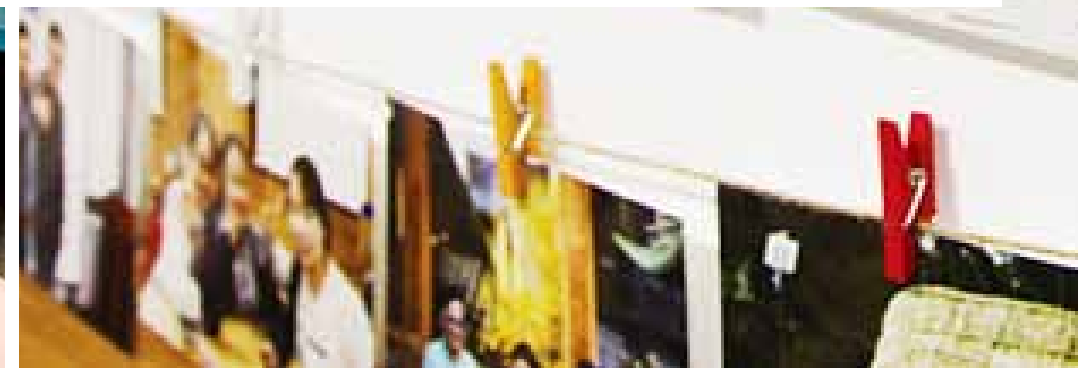
● 5th ● 12th □ P. 32, 90, 92

## Beyond philanthropy, moving the world together.

In 2016, Hyundai set out its mid- to long-term vision of being a 'Trustworthy Partner for Today & Tomorrow', and overhauled its corporate social responsibility (CSR) structure. Two CSR pillars – 'Dream Move', to create jobs to support self-reliance and 'Next Move', leveraging our business expertise – were added to the existing 'four moves' – Easy Move, Safe Move, Green Move and Happy Move. These six major program areas are now the pillars of our full engagement in social contribution activities. Our efforts are being recognized in local communities around the world and in 2016, Hyundai Motor Group ranked first among car companies in the CSR development index from the Chinese Academy of Social Sciences for the third consecutive year, in recognition of its contributions to the practical resolution of social issues facing the local community. The Group ranked third among all companies, its highest ranking since entering the Chinese market.



CSR Website of Hyundai Motor Company





# 7

## Developing compliance guidelines

Hyundai's compliance management involves ensuring the strict observation of all laws and regulations in all business activities. As part of our commitment to compliance, we have had compliance guidelines in place since 2013 to ensure that employees understand and respond to the legal risks inherent in our business. In 2016, we developed three further new compliance guidelines, including protecting customer location information and preventing the violation of trade secrets when signing contracts. We share 39 compliance guidelines on nine areas of law with our business sites in Korea, and six compliance guidelines on six areas of law with overseas business sites, to be used as guidelines in compliance management.

● 2nd ● 9th

□ P. 33-34



# 8

## Highest grade in the CDP

In 2016, Hyundai earned an A grade in the Carbon Disclosure Project (CDP), a global sustainability evaluation system related to climate change. It was also the winner in the 'consumer discretionary' category of the Carbon Management Sector Honors. This success was the outcome of our commitment to an eco-friendly business, including building a full line-up of eco-friendly cars and improving fuel efficiency by 25% over 2015 levels by 2020. Our eco-friendly activities include reducing greenhouse gas emissions and energy usage at our business sites, building high efficiency equipment, and maximizing the recovery of waste energy and heat.

● 3rd ● 13th



# 9

## Supporting the recruitment of talent by suppliers

Hyundai helps its suppliers become global small giants by recruiting outstanding talent, and also by seeking to identify the drivers of future growth in the automotive parts industry. In 2016, we hosted five job fairs in partnership with 349 suppliers, and operated a recruitment website dedicated to helping suppliers recruit outstanding talent. We also implemented the employment 'Didimdol'<sup>1)</sup> program, which provides young job seekers with job training and internship opportunities. A total 805 talents were chosen, and 578 persons completed the program, which has so far enabled 313 young people to find employment.

● 4th ● 17th

□ P. 74, 78-79

<sup>1)</sup> Didimdol means a stepping stone in Korean

# 10

## Successful outcomes of safety-first management

Safety is Hyundai's number one priority. In order to improve safety and prevent accidents, we enforce the 'global standards on construction safety' by integrating relevant regulations from different countries. We have also adopted the OHSAS 18001 (Occupational Health and Safety Management System), in order to ensure the best in safety management at our overseas business sites. As a result, Hyundai Motor Manufacturing Czech (HMMC) achieved zero accidents in 2016, and became the first automotive company to win the 'Safe Enterprise' award two years in a row. In addition, Beijing Hyundai Motor Company (BHMC) achieved zero accident throughout the construction of the new plant in Cangzhou. Overall, Hyundai's accident rate<sup>1)</sup> improved substantially in 2016, from 0.52% in 2015 to 0.33% in 2016.

● 10th ● 7th

□ P. 86, 87-88

<sup>1)</sup> Based on figures of Ulsan, Asan and Jeonju plants in Korea and overseas manufacturing plants





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# CSV Highlights

**From  
corporate social  
responsibility,  
  
To  
creating shared values.**

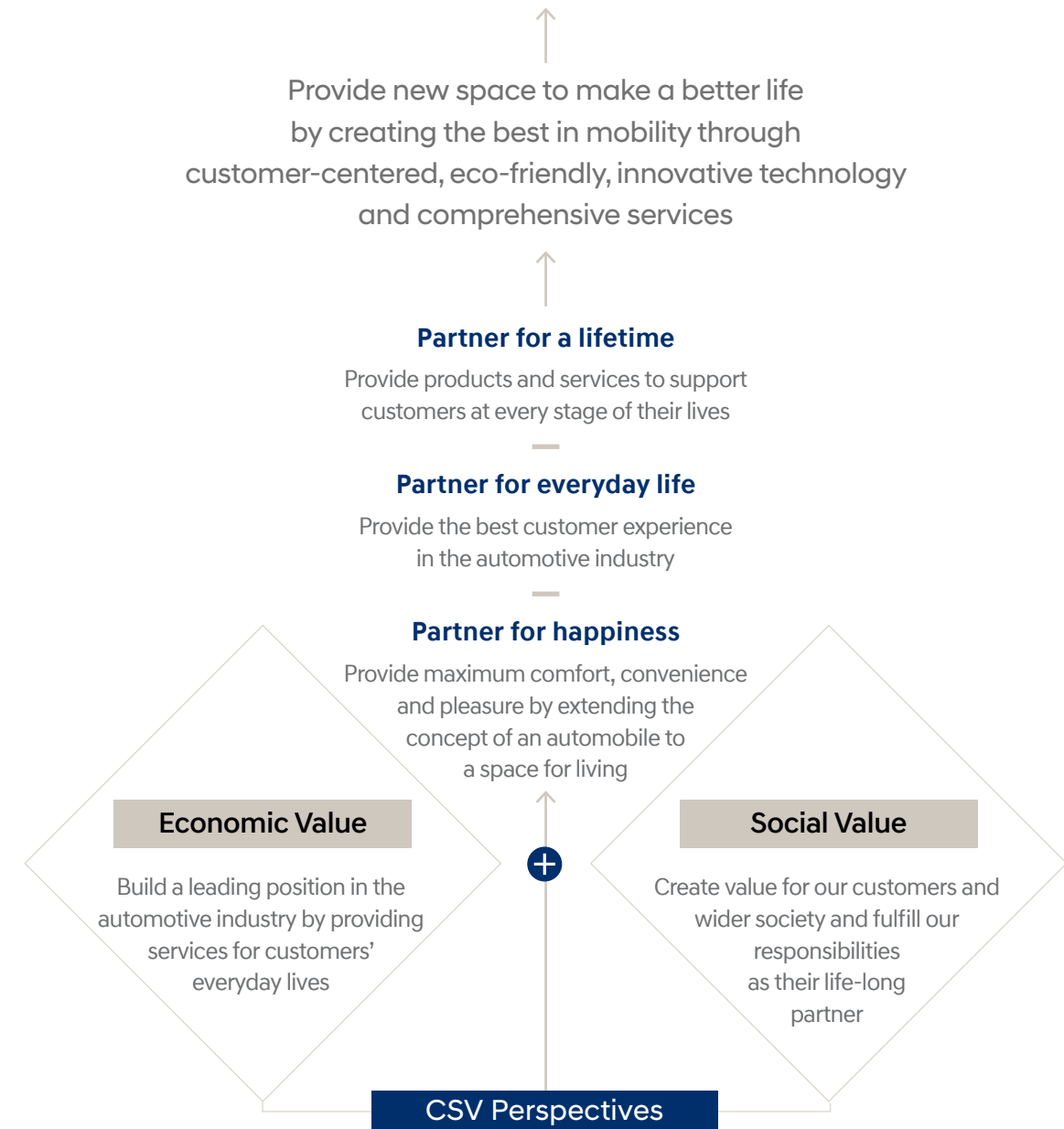
Going beyond corporate social responsibility (CSR), and creating shared value (CSV) through our expertise as a global automaker is the cornerstone of our approach to business.

# CSV Policy

CSV is a similar concept to CSR, but with a greater focus on business. CSV looks to strengthen corporate competitiveness and also creates value for the company itself, and customers and local communities as well.

As a global automaker, Hyundai strives to find better ways to make economic value into social value, so that we can have a positive impact on society as a whole. Furthermore, we focus on creating shared values by constantly challenging the status quo based on creative thinking, thus achieving sustainable growth in partnership with our stakeholders.

# Lifetime partner in automobiles and beyond



## Directions for CSR/CSV Programs



### Youth Unemployment

Expanding markets to create jobs



### Mobility/Safety

Strengthening mobility/safety care programs for seniors and children



### Environment

Company-wide responses to issues around the environment and air pollution



### Sharing skills

Using our core skills, such as vehicle IT, to help address social issues



# Clean Future with Freedom in Mobility

## The Value of Eco-friendliness Created by IONIQ

Hyundai dreams of a future in which there are no limits on mobility. We are committed to finding the best way for human beings and nature to live in harmony.

We have set new standards for future mobility through our eco-friendly IONIQ model. We are also opening up a new chapter in future mobility and sharing our eco-friendly values through the Project IONIQ. The future mobility we dream of will blur the boundaries between daily life and mobility, overcoming all limitations and creating a new lifestyle.

IONIQ makes the earth greener, and everyday life smarter.



● Social Interest: 8th ● Business Impact: 4th

### CSV perspectives for the IONIQ brand and the Project IONIQ

Hyundai Value	+	Social Value
Expanding the presence in the eco-friendly auto market		Popularizing eco-friendly vehicles
Securing future growth drivers		Decreasing CO <sub>2</sub> emissions
Enhancing the brand image of Hyundai		Promoting citizen participation in eco-friendly activities



IONIQ Instagram

### Opening up a new chapter in future mobility

The future of humankind should be free. Everyone should be able to travel freely and conveniently, without restrictions, and that is the ‘future mobility’ that Hyundai is pursuing. We therefore announced our future mobility strategy in March 2016, making known our determination to lead innovation in the mobility market.

We unveiled the IONIQ to be the first means of transport that would bring freedom in mobility to the future of humankind. In Korea, we launched the IONIQ Hybrid (HEV) in January 2016, setting new standards for eco-friendly vehicles. This was followed by the release of the IONIQ

## The Beginning of Future Mobility

# IONIQ

Electric Vehicle (EV) in March 2016, and the IONIQ Plug-in, a plug-in hybrid (PHEV) that combines the economy of the EV and the driving performance of the HEV, in February 2017. This completed the full line-up of Hyundai’s eco-friendly vehicles.

We developed the world’s first platform dedicated to all types of eco-friendly vehicles, such as HEV, EV, and PHEV. We use this platform for the IONIQ, taking the lead in all areas of fuel efficiency, driving performance, and design. The IONIQ has achieved best-in-class fuel efficiency<sup>1)</sup> by optimizing the combination of the powertrain, including maximized aerodynamics, battery, motor, and engine. Its driving performance has also been improved. The IONIQ Plug-in can travel more than 900 kilometers when fully charged and fueled. It has also offered major improvements in product quality by reflecting customer opinions on the IONIQ model first released in 2016. The vehicle features a design that minimizes air resistance, an automation-based intelligent safety technology called ‘Hyundai Smart Sense’, excellent energy efficiency, and a wide range of multimedia functions for driver and passenger convenience.

We will continue to launch upgraded IONIQ models with additional autonomous driving, connectivity and advanced intelligent safety technologies, so that we can lead the future of mobility. In addition, we will offer safe and convenient mobility services to our customers, and develop eco-friendly cars to protect the natural environment.

### Emerging as a strong player in future automobile market

10,558 units of the IONIQ were sold in Korea in 2016. The EV model sold 3,700 units between its launch in June and the end of the year, accounting for 63.9% of the Korea’s EV market. Exports continued to rise steadily, and totaled 16,644 units as of the end of 2016, based on shipments.

One of the reasons the IONIQ was able to be so successful in the EV market in Korea has been the construction of a large-scale infrastructure. We have installed around 200 high-speed and regular battery chargers at our major branches and service centers across the nation, and now offer free charging services. EV chargers were previously mostly installed at public organizations not frequently visited by the public. In contrast, IONIQ chargers are installed at facilities that are much more widely used in daily life,

including large supermarkets and theaters, which ensures easy and convenient access. We have also expanded our new concept customized services. These include the ‘One-Stop Home Charger Consulting Service’, which supports the entire home-charging process, ranging from counseling for home charger installation to maintenance and repair. In addition, the ‘Blue Link’ service connects the IONIQ to mobile communications, enabling users to search and make reservations at charging stations. These services bring the IONIQ closer to its customers.

The IONIQ is also the new face of Hyundai. In January 2017, we unveiled the IONIQ concept car, featuring complete autonomous driving, at the Consumer Electronics Show (CES) 2017, held in Las Vegas. The concept car was successfully driven in downtown Las Vegas both during the day and at night. This demonstration showcased our advanced autonomous driving technologies, including high-performance radar sensor, object recognition camera, and high-resolution mapping data, thus showed how we are preparing for the future of the automotive industry. The IONIQ is more than just an eco-friendly model – it stands at the center of the future mobility envisioned by Hyundai.

<sup>1)</sup> Based on the announcement of the United States Environmental Protection Agency in December 2016



# 191km

The IONIQ Electric’s maximum driving distance on a single charge has been certified by the Ministry of Environment at 191 kilometers, which is outstanding fuel efficiency compared to competitor models. However, our own tests indicated that the IONIQ Electric’s actual driving distance is 351.1 kilometers, around 1.8 times further than the official distance. A video showing the IONIQ Electric driving more than 350 kilometers on a single charge was posted on YouTube, attracting more than 3 million views in just six days and becoming a major issue.



Video Clip of the IONIQ Electric



## 2030 Future Mega Trends

Hyper-connected Society

Hyper-aging Society

Eco-ism

Multi-layered Mash-up

Context-awareness based Individualization

High Concept Society

Decentralization of Power

Anxiety and Chaos

Sharing Society

Co-evolution

Mega-urbanization

Neo Frontierism



## Project IONIQ to take on challenges of 'freedom in mobility'

Changes that begin with automobiles can change our lives. We strive to bring about this new tomorrow through the 'Project IONIQ', the ultimate goal of which is 'freedom in mobility'. The Project IONIQ mainly researches into four areas: freedom to use mobility easily when the need arises; freedom from boundaries between life in the car and everyday life; freedom from inconvenience and risk of accident while traveling; and freedom from limits on energy resources and environmental pollution.

We unveiled the Project IONIQ at the Geneva Motor Show in March 2016, making known our determination to lead innovation in the mobility market. Over the past year, we have given much thought on how to overcome the limitations and issues surrounding automobiles. We also undertook various activities relating to the Project IONIQ, including launching the Project IONIQ Lab, hosting the Longest Run and creating the IONIQ Forest. The challenges we take on, ranging from the eco-friendly vehicle 'IONIQ' to the 'Project IONIQ', are aimed at making the earth a better place for humankind through freedom in mobility.

## Project IONIQ to take a lead in 'open innovation' of mobility

Respected experts in various fields are collaborating in the innovation led by the Project IONIQ. In July 2016, we launched the Project IONIQ Lab, a research group within the Project IONIQ. The Project IONIQ Lab features 'open innovation', and includes an advisory group of experts across various fields, such as future, society, engineering and design. The advisory group uses collective intelligence-based research to forecast changes in the mobility industry, and also actively engages with our Strategy & Technology Division to suggest roles and a future direction for Hyundai.

In 2016, the Project IONIQ Lab announced the '2030 Future Mega Trends', selecting 12 trends for the future that will impact the automotive industry. We continuously research the four major areas of the Project IONIQ based on these trends in order to realize our ultimate goal of 'freedom in mobility'. The Project IONIQ Lab will undertake in-depth analysis of how the 2030 Future Mega Trends will influence the automotive industry, and then will develop the '2030 Future Mobility Keywords', ultimately presenting a complete scenario for future mobility.

# The Endgame of Mobility Evolution Project IONIQ



## IONIQ Longest Run – the longest race in the world to change the world for the better

We hope to involve more people in the efforts we are making to create an eco-friendly society. In an era of the rapid depletion of natural resources and widespread environmental destruction, we believe that joining our efforts together will help to resolve a greater number of issues and create a more sustainable earth. We became the first company ever to host a 30-day race, the 'IONIQ Longest Run', reflecting the power of participation and harmony.

Participants in the IONIQ Longest Run use the IONIQ Running application, and donations accumulate as participants run. The total distance run by the approximately 36,000 participants in the month starting October 5, 2016 totaled around 614,000 kilometers, well over the target of 573,000 kilometers.

There were awards given to participants that reflected both their efforts and the special strengths of the IONIQ. We presented a gift to individual participants who ran 191 kilometers, and to groups that achieved a total of 1,000 kilometers. These targets reflected how the IONIQ EV can travel a distance of 191 kilometers on a single charge, and how the IONIQ HEV can travel a maximum distance of 1,000 kilometers on a single refueling. We also invited participants who ran 22.4 kilometers – mirroring the IONIQ HEV's fuel efficiency of 22.4 km/l – to the 'IONIQ Longest Run Festival' held on the last day. These participants celebrated the 22.4

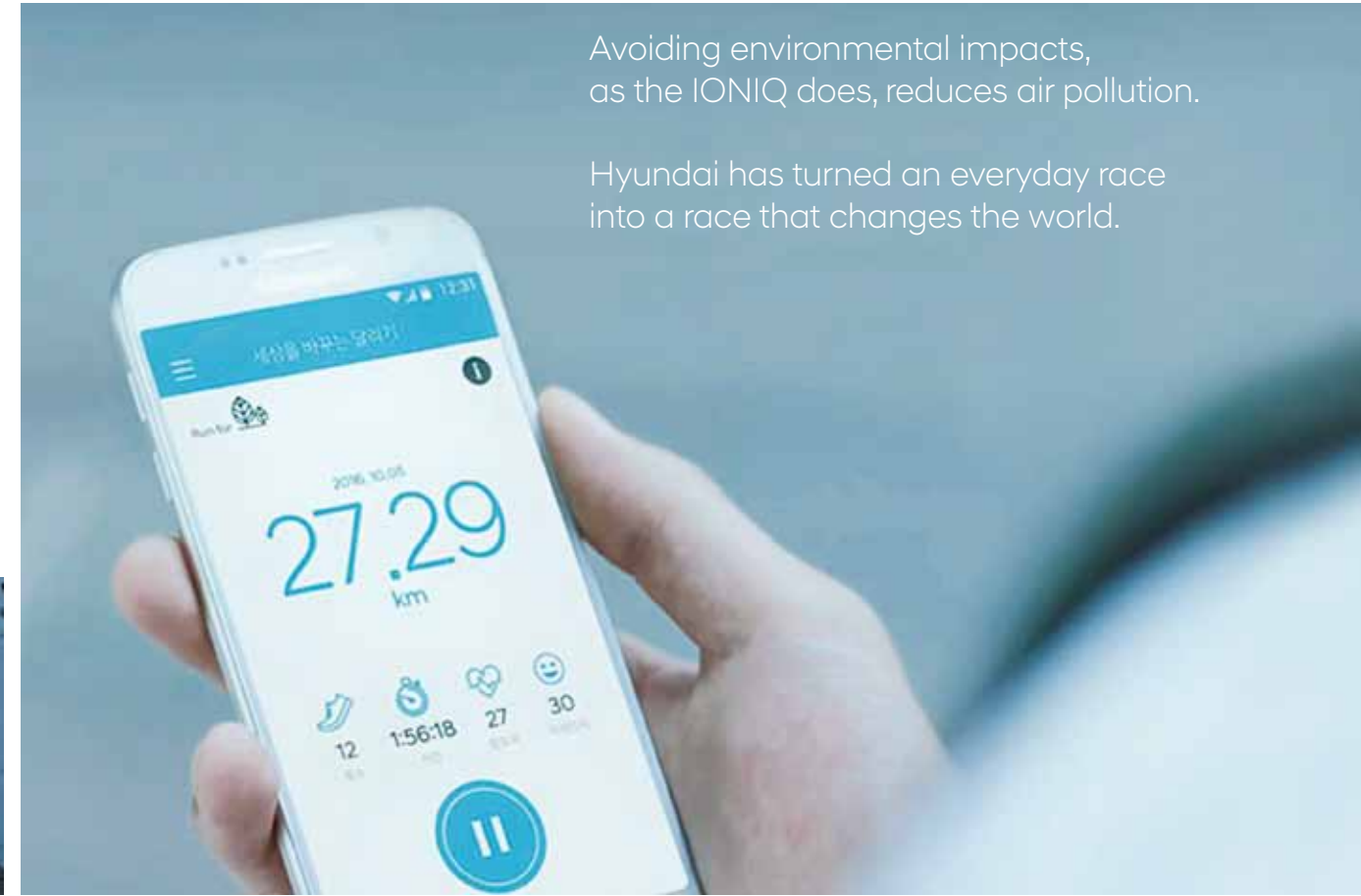
kilometers that they had run by running another 7 kilometers together and then enjoying a concert, a happy finale to this unique social contribution activity.

The donations raised by the race will be used to help people exposed to air pollution and to improve the environment, reflecting the fact that the IONIQ contributes to reducing air pollution levels because it does not emit carbon. The donations have helped to fund breathing masks for street cleaners, window filters to filter fine dust and other harmful substances at daycare centers, and the building of the eco-friendly 'Dream Park-IONIQ Forest' at a metropolitan landfill site.

Driving for the longest time and over the longest distance, like the IONIQ, can change the world.

Avoiding environmental impacts, as the IONIQ does, reduces air pollution.

Hyundai has turned an everyday race into a race that changes the world.



A world changed by 191,000 kilometers

Donated breathing masks to 2,500 street cleaners

Installed window filters for fine dust to protect 1,000 children from air pollution





Trees come together to create a forest, and thoughts and actions come together to change the world.

This positive first step has now been taken by Hyundai, through the 1st Dream Park-IONIQ Forest.

**‘Dream Park-IONIQ Forest – A natural air purifier created by 30,000 trees**

Mongolia has been suffering from serious desertification, and this desertification has had an effect beyond Mongolian borders, becoming an international environmental issue. Hyundai therefore began planting trees in Inner Mongolia in 2008, which was the beginning of the ‘Hyundai Green Zone China’ project, our global ecological restoration project. This project has changed desolate sand deserts into fresh grasslands and thick forests that can even be seen by satellites. This green miracle is now helping Korea, which suffers from fine dust.



**191,000km**

In September 2016, Hyundai signed an agreement with the Sudokwon Landfill Site Management Corporation (SL Corp.) and Tree Planet to create a forest, which blocks fine dust, at a metropolitan landfill site. As the world’s largest waste landfill, this site handles around 15,000 tons of waste a day, and now efforts are being made to reduce environmental pollutants and create green areas even at this barren land. For example, SL Corp. and Tree Planet, a social enterprise, signed the ‘Dream Park Campaign to Create a Forest through Citizen Participation’ in May 2016; this is a tree-planting program that encourages local citizens to participate.

As a corporate citizen, Hyundai is contributing to these efforts. Using some of the donations raised by approximately 14,000 participants in the IONIQ Longest Run, we have begun the creation of the ‘1st Dream Park-IONIQ Forest’, in cooperation with SL Corp. and Tree Planet. We hosted tree-plantings alongside participants in the IONIQ Longest Run, the UNEP Angel<sup>1)</sup>, an environmental group made up of college students, and other participants from across Korea. The Dream Park-IONIQ Forest will be located on the border of the second metropolitan landfill, near the western coast of Korea, to help to absorb fine dust coming in from China. Once the Forest has been completed, this landfill will be an oxygen tank supplying fresh air to the metropolitan area.

We plan to plant 30,000-40,000 trees at the Dream Park-IONIQ Forest over the next five years, in partnership with forestry experts, IONIQ customers and IONIQ Longest Run participants. We will also produce PR videos about the Forest, and will also develop an app that enables users to check trees using a mobile phone and the Internet. This is all part of our commitment to being a corporate citizen that communicates with our customers, and so we are actively aiming to resolve environmental issues through forestation.



<sup>1)</sup> UNEP Angel is an environmental volunteer corps made up of college students. It is affiliated with the UNEP National Committee for the Republic of Korea, and takes the lead in carrying out activities related to environmental protection.



It was wonderful to share our experiences over 30 days, running together to make positive changes for society, and not just running as part of a one-day event. If another opportunity like this arises, I would like to run again together with a friend.

**Hyun Jeong Yang,**  
IONIQ Longest Run Participant



I was happy to be with our customers through the 'IONIQ Longest Run' campaign – a new donation platform in which customers voluntarily participate while also having fun.

**Hyung Jun Kim,**  
Assistant Manager, Domestic Marketing Team,  
Hyundai Motor Company



I am delighted that there is a good partner for this forest creation, so that we can publicize the importance of the environment and the need to make environmental improvements. I hope this project matches with Hyundai's corporate image as the manufacturer of the eco-friendly IONIQ, and communicates widely the value of the environment.

**Seong Chil Kang,**  
Director, Culture Landscape Business Division, SL Corp.



I am proud to take part in this campaign to create a rich forest out of a landfill site. I will be visiting the site to see how it is changing into dense forest, and to see how the elm that I planted will serve as a protective tree line in reducing the impact of fine dust.

**Gyumin Lee,**  
The 26th Class of UNEP Angel



I hope the Dream Park-IONIQ Forest signals the beginning of a big increase in forestation to block fine dust from coming into Korea. It would be great if the Forest can become as dense as forests we built in Inner Mongolian.

**Soon Sang Hong,**  
Deputy General Manager,  
CSV Strategy Team, Hyundai Motor Company



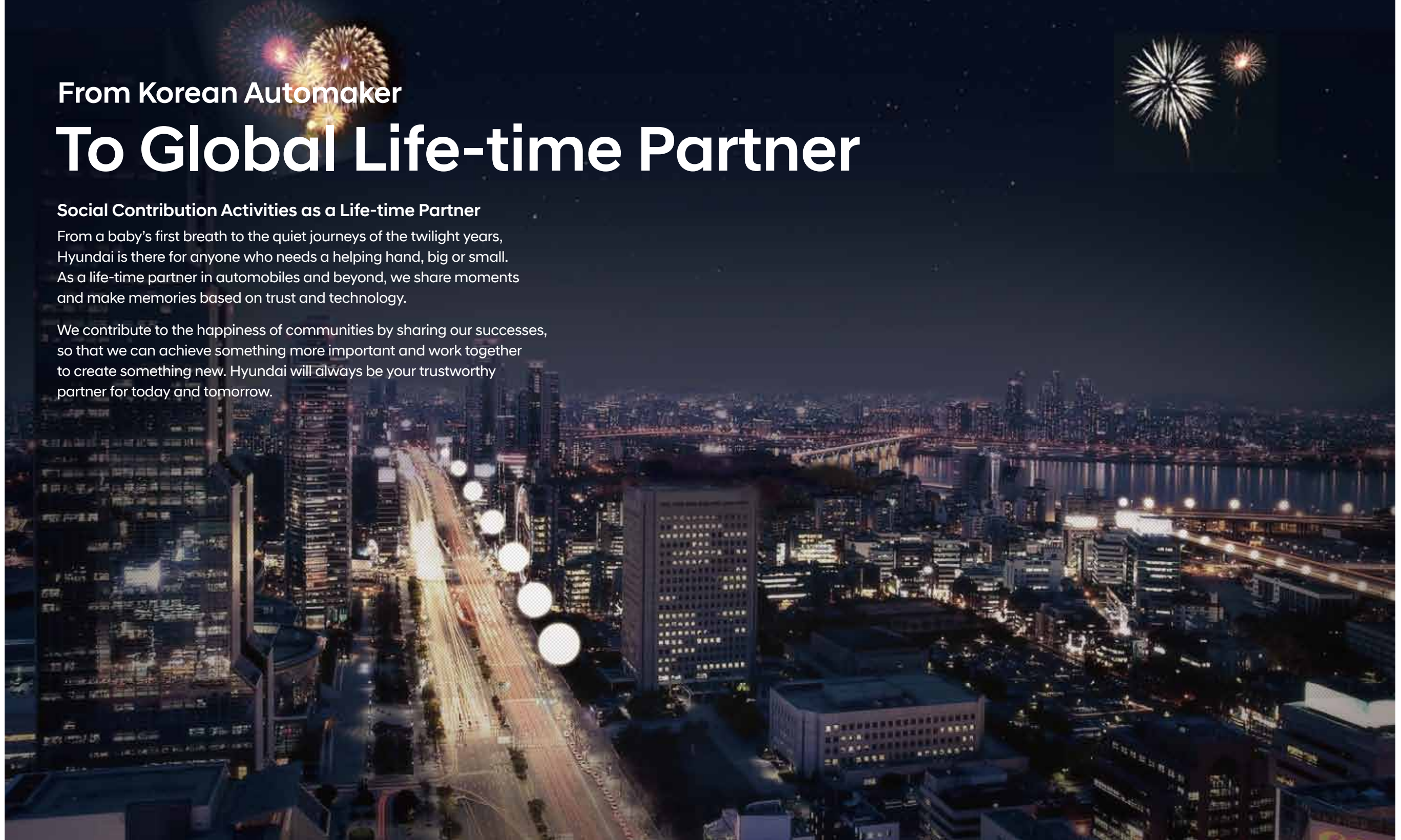


# From Korean Automaker To Global Life-time Partner

## Social Contribution Activities as a Life-time Partner

From a baby's first breath to the quiet journeys of the twilight years, Hyundai is there for anyone who needs a helping hand, big or small. As a life-time partner in automobiles and beyond, we share moments and make memories based on trust and technology.

We contribute to the happiness of communities by sharing our successes, so that we can achieve something more important and work together to create something new. Hyundai will always be your trustworthy partner for today and tomorrow.



● Social Interest: 5th ● Business Impact: 12th

### CSV perspectives for social contribution activities as a life-time partner

Hyundai Value	+	Social Value
Enhancing the image as a model corporate citizen		Contributing to health development of local communities
Securing outstanding talents for future		Creating jobs and expanding employment stability
Expanding potential and loyal customers		Fostering and supporting future talents



# Trustworthy Partner for Today & Tomorrow

## Trustworthy Partner for Today & Tomorrow

Hyundai has defined its social contribution mission as ‘Contributing to the happiness of humankind and a sustainable society through eco-friendly economic activities and by actively fulfilling our social responsibilities as a company which leads automotive culture’. In 2016, we established our mid-to long-term vision for social contribution activities as being a ‘Trustworthy Partner for Today & Tomorrow’. Our social contribution activities utilize the strengths of Hyundai as an automotive company, and are based on six moves – convenient mobility, safety, the environment, volunteering by employees and customers, job creation and fostering talent, and social contribution activities that leverage our corporate skills. We are thus able to fulfill our social responsibilities as a global corporate citizen, without limits or borders.

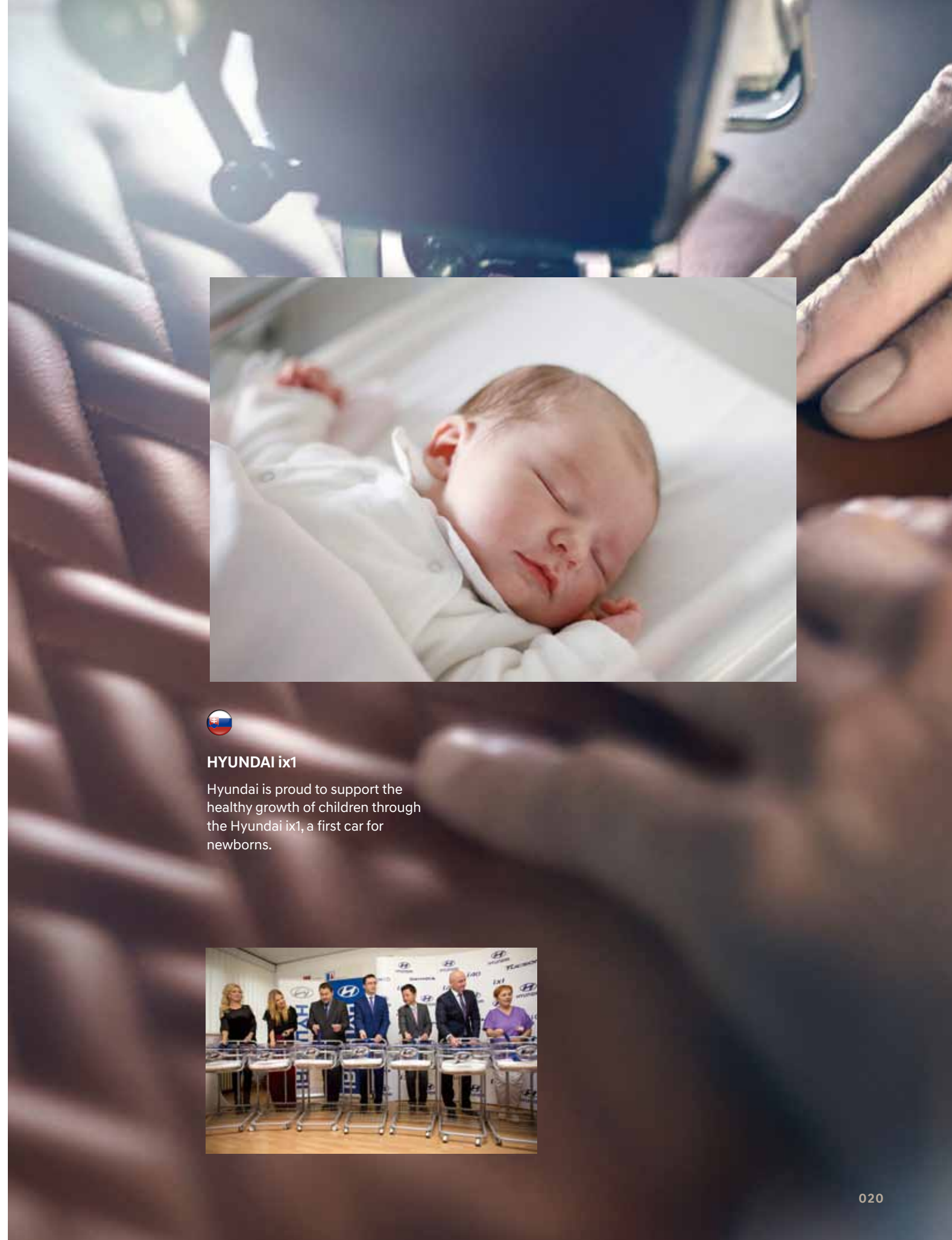
## Newborns

### ‘Hyundai ix1’ – a first car for newborns

It is vital to carry newborns safely, because their bones and muscles are not fully developed. Many hospitals in Slovakia however have been using old shopping carts to carry newborns, because they have found it difficult to buy proper baby carts due to high prices and budget shortages.

Hyundai Motor Slovakia (HMSK) therefore developed the ‘Hyundai ix1’, a hospital-grade trolley for newborns, and has been providing them to hospitals free of charge since 2014. A fully certified medical equipment company produces the Hyundai ix1, to ensure that it is in compliance with all medical and legal regulations. The Hyundai ix1 is made of hypoallergenic materials, and can easily be sterilized and disinfected, ensuring high levels of hygiene. The ergonomic design allows newborns to lie down in comfort and safety. It has a braking system that is applied to all four wheels, and easy height and incline adjustment make it more convenient and safer for nurses using it. We also made the Hyundai ix1 to be a newborn’s ‘first car’, not simply a baby cart. That is why we named it the ‘ix1’, which is similar in branding to our ix25 and ix35 (Tucson in the Korean market) models, and why we also engraved our unique ‘H’ emblem on front.

We first donated five baby carts to the largest maternity ward in Slovakia in May 2014, and by the end of 2016 we had donated a total of 50 baby carts to 12 hospitals. We will donate approximately 20 more baby carts in 2017. The Hyundai ix1 project has been very favorably received by hospitals, mothers and citizens in Slovakia, and has inspired us to continue to implement the project, so that newborns can grow up to be healthy children.



### HYUNDAI ix1

Hyundai is proud to support the healthy growth of children through the Hyundai ix1, a first car for newborns.







## Children

### 'Brilliant Kids Motor Show' where an imaginary car becomes reality

Hyundai hosted the 'Brilliant Kids Motor Show', so that children could enjoy the excitement of seeing their imaginations becoming reality. The Brilliant Kids Motor Show was the first show of its kind in the world, and involved turning children's drawings and stories of cars into models, a quarter to half the size of actual cars, and then displaying them. We held a car drawing contest for kindergarten and elementary school students, and then selected 15 of the 7,322 entries to make into models that were displayed at the Design Playground of Dongdaemun Design Plaza from April 2016 to June 2017. The Show was themed 'imaginary cars to make the earth beautiful', and featured exhibits in five categories – city, desert, forest, ocean, and sky – and experiential zones. Brilliant Kids Motor Show was visited by more than 10,000 people within just two weeks of its opening, and around 100,000 children and parents have visited the show thus far.

Imagination is a strength that will usher in a better future. Smart cars and autonomous driving were nothing more than imagination a few years ago, but are now becoming reality. Imagination leads to new ideas, encourages people to take on challenges, and brings about rapid changes for the future of humankind. Hyundai responds to the power of the infinite imagination of children to build a society where the spirit of challenge and creativity comes to life.



#### Brilliant Kids Motor Show

A car which lures butterflies by emitting the scent of flowers, a car that sprays sugar to make cotton candy – these are the cars imagined by children, and made into reality by Hyundai.



It is amazing to see an actual car made out of a drawing that I created from my imagination. Now I will study more about cars, so that I can make an underwater car that uses clam fuel.

Seon Woo Ji (Gyeongin Elementary School in Seoul)  
Grand Prize Winner





**Traffic Safety Stories with Robocar Poli**

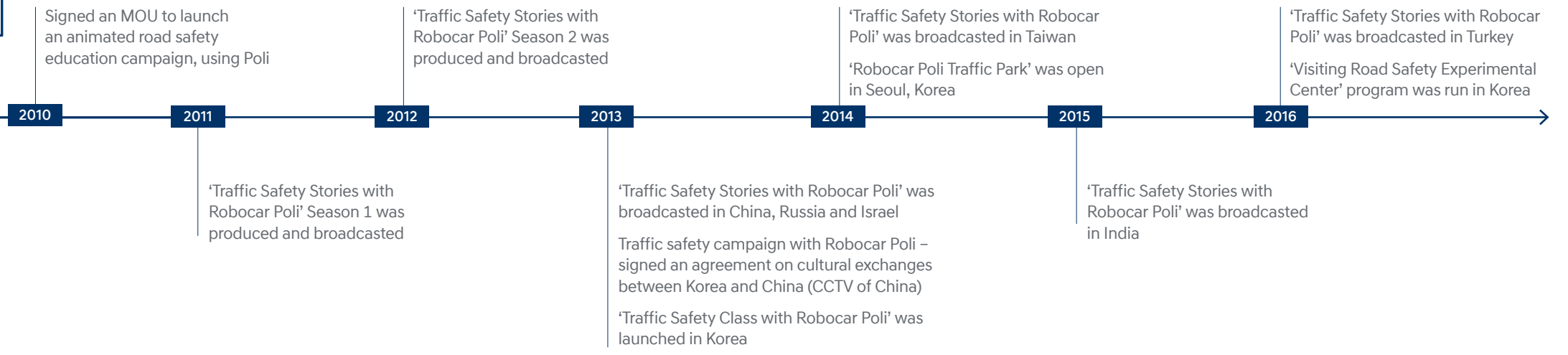
“Stop kids! Running wildly can lead to an accident!” Robocar Poli shares the importance of road safety in an easy and fun way, and serves as a safety guide for children around the world.



 Robocar poli with Hyundai Motor Company website

**‘Traffic Safety Stories with Robocar Poli’ for children’s road safety around the world**

If children are to embrace automobiles as a part of their lives, they must recognize the importance of road safety and develop the right traffic safety habits early in their lives. In collaboration with Roi Visual, the Citizen’s Coalition for Safety, and the Korean TV channel EBS, we used a popular children’s character called Poli and produced 26 episodes of ‘Traffic Safety Stories with Robocar Poli’, an animated road safety education campaign to be shared through various online and offline activities. The campaign was made from the children’s point of view, and in a way with which children are familiar. Hyundai is proud to protect children’s smiles through road safety.





## The Youth

### 'Future Automobile School with Hyundai' fulfills the dreams of future car experts

Hyundai has set up a special education program for the youth to help them better understand the future society and jobs in the automotive industry. The 'Future Automobile School to Develop Dreams with Hyundai Motor Company', is a specialized career education program under the Korean free semester system<sup>1)</sup>. The program offers experience and practical training to learn about the automotive industry and future automotive technologies. Students go on field trips to our major bases, including the Asan Plant and the Hyundai Motorstudio Seoul. They are also provided with special lectures from Hyundai employees to help them explore their future career path.

About 4,900 students from 120 junior high schools took part in the program in 2016. We gave priority to students from rural, mountain village and fishing village schools, as part of our efforts to reduce inequality in educational opportunities. As a result, the Future Automobile School won the Minister of Education Award at a contest for outstanding free semester system support in 2016. After the positive response from the education sector for this program, we will increase the number of schools taking part in the Future Automobile School to about 200 in 2017. This will offer practical help to more students to shape their plans for the future.

### 'Skills for the Future' to build the skills of the youth in Europe

Hyundai Motor Europe (HME) has put its 'Skills for the Future' program into place in cooperation with Junior Achievement Young Enterprise (JA-YE) Europe, the largest economic education NGO in Europe, in order to help the youth find employment. Hyundai provided planning, finance, technology and expert support, while JA-YE Europe put together and ran the training courses, produced the learning materials, and trained instructors and volunteers. Hyundai also gave customized guidance on job skills and developed mock business start-ups for vocational school students and other youth.

15,099 students from 375 schools in 15 European countries have participated in the program between 2012 and 2016, as Hyundai unstintingly provided its resources to help the youth in Europe maximize their capabilities and become experts in technology. This will help to guide them along the path of the future automotive market, and it also promotes positive change for the future of the car market.



#### Future Automobile School with Hyundai

In a world in which we can see as much as we know, and feel as much as we see, the more experience we have the better. That is why Hyundai provides the youth with the value of wide experience through the Future Automobile School.



#### Skills for the Future

Hyundai contributed to youth employment, a major global social issue, and to the sustainable growth of the automotive market, through the Skills for the Future program.

#### Number of Participants in Skills for the Future



#### Cumulative Total

# 15,099

<sup>1)</sup> Free semester system: A system through which students can take discussion or practical training classes or get career education, including job experience activities, instead of taking mid-term and final exams





## Young Adults

### 'H-Social Creator' – a creative idea bank to resolve social issues

'H-Social Creator' is a planning program through which college students come up with creative ideas to resolve social issues, and then give shape to their ideas. The students chosen for the first group in 2015 and the second group in 2016 dealt with social issues, including environmental problems caused by fine dust, safety issues arising from technological development, and the effects of the aging population. Firstly, the students met with people experiencing the issues concerned, and they selected key issues based on design thinking methodology. They then came up with ideas that could combine with Hyundai's key skills and resources. An interim review and feedback process enabled these ideas to be revised and improved to create outcomes based on which Hyundai implemented new CSR and CSV programs. For example, our distinctive social contribution activities in 2016, such as the 'Donation Driving Campaign' and the 'Health Care Project for Taxi Drivers', were inspired by the Green Ride<sup>1)</sup> and Support Bus<sup>2)</sup> programs suggested by H-Social Creator.

We hope that all the college students who took part in H-Social Creator will become creative, hands-on people who can resolve social issues based on their experience with us. We believe in an open mindset, and taking action to help the world.



### H-Social Creator

Who can resolve social issues, and how? Through 'H-Social Creator', Hyundai is showing how everyone can help to resolve social issues, and how individuals' creative ideas can generate strong national, social and company support.



It was good to be a part of a team alongside people with different university majors, personal perspectives, and experience. There was so much to learn, and it was a great experience for me to expand the relatively narrow perspective that I had from only studying engineering.

Hee Jo Gong

Member of the Crayon (Creative Young People) Team,  
2nd Class of H-Social Creator



<sup>1)</sup> Green Ride: An eco-friendly mobility campaign to encourage behavioral changes such as using public transport, and providing reward points to help reduce air pollution

<sup>2)</sup> Support Bus: An idea to provide time for rest to people with restricted access to transport, including market merchants and daily workers, at dawn and in the middle of the night



## Connect the Unconnected! Hackathon

In August 2016, 97 participants in 37 teams engaged in 30 fierce hours of competition in the finals of Hackathon 2016. With the theme 'Connect the Unconnected', participants built a prototype of a data-based service along a theme selected from among 'connected car', 'car sharing' and 'electric car charging station'. Hackathon, combining 'hacking' with a 'marathon', began in Silicon Valley in the mid-2000s, hosted by major IT companies, and brings together a program designer and software developer to form a team to come up with an idea and develop software as if they were in a marathon.

Hyundai forecasts that software will become an important criterion in selecting automobiles in the future. That is why we became the first Korean automaker to host Hackathon, as part of our efforts to discover and foster talented people with outstanding software skills. The winners are given an internship opportunity with the option of permanent employment, and a streamlined employment process where they do not need to submit application documents. Hackathon has therefore been a new channel in recruiting new software talent.

## 'Hyundai-KOICA Dream Center' – supporting the car experts of the future

The 'Hyundai-KOICA Dream Center' is a vocational skill school to enable young people in developing nations to learn Hyundai's technological skills. We have opened four Hyundai-KOICA Dream Centers, starting with a three-year technical high school for automobile skills in Ghana in 2013, followed by the opening of a Dream Center in Indonesia in 2014, in Cambodia in 2015, and in Vietnam in 2016.

The Hyundai-KOICA Dream Center is based on a public private partnership (PPP) between Hyundai, the Korea International Cooperation Agency (KOICA), Plan Korea (an international relief and development NGO), and local government agencies. It is also a model for CSV activities that aim to offer both social value and economic benefits, including job creation. Of particular note, the fourth Dream Center, in Vietnam, is the first CSV activity of Hyundai Motor Group through the participation from Hyundai Motor Company and Hyundai Engineering & Construction. It is intended to foster experts in both automobile maintenance and construction, and help them find jobs.



### Hackathon

In this era of convergence between IT and the automotive industry, Hyundai's solutions to discovering and fostering talent are also evolving day by day.



### Hyundai-KOICA Dream Center

The young people who have benefited from the Hyundai-KOICA Dream Center are developing new dreams as their jobs and lives become more affluent. This is a positive change brought about by the Hyundai-KOICA Dream Center through which we share the happiness and benefits of learning with local communities around the world.





### Easy Wheels

Hyundai is taking thoughtful steps with seniors, who find inconvenience in mobility, so that they can enjoy a convenient better life.



## The Elderly and Disabled

### 'Easy Wheels' – helping seniors citizens to improve their mobility

According to data from Statistics Korea, there were 6,624,000 senior citizens in Korea in 2016, or 13% of the total population. One in four older people say they feel pain in their knees when they walk, which is why Hyundai operates the 'Easy Wheels' program, supplying mobility scooters for free to senior citizens, with an aim to help them travel safely and freely. Easy Wheels was developed by the Easy Move Inc., a social enterprise specializing in walking and driving assistance equipment, and the first of its kind in Korea. It was established in 2010, with support from Hyundai.

On Senior Day on October 2, 2016, we delivered 51 folding electric scooters to community welfare centers around the nation, and 70 high-performance electric scooters to individuals in need. The folding electric scooter is lightweight, weighing just 30 kilograms, allowing it to be lifted into and transported in a car, and is perfect for outdoor activities. The high-performance electric scooter is more for medical care. It can travel 35 kilometers on a single charge, and has a maximum speed of 10 km/h, allowing it to be driven even on certain public roads.

The Easy Wheels program is a part of 'Easy Move', a social program aimed at improving convenience in mobility for those in need. It has contributed to increased social participation and improved quality of life for senior citizens.

## Social Enterprise

### 'The Easy Move Inc.' – growing through kind technology

A specialist in producing and selling vehicles and walking assistance equipment to increase convenience in mobility for the disabled and senior citizens. The first assistance equipment company to be a social enterprise. A company established with an investment of KRW 2.91 billion from Hyundai. All these positives describe the Easy Move Inc., but instead of becoming complacent with these achievements, the Easy Move Inc. has continued to focus on technology development and market competitiveness. This in turn has resulted in the successful localization of its assistance equipment, including strollers for disabled children and evacuation equipment for the disabled. In the past, these were only available as high price imports, but the Easy Move Inc.'s successful development of such products has eased the financial burden on customers, and has even expanded the market. The evacuation equipment, in particular, is now being exported.

The Easy Move Inc. turned a profit for the first time in 2015, and continues to take on challenges with support from Hyundai. It fulfills its social responsibilities by giving more than two-thirds of its operating profits for social purposes, and by hiring workers from underprivileged backgrounds. The Easy Move Inc.'s growth is building a path towards a society in which people with mobility impairments are helped and respected. And this is the outcome of our commitment to being a real partner.

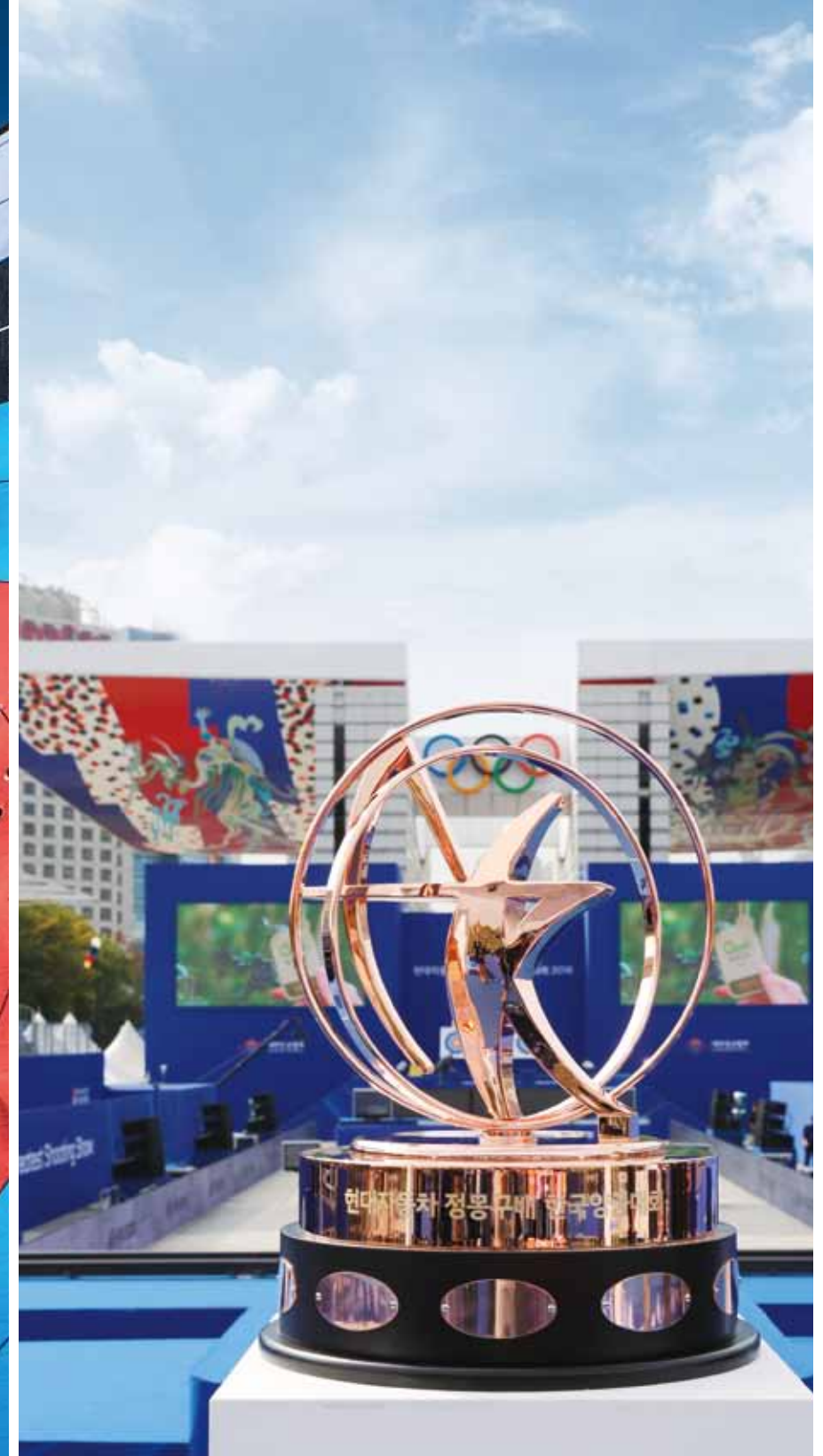


# Aim, Shoot, and Win the Game

## Human-centered Technology – Supporting Archery

Convergence technologies are bringing down the boundaries between industries, which is how Hyundai can aim to support archery through its automobile technologies. We have stood at the side of Korean archery since 1985, providing financial and technological support based on our own advanced technologies, enabling athletes to demonstrate their skills using the best possible equipment, and in optimal conditions.

Hyundai supports the development of archery by using our resources and expertise as a global automobile company. This support also enables us to take on new challenges.



● Social Interest: 5th ● Business Impact: 12th

### CSV perspectives for supporting sports through automobile technology

Hyundai Value	+	Social Value
Improving relevant technological skills		Contributing to the advancement of sports and motor sports
Applying automobile development technology		Leading the scientification of sports
Boosting the corporate image		Enhancing Korea's brand image through sports





### Aiming for victory, with help from automobile technology

The 2016 Summer Olympics held in Rio de Janeiro were the first Olympics at which one national team won the gold medal in all archery events, an achievement by Korea's national archery team that will go down in Olympic history. This was the culmination of the success of the national team, after victories at several other international competitions. One of the factors that led to this Olympic achievement was the assistance offered by Hyundai, which has supported the growth of Korean archery since 1985.

Hyundai has particularly looked into how automotive technologies can contribute to archery, leveraging the skills it has as a global automotive company. Our Technology Research Institute has worked in partnership with the Korea Archery Association, and for the 2016 Olympics, we focused this joint technological development on four areas – the non-destructive testing of bows, customized grips, arrow categorization equipment, and brainwave measurement.

The non-destructive testing of bows helps archers to spot cracks that can appear inside bows. This testing was done using the analytical technology of our Materials Development Center, technology that is usually applied to check for defects during new car development, when pictures are taken of car parts using 3D CT equipment, which enables the detailed analysis of the inside and outside of those parts. Similarly, a bow's limb consists of five layers, each made of a different material. For this reason, it is difficult to spot an irregularity with the naked eye, and if there is an accumulation of damage inside the limb caused by the repeated drawing and releasing of the bow, there is a risk of the bow breaking during or just before a competition. Our 3D CT equipment takes tens of thousands of pictures while rotating a bow through 360 degrees, which enables highly detailed inspection of the bow to check for minute cracks and poor adhesion.

We also use the 3D scanning technology of the new car development process to produce a customized grip for each athlete. Athletes usually use a ready-made grip that is placed at the center of the bow, and then alter the grip so that it fits their hand. A grip can become damaged if a competition lasts for several hours, and this can cause athletes to lose concentration. Grips made to an individual's own specifications enable archers to demonstrate their optimal skills. Our technologies are embedded into arrows as well. We have created a piece of equipment that fires an arrow over a distance of 50

meters and tests for defects in new arrows, enabling archers to select the best arrows. The arrow categorization equipment filters out defective arrows, and then archers can make the final selection of arrows that suit them best, while knowing that all arrows available are of the highest standard.

Hyundai also provides technological support for archery training in the form of brainwave measurement. Because mental control is very important in archery, we separated out all the actions repeated by athletes when they fire an arrow, and measured their brainwaves during each individual action. We then analyzed their concentration and relaxation levels during these actions. By using neurofeedback technology from Silicon Valley, athletes were able to identify which actions resulted in the highest levels of concentration and relaxation.

Hyundai always supports the Korean national archery team. We do not restrict ourselves to regular sports marketing – instead, we leverage our resources and expertise as an automotive company to fulfill our social responsibilities more widely. The emotional sight of the Korean national flag being raised in a stadium in Rio de Janeiro brought great happiness to the national archery team, Hyundai Motor Group, and to all Korean citizens. Hyundai was delighted to have fulfilled its mission as a corporate citizen and as an outstanding partner for the national archery team.



Interview with Bonchan Ku, Rio de Janeiro Olympics Gold Medalist



“ I anticipated automotive R&D technologies and promising venture technologies to innovate the training process of Korean athletes. The 2016 Summer Olympics is where the athletes' efforts resulted in a valuable outcome, and where Hyundai was presented with an optimal opportunity to widely publicize to the world its technological prowess and potential for innovation. ”

Jeong Ho Roh  
Associate, Strategic Investment Team, Hyundai Motor Company

“ Winning gold in all archery events at the Olympics was a long-cherished dream for the Korean archery team, and Hyundai's long-term and profound support enabled this dream to come true. Their cutting-edge technologies enabled me to be sure that my equipment had no defects, so I could concentrate exclusively on the competition. Hyundai also made detailed plans to ensure that athletes would be in the best possible physical and mental condition, including setting up a dedicated rest area and upgrading our airplane seats. ”

Woo Jin Kim  
Archer, Korean National Team







**Non-destructive testing of bows**



**Producing customized grips**



**Arrow categorization equipment**



**Brainwave measurement**

### Forming partnerships beyond sports sponsorship

Hyundai is the title sponsor of the World Archery Federation for three years, from January 2016 to the end of 2018. The World Archery Federation is in charge of archery competitions around the world, including hosting the Archery World Cup and the World Archery Championships. While Hyundai is the title sponsor of the World Archery Federation, we will support the 'Hyundai Archery World Cup' and the 'Hyundai World Archery Championships', while publicizing the Hyundai brand, not only to archery fans, but to sports fans around the world as well.

Hyundai's position as a title sponsor is also reflected in a composite logo that combines the logos of Hyundai and the World Archery Federation. This composite logo is used in the 'Hyundai Archery World Cup' and the 'Hyundai World Archery Championships', and Hyundai is allowed to display brand or product advertisements on large electronic displays in stadiums, install various types of banners such as standing banners and branding flags, and to show its logo on the back wall of targets, interview backdrops and podiums. This is giving excellent publicity to the Hyundai brand. In addition, as part of marketing activities in each country where the competition is held, we provide archery fans with opportunities to experience Hyundai through various on-site promotions. For example, we exhibit key model for each market, offer test-driving, set up a promotion booth to host such events as mini archery game, and provided cheering tools.

In Korea, we hosted the '2016 Hyundai Motor Chung Mong Koo Korea Archery Cup', which brought together 152 Korean archers with the best skills in the world to compete against each other. This archery festival was enjoyed by all, befitting its concept as 'The Greatest Shooting Show in Korea', and all 1,000 audience seats were occupied throughout the competition. The Cup was widely praised for helping to popularize Korean archery, and for expanding archery's base of competition and support. We are also establishing mid- to long-term plans for the development of archery, including fostering talented archers for the future, projects that will help to popularize archery, and trying to widen the influence of archery. The presence of Hyundai's brands and products at global archery competitions, and the special, unchanging support that Hyundai has shown for archery, will continue to highlight the importance of archery in Korea and world-wide.



World Archery Federation Instagram

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As a world-renowned automaker and global corporate citizen, Hyundai Motor Company strives to not only create economic values but also fulfill its social and environmental responsibilities.

This Sustainability Report describes business activities we conducted in 2016 and also details our efforts of creating shared values, keeping the environment clean, contributing to the sustainable development of society, and other meaningful milestones achieved in the pursuit of sustainable management.

# SUSTAINABILITY PERFORMANCE



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# Sustainability Management System

Hyundai will build a sustainable future by striking the right balance between economic, social and environmental value, thus grow together with our stakeholders.

## Management Philosophy and Vision

### Management Philosophy

The spirit and values that have driven Hyundai Motor Group are defined by three key phrases: ‘unlimited sense of responsibility’, ‘realization of possibilities’, and ‘respect for mankind’. Based on these, Hyundai Motor Company has established a management philosophy to ‘realize the dreams of mankind by creating a new future through ingenious thinking and continuously challenging new frontiers’.

‘Unlimited sense of responsibility’ signifies the pursuit of sustainable growth while maintaining responsibility towards all of our stakeholders; the ‘realization of possibilities’ signifies the pioneering spirit that has motivated us to invest in new areas; and the ‘respect for mankind’ represents our commitment to improve living conditions for everyone. With this philosophy in place, Hyundai will continue to grow as a respected company which makes a positive contribution to humanity.



More information on our corporate philosophy

<p><b>Unlimited sense of responsibility</b></p>	<ul style="list-style-type: none"> <li>• Pursuing sustainable growth with a sense of responsibility towards employees, suppliers, and their families</li> <li>• Pursuing the highest quality, to be responsible for the safety and happiness of customers</li> </ul>
<p><b>Realization of possibilities</b></p>	<ul style="list-style-type: none"> <li>• DNA that strives for unlimited growth and advancement</li> <li>• Entrepreneurship that enables us to break out of our comfort zone and to take risks</li> <li>• Creating real value by turning small possibilities into real achievements</li> </ul>
<p><b>Respect for mankind</b></p>	<ul style="list-style-type: none"> <li>• Improving living conditions by providing products and services of the highest quality to the greatest number of people</li> <li>• Being proactive in tackling environmental issues</li> <li>• Contributing to the global community by sharing our success</li> </ul>

### Vision 2020

The ‘Vision 2020’ represents the Hyundai Motor Group’s goals for sustainable growth and a future that Hyundai Motor Company pursues. Automobiles have gone beyond merely being a means of transportation; they help people to have a better quality of life. The philosophy and will of Hyundai are reflected in the Vision 2020 which is designed to embrace the changes in what an automobile means. By pursuing this vision, Hyundai has set out to become not just a carmaker, but a company that creates more value and shares in the daily lives of our customers as a lifetime partner. Hyundai sets a new concept of an automobile as a ‘partner for lifetime’, tailored to the needs of customers from childhood to senior years. It is also a ‘partner for happiness’, a space for living, working, and resting that provides exceptional comfort and pleasure. As a ‘partner for everyday life’, we will ensure the best customer experience from the moment a customer chooses our brand by providing a complete range of the services associated with automobiles, from finance to product experience, IT services, and used car sales.

**Partner for lifetime** We provide brands, products, and services that cater for our customers from childhood to senior years. We envision our future being one in which we are the automobile of choice for our customers at all stages of their lives.

**Partner for everyday life** We understand service innovation is needed to provide greater value to customers. We therefore provide services at all stages of the ownership process, from selection to purchase, possession, and repurchase, to ensure the best customer experience.

**Partner for happiness** Our automobiles have gone beyond a means of transportation, and are now a symbol of comfort and pleasure. With Hyundai, cars will become more versatile and provide innovative services to make driving faster, safer, more comfortable and more enjoyable. We will stay close to our customers, and offer them more ecofriendly and advanced IT technologies.

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Vision and 3 Major Strategic Directions



**Core Values**

We have selected five core values to practice our management philosophy and to realize our vision – customer, challenge, collaboration, people, and globality. These core values were created by identifying the unique characteristics embedded in the mind-set of our employees that have contributed to our success, and then adding to that a set of values that will act as guidelines for everyone at the company. The core values will guide not only our business operations but also the decision-making and daily work lives of our employees. They will also help to develop a strong sense of community among our employees, and provide a basis for sustainable growth.



**Customer**

We promote a customer-driven corporate culture by providing the best quality and impeccable service with all of our efforts aimed at satisfying our customers.



**Challenge**

We refuse to be complacent, embrace every opportunity for greater challenge, and are confident in achieving our goals with unwavering passion and ingenuity.



**Collaboration**

We create synergy through a sense of "togetherness" that is fostered by mutual communication and cooperation within the company and with our business partners.



**People**

We believe that the future of our organization lies in the hearts and capabilities of individual members and will help them develop their potential by creating a corporate culture that respects talent.



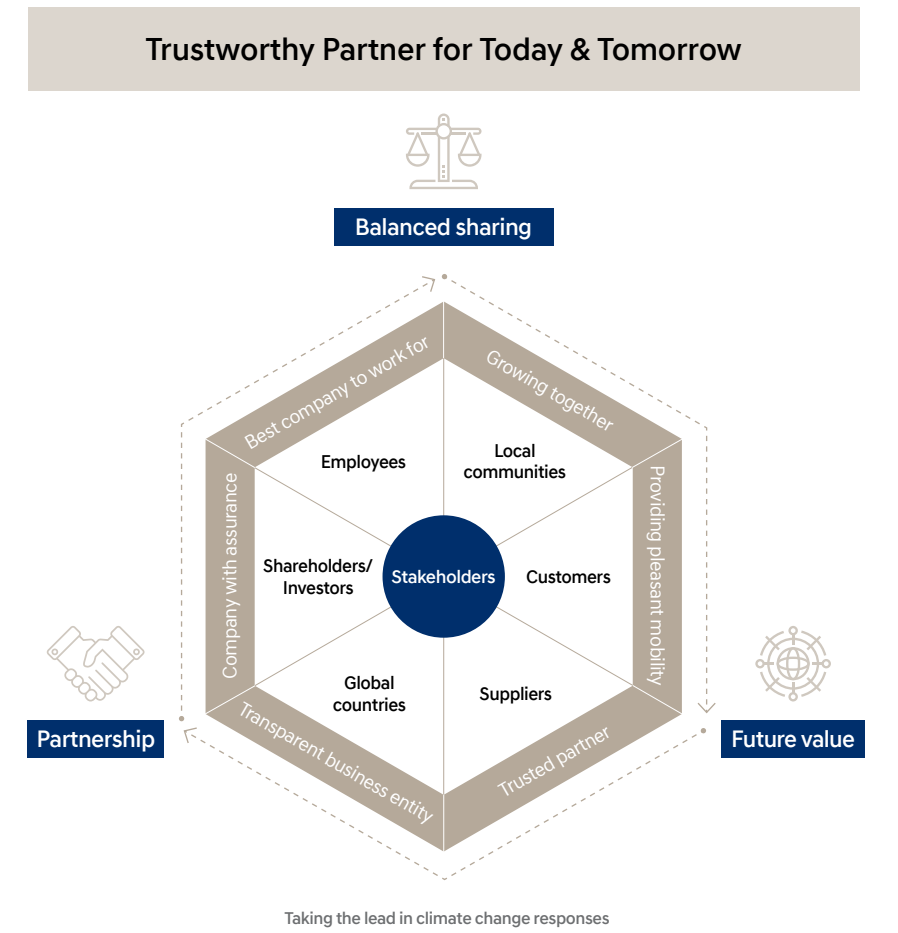
**Globality**

We respect the diversity of cultures and customs, aspire to be the world's best at what we do, and strive to become a respected global corporate citizen.

**Socially Responsible Management**

With stakeholders voicing their concerns and regulations becoming increasingly stringent, businesses today are required to fulfill their social responsibilities. We at Hyundai are committed to socially responsible management not simply to build our brand image, but to promote long-term sustainable development. We have put into place ethics management and compliance management, and we forge collaborative partnerships with a wide range of stakeholders in order to fulfill our economic, environmental and social responsibilities. As a 'Trustworthy Partner for Today & Tomorrow', we will use our business skills to build closer partnerships with all our stakeholders so that, as well as creating economic value, we are able to address issues such as climate change, the ageing population, and youth unemployment.

Mid-to Long-term CSR Strategy Structure





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## Ethical Management

### Ethical Management System

In 2001, we established the Ethics Charter, the Employee Code of Conduct, and the Guidelines for Ethical Business Conduct, to set clear guidelines for all employees in the practice of ethical management. Furthermore, all relevant documents are made available on-line for effective communication and for on-demand reference. In 2002, we adopted a voluntary fair trade compliance program (CP) to enhance fairness and transparency in trading with suppliers. In addition, we joined the UN Global Compact in 2008 to declare our commitment to ethical management. In 2013, the Ethical Management website was completely revised to make it more accessible for stakeholders as well as employees, so that the information on the site can be used in ethical business conduct. In 2015, we expanded and reorganized the composition and functions of the existing Ethics Committee to launch the Corporate Governance & Communication Committee, thus strengthened our will and capability to practice transparent management.

### Ethics Charter

The purpose of the Ethics Charter of Hyundai is to help employees make ethically correct decisions in business operations. It also applies to the suppliers of the company. More information on the Ethics Charter is available on the ethical management website of Hyundai Motor Group.

### Cyber Audit Office

Our Cyber Audit Office is always open to receive reports on unfair requests or corrupt practices involving our employees, and it also offers advice when our employees face ethical dilemmas. While informants should use their names in submitting a report, the reports are then handled in accordance with relevant procedures without disclosing the name of the informant. Reports typically submitted to the Cyber Audit Office include unfair transactions based on personal connections, a request for or the paying of bribes or inappropriate entertainment, abuse of influence, and other

### SDGs Target



### Related activities of Hyundai

- Ethical Management
- Compliance Management



Ethical management website of Hyundai Motor Group

### Ethical Management Milestones

#### Introduction

- Build a compliance support organization
- Establish compliance control standards and implementation guidelines
- Identify the status of key legal risks

2012~2013

#### Maturity

- Develop and distribute compliance guidelines
- Provide compliance training
- Develop an IT system to support compliance
- Operate the Compliance Counseling Center

2014~2016

#### Expansion

- Designate compliance managers
- Perform self-monitoring on compliance
- Build a global compliance support system

2017~

types of violation against our ethical standards. For reports submitted on social and environmental issues that concern our stakeholders, including human rights, labor, local community, and supply chain, we ensure that these issues are referred to the department responsible and handled appropriately. The Cyber Audit Office receives reports via the internet, phone, fax or letter, and notifies informants of the actions taken by the relevant departments. The identity of the informant is strictly protected under the policy on secret assurance, identity protection assurance, and responsibility reduction.

## Compliance Management

### Purpose

The primary purpose of our compliance management is to accurately assess various legal risks associated with all business operations of Hyundai and to manage them before they become a clear threat. Furthermore, through compliance management within the framework of sustainability management, Hyundai seeks to gain stakeholders' trust and build the basis for fulfilling our social responsibilities. To accomplish these objectives, we have established a compliance management support system and through this system, implement diverse compliance programs.

### Implementation

Hyundai has produced compliance guidelines since 2013 to help our employees better understand the legal risks that may occur in their work, and how to properly respond to those risks. In 2016, three additional guidelines were added, concerning the protection of information about the location of customers and preventing infringement of trade secrets when signing contracts. We share 39 compliance guidelines on nine areas of law with our business sites in Korea, and six compliance guidelines on six areas of law with overseas business sites. These guidelines are the basis of our compliance management.

In addition, we provide compliance training to new hires with or without previous work experience, and to newly-recruited executives, to improve their awareness of compliance

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management. We also ensure that all our employees understand our commitment to compliance management, and the relevant support systems. We monitor legal trends, so that we can alert our employees about the enacting or revision of major regulations, and we distribute bi-monthly compliance newsletters which illustrate emerging legal issues in easy-to-understand terms for our employees. In 2016, in response to the rapidly-changing legal environment, we strengthened our compliance support in specific legal areas, including new and modified regulations.

We make sure that everyone at Hyundai clearly understands our strong commitment to regulatory compliance as a response to the new Improper Solicitation and Graft Act, and we briefed all our employees on the Act prior to its enactment to help them better understand it. We also distributed a leaflet entitled 'All You Need to Know about the Anti-Graft Act', published compliance guidelines for our employees to follow on the Anti-Graft Act, and undertook company-wide preliminary reviews to minimize the risk of regulatory violations. We also strengthened our compliance support concerning data privacy, in line with increasing public interest in the protection of personal data and tougher regulations. Online training was given to all employees, in Korea and overseas, and training was also offered to suppliers who process customers' personal data.

**Voluntary Fair Trade Compliance**

Hyundai fulfills its duty and responsibility as a leading global company practicing fair and transparent management. In 2016, the CEO publicly pledged Hyundai's will to comply with fair trade and began reflecting fair trade compliance guidelines in business activities. We also educate and train new executives and employees, and staff members at relevant departments on the importance of fair trade practices, thereby cultivating a corporate culture of fair trade compliance. In addition, we produce a monthly fair trading newsletter to help employees stay informed of relevant issues and practice fair trade.

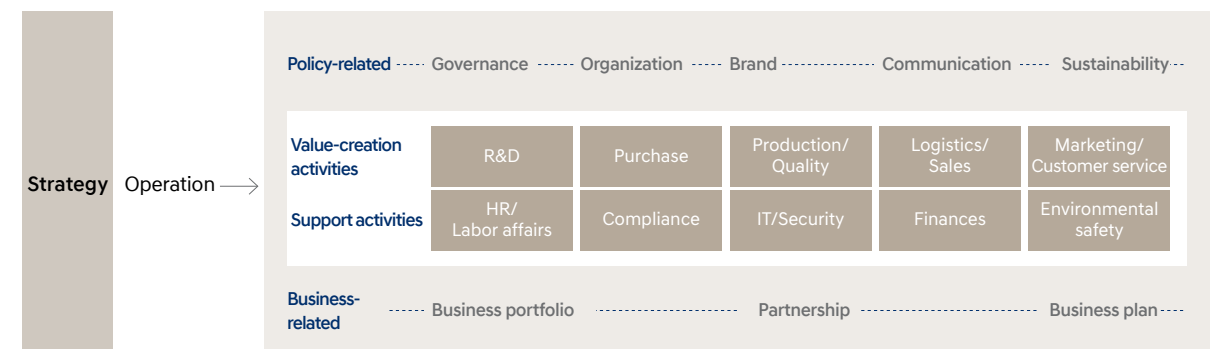
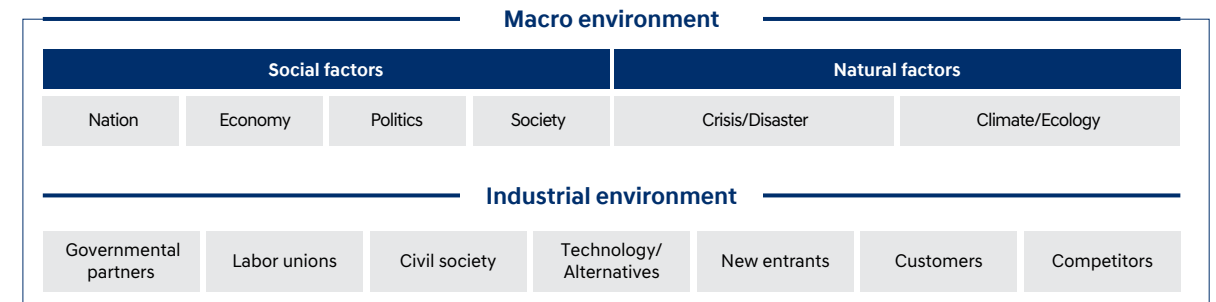
**Risk Management**

The automobile industry today has faced an unprecedented level of wide-ranging challenges. Protectionism is spreading, as seen in the U.K. with the result of the Brexit referendum, and the election of President Donald Trump in the U.S. Within the automobile industry, emerging trends such as autonomous driving, mobility, electric vehicles and connectivity are bringing about abrupt changes. These challenges are driving us on to make proactive investments in relevant fields, collaborate with other industries such as ICT, and focus on technological development through mergers & acquisitions. Europe and India are implementing major restrictions on diesel vehicles in the aftermath of 'Diesel-gate', which has clearly resulted in reduced demand for diesel-powered cars and the rapid growth of the green car market, mainly in China and Europe. With the majority of automakers focusing on their EV business strategy, it is possible that the automobile industry will shift from internal combustion engines to EVs faster than expected. Hyundai therefore launched the IONIQ, a range of eco-friendly car models, in response to the expanding eco-friendly car market, and successfully demonstrated the autonomous driving capability of the IONIQ EV at the CES 2017 as a way of addressing the rapidly-changing automobile market.

Compliance Slogan



**Risk Structure**





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## Stakeholder Communication

To earn the trust of stakeholders, a company must respect them and maintain the highest standards of ethics and transparency. Hyundai has therefore shared the value of business based on trust with its stakeholders, and continues to strengthen the ethics and transparency of its business operations.

					
Customers/Dealers	Employees	Suppliers	Shareholders/ Investors	Society	Government
<p><b>Key Issues</b></p> <ul style="list-style-type: none"> <li>• Sustainable mobility</li> <li>• Excellent quality</li> <li>• Enhancement of vehicle safety</li> <li>• Customer satisfaction improvement</li> </ul>	<ul style="list-style-type: none"> <li>• Employee satisfaction improvement</li> <li>• Fostering outstanding employees</li> <li>• Human rights protection</li> <li>• Health and safety</li> </ul>	<ul style="list-style-type: none"> <li>• Win-win growth</li> <li>• Fair trades</li> <li>• Long-term partnership</li> </ul>	<ul style="list-style-type: none"> <li>• Improvement of the corporate value</li> <li>• Shareholder interests protection</li> <li>• Stable growth</li> <li>• Transparent information disclosure</li> </ul>	<ul style="list-style-type: none"> <li>• Invigoration of local economy</li> <li>• Job creation</li> <li>• Social contribution activities</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance with laws and regulations</li> <li>• Fulfillment of tax obligations</li> </ul>
<p><b>Communication Channels</b></p> <ul style="list-style-type: none"> <li>• Motor show and new car launching ceremony</li> <li>• Test driving</li> <li>• Sports sponsorship</li> <li>• Customer service</li> <li>• Customer satisfaction survey</li> <li>• Car club</li> <li>• Before Service</li> <li>• Website</li> <li>• On-line communication</li> <li>• Dealer seminar/conventions/events</li> <li>• Agent conventions</li> <li>• My Car Story 2.0</li> <li>• Stakeholder interviews</li> <li>• Reports (financial reports, sustainability reports, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>• Labor-Management Council</li> <li>• Occupational Safety and Health Committee</li> <li>• Internal publications</li> <li>• Newsletters</li> <li>• Employee satisfaction surveys</li> <li>• WorkSMART assessments</li> <li>• Health &amp; safety systems</li> <li>• Websites</li> <li>• Stakeholder interviews</li> <li>• Sustainability reports</li> <li>• Roundtable meetings</li> <li>• Management workshops</li> <li>• Lunch meetings</li> <li>• Grievance counseling</li> <li>• Suggestion Box</li> <li>• Home correspondence</li> <li>• Events with employee families</li> <li>• Sports events</li> </ul>	<ul style="list-style-type: none"> <li>• Win-win growth and fair trade agreement</li> <li>• Foundation of Korea Automotive Parts Industry Promotion</li> <li>• Seminar and training for suppliers</li> <li>• Stakeholder interview</li> <li>• Energy-Saving Technology Exchange Meeting</li> <li>• R&amp;D Tech Day</li> <li>• R&amp;D symposium</li> <li>• R&amp;D Motor Show</li> <li>• Purchasing portal</li> <li>• Reports</li> </ul>	<ul style="list-style-type: none"> <li>• Annual general meeting</li> <li>• Corporate Governance &amp; Communication Committee</li> <li>• Company briefing</li> <li>• IR meetings</li> <li>• Website</li> <li>• Reports</li> </ul>	<ul style="list-style-type: none"> <li>• Communication with local communities near worksite</li> <li>• Youth support program</li> <li>• Website</li> <li>• Stakeholder interview</li> <li>• Reports</li> </ul>	<ul style="list-style-type: none"> <li>• Participation in policy-making public hearings</li> <li>• Participation in policy discussions and briefings</li> <li>• Website</li> <li>• Stakeholder interview</li> <li>• Reports</li> </ul>

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# Corporate Governance

A transparent and efficient corporate governance system centered on a BOD with integrity and expertise has been the back bone of our strong and sound growth.

## BOD Composition

The Board of Directors (BOD) of Hyundai is the top decision-making body of the company, and is comprised of four executive directors and five outside directors, in line with relevant regulations. The BOD acts on behalf of shareholders and other stakeholders to meet their interests. It also makes decisions on key management issues and other matters stipulated in the articles of association, with the aim of continued business growth, and supervises directors and executives. In addition to regular quarterly meetings, BOD meetings are held by the chair or appointed directors whenever a resolution of the BOD is required. A resolution is valid if supported by at least half of the votes cast, and with more than half of the BOD members being present, unless otherwise stipulated in the relevant laws. The BOD runs sub-committees that are in charge of certain roles to strengthen the supervision and execution of the duties of the directors while enhancing expertise and efficiency in decision-making. The sub-committees are the Audit Committee, the Outside Director Candidate Nomination Committee, and the Corporate Governance & Communication Committee.

## Audit Committee

The Audit Committee, which is comprised of four outside directors to ensure transparency and independence, is responsible for auditing the company's finances and operations. It also requires directors to provide information on business operations and investigates the financial status of the company, which is then reported to the BOD. In addition, it communicates with external auditors about the plans and the results of audits of the company's financial statements to perform efficient auditing work.



## Outside Director Candidate Nomination Committee

The outside directors of the BOD have all been screened by the Outside Director Candidate Nomination Committee and appointed with approval from shareholders at the annual general meeting (AGM). When designating new outside directors, Hyundai submits a 'Confirmation of Qualification for Outside Director' to Korea Exchange that ensures the independence of new directors and other legal compliance. As of now, more than half the Committee members are outside directors: three outside directors – Sung Il Nam, You Jae Yi and Eun Soo Choi – and two internal directors – Mong Koo Chung and Won Hee Lee.

## Corporate Governance & Communication Committee

In 2015, we established the Corporate Governance & Communications Committee by expanding and realigning the composition and mandate of the previous Ethics Committee. All four members of the Committee are outside directors, and the Committee is responsible for deliberating on and reviewing key management issues, the transparency of related transactions, and ethics management. The Committee's ability to perform these tasks is fully supported by its independence and transparency. In particular, the Committee member whose mandate is to protect shareholder rights and interests attends investor discussions and Non-Deal Roadshows for overseas investors, in order to serve as a channel for communications between the BOD and shareholders. This also promotes the transparency and independence of the BOD, protects shareholder rights and increases shareholder interest.

### Vision of the Corporate Governance & Communication Committee





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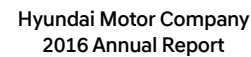
As a result of this commitment to shareholders, we paid out interim dividends for the first time in 2015, made interim dividend payments again in 2016. In January 2017, we announced our mid-to long-term dividend policy as a way of improving shareholder interest. Hyundai has also set out its Corporate Governance Charter, to promote the transparency and accountability of top management under the supervision of a professional and independent BOD. The Committee will continue to increase the transparency of the actions of the BOD and expand our communications with shareholders, while also exploring a range of policies and initiatives that protect shareholder rights.

**Activities of the Corporate Governance & Communication Committee**

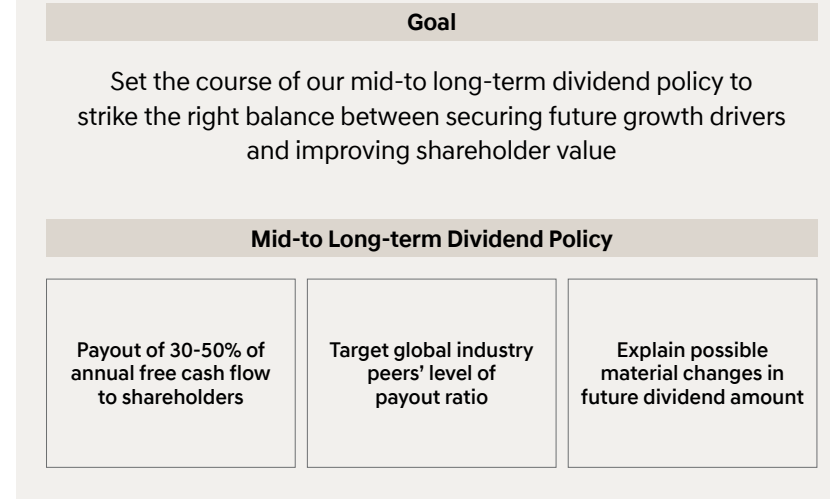
		Details
Governance NDR	Date	July 6-11, 2016
	Purpose	To enhance communication and form trust with major shareholders
	Participants	Outside Director, IRO and IR Team
	Shareholders	Corporate governance managers of 31 major shareholders (2015: 25 shareholders in 3 regions) <ul style="list-style-type: none"> <li>• Hong Kong: 8 (Capital, APG, Schroders, Allianz, etc.)</li> <li>• Singapore: 5 (GIC, Eastspring, UBS, ISS, etc.)</li> <li>• London: 11 (BlackRock, USS, F&amp;C, M&amp;G, Hermes, etc.)</li> <li>• Boston: 7 (Westwood, Finepoint, Wellington, etc.)</li> </ul>
	Agenda	Explain the activities undertaken by the committee to improve governance, including the announcement of Corporate Governance Charter and Governance Seminars with governance specialists

**Governance Improvements**

		Details
Major Shareholder Meetings	Summary	<ul style="list-style-type: none"> <li>• Investor meetings with governance managers of major financial institutions</li> <li>- NPS, APG, Finepoint, Hermes, etc.</li> </ul>
	Agenda	Discussed current governance status and future plans for the Committee
Governance-related Advisors	Summary	<ul style="list-style-type: none"> <li>• Meetings with proxy advisory and governance advisors</li> <li>- ISS (Proxy advisory), GES (European governance advisory), ACGA (Asian Corporate Governance Association)</li> </ul>
	Agenda	Discussed importance of improving ESG and discussed ways to enhance professionalism and independence of BOD
Governance Seminars (Jun. 14, Oct. 26)	Summary	Enhanced professionalism of outside directors through governance seminar with governance specialists (Professor Kyungshuh Park and Sungmin Kim)
	Agenda	Corporate governance codes and the role of BOD, dividend policy for enhancing corporate value
Governance COncference	Summary	Participated in the ACGA annual conference, providing outside directors with an ideal opportunity to gain expertise in governance and interact with investors
	Agenda	Corporate governance of Asia-Pacific companies including adoption of stewardship code



**Announcement of the Mid-to Long-term Dividend Policy**



**BOD Status**

Information on the BOD of Hyundai, including the composition of the BOD and sub-committees, BOD resolutions, profiles of BOD members, their attendance and salaries, is available in our business reports and on the company website. The AGM is notified three weeks in advance, earlier than the standard two weeks stipulated in the commercial law, so that shareholders have sufficient time to examine the agenda in detail. We also notify shareholders with holdings of less than 1% about the AGM, so that all shareholders can benefit from their rights and interests. The company discloses its audit report two weeks rather than one week before the AGM as done in the previous years. In addition, we directly reported to shareholders on the appointment of an independent auditor at the AGM, all in an effort to bolster the prompt and transparent disclosure of information we pursue. Although the BOD can approve financial statements and dividend payments under the current law, Hyundai handles these at the AGM, to promote a focus on the shareholder. More information on the BOD and compensation of executives are available in our 2016 annual report.

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**BOD Status**

	Name	Title	Committee	Role	Date of Appointment	Term	Gender
	Mong Koo Chung	Chairman & CEO	Outside Director Candidate Nomination Committee	CEO, Chair of the BOD, Chair of the Outside Director Candidate Nomination Committee	Mar. 17, 2017	3 years	Male
Internal Directors	Eui Sun Chung	Vice Chairman			Mar. 11, 2016	3 years	Male
	Gap Han Yoon	President & CEO		CEO	Mar. 13, 2015	3 years	Male
	Won Hee Lee	President & CEO	Outside Director Candidate Nomination Committee	CEO	Mar. 11, 2016	3 years	Male
	Sung Il Nam	Outside Director	Audit Committee, Outside Director Candidate Nomination Committee	Chair of the Audit Committee	Mar. 11, 2016	3 years	Male
	You Jae Yi	Outside Director	Corporate Governance & Communication Committee, Outside Director Candidate Nomination Committee	Chair of the Corporate Governance & Communication Committee, In charge of protecting shareholder rights	Mar. 11, 2016	3 years	Male
Outside Directors	Dong Kyu Lee	Outside Director	Audit Committee, Corporate Governance & Communication Committee		Mar. 13, 2015	3 years	Male
	Byung Kook Lee	Outside Director	Audit Committee, Corporate Governance & Communication Committee		Mar. 13, 2015	3 years	Male
	Eun Soo Choi	Outside Director	Audit Committee, Corporate Governance & Communication Committee, Outside Director Candidate Nomination Committee		Mar. 17, 2017	3 years	Male

\* As of March 17, 2017

**Qualifications for Directors**

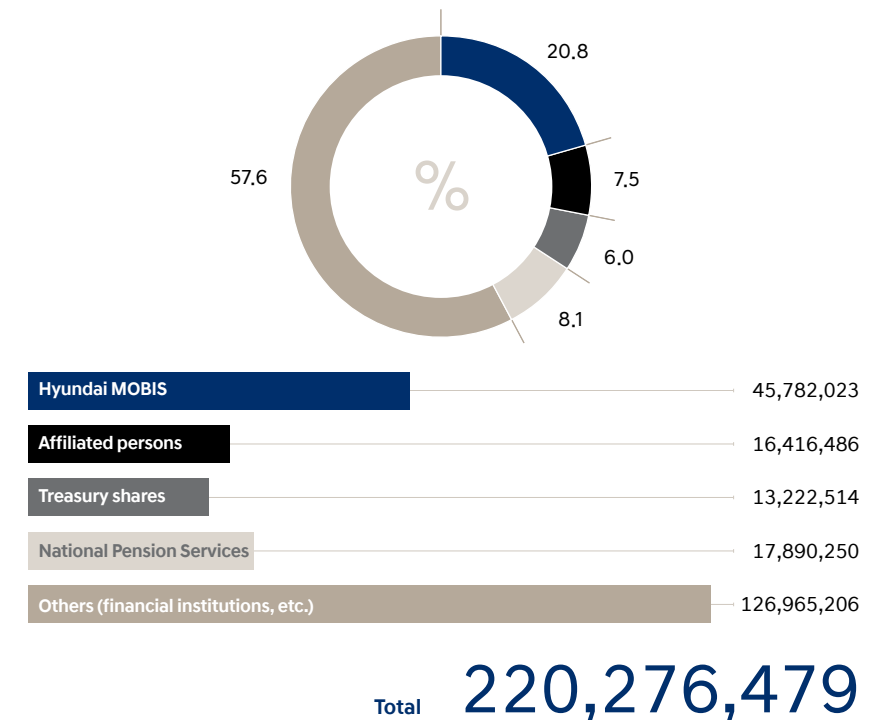
Directors of Hyundai are required to hold qualifications as specified in relevant laws and regulations, possess exemplary ethical and professional value sets, and diligently exercise the duty of representing the rights and interests of shareholders and other stakeholders in a balanced manner. They also should be able to allocate sufficient time to the conduct of their duties, and demonstrate strategic thinking, practical knowledge, and the mature ability to make judgment as well as a strong sense of responsibility. Outside directors are required to have expertise and experience in finance, economy, management, law, accounting, or relevant fields. They are also required to have no major conflicts of interest with the company and make independent decisions.

**Expertise of the BOD**

Outside directors of Hyundai visit production plants and research centers at home and abroad on a regular basis to enhance their expertise. Also, the company helps them better perform their duties by providing educational opportunities at professional institutions outside the company.

**Shareholders**

(Unit: Share – ordinary share)



\* As of December 31, 2016



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# Creating and Sharing Economic Value

Hyundai achieves sustainable growth by creating economic value as a global automobile company and then sharing with our stakeholders as a global corporate citizen.

## Global Business Performance

### Global Business Performance

In 2016, the automobile industry, excluding China, saw low growth of just 1.2% due to sluggish growth in the U.S., Europe and other major economies, and the sustained slowdown in Brazil, Russia and other emerging markets. The Chinese market, however, benefited from purchase tax cuts, and so the overall market growth rate was 4.4% with China included. Even with all the disruptions in the market, including difficult business conditions and uncertainties from political transformation in major markets and Brexit, as well as Korea's unstable political landscape, Hyundai has remained focused on quality and stability by positioning our brand firmly in the premium market and expanding the sales of green cars. These efforts resulted in sales of 4.86 million vehicles for the year.

### Market Share

(Unit: %)

	2014	2015	2016
Korea	41.2	38.9	36.0
Excluding Korea	5.1	4.9	4.8
Global	5.8	5.6	5.5

### Global Production

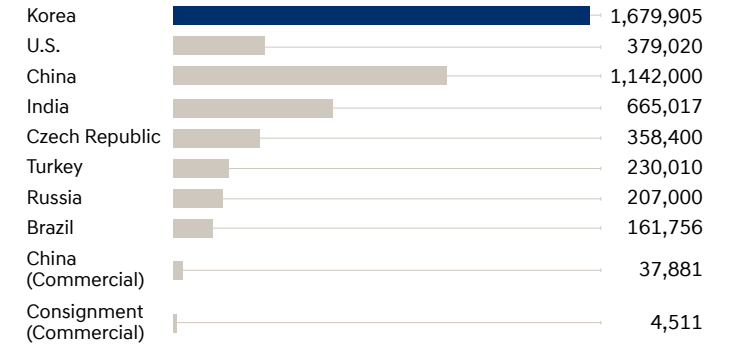
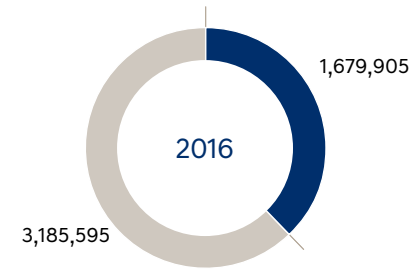
Our Korean plants have an annual production capacity of 1.76 million units. In 2016, the plants modified their work shift schedule<sup>1)</sup> to improve flexibility and product quality. With our fourth Chinese plant beginning operations with an annual production capacity of 300,000 units, our overseas production capacity is now 3.198 million units, so our total global production capacity reached 4.958 million units. In 2016, we responded to rising global demand for SUVs by increasing the production of Santa Fe at our U.S. plants,

<sup>1)</sup> Reduced work hours from an 8-hour (day) and 9-hour (night) shift to an 8-hour (day) and 8-hour (night)

### Global Production

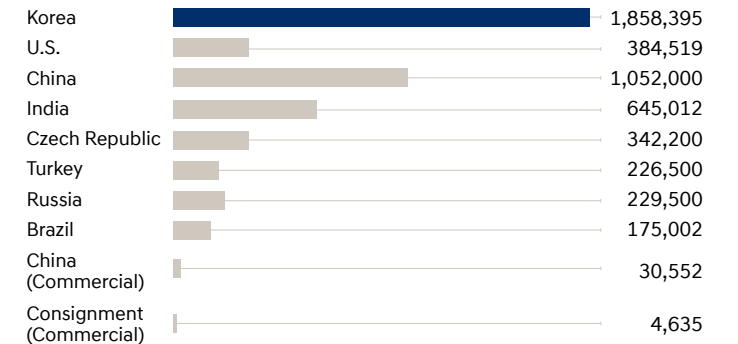
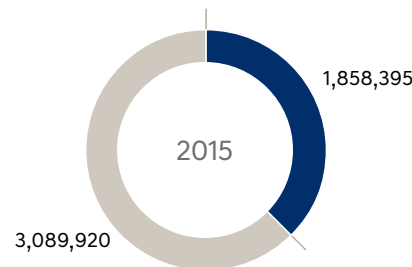
(Unit: Vehicle)

■ Korea ■ Excluding Korea



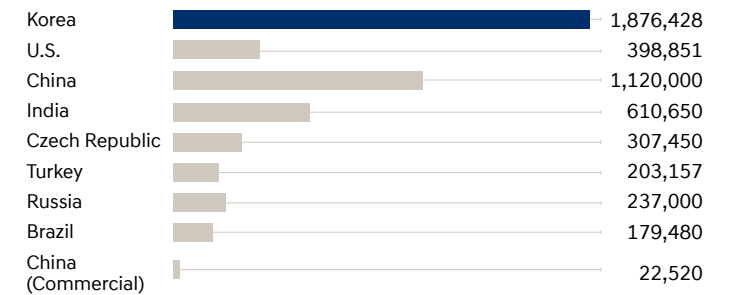
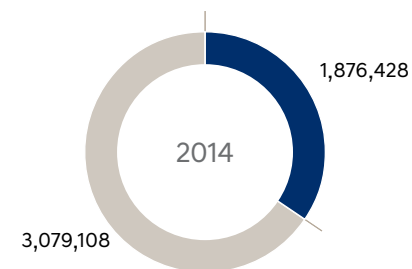
**4,865,500**

Total



**4,948,315**

Total



**4,955,536**

Total

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increasing supply of Tucson from the Czech Republic and mass-producing the compact SUV Creta in Russia. Overseas plants are now responsible for 65% of our total production, and with each plant also producing strategic local models, we now have a system in place that allows us to respond quickly and accurately to changing conditions across global markets.

### Global Sales

Despite the sales growth thanks to the China's purchase tax cut, Russia, Brazil and other emerging markets remained stagnant, and persistently low oil prices resulted in a slower-than-expected recovery in the Middle East and Africa. As a result, our sales for the year fell by 104,782 units to 4,860,049 vehicles. Sales in Korea fell by 8% due to the aging of our flagship models, such as Santa Fe, increased pent-up demand for the new Grandeur and intensifying competition. We were still able to successfully launch the new Grandeur, and sales of our green cars rose by 12% thanks to the launch of the IONIQ HEV and EV, which broadened our eco-friendly model line-up. We also expanded our premium range by launching the G80 Sport and the G90 Limousine, which enabled our Genesis brand to position itself firmly in the premium segment in Korea.

Overseas, we set a new record in the Chinese market, with our sales rising 7% to 1,142,016 units after we timed the launch of strategic local models and new models to coincide with cuts in local purchase taxes. In the Middle East, Africa, Brazil, Russia and other emerging markets, however, sales fell, and as a result, our total overseas sales fell by 1% year-on-year to 4,201,407 units. Overseas sales comprise 86% of our total sales. By region, our sales in Western Europe increased by 6% from the previous year to 503,048 units thanks to economic stimulus packages, which in turn improved consumer sentiment. 2016 marked the first time our sales exceeded half a million in India, as falling interest rates and economic promotion initiatives of the Indian government boosted sales by 5% to 500,539 units. In the U.S., sales were down by 3% to 771,772 units as a result of the global economic downturn and the strong dollar causing sluggish exports and consumption. In the Middle East and Africa, sales fell by 23% to 360,034 units as consumer sentiment deteriorated because of continuing low oil prices and political instability.

### Global Sales

(Unit: Vehicle)

	2014	2015	2016
Korea	685,191	714,121	658,642
Excluding Korea	4,278,344	4,250,710	4,201,407
Global	4,963,535	4,964,831	4,860,049

\* Based on shipments

## Business Performance

### Financial Highlights

(Unit: KRW billion)

	2014	2015	2016	
Consolidated	Sales	89,256	91,959	93,649
	Operating profit	7,550	6,358	5,194
	Net profit <sup>1)</sup>	7,649	6,509	5,720
	EBITDA <sup>2)</sup>	10,100	9,152	8,552
Separate	Sales	43,046	44,440	41,714
	Operating profit	3,735	4,267	2,699
	Net profit	4,914	5,435	4,102
	EBITDA <sup>2)</sup>	5,349	6,047	4,913

<sup>1)</sup> Includes minority interest

<sup>2)</sup> Operating profit + depreciation of tangible assets + depreciation of real estate held for investment + depreciation of intangible assets

### Sales Revenue by Overseas Subsidiary

(Unit: KRW billion)

	2014	2015	2016
HMMA	7,437	7,510	8,217
BHMC	19,756	19,203	20,129
HMI	4,637	5,404	5,981
HAOS	2,744	3,186	3,320
HMMC	5,398	5,794	6,787
HMMR	2,384	1,930	2,041
HMB	2,263	1,710	1,636

\* Based on separate sales performance before adjustment for consolidation



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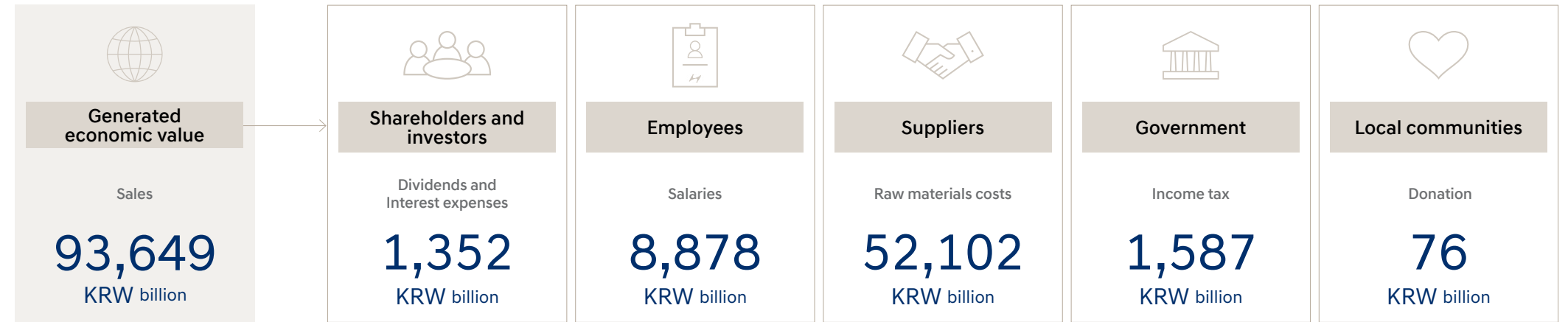
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## Distribution of Economic Gains

Hyundai shares our economic gains with our stakeholders, including shareholders, investors, suppliers, local communities and government agencies, as part of our commitment to fulfilling our social responsibilities. We will continue to flourish through economic growth and stability, and to share more value with our stakeholders.

### Distribution of Economic Value in 2016



\* Consolidated figures basis

### Distribution of Economic Value by Stakeholder

(Unit: KRW billion)

		2014	2015	2016
Consolidated	Shareholders and investors			
	Dividends	817	1,080	1,080
	Interest expenses	300	259	272
	Employees			
	Salaries	8,538	8,846	8,878
	Suppliers			
Raw materials costs	49,677	52,095	52,102	
Government				
Income tax	2,302	1,950	1,587	
Local communities				
Donation	71	66	76	
<b>Total</b>		<b>61,705</b>	<b>64,296</b>	<b>63,995</b>
Separate	Shareholders and investors			
	Dividends	817	1,080	1,080
	Interest expenses	123	111	129
	Employees			
	Salaries	6,211	6,259	6,265
	Suppliers			
Raw materials costs	26,311	26,740	25,001	
Government				
Income tax	1,194	1,245	841	
Local communities				
Donation	50	51	50	
<b>Total</b>		<b>34,706</b>	<b>35,486</b>	<b>33,366</b>

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# Sustainability Management Materiality Analysis

We analyze the social interest and business impact of our corporate activities, so that we can effectively respond to the interests and requirements of our stakeholders.

## Materiality Analysis

Our sustainability reports focus on high priority issues that have been identified, through rigorous analysis of internal and external issues, as being of highest interest to stakeholders and as having a major impact on business operations. In 2016, we added media analyses and expert group interviews to the scope of our external environmental analyses, to improve the completeness of our materiality analyses. We also hosted workshops to discuss the business impact of issues with staff from the relevant departments as part of our internal analyses. In addition, we analyzed the sustainability activities of other automakers, and strived to disclose information that could be significant to our stakeholders, in line with our policy of expanding the disclosure of information. We will continue to publish sustainability reports that highlight issues that could be material to stakeholders, and these reports will enable us to maximize our communications concerning our sustainability management.



Materiality Analysis Workshop

## Materiality Analysis Process



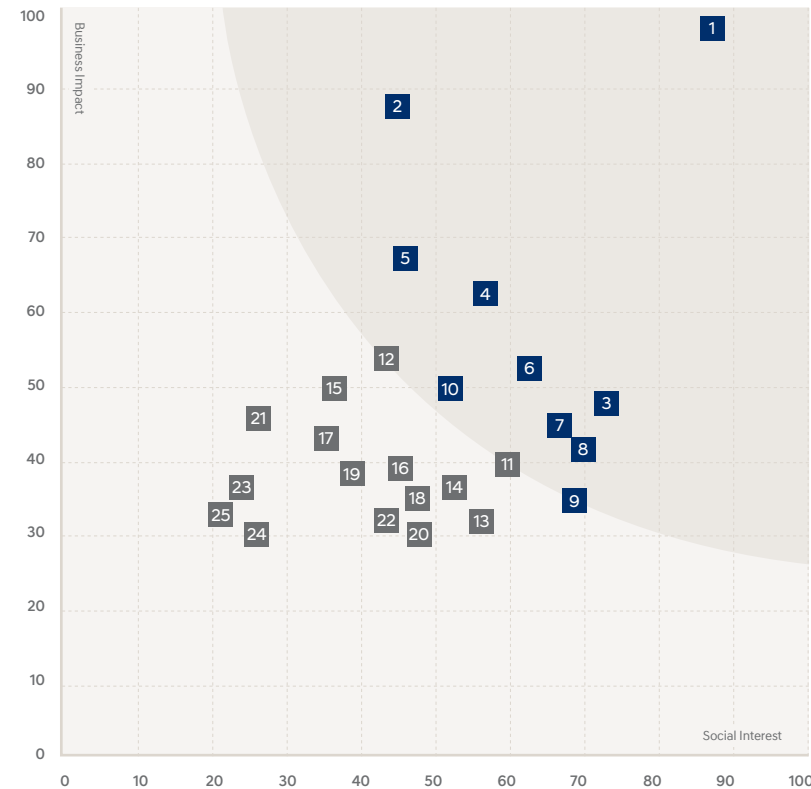


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## Materiality Analysis Results



By issue: Matching to stakeholders

Ranking	Issue	Directly-related Stakeholders
1	Product and service quality	Customer, Supplier, Shareholder/Investor
2	Improving financial stability	Shareholder/Investor, Employee
3	Ethics/compliance management	All
4	Developing eco-friendly products	Customer, Shareholder/Investor, Society
5	Labor-management relations	Employee, Customer
6	Communications with external stakeholders	Customer, Supplier, Shareholder/Investor, Government, Society
7	Social contributions	Society
8	Reducing greenhouse gas emissions	Society, Employee, Government
9	Growing the supply chain	Supplier, Customer, Employee
10	Employee health and safety	Employee
11	Sustainability management system	All
12	Employee compensation and benefits	Employee
13	Reviewing sustainability of supply chain	Supplier
14	Protecting employee human rights and diversity	Employee, Society
15	Employee education and career development	Employee
16	Management and recycling of raw/subsidiary materials	Society
17	Job creation and employee retention	Government, Society, Employee
18	Pollutant management	Society, Government
19	Roles and responsibilities of BOD	Shareholder/Investor
20	Water management	Society
21	Creating shared values	Customer, Society
22	Waste management	Society
23	Strengthened security management	Customer, Employee
24	Protecting biodiversity	Society
25	Participating in public policy	Government

\* Boundary of stakeholders  
 - Employee: Inside the company  
 - Shareholder/Investor, Customer, Supplier, Government, Society: Outside the company

### Total: Top 10 major issues and change analysis

Composite Ranking	Issue	Rank		Page	Year-on-year Change	
		Social Interest	Business Impact		Previous Ranking	Change Analysis (Ranking Change)
1	Product and service quality	1	1	49-52	1	Maintained top ranking (-)
2	Improving financial stability	12	2	39-41	3	Established a more definite measurement than the previous year's 'economic performance', and maintained top ranking (1↑)
3	Ethics/compliance management	2	9	33-34	6	Won top ranking as social interest in this issue increased, driven by the enactment of the Improper Solicitation and Graft Act (Kim Young-ran law) (3↑)
4	Developing eco-friendly products	8	4	60-62	4	Unchanged from the previous year: this issue fell in business impact but rose in social interest due to the expansion of the IONIQ line-up (-)
5	Labor-management relations	15	3	82	2	Top ranking in business impact, but composite ranking fell compared to the previous year as media exposure declined and it remained of middling interest to external experts (3↓)
6	Communications with external stakeholders	7	6	35-36, 53-54	11	Moved up in the ranking due to considerable external interest in our communications activities, such as Corporate Governance & Communications Committee, and the high scores in employee surveys and workshops (5↑)
7	Social contributions	5	12	89-107	12	Moved up in the ranking as its business impact increased while social interest fell slightly (6↑)
8	Reducing greenhouse gas emissions	3	13	63-64	5	Down in the ranking compared to the previous year, with the business impact relatively low even as social interest rose significantly due to the implementation of emissions trading schemes and increasing trading prices, and Korean ratification of the Paris Climate Change Agreement (3↓)
9	Growing the supply chain	4	17	73	10	Moved up slightly in the ranking as social interest rose while the business impact fell significantly (1↑)
10	Employee health and safety	10	7	86	21	Moved up by 11 positions during the year as its business impact increased significantly due to strong engagement from top management (11↑)

### By area: Top 3 issues moved up the most in the ranking and change analysis

Area 1. Social Interest			Area 2. Business Impact		
Issue	Ranking in Social Interest	Change Analysis	Issue	Ranking in Business Impact	Change Analysis
Ethics/compliance management	7 → 2	Enactment of the Anti-Graft Act, etc.	Communications with external stakeholders	13 → 6	New communications activities, such as Corporate Governance & Communications Committee, etc.
Reducing greenhouse gas emissions	11 → 3	Implementation of emissions trading schemes, increasing trading prices, Korean ratification of the Paris Climate Change Agreement, etc.	Employee health and safety	28 → 7	Strong engagement from top management, etc.
Developing eco-friendly products	20 → 8	Expansion of the IONIQ line-up, etc.	Employee education and career development	25 → 8	Improvement of education process and content in effectiveness

# 01. Product Responsibility

Q.

What are Hyundai's goals for product responsibility and service quality?

## MANAGEMENT APPROACH

**At Hyundai, all products are made to care for our customers.**

We strive to offer superior quality and innovative safety and convenience features, so that our customers are cared for, and can be proud of driving their vehicles. To achieve this, we focus on accelerating vehicle performance, to enhance the pleasure of driving. In particular, we put our efforts on offering features and technologies to ensure product quality, by carrying out thorough analysis on values that customers truly appreciate and through

“emotional product quality”. Moreover, we always react proactively to the rapidly changing automobile industry, thus secure our leadership in vehicle safety and convenience, which in turn will provide new value to our customers. To pursue ‘Quality Excellence & Customer Focus’ which exceeds customer expectations, we look beyond everyday quality issues to explore all potential problems. In doing so, we improve the durability and quality of our products.

## UN SDGs

SDGs Target



Related activities of Hyundai

- Development of autonomous driving technology; and connected car technology



More information is available on the UN website



## OUR ACHIEVEMENT

### Plans and Achievements in 2016

2016 Plans	Achievements	Evaluation
<ul style="list-style-type: none"> <li>Launch new localized strategic models – Verna and Yuedong for China; and i30 for Europe</li> </ul>	<ul style="list-style-type: none"> <li>Completed the launching of 3 localized strategic models – Verna, Celesta and i30</li> </ul>	●
<ul style="list-style-type: none"> <li>Strengthen new electronic technologies and upgrade autonomous driving technologies</li> </ul>	<ul style="list-style-type: none"> <li>Demonstrated autonomous driving of the IONIQ EV at the CES 2017 in downtown Las Vegas both during the day and at night</li> </ul>	●
<ul style="list-style-type: none"> <li>Expand the application of connectivity technology and provide region-specific service and content based on phone connectivity</li> </ul>	<ul style="list-style-type: none"> <li>Expanded the application of phone connectivity technology across all regions, and completed software updates for existing customers</li> <li>Unveiled the mappyAUTO, which pairs with smartphone navigation app, and first installed in the Grandeur IG for customers in Korea</li> </ul>	●
<ul style="list-style-type: none"> <li>Expand channels and programs for customer communication</li> </ul>	<ul style="list-style-type: none"> <li>Launched the H Ombudsman to gather customer feedback on products, service, marketing and others, to seek ideas for improvements</li> </ul>	●

● Accomplished, ● Partially accomplished, ○ Not implemented

### Key Sustainability Data

Change Analysis

#### Sales

Unit: Vehicle

2016

**4,860,049**

2015

4,964,831

2014

4,963,535

**Overseas** Decreased due to the delayed economic recovery in Africa, the Middle East and other emerging markets

**Korea** Decreased due to strikes over wage negotiations, supply disruptions caused by natural disasters, and shrinking consumer confidence induced by political instability

#### New Vehicle Quality Index

Unit: Point (Ranking)

2016

**92 (2nd)**

2015

95 (2nd)

2014

94 (1st)

The IQS scores a vehicle 90 days after its purchase based on the number of complaints per 100 units; Hyundai has secured top positions for three years in a row as a result of quality management

#### Hyundai Customer Satisfaction Index – Korea

Unit: Score out of 100

2016

**79.4**

2015

78.3

2014

80.3

The HCSI scores a satisfaction level of customers who have bought a new vehicle within 3 years; 2016 HCSI went up 1.1 scores from the previous year

#### Hyundai Global Satisfaction Index in maintenance – Overseas

Unit: Score out of 1,000 (Number of countries where the survey was conducted)

2016

**893 (26 countries)**

2015

882 (28 countries)

2014

841 (25 countries)

The HGSI in maintenance scores a satisfaction level of customers four weeks after they use Hyundai maintenance services; 2016 HGSI went up 11 scores from the previous year

#### Hyundai Customer Satisfaction Index in maintenance – Korea

Unit: Score out of 100 (Ranking)

2016

**82.7 (2nd)**

2015

81.8 (1st)

2014

82.0 (1st)

The HCSI in maintenance scores a satisfaction level of customers who own a vehicle older than 3 years if they use a Hyundai service center or a Blue Hands center; 2016 HCSI went up 0.9 score from the previous year

## OUR PLAN

### 2017 Plans and Mid-to Long-term Directions

2017 Plans	Mid-to Long-term Directions
Expand the application of connected car technology	<ul style="list-style-type: none"><li>• Achieve zero casualty by improving technologies which help drivers avoid accidents</li><li>• Mass-produce advanced autonomous driving vehicles by 2020, and fully autonomous vehicles by 2030</li><li>• Maintain global quality management to satisfy customers and meet market demands</li><li>• Improve the development processes for our luxury vehicles to ensure the success of the Genesis brand</li><li>• Continue to pursue customer-oriented change through sincere communication with customers</li></ul>
Secure quality verification capacity in autonomous driving vehicles	
Preemptively respond to market conditions and support sales through communication paradigm innovation	
Strengthen competitiveness in fuel efficiency by installing next-generation PT and expanding eco-friendly line-up	
Earn trust from customers through innovative service experience	
Regain customer trust by improving company-wide business processes based on VOC feedback	
Implement ideas suggested by customers through the H Ombudsman in 2016; and encourage customer suggestions and direct engagement in product, marketing and CSR sectors in 2017	
Open the Hyundai Motorstudio Goyang	





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# Developing Technology of the Future

Classification	2016 Achievements	Mid-to Long-term Directions
Autonomous driving technology	<ul style="list-style-type: none"> <li>Installed additional safety and convenience features in the Grandeur IG</li> <li>Demonstrated the autonomous driving in downtown Las Vegas and offered the public an opportunity to test drive (Jan. 2017)</li> </ul>	<ul style="list-style-type: none"> <li>Run an autonomous vehicle pilot program in alignment with the 2018 Pyeongchang Winter Olympics (highway and downtown)</li> <li>Reach level 4 highway autonomous driving 2017 (HAD) technology by 2023</li> </ul>
Connected car technology	<ul style="list-style-type: none"> <li>Expanded the application of smartphone connectivity technology – from North America and China to include Korea, Europe and others</li> <li>Developed the ‘mappyAUTO’, a dedicated MirrorLink app for the Korean market</li> </ul>	<ul style="list-style-type: none"> <li>Improve vehicle-to-external (V2X) connectivity</li> <li>Upgrade vehicle safety features, such as eCall, V2X technology, etc.</li> <li>Expand the area of customer convenience to include IoT, smart home connection, etc.</li> <li>Develop intelligence vehicle service technology</li> <li>Lead the development of IT convergence technology, such as personalized service based on voice and context recognition</li> </ul>

## Autonomous Driving Technology

### Additional Safety and Convenience Features for the Grandeur IG

Hyundai has developed its own autonomous driving technology, ‘Hyundai Smart Sense’, to fulfill our commitment to offering intelligent and safe vehicles which deliver both universal safety and convenience. Hyundai Smart Sense creates a safe, convenient and accident-free driving environment which protects the driver and passengers, other vehicles, and pedestrians. This intelligent safety technology was first applied to the Grandeur IG, and will now be extended to our whole product line-up.

Hyundai Smart Sense includes technologies such as Forward Collision-Avoidance Assist (FCA), Lane Keeping Assist (LKA), Blind-Spot Collision-Avoidance Assist (BCA), Smart Cruise Control (SCC), and Around View Monitor (AVM).



Official Website of Grandeur IG



Safety Features of Grandeur IG (Azera in the US market)



Autonomous Driving in Downtown Las Vegas

## Autonomous Driving Demonstration by the IONIQ EV

Our self-driving prototype model based on the IONIQ electric vehicle (EV) made its debut at the Los Angeles Auto Show in November 2016 to demonstrate our skills in autonomous driving. The self-driving EV also completed an actual road test in Las Vegas in January 2017, attracting interest from media around the world. The success of the night-time test drive around real city streets proved the capabilities of our advanced autonomous driving technology. We were the first automaker to obtain the driving license required for self-driving tests in all road and climate conditions in the State of Nevada, which then enabled the IONIQ EV to successfully navigate its test routes in downtown Las Vegas. Our Namyang Technology Research Center is now conducting pilot projects on level 4 autonomous driving, with test drives thus far proving satisfactory.

## Making FCA a Standard Feature

In March 2016, an MOU between the U.S. National Highway Traffic Safety Administration and major car makers made Forward Collision-Avoidance Assist (FCA) a mandatory feature for all vehicles. The MOU stipulates that all car makers must include this safety feature in 95% of the vehicles they sell in the U.S. by September 2022. Hyundai plans to include FCA in vehicles sold in Korea, even though we do not have the same legal obligation, beginning in 2017 and completed by September 2021. We are widening the application of FCA as a standard option, alongside vehicle-sensing radar, but we are also minimizing price increases, as well as offering options that include pedestrian-sensing radar and a camera fusion sensor. In Europe, we will offer camera-enabled FCA as a standard option in every new vehicle from 2018 onwards.

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## Connected Car Technology

### Connected Car

A connected car is a car connected with various things including humans, homes, offices, and cities with the internet. Starting to connect a car to the cloud. Hyundai will connect people, cars and a lot of things that are not connected yet. Through this, we would like to provide comfortable and enriched lives to our customers.

### 2016 achievements in 4 development focus areas and mid-to long-term directions

#### In-Vehicle Network: Developing an ultra-high-speed in-vehicle communication network 01



Hyundai has partnered with Cisco to develop an in-vehicle ultra-high-speed communication network and switch technology that will ensure the uninterrupted exchange and processing of the rapidly increasing amount of data used in the connected car era.

#### Cloud Technology: Developing connected car Service Platform (ccSP) 02

Hyundai is developing an exclusive integrated cloud-based service management platform in order to expand and operate a global connected car service ecosystem.

#### Big Data: Established a global big-data center in China 03



Hyundai has established a global big data center in Guizhou Province, China, to analyze vehicle data and develop new connected car services.

#### Security System: Developing integrated security technology for connected cars 04

Hyundai is developing vehicle network security and vehicle authentication technology, to detect and prevent hacker attacks against vehicles.

#### Mid-to long-term direction

Hyundai will collaborate with global leading companies through open innovation to develop the technologies that will be needed in our four areas of technical focus for connected cars.

#### 4 Service directions



##### PROACTIVE CARING

Artificial intelligence and big data analytics are used to monitor the operational status of vehicles on a regular basis, and, when vehicle anomalies are detected, they can then be remotely checked and corrected.



##### SMART CONVENIENCE

A vehicle can upgrade itself to the latest version, and provides customers with personalized services based on driver's behavior and pattern analysis in the entire boundary of their life.



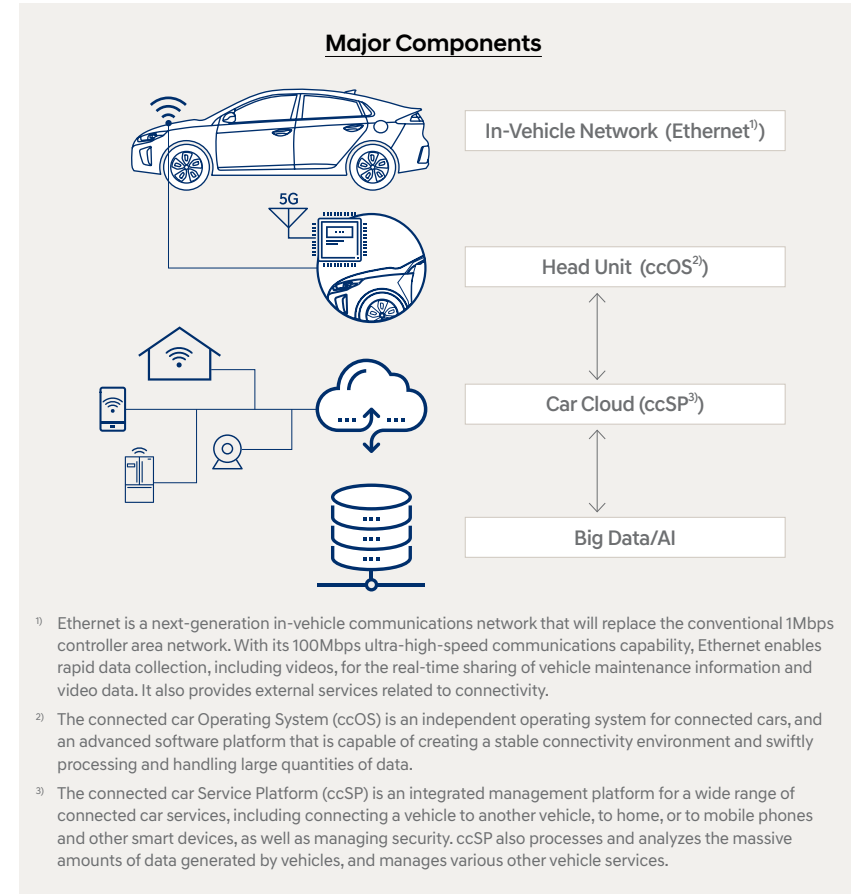
##### COST SAVING ENABLER

Information concerning road conditions, driving patterns and previous fuel efficiency data can be used to measure distance to empty more accurately. And maintenance data can estimate the expected price of a used car. Likewise, connected cars data will contribute to economic life in various ways.



##### CONNECTED EFFICIENCY

When a vehicle needs charging, it provides information on nearby charging stations in real time. While the vehicle is being charged, vehicle diagnostics will run along with required software updates including the navigation update. Also, the charging fee will be paid automatically, thus saving time for drivers.



### Smartphone Connectivity

Because Android Auto is not available in Korea, Hyundai offers MirrorLink technology in its vehicles to help drivers to use their smartphones safely. In conjunction with Hyundai MnSoft, we have developed 'mappyAUTO', a MirrorLink-aligned application that provides real-time traffic information. This app is offered free-of-charge. In addition, we have made software updates available to enable existing customers to use this new phone connectivity technology.

### Mobility Service

Our Strategy & Technology Division is in charge of our future mobility operations. The Institute analyzes major trends in the future of innovative technologies – the sharing economy, AI, Internet of Things (IoT), robotics, bio-science, smart city – and undertakes connected research. This will enable us not only to respond to fast-changing business conditions, but also to spearhead industrial innovation and offer real value to our customers.



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# Quality and Service Innovation

Classification	2016 Achievements	Mid-to Long-term Directions
Brand communication	<ul style="list-style-type: none"> <li>• Opened the Hyundai Motorstudio Hanam</li> <li>• Generated open innovation outcomes through the Project IONIQ                             <ul style="list-style-type: none"> <li>- Launched an industry-academia research group to predict future mobility life</li> <li>- Held collaboration events with start-ups</li> <li>- Conducted research on commercializing innovative services through in-house ventures</li> </ul> </li> <li>• Involved in external communication on the process of developing high-performance 'N' brand</li> </ul>	<ul style="list-style-type: none"> <li>• Present the mobility innovation outcomes of the Project IONIQ                             <ul style="list-style-type: none"> <li>- Expand the open innovation platform</li> </ul> </li> <li>• Launch the first model of the high-performance 'N' brand</li> <li>• Launch and operate the Hyundai Classic Lab to systematically manage our brand assets</li> </ul>
Improving product quality	<ul style="list-style-type: none"> <li>• Released the Kappa 1.4L turbocharged engine<sup>1)</sup></li> <li>• Initial Quality Study (IQS)                             <ul style="list-style-type: none"> <li>- U.S.: 2nd among 21 non-premium brands (Accent, Azera), 3rd among all 33 brands</li> <li>- China: 2nd among 45 brands (Sonata, Tucson, Santa Fe)</li> </ul> </li> <li>• Vehicle Dependability Study (VDS)                             <ul style="list-style-type: none"> <li>- China: 4th among 45 brands (Verna, Yuedong, Tucson, ix35, Santa Fe)</li> </ul> </li> <li>• Auto Bild (Quality Report)                             <ul style="list-style-type: none"> <li>- Germany: 1st among 20 brands (2.14 points)</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Reach top-ranking positions in safety quality, external quality, and market quality                             <ul style="list-style-type: none"> <li>- Secure proactive market- and customer-oriented quality as a response to changing market conditions</li> <li>- Continue to eliminate potential risks and strengthen a system to promptly handle safety defects</li> </ul> </li> </ul>
Improving service	<ul style="list-style-type: none"> <li>• Laid the basis to digitize our services such as Workshop Automation and the digital Before Service</li> <li>• Offered a sophisticated version of the Before Service through the mobile units in Europe</li> <li>• Launched the vehicle management app 'My Car Story 2.0'</li> </ul>	<ul style="list-style-type: none"> <li>• 4 strategic directions for overseas service                             <ul style="list-style-type: none"> <li>- Green (safety/environment): Focus on the EV service system and customer safety</li> <li>- Connected (connected and digitization): Expand Workshop Automation and Auto Care services</li> <li>- Interactive (communication with work sites)</li> <li>- Unique (differentiation): Differentiate the Genesis brand service and expand the 'Hyundai Assurance+' service</li> </ul> </li> </ul>

<sup>1)</sup> Chosen as one of the 2016 Ward's 10 Best Engines by WardsAuto (3 years in a row)

## Brand Communication

### Modern Premium

Hyundai has been committed to offering our distinctive premium value at every possible customer contact point since 2011, when we outlined our new brand direction, 'Modern Premium'. Within the company, we continue to run tailor-made brand training and global brand manager programs to share what 'Modern Premium' aspires to achieve. In 2016, more than 3,400 staff in Korea and overseas received 'Modern Premium' brand training. We have also continued to open our Hyundai Motorstudios to allow customers to experience the values we are pursuing. We opened the Hyundai Motorstudio Hanam in 2016, following on from the Hyundai Motorstudios in Seoul and Moscow. The Hyundai Motorstudio Hanam is a place where customers can see what we have to offer as an automaker, and can experience 'Project IONIQ', the starting point of our mid-to long-term mobility strategy and lifestyle innovation initiatives. In 2017, we opened the Hyundai Motorstudio Goyang, which will be the largest automobile culture complex in Korea, and will set out the brand values of 'Modern Premium' not just to existing customers, but also to anyone interested in automobiles.



Hyundai Motorstudio Hanam

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**Project IONIQ**

‘Project IONIQ’ was launched in 2016 as a research initiative into innovation in future mobility, and to enable our customers to experience ‘Freedom in Mobility’. The project aims to define new mobility by predicting how mobility will change in the future, based on eco-friendliness, and will also lead innovation in future-oriented transportation and lifestyle changes. The first step for Project IONIQ was the introduction of the IONIQ, the world’s first vehicle to have three eco-friendly powertrains – EV, hybrid and PHEV. Project IONIQ will also undertake multiple research programs, ranging from IoT connectivity and autonomous driving to mobility services, so that we can offer a brand-new lifestyle to our customers.

**High Performance N**

In September 2015, our high-performance N made its debut at the Frankfurt Motor Show, where we revealed some of the development process for the N, attracting considerable attention from the media and customers alike. N participated in the 24 Hours Nürburgring, one of the toughest races across the world, to study and test its high-performance engine during its development stage. N’s successful completion of the race demonstrated its technological prowess and potential.



24 Hours Nürburgring in 2016



High-performance brand N at the 24 Hours Nürburgring

**Improving Product Quality**

**Proactive and Creative Quality Management**

Our quality management philosophy is to provide customers with high quality vehicles that do not break down. To support this, Hyundai has established a ‘Proactive & Creative Global Safety Quality Management’ system, a company-wide initiative through which everyone at Hyundai communicates and collaborates to bring about the best in safety and quality for our customers. We are also committed to improving throughout the entire quality management chain, from development to manufacturing, sales and after-sales servicing.

Hyundai Quality Improvement System

**Global Leading Company**



**Quality Assurance to Best Respond to Customer Safety**

There is increasing focus on driver safety after a number of major recalls in the automobile industry. Hyundai has undertaken a number of preemptive recalls, and is responding with continuous quality enhancement and repairs for vehicles that show potential quality problems. The company will continue to provide immediate responses to customer complaints, and will dedicate itself to quality improvements at company level.



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Countermeasures for Major Product Quality Issues in 2016



**Recall of the Tucson for turn signal failures on trailer (North America)**

<b>Problem</b>	Trailer's turn signals fail to blink while braking
<b>Cause</b>	Gap between the turn signal period from the vehicle body control computer and when that signal is detected
<b>Countermeasure</b>	Installed a separate wiring harness for normal signal conversion - Period: May 26 2015 - Jan. 15 2016 - Vehicles affected: 2,763 units (equipped with a trailer connector)
<b>In-depth solution</b>	Modify the time of detection for the turn signal control on trailer's rear lamp



**Recall of the Eon for battery cable failures (India)**

<b>Problem</b>	Thermal damage occurs due to the damaged cover of battery cables
<b>Cause</b>	Mechanic's mistakes in assembling battery cables, resulting in intertwine with clutch cables
<b>Countermeasure</b>	Reassembled battery cables, or Replace battery cables with new ones if damaged or reassembled - Period: Jan. 1 2015 - Jan. 31 2015 - Vehicles affected: 7,657 units
<b>In-depth solution</b>	Ensure distance between battery cables and install protective tubing

Ward's 10 Best Engines by WardsAuto



2016 Kappa 1.4L turbocharged engine for the Elantra Eco



2015 Powertrain for the Sonata PHEV



2014 Powertrain for the Tucson FCEV

**Product Quality Surveys**

**One of the 'World's 10 Best Engines'** Hyundai's 1.4L turbo-charged Kappa engine was chosen as one of 2016 Ward's 10 Best Engines by WardsAuto, the U.S.-based automobile trade magazine. Hyundai has now featured on this prestigious list for three years in a row and seven in total, proving our competitive edge in engine technology. The Elantra Eco, equipped with the Kappa 1.4L turbocharged DOHC 4-cyl., is our strategic model for the North American market: the engine produces up to 130hp and 21.5KGF·M of torque, and is matched to a 7-speed double clutch transmission. The Elantra Eco also offers improved performance and efficiency, thanks to its direct fuel injection, single scroll turbocharger for exhaust waste gate actuator (EWGA), constant variable valve timing (CVVT) integrated with an oil control valve (OCV), an integrated cylinder head with exhaust manifold, and a high-energy ignition coil.

**U.S** Hyundai ranked 3rd among all car brands, including premium brands, and 2nd among non-premium brands in the 2016 Initial Quality Study (IQS) from market research company J.D. Power and Associates, the third year in a row that we have ranked so highly. In addition, our position in the 2017 Vehicle Dependability Study (VDS) rose from 19th the previous year to 6th amongst all brands, including premium brands. We ranked 3rd of the 19 non-premium brands.

**China** Our high-level quality has also enabled us to perform very well in quality surveys for the Chinese market. The 2016 China-IQS awarded Beijing Hyundai Motor Company (BHMC) 2nd place among 45 non-premium brands, including imported, joint venture, and local brands. We also achieved our best ever position in the VDS, ranking 4th among 45 brands. Five of our models were Segment Winners.

**Europe** Hyundai's quality has also been recognized in Europe, the home of the automobile, where we ranked 1st in the 2016 Quality Report from the highly-regarded European automobile trade magazine Auto Bild, which awarded us 1st place amongst 20 automakers.

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## Improving Service

### Proactive Customer Service Initiatives

**Improving the Customer Service Environment** Hyundai operates a variety of programs that are designed to offer distinctive service experiences and benefits to customers. In order to offer a ‘Modern Premium’ environment, we have adopted our Global Design Space Identity standards across the globe, and the Dealer Service Environment Improvement (DSEI) campaign has installed safety devices and other facilities and training to prevent and respond to fires and accidents. This has improved the customer experience at our after-sales service workshops.

**Hyundai Assurance Plus** The ‘Hyundai Assurance Plus’ service package aims to increase the ownership value of our cars, and is available in overseas markets. The program offers various services to guarantee greater customer satisfaction throughout each phase of car ownership, from purchase to use and even repurchase, which ultimately creates a greater incentive for repurchase.

**Before Service** We were the first automaker to launch a ‘Visiting Before Service’ across our global service network. This novel service offers car inspection and maintenance even before customers become aware of any issues, which improves customer convenience and experience of our service. We have also developed a more convenient and accurate ‘Digital Before Service’, in line with ever-evolving digital technology. This service is currently available in Korea and Europe. We are fully committed to extending the scope of Before Service to make it available to customers across the globe.

**Home-to-Home Service** Hyundai has offered our Home-to-Home Service, through which we pick up a customer’s vehicle and then return it after finishing all required vehicle maintenance since 2011, in our efforts to improve customer satisfaction. We even loan a luxury car to the customer whose vehicle is being repaired. This is a prime example of Hyundai’s efforts to expand our services to satisfy varying customer requirements.

#### Mobile-based On-Demand<sup>1)</sup> Service



Offer personalized information to customers



Ensure always-on connectivity with customers



Minimize customer action



Enhance the Genesis brand

<sup>1)</sup> On-Demand: Comprehensively refers to all systems and strategies whose decisions are exclusively made based on demand not supply

### Smart Customer Service Initiatives

**My Car Story 2.0** Hyundai has launched ‘My Car Story 2.0’ a customized vehicle management application. This app is an updated version of My Car Story 1.0 released in 2014, and features a personalized information service that is made available through local area networks, video services, and a journey data analysis service. It also offers intuitive designs to enhance customer convenience. My Car Story 2.0 will establish better connectivity between our customers and the services offered by Hyundai, so that we can fulfill the On-Demand service philosophy that aims to generate new value for customers.

**Advanced Mobile-based Diagnostics** Hyundai has widened the scope of our vehicle diagnostics from dealer workshop service to pre-delivery inspection (PDI) prior to vehicle pick-up, Auto Link available while driving, and ‘Visiting Before Service’. We are creating the ability to provide self-diagnostic and repair services, in response to a shifting market landscape in which fully self-driving vehicles and the IoT are becoming realities. In addition, PDI, which is an important part of our after-sales service but which used to be primarily confined to the documentation of a diagnostic history, is now evolving to create a database of diagnostic outcomes at each of our production, harbor, and dealer sites, and to enable on-going analysis through mobile-based automatic vehicle diagnostics. We will continue to develop comprehensive diagnostics tools so that we can enhance customer convenience by offering preventive maintenance ahead of any potential vehicle issues.



My Car Story App



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# Enhancing Customer Value

Classification	2016 Achievements	Mid-to Long-term Directions
Improving customer communication	<ul style="list-style-type: none"> <li>Gathered customer feedback and identified improvements in product, service, marketing and other fields through the H Ombudsman</li> </ul>	<ul style="list-style-type: none"> <li>Continue to implement customer-oriented changes through sincere communication programs with customers</li> </ul>
Enhancing customer satisfaction	<ul style="list-style-type: none"> <li>Strengthened internal and external PR activities by receiving external customer satisfaction awards</li> </ul>	<ul style="list-style-type: none"> <li>Develop a virtuous cycle of customer experience and establish an improvement process based on HCSI results                             <ul style="list-style-type: none"> <li>Customer experience → feedback on improvements → implementation/improvement → reward programs at the customer contact point</li> </ul> </li> <li>Establish a year-round training support system to help employees build core job capacity</li> <li>Guarantee customer satisfaction beyond their expectation through detailed care and support at every customer contact point</li> </ul>
Protecting customer information	<ul style="list-style-type: none"> <li>Conducted physical inspections on service providers commissioned by Hyundai to process its customer data in order to fully review if they take technical and managerial protection measures and make necessary improvements</li> </ul>	<ul style="list-style-type: none"> <li>Prevent data leakage and misuse by collecting and using customer data in compliance with laws and for the purpose of proper business, and by immediately disposing of them after the expiration of retention period</li> <li>Strengthen monitoring and training on the service providers commissioned to handle customer data</li> <li>Improve data accessibility, and supervision and management of use log by building a monitoring scheme on customer data processing system</li> </ul>

## Improving Customer Communication

### H Ombudsman

H Ombudsman is our communications program for gathering customer feedback and developing improvement plans in partnership with our customers on such topics as products, services and marketing. The program began in June 2016 when we invited customers to participate, and we then added four mentors who are experts in their respective fields – Dennis Hong, Gilyoung Song, Sungtae Hong, and Dongchul Lee – to explore ideas for improvements in new technology, product development, marketing & communications, and sales & services. This five month program generated multiple outstanding ideas: ‘Safety Car Door’, which will help to rescue passengers involved in accidents, was chosen as the best idea in new technology & future mobility. ‘First-Time Buyer Marketing’, ‘Personalized Intelligent Navigation’, and ‘Emotion-driven Services for Female Customers’ were also recognized as excellent ideas. 19 ideas suggested by customers were reviewed in-depth for the possible commercial application, and six of them were put into practice, including ‘Expansion of New Blue Members Partners’ and ‘Driving Academy for First-Time Car Buyers’.

## Enhancing Customer Satisfaction

### Customer Satisfaction Survey

The annual Hyundai Customer Satisfaction Index (HCSI) survey measures the customer satisfaction and identifies the changing customer requirements of those who bought new vehicles over the past three years, in order to identify how we are performing and how we can make improvements. In 2016, the survey was conducted through individual interviews with 4,000 people, based on a structured questionnaire and focus group interviews. The survey was particularly focused this year on the Genesis EQ900 brand. Based on potential improvements identified during the 2016 HCSI survey, we will continue to put more improvement initiatives into place, in collaboration with our customers.

#### Achievements in Customer Satisfaction

- National Customer Satisfaction Index (NCSI) by Korea Productivity Center
  - First place at all segments – compact, semi-medium, medium, semi-large, large, and RV – for the first time in the Korean auto industry for 2 years in a row
  - First place at the segment of RV for 11 consecutive years; semi-medium, semi-large, and large for 5 consecutive years; medium for 3 consecutive years; and compact for 2 consecutive years
- Korean Standard–Quality Excellence Index (KS-QEI) by Korean Standards Association
  - First place at all segments – semi-medium, medium, SUV, and after services
  - First place at the segment of semi-medium, medium, and SUV for 7 consecutive years; and after services for 6 consecutive years
- Korean Customer Satisfaction Index (KCSI) by Korea Management Association Consulting
  - First place at all segments – passenger car and RV
  - First place at the segment of passenger car for 23 consecutive years; and RV for 13 consecutive years
- Korean Service Quality Index (KSQI) by Korea Management Association Consulting
  - First place at all segments – sales and maintenance service – for 6 consecutive years

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**Protecting Customer Information**





Our customer data security initiatives are overseen by the Personal Information Protection Committee, under the supervision of the Chief Privacy Officer for each business division. We have developed a Personal Information System which manages the entire process of distributing customer data, including the post-processing phase. This system enables stronger technical protection measures in managing, controlling and monitoring the service providers commissioned by Hyundai to handle customer data, and ensures stability in the distribution of customer data. Furthermore, the service providers are subject to thorough verification prior to contract signing and to security controls and periodical on-site inspections during their period of service, in order to raise the bar on our data security management.

In 2016, we were found in violation of data security-related regulations on one occasion, and paid penalties accordingly. While we retained customer data with their consent to ‘fulfill the purpose’ over the mandatory retention period, which we informed to customers in advance and received the agreement, set out in the relevant regulations such as Automobile Management Law, Commercial Law, this led to issues in trying to obtain an authoritative interpretation of the term for the ‘period to fulfill the purpose’, as well as creating regulatory interference caused by the operational procedures of the relevant government agencies (Ministry of Government Administration and Home Affairs, Ministry of Land, Infrastructure and Transport, and National Tax Service) and regulations (Personal Information Protection Law, Automobile Management Law, Value-Added Tax Law). We took action to ensure that the data concerned would be retained for four months for quarterly tax reporting purposes and then be stored in a separate database.

**Marketing Communications and Product Labeling**

We ensure that our wide-ranging customer marketing communications initiatives are completely free from any infringement of privacy, dual standards, or attempts to influence children or other vulnerable groups. In addition, we undertake preliminary reviews and gather local feedback so that our marketing communications programs across the world comply fully with local ethical and cultural standards.

**Product Labeling Obligations and Violations in 2016**

- 
**Korea**  
 Exhaust gas-related sign [exhaust gas certification information], fuel efficiency labeling [fuel efficiency information], self-certification mark [ID label, vehicle weight, identification number, tire information, etc.], front passenger seat airbag warning [in relation to children sitting in front seats]
- 
**China**  
 Ignition battery labeling, ID labeling, Vehicle Identification Number labeling, air conditioner refrigerant labeling, fuel efficiency labeling, Certificate of Conformity (COC) labeling, Child Restraint System (CRS) warning labeling, airbag labeling, anti-theft labeling
- 
**Europe**  
 ID labeling [vehicle weight, Whole Vehicle Type Approval number], refrigerant labeling, airbag warning labeling
- 
**North America**  
 Manufacturer’s Suggested Retail Price labeling [fuel efficiency, NCAP data, and other data are disclosed in accordance with the Automobile Information Disclosure Act], VECI labeling [certified exhaust gas data], compliance labeling [vehicle weight, tire information, etc.], airbag warning labeling [consumer warnings/precautions in relation to deployment of airbag], tire air pressure information labeling [proper air pressure and vehicle load capacity], refrigerant labeling [refrigerant information, refrigerant volume, type of compressor lubricant, lubricant volume, manufacturer information, SAE compliance information, warning symbols, etc.]

\* Violation of product labeling regulations in 2016: A penalty of KRW 1.6 million was imposed due to the failure to label the fuel efficiency rating of the Hyundai Porter special dump truck

**Action Taken**

- Revised the fuel efficiency information in the Porter special vehicle catalogue on our corporate website
- Revised the fuel efficiency information in the catalogue to be distributed when our vehicles are compliant with Euro 6



## Our Quality Philosophy Recognized World-wide

We believe that quality and competitiveness are inseparable. Accordingly, we strive to listen to all customer opinions, make improvements by reflecting their suggestions, and provide the best quality experience possible. As the result of these efforts, we are steadily gaining the recognition world-wide as a global brand of outstanding quality.

Ranked top position for 3 consecutive years in the U.S.-IQS for non-premium brands

3 Years

5 models were selected as Segment Winners in the China-VDS

Winner

Ranked 1st in the quality survey in Germany by recording 2.14 scores

Best



Azera and Accent – Segment Winners in the 2016 IQS in the U.S.



### Solidified our leading position in quality

We were 3rd among all brands, and 2nd among non-premium brands, in the 2016 Initial Quality Study (IQS) from the U.S. market research firm J.D. Power and Associates, thus maintaining our leading position for three consecutive years. Four models – Genesis, Tucson, Avante (Elantra in the local U.S. market) and Veloster – were in the top three in their respective segments, and the Grandeur and Accent were Segment Winners in the Large Car and Small Car segments, respectively. This was the 3rd consecutive year that the Accent was a Segment Winner, and thus proved its outstanding competitiveness.

The 2017 Vehicle Dependability Study (VDS) placed us 6th among 31 brands, including premium brands, 13 places higher than in 2016. We also came in 3rd among 19 non-premium brands to join the league of top notch makers. By outperforming prestigious premium brands including the Lincoln and the Cadillac of the U.S. as well as the leading German brand BMW, we demonstrated the world-class dependability of our products. The Sonata was 2nd in the mid-size category and the Tucson was 3rd in the small SUV category.





**In 2016, Hyundai was in 3rd place in the IQS, and has been ranked highly for three consecutive years. What do you think is the key to maintaining this position?**

At Hyundai, quality comes first. The consistent and tireless focus on quality and customer satisfaction from the top down has enabled Hyundai to become a global leader in quality. Now is not the time for complacency, however, and efforts for improvement must continue, particularly as vehicle technology and complexity increase and customer expectations regarding quality continue to evolve.

**Why has Hyundai risen from 19th to 6th place in the VDS?**

One of the main reasons for Hyundai's remarkable improvement is in the audio, communication, entertainment, and navigation (ACEN) category. Hyundai was an early adopter of Bluetooth technology, and, while there were problems with the technology early on, these have now been addressed, particularly in the area of connectivity. Brands that came late to Bluetooth are now going through the same growing pains that Hyundai has already worked through.

**Please give your advice on how Hyundai can improve product quality and customer satisfaction.**

Customer-defined quality and expectations for performance continue to change over time. In addition to satisfying basic customer requirements on pricing, quality, safety and dependability, companies need to consider product responsibility and environmental sustainability. For Hyundai, a continued focus on all of these aspects of the customer experience will be critical for success in the future.

Geoffrey Mortimer-Lamb  
Vice President, Global Automotive Consulting  
J.D. Power and Associates, U.S.

  
**Secured strong quality competitiveness**

Beijing Hyundai Motor Company (BHMC) was 2nd among all 45 non-premium brands in the 2016 China-IQS by J.D. Power and Associates, with three of our models – Sonata, Tucson, and Santa Fe – being honored as Segment Winners. We scored 84 points to rank 2nd following the Mini (80 points), and successfully maintained our top ranking position for two years in a row. – in 2015, we ranked 1st among non-premium brands for the first time. In the 2016 China-VDS, we had the highest number of Segment Winners, with five of our models – Verna, Yuedong, Tucson, ix35 and Santa Fe – winning their respective segments. We were 4th among 45 non-premium brands, one position higher than the previous year.



  
**Acclaimed in the home of the automobile industry**

Our quality competitiveness was once again recognized in Germany, the home of the automobile industry. We ranked 1st among 20 brands competing in the 2016 Quality Report from Auto Bild, one of the most prestigious automobile trade magazines in Europe. This study examines in detail customer satisfaction with vehicle quality, 100,000 km durability, recall issues, customer complaints, results of regular inspections, maintenance and warranty policies. We scored 2.14 points to top the list, and this achievement was even more significant as we again able to surpass our European and Japanese competitors to regain our top position, five years after we were No. 1 for two years in a row, in 2010 and 2011.





## 02. Eco-friendliness

Q.

How does Hyundai create environmental value while generating economic value?



### MANAGEMENT APPROACH

We are endeavoring to bring our economic and social responsibilities into harmony.

Ever since we set out our global environmental philosophy and guidelines, we have pursued eco-friendly management that guarantees sustainable growth and environmental conservation while achieving economic growth. We fully recognize the environmental impact and consequent responsibility of the automobile industry, and we therefore aim to bring about a sustainable future through eco-friendly vehicles and green management. We have a resource recycling system across Hyundai Motor Group, spanning across all areas of our business, from steel, components and automobiles to construction. Hot-rolled steel sheets from Hyundai Steel Company are processed into cold-rolled steel sheets to be used in automobile manufacturing at Hyundai Motor

Company, and vehicles at the ends of their lives are converted into construction materials such as rebar and H-shaped steel products at Hyundai Steel Company. To ensure sustainable growth through eco-conscious technology, we have gone beyond simply responding to global environmental regulations, and instead we recognize climate change as one of the fundamental challenges we need to tackle as an automaker. We therefore develop green vehicles and technologies that improve fuel efficiency and reduce exhaust gas emissions. In addition, we are striving to cut greenhouse gas emissions, recycle resources and control the hazardous substances in the manufacturing processes at all our business sites.

### UN SDGs

#### SDGs Target



#### Related activities of Hyundai

- Pollutant control
- GHG emissions reduction at business sites
- Improving fuel efficiency
- Reducing exhaust gas emissions
- Resource recycling of end-of-life vehicles
- Handling of hazardous materials
- GHG emissions reduction at business sites
- Pollutant control
- GHG emissions reduction at business sites
- Participating in the carbon market
- Global Highlight



More information is available on the UN website

## OUR ACHIEVEMENT

### Plans and Achievements in 2016

2016 Plans	Achievements	Evaluation
• Expand the IONIQ line-up (Hybrid, EV, PHEV)	• Mass-produced IONIQ Hybrid, EV, and PHEV	●
• Comply with the fuel efficiency regulations of the EU and Korea, and improve the average fuel efficiency by 4% over the 2015's	• Satisfied the strengthened fuel efficiency regulations across the globe in 2016 by improving fuel efficiency and CO <sub>2</sub> emissions	●
• Institute the GHG Emission Management Council and reinforce the GHG reduction activities of each business site	• Reached the target assigned by the government under the Korean emissions trading scheme (quarterly reviews were made on GHG emission plans and outcomes), and reduced GHG emissions by 1% over the previous year on a global basis	●
• Improve the energy efficiency to reduce GHG emissions through highly efficient air compressors	• Installed high-efficiency compressors and air compressor load sharing systems at a utility room to reduce KRW 300 million in annual energy costs	●
• Reduce the use of highly hazardous chemical materials through extensive use of reverse osmosis (RO) method at pure water manufacturing facilities (Approx. 2,200 tons)	• Reduced the use of highly hazardous chemical materials (sulfuric acid and caustic soda) by 1,554 tons through extensive use of RO method at pure water manufacturing facilities	●

● Accomplished, ● Partially accomplished, ○ Not implemented

### Key Sustainability Data

Change Analysis

#### Energy consumed in producing one vehicle

Unit: Mwh/Vehicle

2016

1.08

2015

1.07

2014

1.09

Remained similar to 2015 figure, but fell by 1.8% from 2013

#### Costs and investments for environmental protection<sup>1)</sup>

Unit: KRW billion

2016

156

2015

115

2014

133

Increased by KRW 41 billion year-on-year

<sup>1)</sup> Sum of direct and indirect costs associated with pollution reduction, such as facility investment and waste disposal by third party, and risk management costs associated with pollution reduction

#### GHG emissions per vehicle production

Unit: tCO<sub>2</sub>e/Vehicle

2016

0.523

2015

0.519

2014

0.521

Production decreased but the company's 4th plant in China began full operation



## OUR PLAN

### 2017 Plans and Mid-to Long-term Directions

2017 Plans	Mid-to Long-term Directions
<p>Mass-produce the Grandeur IG HEV, and develop long-range EVs and the FE FCEV (mass-production in 2018)</p>	
<p>Respond to the strengthened region-specific fuel efficiency and environmental regulations in 2017</p>	
<p>Recycle used seat foam into sound absorption &amp; insulation components, and use them in developing sound absorption &amp; insulation construction materials for Hyundai Engineering &amp; Construction in order to reduce waste (360 tons/year)</p>	<ul style="list-style-type: none"> <li>• Implement the eco-friendly vehicle full line-up project by 2020 (2020.22.2 Project) and develop clean mobility technologies</li> </ul>
<p>Develop mix technology (convergent control of engine with after-treatment) for off-cycle NOx reduction</p>	<ul style="list-style-type: none"> <li>• Improve the average fuel efficiency by 25% compared with 2015 by 2020</li> </ul>
<p>Produce diesel sedans with SCR system that meet the real driving emissions (RDE) regulation</p>	<ul style="list-style-type: none"> <li>• Save energy, eliminate loss, reduce GHG emissions and energy consumption through overhauling of unproductive heating and cooling systems</li> </ul>
<p>Develop material-phase performance and verification technology to secure the mass producibility of next-generation lightweight cars</p>	<ul style="list-style-type: none"> <li>• Adopt high efficiency equipment, improve lighting, implement eco-friendly plants through recovery of waste energy and waste heat</li> </ul>
<p>Develop next-generation engines and transmissions (mass-production between 2018 and 2020)</p>	
<p>Reduce the discharge of total hydrocarbon (THC) by installing additional air pollution control equipment at paint shops (reduce THC by 120 tons/year by installing 2,500CMM RTO at the paint shop No. 2)</p>	
<p>Reduce the use of chemicals by 200 tons by cutting the use of chemicals (sulfuric acid and caustic soda), and replacing sodium nitrite and methyl ethyl ketone with substitute materials</p>	



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# Developing Eco-friendly Vehicles

Classification	2016 Achievements	Mid-to Long-term Directions
Improving fuel efficiency	<ul style="list-style-type: none"> <li>Expanded the application of GDI and T-GDI (combining the gasoline direct injection technology for improved efficiency and the turbo charger for improved performance) engines to all segments</li> <li>Improved the quality and reliability of transmissions</li> </ul>	<ul style="list-style-type: none"> <li>Improve the average fuel efficiency by 25% compared with 2015 by 2020</li> </ul>
Reducing exhaust gas emissions	<ul style="list-style-type: none"> <li>Developed the technology to apply SCR system to all diesel models</li> <li>Responded to the RDE regulations               <ul style="list-style-type: none"> <li>Developed the technology to reduce NOx under real driving conditions</li> <li>Finalized and developed systems by engine and model</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Develop mix technology (convergent control of engine with after-treatment) for off-cycle NOx reduction</li> <li>Strengthen the fuel efficiency competitiveness of new engine</li> <li>Respond to new emission regulations and develop relevant technology</li> </ul>
Lightweight vehicles	<ul style="list-style-type: none"> <li>Developed aluminum body design technology that takes into account the process of joining dissimilar materials</li> <li>Applied new high corrosion-resistant alloy into the mass-production of high voltage junction blocks for the IONIQ EV</li> </ul>	<ul style="list-style-type: none"> <li>Expand the use of aluminum suspension parts to include mid-size cars and eco-friendly cars</li> <li>Maximize lightweight technology using more hot stamping (150k segment) parts</li> <li>Develop cost-saving light plastic mix materials</li> </ul>
Resource recycling of end-of-life vehicles	<ul style="list-style-type: none"> <li>Developed recycled materials for vehicle battery trays</li> <li>Developed recycled lightweight materials for radiator fans and shrouds</li> <li>Newly adopted the sound absorption components made from recycled materials</li> <li>Collaborated with Hyundai Engineering &amp; Construction to develop sound absorption construction materials by recycling seat foams, and carried out evaluation at the construction site</li> </ul>	<ul style="list-style-type: none"> <li>Expand the use of materials recycled from end-of-life cars</li> <li>Lay a basis to develop recycled materials at overseas plants</li> <li>Build a stable recycling system for seat foams collected from end-of-life cars</li> </ul>
Eco-friendly vehicle strategy '2020.22.2'	<ul style="list-style-type: none"> <li>Launched the IONIQ Hybrid in North America</li> <li>Ranked 1st in fuel efficiency certification in North America (IONIQ HEV/EV)</li> <li>Launched the IONIQ PHEV</li> </ul>	<ul style="list-style-type: none"> <li>Flexibly respond to markets with four types of green vehicles (HEV, PHEV, EV, FCEV)</li> <li>Expand HEV and PHEV to all segments</li> <li>Develop long-range EVs with 300km or longer in driving range</li> <li>Develop next-generation FCEVs</li> </ul>

## Improving Fuel Efficiency

### Engine Down-sizing and Efficiency Improvements

Engine down-sizing refers to reducing displacement and/or the number of cylinders to increase fuel efficiency while still maintaining or improving power output. Smaller engines are lighter, and a lower displacement and fewer cylinders result in less friction-induced resistance and losses, which in turn leads to gains in fuel efficiency. This, however, reduces engine power, so turbochargers which recycle the energy from exhaust gases are used to compensate for losses in output. Turbochargers come with gasoline direct injection (GDI) technology that enhances efficiency by injecting fuel directly into cylinders. Hyundai currently offers a GDI engine line-up across all segments, and has now completed the development of the T-GDI engine that combines GDI with a turbocharger for both compact (Kappa) and large (Lambda) cars. Engine right-sizing aims to maximize fuel efficiency by selecting the right displacement for different vehicle segments. It is not directly related to the use of turbochargers, instead looking for fuel efficiency and performance gains by optimizing combustion within the engine cylinders. We use engine down-sizing and right-sizing to ensure that each of our vehicles is fitted with the optimal engine. We will develop new engines that are optimized for fuel efficiency to replace existing engines which are now limited in their scope for improvement.

### Greater Efficiency by Using More Transmission Gears

Following the development of the continuous variable transmission (CVT) in 2012 and the 7-speed double clutch transmission (DCT) in 2014, in 2015 we completed the development of a new transmission for full-sized vehicles, and improved the existing front-wheel drive transmission by increasing the number of gears to eight. Compared to a 6-speed transmission, an 8-speed automatic transmission has better acceleration and launch performance in low gears, and improved fuel efficiency and ride quality in higher gears. The new transmission is 3.5kg lighter than the 6-speed transmission, despite the increase in the number of gears. The DCT delivers the cost effectiveness of manual transmissions and the convenience of automatic transmissions, and is 5-7% more fuel efficient compared to automatic transmissions at the same speed. Our choice of transmissions varies according to the vehicle model, and we ensure that their respective advantages are put to best use.



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## Reducing Exhaust Gas Emissions

### Clean Diesel Engine

In order to respond to the increasingly stringent regulations governing diesel engine exhaust emissions, and to reduce our own carbon emissions, we are committed to developing lighter weight engines and electronic control technology, as well as improving combustion performance. We increased the efficiency of our new engines by improving combustion through 2,200 bar high-pressure injection, the LP-EGR system and lower compression ratios, and by reducing friction between moving components. We now use aluminum blocks instead of cast iron blocks, which has reduced both vehicle weight and CO<sub>2</sub> emissions. We have also adopted adjustable oil pumps, integrated thermal management systems and other electronic controls which improve fuel efficiency and reduce harmful exhaust emissions. We fitted the engines of our passenger diesel models with the SDPF and SCR systems for the first time, to maximize combustion efficiency and to meet Euro 6b standards. In addition, we are developing engines that are optimized for a wide range of real road and environmental conditions through the use of Design of Experiments testing and environmental chambers. We constantly improve our diesel models, and have introduced diesel options for our passenger cars. These passenger diesel models are already available in our small, semi-midsize, midsize and large segments, and we plan to adopt them across all segments, including our flagship models.

### Reducing Exhaust Emissions

**Korea** We apply Euro 6 standards to all diesel models in Korea, just as we do in Europe. We are currently developing exhaust gas reduction devices because new diesel cars will be subject to European standard real driving emissions (RDE) testing from September 2017 onwards.

**Europe** Europe is implementing the ‘Euro 6 (80mg/km)’ standard, which lowers the NOx standards for diesel cars by 56% from the existing ‘Euro 5 (180mg/km)’ standard. Because of the increasing emphasis on reducing exhaust gas emissions in real driving conditions, new vehicles will be subject to RDE testing on NOx and particle number (PN) emissions from September

2017 onwards. This has prompted us to develop exhaust gas emissions reduction devices, including [LNT+SDPF] + assistive SCR or [LNT+DPF] + uf\_SCR systems which will widen the use of EGR to reduce an engine’s raw NOx emissions. We will also add the urea-water injection SCR system to existing exhaust gas purification systems.

**U.S.** The U.S. has established new standards that aim to lower the threshold for exhaust gas emissions to one-quarter of the current threshold. These new standards will be applied step by step until 2025 (NMOG + NOx threshold: currently 0.125g/mile → 0.030g/mile by 2025). In California and nine other states (Oregon, New York, Maine, Vermont, Rhode Island, Massachusetts, Connecticut, New Jersey, and Maryland), the mandatory ratio for zero-emissions vehicles (ZEV) as a percentage of sales for automakers is constantly increasing. We are therefore continuing to expand our line-up of green cars, as well as endeavoring to reduce exhaust gas emissions.

Technologies to respond to Euro 6b standards

**SDPF**

SCR-Catalysed Diesel Particulate Filter

**SCR**

Selective Catalytic Reduction

## Lightweight Vehicles

### Increasing the Application of New Materials

With more and more eco-friendly cars being produced, and more electrification of vehicles from in-vehicle comfort systems, Hyundai is exploring new high value-added materials. For example, we are developing functional alloys for mass-production which improve the thermal conductivity and corrosion resistance of the aluminum alloy which is mainly used for the heat sink and housing of electronic components. In addition, we are extending the application of these materials to include the electric water pumps and audio devices, as well as in the high-voltage battery and power conversion units of green cars. A highly corrosion-resistant alloy has been developed to address the issue of white rust corrosion in existing aluminum components, and this alloy is also now being used in the housing components within the engine room of EVs. We also developed a technology to replace part of the panoramic sunroof glass panel with highly shock-resistant transparent plastics (PC) which are laminated to improve anti-scratch and weather-proofing performance.

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### Developing New Process Technology

Hyundai has continued to develop new processes that minimize cost increases in our lightweight aluminum manufacturing. We are currently working on centrifugal casting, to improve quality and reduce the cost of the low-pressure casting used to manufacture aluminum wheels. In centrifugal casting, a mold is rotated at high speed as the molten aluminum is poured in, which increases the pressure and cooling efficiency, which in turn reduces processing time and improves reliability. We are also developing counterpressure low-pressure casting, which uses the pressure differences between the mold and the molten aluminum to increase the pressure and quality. We aim to use this technology for the mass-production of FE rear carriers.

### Developing Next-Generation Lightweight Technology

We are fully committed to expanding the use of aluminum to improve the fuel efficiency and driving range of our eco-friendly models. This demands that we adopt aluminum and carbon fiber materials in producing vehicle body frames, in addition to the steel sheets that we currently use. The key to achieving this is a technique to join dissimilar materials. We are therefore developing detailed joining methods for a wide spectrum of materials, and conducting research on joining techniques that can be used in mass-production.

### Strengthening R&D in Metal Forming Technology

At Hyundai, the development of new technology and quality improvement processes is being helped by high-pressure molding machines installed in the material casting research building of our Materials Development Center. In 2016, we completed the development of a new aluminum casting process in which pipe insertion occurs prior to forming. This process allows us to reduce defects in the flow line and eliminates the need for the processing. Following the completion of initial-phase development for components of diff cases and technology transfer to suppliers, this technology was first adopted in mass-production for the Genesis G80.

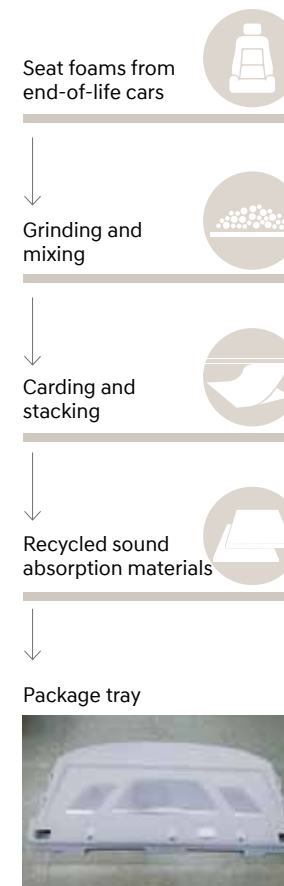


Fan and shroud made of recycled PA



Fan and shroud made of recycled PA

#### Recycling Automobile Seat Foam



## Resource Recycling of End-of-life Vehicles

### Recycling Vehicle Plastics

Engineering plastics (EP), used in automobile parts, are known for their outstanding mechanical properties, and are therefore mainly used in functional components such as engine and chassis parts. We use inorganic additives to further reinforce the strength of these EPs, and we are also developing a wide range of lightweight technology. We have used polypropylene (PP) in battery tray components, and developed radiator fan and shroud components by using glass bubble material technology.

### Recycling Automobile Seat Foam

Because automobile seat foams are thermoset polyurethane foams, they are difficult to recycle, especially compared to plastic parts made of thermoplastic polymers. However, Hyundai has successfully developed physical recycling technology to convert these foams into automobile sound absorption materials. We are currently using this technology to mass-produce package trays and luggage coverings, and will extend its use to other components. In addition, we plan to use these recycled sound absorption materials in other ways, including sound absorption construction panels.

### Managing Hazardous Chemicals in Components

We joined the International Material Data System (IMDS) in 2004 to ensure that our vehicles comply with chemical regulations at home and abroad, especially regulations on the four restricted heavy metals and EU REACH, and to prevent the use of regulated materials in any part of our vehicle process. In 2007, we developed an independent e-Chemical Management System (e-CMS) to use the data collected from the IMDS to systematically manage information about the chemicals in our components, and to undertake preliminary reviews into the replacement of any chemicals that become subject to regulations. At the end of 2016, we created a dedicated team responsible for responding promptly to hazardous substance regulations at the company level, which will help us to ensure the safety of our customers.



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# Responding to Climate Change

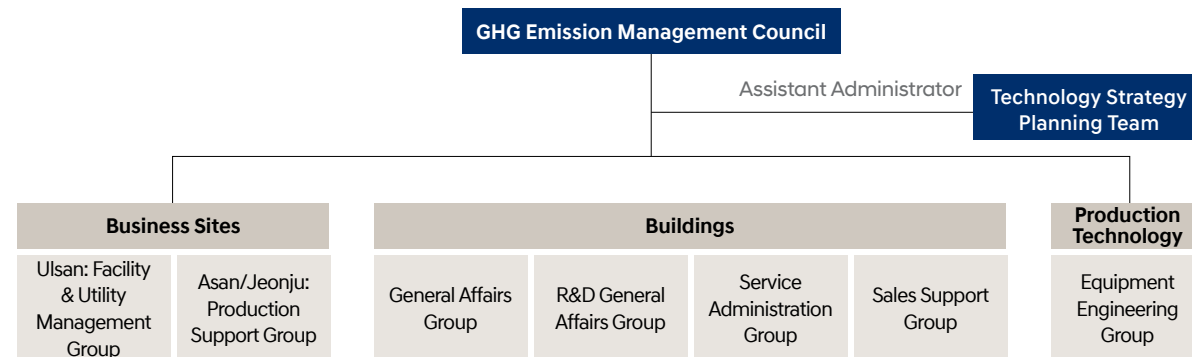
Classification	2016 Achievements	Mid-to Long-term Directions
GHG emission reduction at business sites	<ul style="list-style-type: none"> <li>• Met the target allocated by the government under the Korean emissions trading scheme</li> <li>• Introduced the energy storage system (ESS), and began to develop a co-generation system</li> <li>• Continued efforts to save energy and improve process efficiency – changed lighting and heat source for material facilities, and adopted high efficiency equipment</li> </ul>	<ul style="list-style-type: none"> <li>• Mid-to long-term direction for GHG emissions reduction at business sites                             <ul style="list-style-type: none"> <li>– Supply equipment: Improve equipment efficiency, operation, and technology</li> <li>– Production equipment: Standardize operating hours and energy sources</li> <li>– Indirect equipment: Standardize management guidelines and optimize energy uses of buildings</li> <li>– New technology: Adopt self-power generation and renewable energy sources</li> </ul> </li> </ul>

## GHG Emission Reduction at Business Sites

### The GHG Emission Management Council

At the Paris Climate Conference in 2015, the world community agreed to work on climate change issues to curb rises in global temperatures. Hyundai also strives to minimize the GHG emissions generated from our manufacturing processes, to develop fuel efficiency technology, and to conduct research in the mass-production of eco-friendly cars, in order to address the global issue of climate change. We review our business sites every quarter for their GHG emission plans and achievements as part of the Korean emissions trading scheme (ETS), and we also analyze our GHG emissions reduction performance from a financial perspective. We use and share new energy technologies, and operate energy review and promotion programs to improve the efficiency of energy-intensive processes. We have increased investment in energy saving, and all our overseas business sites undertake energy-saving initiatives to meet their country-specific regulations and business conditions.

### Organization to Respond to GHG at Business Sites



**KRW 300 million**

Reduction in annual energy costs at the Asan Plant

**3.7%**

Year-on-year reduction in GHG emissions at the Ulsan Plant

## GHG Emission Reductions at our Business Sites

To comply with Korea's climate change and energy-saving policies, we implemented the energy target management system between 2011 and 2014, and joined the ETS in 2015 in order to work hand-in-hand with the Korean government in reducing GHG emissions. We met in full the targets given us by the government over that period, and all our sites in Korea have been committed to reaching the targets assigned to them since they joined the ETS in 2015.

**Asan Plant** The Asan Plant has put into place a wide range of energy conservation programs, including introducing new high-efficiency equipment and optimizing its processing equipment in order to maximize energy efficiency. It installed high-efficiency air compressors in its utility room and introduced an air compressor load sharing system which has cut KRW 300 million in annual energy costs. The paint shop uses insulation paint to reduce losses from radiation energy, thereby resulting in KRW 60 million in annual cost savings. In 2017, the Plant will switch to LED lighting for its street and office lights, to improve efficiency and reduce GHG emissions.

**Ulsan Plant** The Ulsan Plant's commitment to reducing GHG emissions has brought about energy-saving initiatives such as introducing high-efficiency equipment, optimizing processing equipment and adopting new sources of energy. In 2016, the Plant invested KRW 1.35 billion in replacing its air compressor equipment with high-efficiency equipment, and invested another KRW 2.82 billion in replacing 34,400 units of lighting in the assembly shop. It has also installed a 2MWh-capacity ESS to support the Korean government's green policies. The Plant is currently planning to install a co-generation system by early 2018, following a review process. These efforts enabled the Plant to reduce its GHG emissions by 3.7% in 2016, down to 931,000tCO<sub>2</sub>.

**Jeonju Plant** The Jeonju Plant has reduced the energy consumption of its production equipment and replaced low-efficiency equipment to cut its GHG emissions. In 2016, it installed better oven equipment in its paint shop, which has reduced the operating time for paint booths and thus led to a 1,391 tCO<sub>2</sub> reduction in emissions. The Plant has also invested KRW 600 million to replace low-efficiency water heaters/coolers with high-

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efficiency double-effect refrigerators, and thus reduced 385 tons of CO<sub>2</sub>. In addition, it made investments into high-efficiency equipment such as high-efficiency motors and air compressors, and has switched to LED lighting. It has also changed its dehumidifying system in compressed air and office cooling systems. These efforts enabled the Plant to reduce its GHG emissions by 4.2% over the previous year.

**Namyang Technology Research Center** The Namyang Technology Research Center is involved in a wide spectrum of research projects to design body frame, engines and other automotive components, to develop prototypes and to conduct performance tests that assist our vehicle development. As these projects inevitably generate GHG emissions, the Center strives to minimize these emissions by using high-efficiency equipment and efficient operational systems. While the construction and expansion of buildings (Pilot Building 3 and five other buildings in 2016) naturally leads to increases in energy consumption, high-efficiency insulation materials, motors and experimental devices were introduced to curb the consumption of energy. In addition, 500kW-capacity photovoltaic generators generated 'green' power, resulting in 720,000 kW or KRW 110 million in annual power cost savings. Older buildings within the Center are gradually switching to high-efficiency LED lighting, and an automatic lighting control system has been introduced to reduce 3.83 million kW in energy consumption and 17.83 million tons of CO<sub>2</sub> in GHG emissions.

**Optimized Logistics**

We have established an optimized logistics network, from the transport of raw materials to the delivery of components and finished products. Because road transport accounts for the majority of our logistical operations, reducing GHG emissions on the road is key to reducing our overall GHG emissions in logistics. As of 2016, we are operating vehicle processing centers in 13 areas around Korea, and optimize their routes to curb the GHG emissions created through road transport. We also aim to maximize our use of railroad transport, which generates fewer GHG emissions than road transport.

**Participating in the Carbon Market**

In accordance with the Paris Climate Conference agreement, the Korean government has set a goal of reducing the nation's total GHG emissions by 37% from the estimated business as usual (BAU) emissions in 2030.

In December 2014, we finalized our allocation target for the 1st phase (2015-2017), and we are endeavoring to meet this target through our internal GHG emissions reduction programs. We have also developed a system to meet the target by purchasing allowance units through the emissions exchange at times when the target has not been met.

**Response to Climate Change Risks and Opportunities**

	Category	Status	Response
Regulatory risks	Strict regulations on fuel efficiency globally	Regulations on fuel efficiency and emissions across the world, including Korea, the U.S., Europe, China and India	Enhance fuel efficiency technology for all models and develop eco-friendly cars
	Taxes on fuel and energy	Tax benefits and penalties through CO <sub>2</sub> -based vehicle taxes in 17 European countries	Enhance fuel efficiency technology for all models and develop eco-friendly cars
	Reinforced regulations on refrigerants, tires and fuel	Regulations on new refrigerants to be implemented in Europe and the U.S.	Develop refrigerant technology
	Emissions reporting system	Greenhouse gas emissions regulations in most worksites	Ensure the reliability of greenhouse gas emissions across the globe
Regulatory opportunities	Regulation on product efficiency	Increase in sales of eco-friendly cars due to reinforced GHG regulation	Enhance competitiveness in fuel efficiency through consistent R&D efforts in comparison with competitors
Physical risks	Tropical low pressures	Risk of tornadoes during summer in the U.S.	
	Changing rain patterns and drought	Risk of flood, snowstorms, drought and yellow dust in Korea and China Risk of snowstorms in the Czech Republic	
	Abnormal temperature	Risk of hot temperatures during summer in Korea, Turkey and the Czech Republic	
	Other climate risks	Risk of tsunami in India Possibility of disruption in imports and others due to abnormal climate change	
Physical opportunities	Climate changes in countries where competitors are located	Opportunity for sales increases of the company	
Managerial opportunities	Change in consumer behavior that prefers eco-friendly products	Increase in consumers' demand for eco-friendly cars as a result of eco-friendly car support policy in the U.S. and Europe	Enhance fuel efficiency technology for all models and develop eco-friendly cars



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# Minimizing Environmental Impact

Classification	2016 Achievements	Mid-to Long-term Directions
Pollutant control	<b>[Ulsan Plant]</b> <ul style="list-style-type: none"> <li>• Improved processes to reduce the generation of volatile organic compounds (VOCs)                             <ul style="list-style-type: none"> <li>- Installed new waste thinner recovery pipes and replaced old ones (primer process at the paint shop No. 41, KRW 80 million)</li> <li>- Improved old waste thinner recovery pipes (top coating process at the paint shop No. 41, KRW 40 million)</li> <li>- Improved regenerative thermal oxidizer (RTO) storage materials (paint shop No. 3, KRW 300 million)</li> <li>- Expanded the waste thinner recovery and storage tank (paint shop No. 1, KRW 200 million)</li> </ul> </li> <li>• Established an integrated environmental facility control system                             <ul style="list-style-type: none"> <li>- Developed an RTO monitoring system at paint shops (10 units)</li> <li>- Installed CCTVs to prevent oil spills into drains and streams (8 units)</li> <li>- Installed pollutant interceptors inside drains (6 spots)</li> <li>- Established a real-time dust collector monitoring system at the material shop (22 units)</li> <li>- Established an environmental map system across all drains at the Plant</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Apply reverse osmosis (RO) method to pure water manufacturing facility at the auto paint shop</li> <li>• Replace harmful chemicals (MEK, acetic acid ethyl, water-soluble paint)</li> <li>• Minimize water pollutants                             <ul style="list-style-type: none"> <li>- Install additional diaphragm seal type water-oil separators at the major source of oil spills</li> <li>- Install CCTVs and oil detector monitoring systems across business divisions</li> <li>- Increase the efficiency of wastewater treatment facilities by removing sediments within wastewater collection tanks</li> </ul> </li> </ul>
	<b>[Asan Plant]</b> <ul style="list-style-type: none"> <li>• Installed dual filters at deadener booths</li> <li>• Improved the dust collectors installed at the pre-treatment equipment at paint shops</li> </ul>	
Health & safety system for suppliers	<ul style="list-style-type: none"> <li>• Provided training and technical support mentoring in the fields of environment, safety, health, and firefighting                             <ul style="list-style-type: none"> <li>- Ulsan Plant: 46 suppliers participated</li> <li>- Asan Plant: 27 suppliers participated</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Continue to offer training in the fields of environment, safety, health, and firefighting by reflecting the needs of suppliers</li> </ul>

## Pollutant Control

Hyundai has set internal control criteria that are stricter than regulatory requirements for the air and water pollutants generated in our manufacturing processes, and we are fully committed to preventing environmental accidents. In 2016, we installed an integrated environmental facility control system to enable more systematic management of pollutants. We also reinforced the monitoring of the pollutants generated by

12.4% ↓

Year-on-year reduction in VOC emissions at the Ulsan Plant

24.4% ↓

Year-on-year reduction in air pollutant emissions at the Asan Plant

our manufacturing processes, and standardized our facility inspections and management. We provide preemptive training to increase emergency preparedness, and all our employees participate in chemical leak and oil spill drills as a way to make our plants safer and more eco-friendly.

## Minimizing Air Pollutions

The Ulsan Plant generates two main types of pollutants: dust and volatile organic compounds (VOCs). VOCs are primarily contained in the paints and thinners used in the paint shops, and, because they can be harmful to the human body and the environment, we undertake various initiatives to minimize them. For example, we installed waste thinner recovery pipes in the primer process and replaced old waste thinner recovery pipes in the top coating process in paint shop No. 41 at the Ulsan Plant, which enabled us to increase our recovery of organic solvents by 152 tons compared to the previous year. Our annual total VOC emissions fell by 12.4% to 5,564 tons in 2016, and our dust emissions declined by 2.2% to 176 tons, thanks to the replacement of old dust collectors in the materials shop and shortening the dust filter replacement cycle from two years to one and a half years. We will continue to tighten our pollutant controls to reduce pollution throughout the entire cycle, from reducing emissions at source to dust collectors in the final phase.

In order to increase the efficiency of its air pollutant reduction equipment, the Asan Plant has improved the air environmental control facilities at its paint and material shops, where the most pollutants in the vehicle manufacturing process are produced. The dust collectors in the paint shop's pre-treatment equipment were supplemented to make sure that aging facilities were not reducing efficiency, while the dust collectors in the deadener booths were improved by replacing old components and installing dual filters to efficiently process dust and VOCs. Other improvements include installing better dust collectors at the smelting furnace, and the installment of sander dust collectors. These efforts enabled the Plant to reduce its air pollutant emissions by 24.4% over the previous year. We continue our effort to reduce pollutants through the stringent management of the entire emissions cycle.

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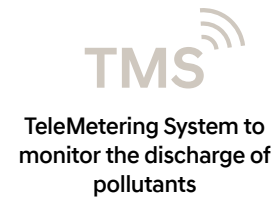
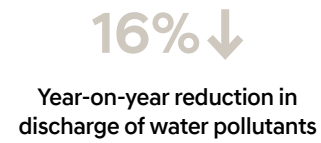
**Minimizing Water Pollutants**

In 2016, our discharge of water pollutants fell by 16% to 152 tons, compared to 177 tons in 2015. This is attributable to an increased number of strike days, as well as our continued endeavors to reduce water pollutants. While the production of new cars and increases in production volume naturally lead to increases in the amount of wastewater generated and the discharge of water pollutants, we always strive to reduce the generation of water pollutants. The Ulsan Plant has installed new dissolved air flotation equipment at its integrated wastewater treatment facility, and is eliminating sediments within the wastewater collection tank installed in the paint shop. In addition, we installed CCTVs, oil detectors and drains within the plant and nearby streams, as well as pollutant interceptors contained inside drains to constantly monitor potential leaks of water pollutants. We have also installed diaphragm seal type water-oil separators along the major drains leading to nearby streams, in order to set a fundamental solution in place to prevent water pollutants flowing into streams through rainwater.

**Recycling Water**

The shortage of water resources is emerging as a serious issue across the globe. The Ulsan Plant therefore sets out a detailed water management policy and consumption reduction targets, and puts matching strategies into place. Due to its size, the Plant processes more than 5.13 million tons of wastewater every year, and is therefore fully committed to minimizing the discharge of water pollutants and managing the streams within its site to limit any risks. The Plant targets zero discharges of oil into nearby streams by creating a map to figure out optimal layout for its drains, and by installing CCTVs and oil detectors along streams. The mid-to long-term goal is to install floodgates and air pockets, in order to better manage nonpoint pollution sources.

Most of the wastewater generated at the Ulsan Plant comes from the painting process: the wastewater goes through physical, chemical and biological processing prior to being transferred to the Bang-eo-jin water quality improvement center, where it is re-processed before being discharged into the Taewha River. In order to minimize the release of water pollutants, wastewater is first processed at the wastewater disposal facility at each unit



plant, and is then sent to the integrated wastewater treatment facility for re-processing prior to being moved to the water quality improvement center. Our in-house threshold is 30% lower than legal standards, and a TeleMetering System (TMS) is in place in three locations, so that we can automatically monitor the discharge of pollutants and comply more efficiently with in-house standards. The Asan Plant operates a zero-discharge system, which requires it to reuse all sewage and wastewater generated at the Plant and in nearby residential areas. Recycling the final rinsing water used in electro-coating at the paint shop reduced our consumption of industrial water by 6,694 tons, and this type of zero liquid discharge initiative will continue to contribute to our environmental improvements.

**Minimizing Waste Materials**

Our top priority in handling waste is to reduce its weight, and convert it into valuable resources that can be used to improve profitability. We undertake proactive improvement initiatives, which expand the number of items that we recycle, increase recycling ratio, and reduce the amount of waste, and thus improve profitability. Examples include cutting the moisture content of waste paint sludge by 8.5% in 2015 and 12.2% in 2016, and changing water separation and recovery processes to help reduce the incineration of waste oil by more than 21.9% over the previous year, and then converting that waste into useful resources through recycling. Our recovery of waste solvents increased by more than 30% in 2015 by improving recovery devices, and these improvements continued in 2016 which in turn helped recycling ratio rise again. We recycle more than 90% of our general waste, and the recycling of designated waste increased to more than 50% last year, which both contributed to profitability and helped to prevent air pollution. We will continue to recycle waste through sorting and separation, widen the use of new technology, reduce the moisture content of waste, and increase the recycling ratio to improve profitability.

The Asan Plant increased its waste recycling by improving old waste equipment and changing its waste collection methodology. In 2016, waste generation fell by 12.9% compared to the previous year, to 41,236 tons, and the recycling ratio was 96.5%. It will continue to identify and implement programs that reduce waste and improve waste management.



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**Management of Hazardous Chemical Materials**

The Ulsan Plant has improved its facilities inspection and replaced highly hazardous materials with less hazardous ones in order to comply with the Toxic Chemicals Control Act, which took effect in 2015. The Plant reduced its consumption of highly hazardous chemicals by 1,554 tons in 2016. It changed the cleaner used to treat coating sludge inside the pipes of the heat exchangers in the chemical conversion coating process from caustic soda and nitric acid. In its pure water manufacturing equipment, the Plant moved away from the ion exchange technique that used hydrochloric acid, sulfuric acid and caustic soda, and instead uses reverse osmosis (RO) method. In 2017, the Plant will expand the application of RO to reduce the use of hydrochloric acid and caustic soda in its raw water treatment facility, which will lower consumption of highly hazardous chemicals by 450 tons per year. We will continue to cooperate closely with our chemical suppliers to minimize any leaks of hazardous chemicals.

The Asan Plant uses fewer hazardous chemicals as a way to reduce its environmental impact. It did not use 35% hydrochloric acid and 20% caustic soda by replacing the ion exchange technique with RO method at pure water manufacturing facility. In addition, while conventional water soluble paint contains 5.5% N-methylpyrrolidone (NMP), the Plant uses a new type of paint that does not contain NMP for new models. In 2016, its consumption of hazardous chemicals decreased to 1,335 tons, down 8.1% year-on-year, and it will continue to seek to use more eco-friendly chemicals.

**Eco-friendly Worksite**

The Green Company program recognizes businesses that have established a strong green management system and are making significant contributions to environmental improvement through green management initiatives which reduce the use of energy and resources and minimize the discharge of pollutants. The program (former Environmentally Exemplary Company) began in 1988 when the Ulsan Plant became the first automobile plant in Korea to be designated as the eco-friendly business. In 1995, as the program renamed as the Green Company, the Ulsan Plant was designated as a Green Company, and then renewed its



2016

The Ulsan Plant renewed its Green Company status in 2016

Since 1998

The Asan Plant has maintained its Green Company status since 1998

Green Company status for the fifth time in 2016 in recognition of its outstanding achievements in developing green vehicles and creating an eco-friendly work environment. The Asan Plant was first designated as a Green Company in 1998, and won Green Company designation for the fourth time for its eco-friendly management system. The Plant is committed to green management initiatives which strike the right balance between environmental preservation and economic development through the production of eco-certified hybrid cars and by taking part in environmental social projects.



Integrated environmental facility control system at the Ulsan Plant



Installed dual filters at deadener booths of the Asan Plant



Improved the dust collectors installed at the pre-treatment equipment at paint shops of the Asan Plant

## Eco-friendly Car Strategy ‘2022.22.2’, Putting Hydrogen in the Spotlight

The green vehicle market in 2016 was 2.26 million units, and it is forecast to grow to 7.65 million units by 2020<sup>1)</sup>. With HEV, PHEV, EV, and FCEC in our technology portfolio, Hyundai aims to develop 28 green models<sup>2)</sup>, up from 22 previously announced, and to make ourselves the global No. 2 green vehicle brand by 2020. We have launched a number of initiatives to keep up with the global trend towards hydrogen fuel.

<sup>1)</sup> Reference: Market research firm IHS    <sup>2)</sup> Based on Hyundai Motor Group

Tucson ix35 FCEV,  
world’s first mass-produced FCEV

First

Number of the Tucson ix35 FCEV sold  
as of 2016 year-end

700+

Plan to cut the price of FCEVs by 40%  
in Korea by 2020

40%



### Tucson ix35 FCEV – the FCEV for Eco-friendly Nations

The Tucson ix35 FCEV is the world’s first mass-produced fuel cell electric vehicle (FCEV). Since its debut in 2013, more than 700 units have been sold in a total of 17 countries. The Tucson ix35 forms the basis for Hyundai’s commitment to hydrogen energy.



#### What was the motivation behind launching ‘hype’?

In December 2015, our company STEP launched the world’s first fuel cell taxi fleet ‘hype (Hydrogen Powered Electric)’ to facilitate clean future mobility in our everyday life. We chose Hyundai’s ix35 Fuel Cell whose only emissions from the tailpipe are water vapor to replace diesel-powered taxis, and this is expected to reduce nearly 1,000 tons in CO<sub>2</sub> emissions and four tons in NO<sub>x</sub> emissions by the end of 2017. The fleet, which started out with five ix35s, is currently serving the Greater Paris Area with 12 vehicles.

#### What is your outlook for the FCEV industry? How satisfied are customers with the overall quality of Hyundai products?

In line with the increasing need for the means of transportation that neither emits air pollutants nor requires long charging times, mobility providers are recognizing the potential of clean mobility. We believe that one of the breakthrough solutions can be hydrogen fuel cell vehicles. Customers also highly appreciate traveling in zero-emission cars that help keep our city clean while still providing the same level of convenience. The drivers are astonished by the comfort driving experience enabled our noise-free, vibration-free cars.

#### What do you expect for Hyundai in response to climate change?

We firmly believe that Hyundai is at the forefront of hydrogen mobility, both in terms of developing technology and pushing the boundary of the market. Specifically, we expect to strengthen our partnership with Hyundai, the widely recognized leader in developing hydrogen fuel cell cars, by introducing its new hydrogen fuel cell model that will be released in 2018. We take a great pride in expanding our fuel cell service fleet with Hyundai, and we would like to join hands with the company in bringing massive and concrete solutions to climate change and air pollution issues.

**Mathieu Gardies**  
CEO  
STEP (Société du taxi électrique parisien), France



‘hype’ taxi service delivered by Hyundai’s FCEVs





**What were the motivations behind launching 'BeeZero'?**

We wanted to break through the “chicken and egg” dilemma: no fuelling stations so no cars and vice versa. 'BeeZero' is the solution adopted by the Linde Group to address this dilemma. Linde became the first in the world to establish a complete value chain ranging from hydrogen production to infrastructure development and – with BeeZero – now also with the hydrogen experience for the end consumers. By bringing together two of today’s most important trends in mobility – car sharing and zero-emission vehicles – to take this novel concept of clean mobility to a whole new level, our hydrogen fuel cell car sharing service has witnessed a steady increase in the number of users since we initiated our service in the summer of 2016 in Munich with 50 ix35s.

**What is your opinion on the outlook for the FCEV industry?**

We do believe that hydrogen mobility will play a significant role in tomorrow’s automobile industry. Hydrogen-powered fuel cell vehicles can travel long distances and their fueling time is far shorter than electric vehicles, which allows consumers to stay within their known driving behavior. Furthermore, electric vehicles may face their own challenges, especially in cities where not everybody has his/her own parking spot to charge their electric vehicles that usually take a significant amount of charging time.

**How satisfied are customers with Hyundai products, and what do you expect from Hyundai?**

Our customers are very fond of the ix35 with its acceleration and quietness. Also, the range that the vehicle offers is something our customers appreciate. We hope that Hyundai will continue to be a global leader in the field of hydrogen mobility, and we look forward to undertaking more lighthouse projects for a broad roll-out of hydrogen mobility across the globe.

Sandra Scherb, Andreas Wittmann  
Managing Directors  
BeeZero, Germany

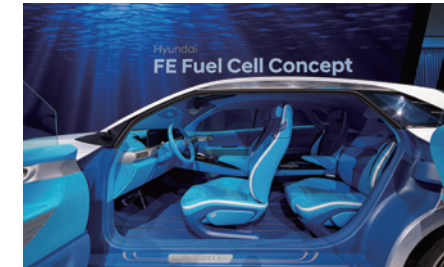
Hyundai has signed a memorandum of understanding (MOU) with the French industrial gas supplier Air Liquide, with an aim to invigorate the FCEV market by working in collaboration with Air Liquide, which has extensive technical know-how in relation to hydrogen. This will also improve the availability of hydrogen energy and expand hydrogen filling stations. We have cooperated with Air Liquide for the ‘hype’ FCEV taxi project, in partnership with STEP, an eco-friendly French taxi company in Paris. As part of this project, we delivered 12 Tucson ix35 FCEVs, and will increase this number to approximately 50 by the end of 2017. In addition, we have supplied 50 Tucson ix35 FCEVs to ‘BeeZero’, the world’s first FCEV-sharing service launched in Munich by the German industrial gas maker Linde Group.



**Hyundai, a Pioneer in the Korean Hydrogen Market**

In Korea, a goal has been set to reduce the price of FCEVs by 40% through R&D by 2020, and establish 210 hydrogen filling stations by 2025. To reach this goal, Hyundai serves as a member of the Board of Directors at H2KOREA, an organization launched jointly by central and local governments and businesses in August 2016, in order to disseminate FCEVs and develop a hydrogen station infrastructure. Included in our efforts to expand the presence of FCEVs in Korea are a pilot FCEV taxi project launched in cooperation with Ulsan City and local taxi industry, and a car-sharing project undertaken in partnership with venture firms incubated by the Gwangju Center for Creative Economy & Innovation.

50 Tucson ix35 FCEVs supplied to the 'BeeZero' car-sharing service



**Leading the FCEV Market**

As a founding member of the Hydrogen Council, an organization of global hydrogen leaders, we will spearhead global endeavors to bring about a hydrogen society and expand the hydrogen market. In 2017, we unveiled the ‘FE Fuel Cell Concept’ at the 2017 Geneva International Motor Show. This concept car – the culmination of our technological prowess in FCEV – will be the catalyst for Hyundai to widen FCEV technology and bring about a hydrogen society. We will launch a new FCEV equipped with price competitiveness by utilizing the technological skills, which have enabled us to mass-produce the world’s first FCEV, and thus solidify our market leadership.



# 03. Suppliers

Q.  
Why does Hyundai focus on achieving win-win growth with its suppliers?

## MANAGEMENT APPROACH

We believe that the competitiveness of our suppliers is the basis for our true competitiveness.

The automotive industry is a major assembly business, and suppliers provide an automaker with 95% of parts used in building finished cars. Hyundai therefore strive to help its suppliers improve their competitiveness by providing education, system and human resource supports for their quality improvement, technology development and environmental protection endeavors. We also know the importance of collaboration and co-prosperity between large corporations and SMEs, which is why we strive to improve trade practices and support

our suppliers, so that they are fully self-reliant and competitive. Hyundai has a number of teams dedicated to helping its suppliers, including Supplier Cooperation Team, R&D Technical Support Group, and Foundation of Korea Automotive Parts Industry Promotion. Employing these and other organizations, Hyundai seeks mutual growth in three strategies: cultivating global competitiveness; reinforcing the basis for sustainable growth; and establishing a joint growth system.

### UN SDGs

SDGs Target



8.3

Related activities of Hyundai

- Sustainable management foundation
- Expanding global sales channels
- Infrastructure for growth
- Management system for suppliers
- Global Highlight



More information is available on the UN website



## OUR ACHIEVEMENT

### Plans and Achievements in 2016

2016 Plans	Achievements	Evaluation
<ul style="list-style-type: none"> <li>Enhance competitiveness in complete vehicles through quality seminars and their efficient operation (create more synergy)</li> </ul>	<ul style="list-style-type: none"> <li>Hosted quality seminars on around 1,450 occasions to assist suppliers in improving their quality competency and contribute to securing the finished vehicle competency</li> </ul>	●
<ul style="list-style-type: none"> <li>Host 5 supplier job fairs including local small giants</li> </ul>	<ul style="list-style-type: none"> <li>Hosted job fairs in five regions – Seoul, Daegu, Gwangju, Ulsan, and Changwon, with the participation of 349 suppliers including 24 local small giants</li> </ul>	●
<ul style="list-style-type: none"> <li>Pay by cash for goods delivered to mid-sized companies – sales under KRW 500 billion</li> </ul>	<ul style="list-style-type: none"> <li>Expanded cash payments to mid-sized companies – sales under KRW 500 billion – from which around 300 tier 1 suppliers were benefited</li> </ul>	●
<ul style="list-style-type: none"> <li>Expand the win-win payment system</li> </ul>	<ul style="list-style-type: none"> <li>Helped suppliers secure stability in receiving payment through the win-win payment system</li> </ul>	●

● Accomplished, ● Partially accomplished, ○ Not implemented

### Key Sustainability Data

Change Analysis

#### Korea Automotive Parts Industry Promotion – Quality and Technology Volunteer Group

Unit: Company

2016

101

2015

97

2014

97

#### Korea Automotive Parts Industry Promotion – Supplier Support Group

Unit: Company

2016

50

2015

46

2014

43

#### New recruitment of suppliers

Unit: Person

2016

13,000

2015

18,600

2014

17,510

Reduction in recruitment of suppliers due to economic slowdown, etc.

#### Number of suppliers participated in joint growth and fair trade agreements

Unit: Company

2016

298

2015

298

2014

293

#### Number of suppliers participated in Energy-Saving Technology Exchange Meeting

Unit: Company

2016

33

2015

32

2014

26





## OUR PLAN

### 2017 Plans and Mid-to Long-term Directions

2017 Plans	Mid-to Long-term Directions
Host 5 supplier job fairs – strengthen the alignment with the 'Didimdol' program and assist suppliers in recruiting outstanding talents	<ul style="list-style-type: none"><li>• Cultivating global competitiveness<ul style="list-style-type: none"><li>– Fostering quality competitiveness, improving productivity, and developing R&amp;D capability</li></ul></li><li>• Reinforcing the basis for sustainable growth<ul style="list-style-type: none"><li>– Sustainable management foundation, expanding global sales channels, and infrastructure for growth</li></ul></li></ul>
Expand the win-win payment system to include tier 2 and 3 suppliers	<ul style="list-style-type: none"><li>• Establishing a joint growth system<ul style="list-style-type: none"><li>– Culture of joint growth, expanding supports for tier 2 and 3 suppliers, and strengthening the collaborative network</li></ul></li></ul>



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# Cultivating Global Competitiveness

Classification	2016 Achievements	2017 Plans
<b>Fostering quality competitiveness</b>	<ul style="list-style-type: none"> <li>• Offered quality seminars and trainings to improve quality of auto parts: around 550 times (approximately 130,000 persons)</li> <li>• Offered trainings to improve and support job competency: around 450 times (approximately 24,000 persons)</li> <li>• Offered trainings to enhance quality-driven mind set and ethics: around 400 times (approximately 59,000 persons)</li> <li>• Operated the Foundation of Korea Automotive Parts Industry Promotion (including tier 1 and 2 suppliers)               <ul style="list-style-type: none"> <li>- Quality and Technology Volunteer Group, at 101 suppliers</li> <li>- Supplier Support Group, at 50 suppliers</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Improve quality seminars and ensure their efficiency</li> <li>• Continue to operate the Foundation of Korea Automotive Parts Industry Promotion (including tier 1 and 2 suppliers)               <ul style="list-style-type: none"> <li>- Quality and Technology Volunteer Group, at 100 suppliers</li> <li>- Supplier Support Group, at 48 suppliers</li> </ul> </li> </ul>
<b>Developing R&amp;D capability</b>	<ul style="list-style-type: none"> <li>• Provided R&amp;D support               <ul style="list-style-type: none"> <li>- 1,575 joint R&amp;D projects</li> <li>- 77 exhibitions for new technologies (65 companies)</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Provide R&amp;D support               <ul style="list-style-type: none"> <li>- 1,500 joint R&amp;D projects</li> <li>- 84 exhibitions for new technologies (70 companies)</li> </ul> </li> </ul>

## Fostering Quality Competitiveness

### Seminar to Boost the Competitiveness of Suppliers

Hyundai provides seminars to executives and employees of its suppliers to share its strategic directions and to enhance their business competencies. The seminars are categorized in terms of positions, departments and programs. The company also provides seminars with a focus on quality, technology and job competency enhancement as well as ethical management education.

### Korea Automotive Parts Industry Promotion

Hyundai Motor Group created the Foundation of Korea Automotive Parts Industry Promotion in 2002, as a non-profit organization. The Foundation spend three to 12 months a year working on the business site of Hyundai suppliers to provide guidance and support for quality management. This program is provided not only to tier 1 suppliers but to tier 2 and 3 suppliers, which are relatively small in size.

### Suppliers Seminar System

#### CEOs

- Enhance quality-driven mind set
- Share global management information
- Share vision of mutual growth

#### Executives

- Responsible for a relevant department
- Enhance leadership to lead changes
- Follow the same work direction as that of Hyundai

#### Managers

- Improve mid-level manager's role
- Develop business expertise
- Improve problem solving skills

#### Staff

- Improve competitiveness for business practices
- Promote quality-driven mind set
- Give motivation for better performance

## Supporting Productivity Enhancement

We help our tier 2 suppliers undertake innovation initiatives to improve their technology, work environment and manufacturing process as a way to enhance their quality and productivity. We also provide our tier 1 and 2 suppliers with consultation on how to adopt smart plant systems and offering financial support for their facilities. In addition, we operate on-site programs for tier 2 and 3 suppliers, and provide them with guidance and support for body part inspections, quality management of manufacturing processes, and quality assurance management, so that we can proactively manage product quality while helping suppliers build quality mindset.

## Developing R&D Capability

### R&D Technology Support Group

The R&D Technology Support Group supports Hyundai suppliers improve R&D quality, secure customized technologies, and make progress in other technological aspects. In addition to sharing technology development know-how, the Group tracks common issues facing the suppliers and reflects their requests through exchange meetings and councils among those engaged in same business. In addition, it runs the Value Engineering (VE) system, which aims to reduce costs without compromising quality.

### Guest Engineers

From the beginning of the development of a new car, Hyundai works with guest engineers to reduce the development period and minimize the risk of design failure. The average number of guest engineers per month is approximately 400 people from around 40 tier 1 and 2 suppliers.

### Protecting the Patents and Technologies of Suppliers

Hyundai applies for co-ownership alongside the suppliers of the intellectual property (IP) on technology which Hyundai and those suppliers have developed together, with an aim to protect the patents and technologies of our suppliers. We also protect suppliers' valuable trade secrets and key technologies through technology escrow agreements.

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# Reinforcing the Basis for Sustainable Growth

Classification	2016 Achievements	2017 Plans
<b>Sustainable management foundation</b>	<ul style="list-style-type: none"> <li>• Paid by cash for goods delivered to mid-sized companies (sales under KRW 500 billion)</li> <li>• Joint purchasing with suppliers: KRW 58.5 billion</li> </ul> <p><small>* Joint purchasing: A system to use Hyundai's purchasing power through our online marketplace to help suppliers reduce their purchasing costs</small></p>	<ul style="list-style-type: none"> <li>• Maintain cash payment for goods delivered to mid-sized companies (sales under KRW 500 billion)</li> <li>• Expand the Joint purchasing with suppliers to KRW 59 billion</li> </ul>
<b>Expanding global sales channels</b>	<ul style="list-style-type: none"> <li>• Supported the global expansion of about 700 suppliers</li> </ul>	<ul style="list-style-type: none"> <li>• Expand the global expansion with suppliers and create synergy</li> </ul>
<b>Infrastructure for growth</b>	<ul style="list-style-type: none"> <li>• Hosted 5 job fairs for suppliers – 349 companies participated</li> <li>• Promoted the venture ecosystem through the Gwangju Center for Creative Economy &amp; Innovation – helped 29 companies start up their businesses</li> <li>• 805 participants were selected through the Didimdol program; 578 completed the course; and 313 were hired</li> </ul>	<ul style="list-style-type: none"> <li>• Host 5 supplier job fairs – strengthen the alignment with the Didimdol program</li> <li>• Promote the venture ecosystem and increase supports for commercialization of technology – help 37 companies start up their businesses</li> </ul>

## Sustainable Management Foundation

Hyundai employs various means aimed at supporting its suppliers' efforts to achieve business stability. We pay small and medium suppliers by cash for goods delivered, and help them to cut cost through joint purchasing; we also help small and medium suppliers with liquidity problem by providing loans to operate their business, improve quality and productivity, and invest in facilities. In addition, we provide family network loans to tier 1 suppliers, thus help them improve the payment condition for goods delivered by tier 2 suppliers.

## Expanding Global Sales Channels

Hyundai proactively supports the growth of approximately 700 suppliers working with our 12 overseas subsidiaries through consulting services, local license support and others, in order to help them grow into small giants with global competitiveness. We help our tier 1 and 2 suppliers establish local plants in the international market, which enables the suppliers to secure a stable

flow of orders while attaining positive achievements in quality competitiveness and substantial increases in sales. Of particular note, many of our suppliers are steadily expanding their overseas operations as they have gained recognition for their product quality from other automakers. Such positive results also bring about greater synergies in joint operations including job creation and expense reduction, and thus serve as a stepping stone for the suppliers to further develop into global parts suppliers.

**Supporting Joint Overseas Expansions**



**Consulting service**

We provide our suppliers interested in expanding their operations overseas with information on industry regulations, business procedures and other relevant matters.



**Local license support**

We support our suppliers to build better relationships with local governments by guiding them through the procedures required for local plant construction and production line installations, in addition to help with tax benefits.



**Cooperation council**

We support the operation of cooperation councils of our suppliers in overseas markets, with the purpose of building collaborative network and sharing information.

## Infrastructure for Growth

In 2012, Hyundai hosted the first cooperative job fair for our suppliers struggling to attract outstanding talent. In 2016, we launched job fairs by region together with 349 suppliers. 24 small giants – local SMEs with excellent capabilities recognized by the Small and Medium Business Administration and local governments – also participated, and thus secured outstanding talents. We also continue to promote our suppliers' recruitment and PR efforts by operating a website dedicated to employment of our suppliers.

In 2016, we launched the 'Didimdol' – meaning a stepping-stone in Korean – program and will run it through 2018 to provide 2,400 young job seekers with on-the-job training and an internship opportunity at our suppliers. Under the program, participants undergo an eight-week job training at Hyundai Motor Group, followed by a three-month internship at our tier 1 suppliers, thus gaining hands-on work experience with a full-time job opportunity.



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# Establishing a Joint Growth System

Classification	2016 Achievements	2017 Plans
Strengthening the collaborative network	<ul style="list-style-type: none"> <li>Operate a system to check raw material prices, to ensure joint growth between tier 1 and 2 suppliers</li> </ul>	<ul style="list-style-type: none"> <li>Continue to operate a system to check raw material prices</li> </ul>
Expanding supports for tier 2 and 3 suppliers	<ul style="list-style-type: none"> <li>Expanded the win-win payment system</li> </ul>	<ul style="list-style-type: none"> <li>Expand the win-win payment system to include tier 2 and 3 suppliers</li> </ul>
Environmental safety system for suppliers	<ul style="list-style-type: none"> <li>Held the Energy-Saving Technology Exchange Meeting for suppliers                             <ul style="list-style-type: none"> <li>33 companies participated</li> </ul> </li> <li>Provided education programs in the area of environment, safety and health                             <ul style="list-style-type: none"> <li>Ulsan Plant: 46 companies participated</li> <li>Asan Plant: 27 companies participated</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Share knowledge on reducing greenhouse gas emissions and energy usage, and widen the sharing of relevant technology</li> <li>Continue to provide education programs on the environment, health, safety, and firefighting for suppliers to meet their needs</li> </ul>

## Strengthening the Collaborative Network

Hyundai shares its procurement and quality policies with its suppliers. To help establish a rational and fair trade culture between our tier 1 suppliers and tier 2 and 3 suppliers, we operate a cooperation council for tier 1 suppliers. In addition to sharing company policies and announcements, the council serves as a communication channel through which to receive suggestions and complaints from tier 2 and 3 suppliers.

## Culture of Joint Growth

Hyundai signs a 'Joint Growth Agreements' with its suppliers every year and carries out various support programs. Included are four action agendas for subcontract, financial support, reinforcement of support for tier 2 and 3 suppliers, consultation of price adjustment on raw materials, and others. Also, we operate the Transparent Purchase Center on Hyundai's website, through which we share our code of conduct and guidelines with our suppliers and receive suggestions from them. Of particular note, prohibition of child or forced labor is clearly spelled out in the practical principles we have set for employees, including those of our suppliers, to follow. To further expand a culture of win-win growth, we have been rewarding our suppliers based on their

performances, such as payment term improvements between tier 1 and tier 2 suppliers since 2009. As of January 2017, a total of 27 suppliers have been awarded as an outstanding contributor to win-win growth.

## Management System for Suppliers

### Management System Certifications

We recommend our suppliers to acquire the OHSAS (Occupational Health and Safety Management System) 18001 certification in order to prevent or manage risks related to production operations and establish a voluntary safety and health management system. Most of suppliers completed with the acquirement. We also encouraged them to acquire ISO (International Organization for Standardization) 22301 certification, with an aim to respond to accidents and disasters in a systematic manner, and also encouraged them to nominate a disaster management officer. In 2017, we will share the best practices of our Korean suppliers in acquiring these certifications, and we expect more suppliers to become certified.



Signing the Fair Trade Agreement of Hyundai Motor Group

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### Environment, Safety and Health Management

To grow and prosper together with our suppliers, the Ulsan Plant conducts an education support program for tier 1 suppliers in the Youngnam region in the areas of the environment, safety and health. In 2016 which marked the 10th year of the program, we identified people who wanted to participate in the program among managers of 163 companies, of which 57 people from 47 companies voluntarily participated in the program. The program provided information on how to respond to safety accidents, on-site accident investigation techniques, the Material Safety Data Sheet (MSDS) system, chemicals management at Hyundai, understanding the Toxic Chemicals Control Act and its implementation at Hyundai, and tour around our underground smoke chamber. There were also education programs with the theme of present state and future prospect in the area of the environment, and case studies of improvements. The Asan Plant also provides its suppliers with technical support in the environment, health and safety areas through win-win solutions and social contribution activities. Last year, it helped complete seven internal suppliers' adoption of an accreditation system evaluating in-house worksite risk assessments, thus helping them further improve their health and safety management. It also provided technical guidance to 20 external suppliers on regulatory matters, facility management, legal compliance and chemicals management. By continuing its technical support and mentoring, Hyundai will strengthen its suppliers' abilities to meet regulation and manage their facilities.



Activities to support suppliers

### Energy-Saving Technology Exchange Meeting

Since 2012, Hyundai has been hosting the 'Energy-Saving Technology Exchange Meeting', a program helping suppliers better manage their energy uses, grow sustainably and become self-reliant. In 2016, 33 suppliers participated in the program, sharing their success cases of energy-saving and relevant technological information. To help further improve its suppliers' energy management, Hyundai will continue to develop its energy-related cooperation with small and medium suppliers into a main model for bilateral progress.

**Sharing energy-saving technology** We introduced successes in reducing energy consumption of production facility, improving utility efficiency, and curtailing and managing cooling and heating energy.

**Sharing successes in energy efficiency** Three suppliers were chosen to share how they had saved energy. The creative ideas shared by them include recycling waste heat and installing a centrally controlled air conditioning system.



2016 Energy-Saving Technology Exchange Meeting



# ‘Didimdol’ – a stepping stone linking the dreams of young talents and the growth of suppliers

Hyundai believes that its competitiveness improves with suppliers getting stronger in manpower. Our ‘Didimdol’ program offers both young job seekers an opportunity to gain practical job experience and suppliers an easy access to a pool of outstanding talents, increasingly establishing itself as a win-win strategy for all.

Number of young people who landed a job through the Didimdol program in 2016

313 persons

Number of suppliers who participated in the Didimdol program in 2016

289 companies

Promoting co-prosperity and collaboration for all – job seekers, suppliers and Hyundai

Win-win



## Nurturing talents armed with job competency

The Didimdol program provides young people interested in working at automotive parts companies with systemic job training as well as an internship opportunity at Hyundai suppliers. This program is participated by approximately 200 suppliers of Hyundai Motor Company and Kia Motors, and operates under the goals of ‘sharing the vision on the automotive parts industry and SMEs’, ‘building job competencies through practical learning and internship’, and ‘improving employability through strengthening of the ability to adapt’.

Prior to launching this program, we surveyed our suppliers on what they look for in prospective employees, and accordingly developed a curriculum that would foster essential basic competencies and competence. By setting up training facilities in major cities in each region, we sought to give local talents of different regions equal opportunity in applying for the program. Once selected, young job seekers go through 45 courses – 17 job competence, 15 basic automotive, 5 business skill, and 8 character development courses – as well as consulting sessions, for a total of eight weeks. This is followed by a three-month internship at our suppliers, which can lead to employment.

In December 2015, we made an announcement inviting would-be or graduates of college or university to the Didimdol program, and 405 people were selected as the program’s first class. As the program courses are similar to those new Hyundai employees go through, participants of the program were able to learn job skills relevant to automobile manufacturing. The success of Class 1 led to the formation of Class 2 in the 2nd half of 2016, resulting in an employment of 313 people. Our plan is to operate this program twice a year and offer opportunities of developing practical job competencies and gaining vocational experience to a total of 2,400 young people by 2018.



**Can you introduce DY AUTO? And why did DY AUTO participate in the 'Didimdol' program?**

DY AUTO manufactures products that operate on automotive D/C motors. We supply Hyundai with motors for windows and sunroofs, cooling fan motors, and wiper systems each comprising a motor, windshield wiper blades and a washer system. Through the Didimdol program, we share Hyundai's desire to give hope to young people of today facing a tight job market. Another reason we decided to join this program is that the recent state of our company has made public hiring difficult.

**What are DY AUTO's thoughts on the strengths of this program? Do you have any ideas for improvement?**

The biggest strength is that the two-month training helps people be 'prepared' for employment in the automobile industry. The diverse courses, which range from such norms as workplace etiquette to hands-on training in all automotive segments, allow trainees to adapt to the work environment more easily and suppliers to provide additional training more effectively. Meanwhile, we think that a bit more specialization by segment would further improve the program, and that more time should be available to allow for a more in-depth interview.

**How does DY AUTO develop human resources, and what do you expect of Hyundai to this end?**

At DY AUTO, we aim to develop humane and creative talents who lead by example. To this end, we provide training programs that are based on the job training systems of our various departments and give our employees project-driven assignments. We have been taking part in Hyundai's internship program from the very beginning. Currently 13 of the program participants are in the hiring process, and 15 program participants are working at our company as interns. We hope that we can continue to pursue shared growth together with Hyundai through diverse support programs.

**Yeonjung Kim**  
Staff in Charge of Human Resources  
DY AUTO, Korea

**Jobs for Young People, Talents for Businesses**

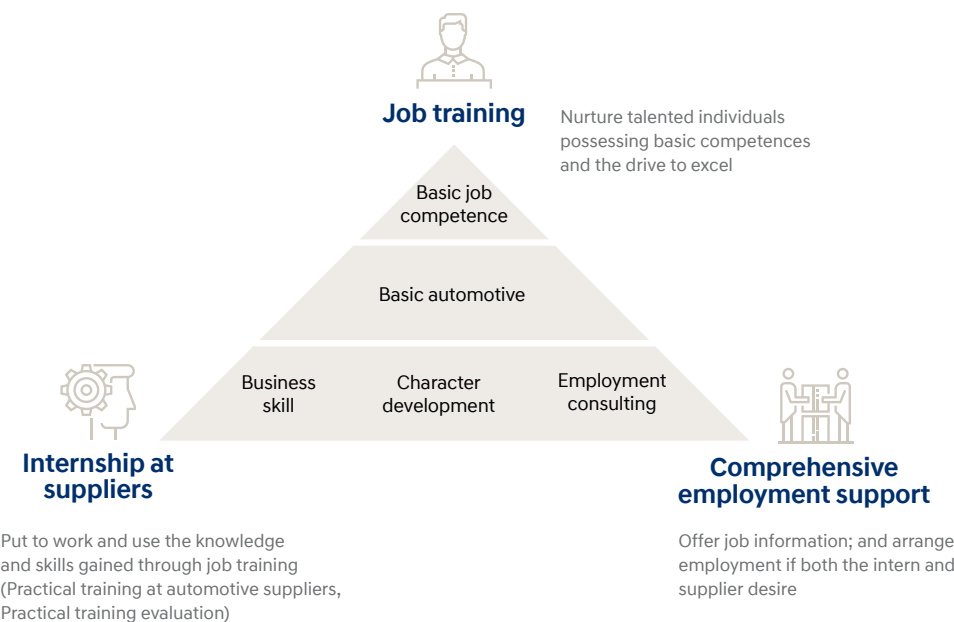
The Didimdol program is a big help to job seekers wanting to gain job skills in demand and to realize their aspirations in an increasingly challenging job market. Of particular note, the program is useful in that it teaches them the business manners, leadership skills and team spirit that are required of employees of today, in addition to industry-specific job training, thus helping trainees adapt to their work environment early on. Meanwhile, participating suppliers can not only save resources in recruiting and training new employees, but also assign talented individuals armed with broad-ranging job skills to relevant positions right away.

Not only does this program assist young job seekers in preparing themselves for jobs of their choice, but also strengthens the growth engine of the automotive parts industry. This is why we expect that this program will grow into a new model of mutually-beneficial cooperation through which both Hyundai and its suppliers can grow together. We will operate this program in the 1st and 2nd halves of 2017 to discover and nurture talented individuals, while continuing to improve the program based on feedback from participants and suppliers and thus to pursue shared growth with our suppliers.



Young talents participating in the job competency course of Didimdol program

**Didimdol Program Content**





## 04. Employees

Q.

How does Hyundai attract outstanding talents and develop them into global experts?



### MANAGEMENT APPROACH

**We strive to hire and foster creative talents equipped with proper leadership.**

We also respect diversity of hundreds of thousands of employees around the world, and provide equal opportunities and fair compensation. As part of these efforts, we declared the 'Code of Ethics' by which we pledge the respect for individual human rights of all employees. Also, by including 'People' in our five core values, we have pronounced our commitment to human rights protection. In addition, we comply with

international regulations on human right protection as well as all labor-related laws and regulations of individual countries where we operate our business. We will continue our efforts in creating a safe work environment, in order to assist our employees in maximizing their potentials, and provide continued supports so that they can sustain a happier life.

### UN SDGs

SDGs Target



3.4

5.2

Related activities of Hyundai

- Safe work environment
- Global Highlight
- Human rights protection and employee distress counseling



More information is available on the UN website

## OUR ACHIEVEMENT

### Plans and Achievements in 2016

2016 Plans	Achievements	Evaluation
<ul style="list-style-type: none"> <li>Expand job rotation among business divisions and job postings to help employees develop their career and capacity</li> </ul>	<ul style="list-style-type: none"> <li>Supported self-initiated career development and fostered convergence talent</li> </ul>	●
<ul style="list-style-type: none"> <li>Recruit those who respect human dignity and uphold work ethics</li> </ul>	<ul style="list-style-type: none"> <li>Established a new employment brand and improved its brand value                             <ul style="list-style-type: none"> <li>– Delivered consistent messages on our company, work, and people</li> </ul> </li> <li>Improved corporate image and secured talent to build future competitiveness / fostered interviewers and improved screening process</li> </ul>	●
<ul style="list-style-type: none"> <li>Operate a global leadership development program for locally recruited new executives and candidates</li> </ul>	<ul style="list-style-type: none"> <li>Nine new locally-hired executives visited the headquarters                             <ul style="list-style-type: none"> <li>– Shared headquarters' strategic directions and discussed key business performance and tasks</li> </ul> </li> <li>Provided trainings to 16 outstanding talents at overseas subsidiaries                             <ul style="list-style-type: none"> <li>– Helped them understand various business value chains and offered education on global management paradigm</li> </ul> </li> </ul>	●
<ul style="list-style-type: none"> <li>Overseas manufacturing plants: aiming for zero fatal accident and lowering the overall accident rate below 0.1%</li> </ul>	<ul style="list-style-type: none"> <li>Overseas manufacturing plants: recorded 2 fatal accidents and accident rate of 0.1%</li> </ul>	◐

● Accomplished, ◐ Partially accomplished, ○ Not implemented

### Key Sustainability Data

Change Analysis

#### Number of employees

Unit: Person

2016

118,320

2015

112,072

2014

109,748

#### Employee accident rate\*

Unit: %

2016

0.33

2015

0.52

2014

0.56

\* Based on figures of Ulsan, Asan and Jeonju plants in Korea and overseas manufacturing plants

#### Percentage of overseas workforce

Unit: %

2016

43.5

2015

41.5

2014

40.8

Overseas workforce and the ratio have continued to increase due to the new plants built at overseas business sites in North America and China, and growing production and sales volume

#### Percentage of employees with disabilities (Korea)

Unit: %

2016

2.79

2015

2.84

2014

2.72

#### Number of female executives

Unit: Person

2016

22

2015

23

2014

10

#### Training hours per employee (Korea)

Unit: Hour

2016

56

2015

71

2014

62

Training hour per person fell by 21% due to improvement efforts to increase qualitative effectiveness of trainings in the aspect of process and curriculum






## OUR PLAN

### 2017 Plans and Mid-to Long-term Directions

2017 Plans	Mid-to Long-term Directions
Build a job applicant-driven recruitment system and recruit outstanding talent to respond to future changes	
Strengthen the development of a global workforce management system and preemptively foster future leaders with consilience leadership	<ul style="list-style-type: none"> <li>• Foster leaders who lead changes at the workplace and create future values</li> </ul>
Continuously manage performance system and improve organizational culture to secure future competitiveness	<ul style="list-style-type: none"> <li>• Build an organizational culture of promoting respect for human rights and cultural diversity while embedding employee safety into daily operations</li> </ul>
Improve competitiveness by responding to the changing automobile landscape and build advanced labor-management relations	<ul style="list-style-type: none"> <li>• Form labor-management relations based on partnership, and thus improve soundness and competitiveness of the company</li> </ul>
Refine the training curriculum for new locally-hired executives and diversify global leadership development programs for executive candidates	<ul style="list-style-type: none"> <li>• Promote consistent change of leaders and encourage voluntary work engagement through work-life balance</li> </ul>
Improve work environment and strengthen the support system for work-life balance to build an advanced organizational culture	<ul style="list-style-type: none"> <li>• Contribute to the sustainable growth of Hyundai Motor Group through preemptive management of global Employee Relations (ER) risks</li> </ul>
Employee accident rate <ul style="list-style-type: none"> <li>• Plants in Korea: 0.47%</li> <li>• Overseas manufacturing plants: 0.1%</li> </ul>	
Provide H-Culture Class year-round and expand the program	

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# Respecting Human Rights and Communication

Classification	2016 Achievements	Mid-to Long-term Directions
Human rights protection/ Employee distress counseling	<ul style="list-style-type: none"> <li>Provided mental health care programs through team leaders</li> <li>Provided additional sexual harassment prevention training to team managers and executives; and made team managers sign the pledge to eliminate sexual harassment</li> </ul>	<ul style="list-style-type: none"> <li>Build a system to prevent and respond to the emotional crises of employees</li> <li>Develop an organizational culture where sexual harassment is eliminated, so that all employees fully concentrate on their work and generate outcomes regardless of their gender</li> </ul>
Labor-management relations	<ul style="list-style-type: none"> <li>Ran the Labor-Management Council for the improvements of wage system, to ensure wage competitiveness</li> <li>Carried out joint labor-management CSR activities</li> <li>Formed a labor-management committee on eco-friendly vehicles to respond to changing industrial conditions</li> <li>Hosted an ER seminar for suppliers jointly advanced into overseas, in order to emphasize the importance of global ER management, and discussed major ER issues for each region and shared best practices of outstanding ER</li> </ul>	<ul style="list-style-type: none"> <li>Enhance the corporate image by establishing a sound organizational culture</li> <li>Enhance manufacturing competitiveness to create jobs</li> <li>Respond to labor-related laws and policies</li> <li>Strengthen the preemptive ER risk management of overseas subsidiaries to maintain stable labor-management relations</li> </ul>
Employee satisfaction survey	<ul style="list-style-type: none"> <li>Recorded the highest satisfaction score ever since the initiation of the survey (3.55 points out of 5)</li> </ul>	<ul style="list-style-type: none"> <li>Improve and develop the survey into a culture survey by understanding the status of organizational culture from the comprehensive perspective and identifying key issues</li> <li>Drive integrated change initiatives through collaboration among relevant business divisions</li> </ul>

## Human Rights Protection/ Employee Distress Counseling

### Mental Healthcare Programs

We offer a wide range of mental healthcare programs to help our staff ease stress and enjoy a successful work life. We have psychological counseling centers at each business site, staffed by licensed professional counselors who help with mental health issues and offer assistance through counseling, special lectures and meditation. For those who prefer not to, or cannot, visit the centers in person, we offer the 'One Clock HR' online counseling service.

### Preventing Sexual Harassment

In 2016, we took further steps to eliminate sexual harassment entirely within our company. As well as existing training which establishes a sense of responsibility in this area, further training

was given to team managers and executives, and these leaders signed a pledge to eliminate all forms of sexual harassment. This has raised awareness about this issue, and about the detailed roles and responsibilities that we have in preventing sexual harassment.

## Labor-Management Relations

### Labor-Management Communications

Hyundai guarantees employee rights to organize labor union activities, to take collective actions and to exercise collective bargaining. In Korea, 48,150 employees, or 72.0% of our total workforce, were members of the 'Hyundai Chapter of the Korean Metal Workers' Union' as of 2016. In 2016, the Labor-Management Council developed measures to provide a better working environment for our employees, including improving the cafeterias and work uniforms. The collective negotiations in 2016 brought labor and management together to seek sustainable growth by signing agreements to help our response to the ever-changing landscape of the automobile industry, including the Labor-Management Future Development Strategy Committee and an agreement on eco-friendly vehicles. In addition, we hold regular briefing sessions to build a consensus between labor and management.

### Overseas Employee Relations Management

Hyundai complies with all overseas labor-related laws and regulations, and guarantees and respects the legal right to take collective actions and exercise collective bargaining. BHMC and CHMC in China have public assembly organizations, and HMI in India and HMMC in the Czech Republic each have their own labor unions to represent the voices of employees. Workers at HMB, our Brazilian subsidiary, joined the local labor union in the early stage of its existence, and the company maintains strong employee relations (ER). Although HMMA in the U.S., HMMR in Russia, and HAOS in Turkey have no labor unions, they address staff requests through round-table meetings, employee committee activities and other regular activities. In 2016, our headquarters selected best practices in ER on a regular basis and rewarded them, in order to encourage our overseas subsidiaries to better manage their ER.



Round-table meetings of HMB



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## Employee Diversity

### Recruitment at Overseas Worksites

As of the end of 2016, the total number of Hyundai employees is 118,320, grew by 6,248 over the previous year. We have 66,890 employees in Korea, which accounts for 57.0% of the total workforce of Hyundai. The remaining 51,410 work at overseas business sites, mostly locally recruited employees. The number of local employees has slightly increased from the previous year due to completion of new plants in North America and China, and the continued growth of production and sales volume.

### Decision-making at Overseas Worksites

The number of executives at our overseas subsidiaries consists of 90 overseas-stationed employees and 159 local employees, which brings locally hired executives to 56.6% of total. Our management strategy guidelines emphasize local market conditions and local customer characteristics, and so we employ a high percentage of outstanding local employees to lead decision-making overseas. We are also aiming to create a work environment which enables prompt decision-making based on an understanding of local markets and culture.

## Employee Satisfaction Survey

In 2016, we surveyed our employees on 73 items – 81 items for those in managerial positions and above – across nine areas, including job assignments, evaluations, promotion, remuneration, and welfare & benefits. The response rate was 55.7%, and the satisfaction levels recorded were the highest since this survey began. Our employees were highly satisfied in categories such as team work, welfare & benefits and remuneration, suggesting that they have colleagues they can depend on, they have a good work-life balance, and are well compensated for their work. This is thanks to company-wide endeavors such as seminars and the WorkSMART campaign that have embedded our core values into our daily operations, in our effort to improve competitiveness and build efficient organizational culture.

# Recruiting and Fostering Outstanding Talent

Classification	2016 Achievements	Mid-to Long-term Directions
Recruiting outstanding talent	<ul style="list-style-type: none"> <li>• Integrated job capacity interviews across all areas into presentation interviews for newly hired</li> <li>• Streamlined the recruitment process of internship by improving interview process</li> <li>• Created a dedicated interview space on the 9th floor of the headquarters' West Wing building</li> </ul>	<ul style="list-style-type: none"> <li>• Diversify recruitment channels and enhance recruitment brand                             <ul style="list-style-type: none"> <li>– Promote recruitment and build a proactive talent sourcing system</li> </ul> </li> </ul>
Fostering outstanding talent	<ul style="list-style-type: none"> <li>• Established a job training system for staff at the commercial vehicle division, and developed and operated training courses</li> <li>• Developed and operated programs to promote employee change, such as the training on ideal partnerships</li> </ul>	<ul style="list-style-type: none"> <li>• Build Hyundai's distinctive leadership development system to establish leadership capabilities required by job position/rank and to exercise public leadership</li> <li>• Establish an organizational culture as a basis to generate performance and ensure sustainable growth</li> <li>• Form strategic partnerships with the management by providing educational solutions aligned with the company directions on HR issues at business sites in Korea and abroad</li> <li>• Enhance the collaborative capacity in automobile technology, and foster creative talent by developing specialized technology and new cutting-edge technology</li> </ul>
Career development system	<ul style="list-style-type: none"> <li>• Expanded the operation of the voluntary job rotation system and job postings</li> </ul>	<ul style="list-style-type: none"> <li>• Foster future leaders with convergence leadership to respond to the shifting business conditions in Korea and abroad</li> </ul>

## Recruiting Outstanding Talent

### Widening Recruitment Channels

Hyundai has launched a new employment brand called 'What makes you move? Moving the world with you', and is promoting Hyundai as a place to work in alignment with this brand. We also have been increasing our early recruiting channels, including through internships and 'The H' program. We have also eliminated the dress code for first interviews, to help interviewees feel free to express themselves.

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## Fostering Outstanding Talent

### Leadership Program

Hyundai defines a leader as someone who shares the company’s vision and goals with members, thus aligns staff, company and vision. Our leadership program is a continued, long-term process which equips the right people with the right skills, relationships and knowledge to successfully perform their current roles and to prepare for future roles as leaders. The company provides both leadership courses for each job position and also preliminary courses which help candidates be fully prepared ahead of their promotions.

### Programs to Promote Change

Hyundai runs programs that help our staff work together to respond rapidly to changes in the business environment, developments in management strategy and key issues at work. In 2016, we provided training on ‘ideal partnerships’ to encourage our staff to maintain fair and responsible business relationships with our suppliers. In 2017, we are offering special training on ‘Being proud of Hyundai cars’, so that our employees take greater pride in our products and give accurate information to customers.

### HRD at Overseas Business Sites

**Global Professional Program** Hyundai runs a special program to foster outstanding talent at its overseas subsidiaries, to establish a pool of outstanding candidates for executives. The program consists of three phases over three years, and in 2016, we helped participants to develop a company-wide business perspective through education on business theory and practice. In 2017, diverse leadership capacity-building programs will be offered to assist participants in moving onto the next phase of leaders.

**Job Competency Program for the Locally-hired** Hyundai has been running the on-line job competency program to improve general job skills of the locally-hired since 2014. As of the end of 2016, there were 64 educational programs, and 1,638 people have participated in these programs in 2016.



## Career Development System

### Voluntary Job Rotation System

The voluntary job rotation system, implemented at the headquarters, is designed to reinforce the cooperation among departments and foster cross-functional talent. It also offers employees an opportunity to reach their career goals in a self-guided way. Since its launch in 2010, the number of applicants for the program has consistently increased; in 2016, about 500 employees transferred to different departments through this system, and thus expanded their areas of expertise and improved job competency.

### Job Postings

We have a job posting system which enables us to maximize the potential and expertise of our human resources across different fields, and also gives employees the opportunity to achieve their career development goals. There were two job postings in both the first and second half of 2016, and we relocated staff to some 20 strategically important projects. We will continue to seek to identify outstanding employees with expertise in various fields across the company, and assign them to roles which both boost the company’s success and enable the employees to achieve their individual career goals.



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# Creating Great Workplaces

Classification	2016 Achievements	Mid-to Long-term Directions
WorkSMART	<ul style="list-style-type: none"> <li>• Provided leadership programs to strengthen leaders' commitment to change, such as WorkSMART leadership briefings and Leaders' Morning Forum<sup>1)</sup></li> <li>• Offered ICT support to create an efficient work environment, such as SMART reporting and SMART meeting systems</li> </ul>	<ul style="list-style-type: none"> <li>• Launch the WorkSmart+ initiative to build an organizational culture based on horizontal communication and trust</li> <li>• Promote changes based on the Smart+ Principle which specifies detailed ways of doing business</li> <li>• Implement leadership programs as well as initiatives to change perceptions for employee motivation</li> <li>• Form the right condition for change by bringing visible changes to the work environment, such as ICT and office space, and establish relevant systems</li> </ul>
Performance evaluation and reward system	<ul style="list-style-type: none"> <li>• Completed the multifaceted evaluations on around 1,800 employees in Korea and working overseas</li> <li>• Provided detailed feedback to everyone evaluated through the multifaceted evaluation, and the HR Division offered individual coaching to improve their leadership capabilities</li> </ul>	<ul style="list-style-type: none"> <li>• Secure objectivity and reliability by constantly improving the multifaceted evaluation system</li> <li>• Strengthen feedback and coaching programs to help employees subject to multifaceted evaluations improve their leadership capabilities and pursue self-development</li> </ul>
Employee benefits & welfare	<ul style="list-style-type: none"> <li>• Increased employee satisfaction by improving the quality of welfare and benefits</li> <li>• Diversified support for employees to enjoy healthy leisure activities</li> </ul>	<ul style="list-style-type: none"> <li>• Expand welfare and benefits for employees' work-life balance</li> <li>• Expand healthcare programs to promote the health of our employees</li> </ul>
Safe work environment	<ul style="list-style-type: none"> <li>• Have posted a consistent decline in the accident rates at overseas subsidiaries since 2012</li> </ul>	<ul style="list-style-type: none"> <li>• Reduce the accident rates at overseas subsidiaries to the advanced level by 2020, with a target of 0.1%</li> </ul>

<sup>1)</sup> Leaders' Morning Forum is to provide quality insights leader with the company's general management policies and key issues, and to facilitate exchange among leaders

## WorkSMART

### WorkSMART Index in 2016

Hyundai developed the WorkSMART Index (WSI) to encourage our employees to engage fully with their work, so that they can be creative and promote sustainable growth. In 2016, 15,517 employees, or 65.5% of the total, replied to the WSI survey. The composite WSI score was 64.7 points, up by 0.4 points over the previous year. Of particular note were the positive changes measured in promoting change among team members and management's commitment to change; this shows the positive impact of our leadership improvement programs. There were also significant improvements in the scores relating to documents and meetings as a result of adopting the SMART reporting and SMART meeting systems.

## WorkSMART Leadership Briefings

Hyundai operates various leadership improvement programs, including the company-wide WorkSMART leadership briefings for all our executives and team managers. These briefings set out the 'SMART Leader Ten Commandments', detailed tasks and directions which can bring about positive change for the company.

## Performance Evaluation and Reward System

### Multifaceted Evaluation System

In our multifaceted evaluation system, employees above the position of team manager are evaluated by team members, to motivate them to continue to improve and become better leaders. People skills and business capabilities are measured, as well as how much the leaders embody Hyundai's core values. Detailed feedback enables the employees being evaluated to continue to make improvements.

### HR Evaluation and Remuneration Systems

We undertake year-round assessments of the business performance and individual skills of all our employees to gather basic evaluation data for the HR assessments that take place in the first and second half of each year. Employees in the position of manager and above have individual performance evaluations measured against individual targets that are set in accordance with the target management system, and capacity evaluations based on the core values shared across Hyundai Motor Group. Team managers and team manager candidates receive multifaceted leadership evaluation, and the outcomes are used to make or change job assignments. Executive evaluation results are used across our HR operations, from promotions and compensation to selecting and training leaders, and the fairness of these evaluations is guaranteed through regular evaluation monitoring and performance management training offered to those subject to evaluations. Evaluation systems at our overseas sites are set up in consideration of the requirements and characteristics of each country, and are based on our Global HR Standards. There is no gender wage gap at any site.

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## Employee Benefits & Welfare

### Support for Leisure Activities

Hyundai runs a ‘refresh vacation’ program for employees and assist them in enjoying their vacations at more affordable prices. We also operate the ‘leisure point’ which can be redeemed at leisure activities including traveling, watching performance and self-development. The H-Culture Class is available year-round to make it more convenient for our employees to enjoy their leisure life. Furthermore, we support refresh activities of their families’ leisure activities by providing overseas travel opportunities to long-term employees and their spouses.

### Retirement Pension

Hyundai has put into place a retirement pension system to help its staff fund and plan for their lives after retirement. Pension contributions are invested outside the company as a way of protecting retirement pensions, and the company also provides education for pension subscribers about retirement planning, including all necessary information on personal pension products.

## Safe Work Environment

### Health and Safety Principles and Organization

Under the vision of ‘Safe Together for Happier Tomorrow’, Hyundai has established a safety-first management policy, ‘reaching the production of the highest possible quality by placing safety at the top’. The Safety Health & Environment Center oversees overall safety management at the company level, and each division has a team dedicated to the health and safety. Medical Care Center carries out employee health-involving tasks, and teams of hygiene experts conduct occupational diseases-preventive measures. In addition, Industrial Occupational Safety and Health Committee, comprising an equal number of members from labor and management, deliberates on and decides policies and issues related to safety and health, and strengthens relevant policies. Our business sites in Korea are certified by such health and safety management systems as KOSHA 18001 and OHSAS 18001, and overseas business sites have also acquired OHSAS 18001, and have continued to maintain and reacquire the certificate.



Private-public joint fire drill at HMMA



HMMC honored with the Safe Company Award in the Czech Republic



Fire drill at HMI



Firefighting contest at HMMR

## Overseas Safety Management

In 2016, the accident rate of our overseas business sites fell by 38% compared to the previous year, and is now 0.1%, meaning 0.1 person out of every 100 employees was injured during the year. The accident rate has decreased by 76% over the past five years due to our efforts to prevent accidents by making safety our highest priority. The score has improved thanks to our new global standards on construction safety, which integrated the relevant regulations from different countries, the total safety inspection which detects and eliminates potential risks of accidents before they occur, and technological support to improve accident prevention.

### Major Safety Management Activities of Overseas Subsidiaries in 2016

	Key Activities
HMMA	<ul style="list-style-type: none"> <li>• Hosted the Central Alabama Safety Conference</li> <li>• Conducted disaster response drills for employees (evacuation in case of tornadoes, practice to use fire extinguishers, private-public joint firefighting drills and fire evacuation drills)</li> <li>• Strengthened the safety management of construction on holidays (3 times)</li> <li>• Hosted seminars for safety officers from suppliers (quarterly)</li> <li>• Provided employee health management programs (weight loss competitions, health and safety fairs, hearing tests, flu vaccinations)</li> </ul>
BHMC	<ul style="list-style-type: none"> <li>• Beijing: Established safety standards for group and part, the basic organizational unit</li> <li>- Standardized basic documents, work conditions, equipment safety, and work procedures of group and part</li> <li>• Cangzhou: Completed the construction of a new company without accident, and received the plant inspection and evaluation by the local government</li> <li>- Inspections by the local government on safety design, construction and production safety</li> </ul>
HMI	<ul style="list-style-type: none"> <li>• Held a monthly Safety Committee meeting led by the head of the subsidiary</li> <li>• Launched campaigns to spread a safety culture</li> <li>• Carried out safety inspections and campaigns with suppliers</li> </ul>
HMMC	<ul style="list-style-type: none"> <li>• Improved protective gear for employees such as hardhats, safety shoes for visitors, etc.</li> <li>• Performed regular private-public joint safety inspections on fire safety equipment (every Tuesday)</li> <li>• Zero Injury Award to reward accident-free departments (100, 500 and 1,000 days without an accident)</li> <li>• Received the ‘Safe Enterprise’ award (2 years in a row for the first time in automotive industry)</li> <li>• Reacquired the OHSAS 18001</li> <li>• Recorded zero accident in 2016</li> </ul>
HMMR	<ul style="list-style-type: none"> <li>• Received regular safety inspections performed by governmental agencies (every 3 years)</li> <li>- Safety inspections by the Ministry of Labour and Social Protection of the Russian Federation; Federal Service for the Oversight of Consumer Protection and Welfare; Federal Service for Environmental, Technological, and Nuclear Supervision; and Ministry of Civil Defense, Emergencies and Disaster Relief of the Russian Federation (result: good)</li> </ul>
HAOS	<ul style="list-style-type: none"> <li>• Conducted preliminary inspections on the risk factors of gas pipelines installed within the plant in preparation for earthquakes (by external professional organizations)</li> <li>• Launched the ‘Drive Safe Campaign’ to prevent traffic accidents</li> <li>• Performed fire/safety inspections on fire-affected areas and areas vulnerable to fires</li> </ul>
HMB	<ul style="list-style-type: none"> <li>• Renewed the OHSAS 18001</li> <li>• Conducted special safety/fire inspections and fire drills (quarterly)</li> <li>• Performed joint drills with fire stations (quarterly)</li> </ul>



# HMMC – Setting Global Standards in Workplace Safety

At Hyundai, we believe that a safe working environment and sharing a safety-first culture are essential parts of being a global company. We are therefore fully committed to creating a safe workplace at all our business sites across the globe. HMMC, our subsidiary in the Czech Republic, was particularly successful in improving worksite safety in 2016.

Won its local sector at the 'Employer of the Year' award for 2016

No.1

Became the first automobile company in the Czech Republic to be honored with the 'Safe Enterprise' award for two years in a row

2 Years

HMMC recorded a zero accident rate in 2016

Zero



## Recognized for excellence in the Czech Republic

Hyundai Motor Manufacturing Czech (HMMC) became the first automobile company in the Czech Republic to win the Safe Enterprise award for two consecutive years. Given under the safety management award system directly audited and certified by the Czech government, this award evaluates companies in 12 categories, including the prevention of occupational injuries, occupational health and safety (OHS) systems, work environment, manufacturing equipment and lift equipment. The award is official recognition from the Czech government of our efforts to make work environment safe, including through on-site safety patrols, safety analyses of employees' actions and the causes of accidents by type, improving the safety mindset, and initiatives to reduce the accident rate to zero.

HMMC also won its local sector and was second in the national sector at the 'Employer of the Year' award in 2016, sponsored by the Czech Ministry of Labour and Social Affairs and supervised by Klub Zaměstnavatelů (Group of Employers). The award recognizes top-performing companies in the fields of employment, training, work conditions, and social contributions. We have now ranked highly for three years in a row thanks to our continuing commitment to a safe and happy workplace. In particular, we were noted for our achievements in solidifying ties with our local community in the Moravian-Silesian region, where HMMC is located, and where we contribute to the development of the local economy and foster local talent.



Received the 'Safe Enterprise' award in 2016



**What are the potential safety risk factors in the production process, and how will you address them?**

It is critical to constantly monitor local and European laws and regulations, so that our manufacturing equipment and technology always meet or exceed the required standards. Mandatory safety training for all employees is also vital. At HMMC, we are always looking for ways to improve many safety programs, with a focus on our employees' work-related safety. These programs include safety patrols, motivating our employees to think about safety, and the direct involvement of the management in on-site safety tasks.

**How satisfied are you with the new hardhats introduced in 2016?**

We are very satisfied. Our Health & Safety Section carefully reviewed several potential new hardhats, including having frontline workers wear them for an extended period. The new hardhat was chosen as a result of these tests, and we are very happy with it.

**What more do you think that Hyundai needs to do in creating a safe workplace?**

Hyundai will continue to strengthen its safety awareness and systems, alongside improvements in productivity and quality, because safety is our highest priority. In fact, safety directly affects our business performance in quality, productivity, and efficiency, so we believe that safety will contribute directly to the sustainable development of our company.

Jiří-Pavlík  
Manager, Head of Health & Safety Section  
Hyundai Motor Manufacturing Czech, Czech Republic

## Full commitment to workplace safety

HMMC launched the Zero Injury Award in 2016, to share the idea that creating a safe workplace requires the efforts not only of safety personnel, but of all employees. The Award has the goal of reducing the accident rate to zero, and so departments are given prizes when they reach 100 days, 500 days and 1,000 days of zero injuries. This program encourages departments to develop safety awareness and alert employees to workplace safety by displaying the number of injury-free workdays on an electronic signboard. Together, these endeavors enabled HMMC to post a zero accident rate in 2016.

HMMC also improved its private-public joint fire inspections, in order to prevent potential fire and accident risks more effectively. The frequency of equipment inspections increased from three times per month to four times, and inspection dates, which were previously randomly selected, were fixed for every Tuesday. The scope of fire inspections was also significantly widened, to include manufacturing process equipment and, thereby building better awareness about fire risks and fire safety throughout the company.

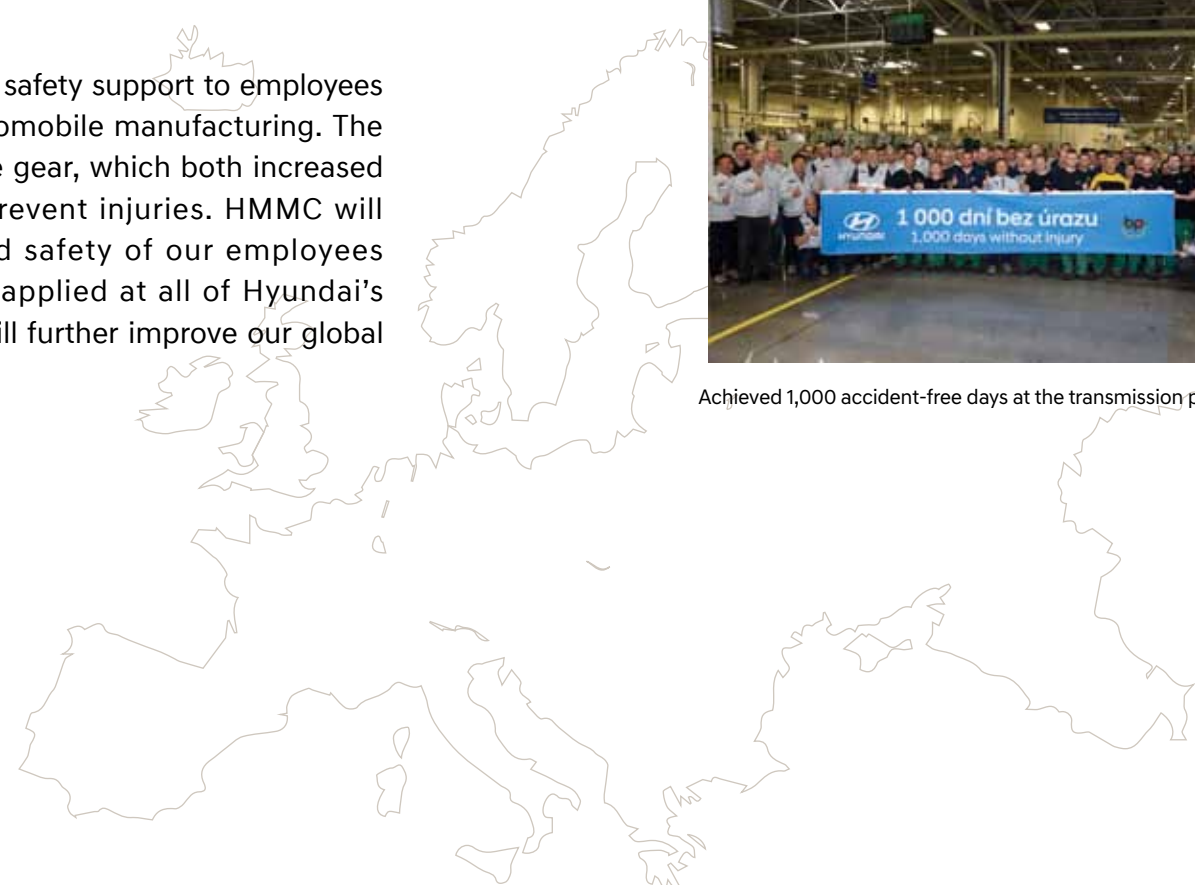
HMMC also focuses on providing safety support to employees who work at the frontline of automobile manufacturing. The company improved its protective gear, which both increased work efficiency and helps to prevent injuries. HMMC will continue to put the health and safety of our employees first, and this principle will be applied at all of Hyundai's overseas business sites, which will further improve our global competitive edge.



Improved worksite safety by providing staff better hardhats



Achieved 1,000 accident-free days at the transmission plant hardhats





# 05. Society

Q.

What are roles and responsibilities of Hyundai as a global corporate citizen?

## MANAGEMENT APPROACH

We want to create positive changes in society, together with our stakeholders.

'Moving the world together' is Hyundai's slogan for its social contributions. We have set the '6 Moves' for major areas of our social contribution activities – the '6 Moves' are Dream Move, Next Move, Easy Move, Safe Move, Green Move, and Happy Move. A 'Move'

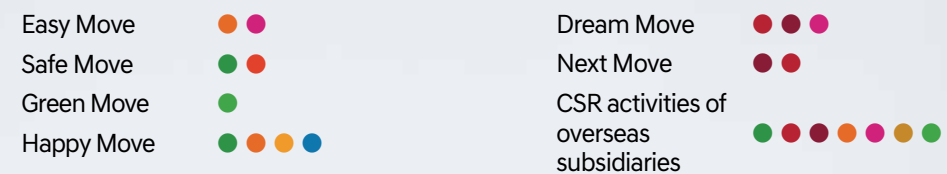
refers to how we can support 'movement' towards change and innovation, and create a better society. In pursuit of fulfilling our social responsibilities, we will take the lead in creating a sustainable future, in partnership with our stakeholders.

## UN SDGs

### SDGs Target



### Related activities of Hyundai



More information is available on the UN website

## OUR ACHIEVEMENT

### Plans and Achievements in 2016

2016 Plans	Achievements	Evaluation
<ul style="list-style-type: none"> <li>Reorganize mid-to long-term strategy system for socially responsible management (vision announcement, expansion of core CSR activities)</li> </ul>	<ul style="list-style-type: none"> <li>Expanded into 6 Moves by adding Dream Move and Next Move to the existing 4 Moves</li> </ul>	●
<ul style="list-style-type: none"> <li>Host a conference on global social contributions</li> </ul>	<ul style="list-style-type: none"> <li>Changed into a mid-to long-term project and thus was not implemented in 2016</li> </ul>	○
<ul style="list-style-type: none"> <li>Initiate the 'Traffic Accident Zero for Children' campaign</li> </ul>	<ul style="list-style-type: none"> <li>Provided new school vehicles and supported the installation of new safety technology equipment (mandatory safety devices required by regulations on the child safety of school vehicles)</li> </ul>	●
<ul style="list-style-type: none"> <li>Expand the 'H-Social Creator', a program to solve social issues in partnership with college students</li> </ul>	<ul style="list-style-type: none"> <li>Improve participants' understanding of Hyundai and promote our brand by expanding work site visits and experience programs</li> </ul>	●
<ul style="list-style-type: none"> <li>Run the 'Health Care Project for Taxi Drivers': Energizing Station, Energizing Bus</li> </ul>	<ul style="list-style-type: none"> <li>5 Energizing Stations: Joined and used by approximately 2,000 taxi drivers</li> <li>Energizing Bus: Provided customized exercise therapy to approximately 900 taxi drivers</li> </ul>	●
<ul style="list-style-type: none"> <li>Maintain the mid-to long-term partnership with the three major art museums</li> </ul>	<ul style="list-style-type: none"> <li>MMCA Hyundai Motor Series 2016: Kimsooja – Archive of Mind (Jul. 27, 2016-Feb. 5, 2017)</li> <li>Hyundai Commission 2016: Philippe Parreno (Oct. 14, 2016-Apr. 2, 2017)</li> </ul> <p>* The 2015 program was extended to continue at the LACMA</p>	●

● Accomplished, ● Partially accomplished, ○ Not implemented

### Key Sustainability Data

Change Analysis

#### Expenditures in social contributions (Korea)

Unit: KRW million



Investments in culture and sports have increased (support for 'Dream Stadium' in Busan)  
Expenditures in emergency relief have increased (support for those affected by the Typhoon Chaba)

#### Voluntary performance of employees (Korea)

Unit: Person



Unit: Hour



Number of people participated in volunteer activities has increase while volunteering hours have decreased due to more engagement in small-scale self-initiated voluntary activities and talent donations

#### Traffic Accident Zero for Children campaign

Unit: Number of vehicles donated



Unit: Number of organizations supported



2014 and 2015 figures are the performance results of the 'H-together' projects






**OUR PLAN**

**2017 Plans and Mid-to Long-term Directions**

2017 Plans	Mid-to Long-term Directions
<p>Prepare to open the fifth Hyundai-KOICA Dream Center</p>	<ul style="list-style-type: none"> <li>• Area 1: Build an integrated group-wide social contribution system               <ol style="list-style-type: none"> <li>1. Implement a new social contribution strategy of Hyundai Motor Group</li> <li>2. Build a standardized system to measure social contribution performance</li> <li>3. Hold a group-wide global social contribution conference</li> </ol> </li> </ul>
<p>Adopt a new program that converts employees' volunteer contributions to mileage points that can be donated (promote a virtuous cycle in fulfilling corporate social responsibility)</p>	<ul style="list-style-type: none"> <li>• Area 2: Strengthen the social contribution capacity of the Group affiliates               <ol style="list-style-type: none"> <li>1. Support the development of signature social contribution projects of affiliates</li> <li>2. Reinforce human resources for social contribution activities</li> <li>3. Introduce an incentive system to encourage employee participation</li> </ol> </li> </ul>
<p>Continue our partnerships with three art museums and sponsor the Korean Pavilion at the Venice Biennale 2017</p>	

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# Key CSR Activities

Classification	2016 Achievements	Mid-to Long-term Directions
Easy Move	<ul style="list-style-type: none"> <li>Easy Move Inc. won orders of 50 welfare vehicles and recorded KRW 5.88 billion in sales</li> <li>Easy Move Inc. was honored with the Minister of Trade, Industry and Energy Award at the fourth 'Most Loved Companies' award</li> <li>Successfully operated the 'Cha-Car-Cha-Car Playground' (5,793 children visited)</li> </ul>	<ul style="list-style-type: none"> <li>Improvement in convenient movement for trafficking weak and disadvantaged</li> </ul>
Safe Move	<ul style="list-style-type: none"> <li>Traffic safety campaigns with Robocar Poli</li> <li>Kids Hyundai (Children Safety the Best, Best Safety Exhibition, Wing of Angels)</li> <li>Energizing Stations used by 1,978 taxi drivers, and Energizing Buses used by around 900 taxi drivers</li> </ul>	<ul style="list-style-type: none"> <li>Improvement in traffic safety and social safety</li> </ul>
Green Move	<ul style="list-style-type: none"> <li>Hyundai Green Zone China participated by 927 employees, their families, college students and other volunteers since 2014</li> <li>Created 1,300 square meters of grasslands</li> </ul>	<ul style="list-style-type: none"> <li>Actions for environment conservation and climate change</li> </ul>
Happy Move	<ul style="list-style-type: none"> <li>Sent 8,500 college students of the Happy Move Global Youth Volunteers for nine years through the 18th class, in order to participate in overseas volunteer work                             <ul style="list-style-type: none"> <li>Sent to five countries – China, India, Indonesia, Laos, and Vietnam – in 2016 (21 countries in total)</li> <li>Marine ecosystem preservation was added to the scope of volunteer work since the 18th class</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Social contribution that involves participation of employees and consumers</li> </ul>
Dream Move	<ul style="list-style-type: none"> <li>'Looking for Three-Leafed Clovers' – supporting children who lose parents in car accidents</li> <li>'H-Social Creator' – creating ideas to solve social issues</li> </ul>	<ul style="list-style-type: none"> <li>Independence support for second-class citizens and promotion of talented people</li> </ul>
Next Move	<ul style="list-style-type: none"> <li>Opened the fourth Hyundai-KOICA Dream Center in Vietnam, benefiting 65 trainees</li> </ul>	<ul style="list-style-type: none"> <li>Social contribution using business resource and capability of affiliated companies</li> </ul>

## Easy Move

### Supporting the Easy Move Inc.

Hyundai has established and supports the operation of Easy Move Inc., Korea's first social enterprise in the mobility aids sector. In 2016, the company made a full-scale entry into the welfare vehicle market and its competitive pricing and stellar product quality helped secure orders for 50 vehicles. For its accomplishments, Easy Move was given a Minister of Trade, Industry, and Energy Award at the fourth 'Most Loved Companies' award.



Energizing Station



Health Care Project for Taxi Drivers

### Enhancing Mobility for People with Disabilities

Hyundai has helped the disabled become more self-reliant by upgrading facilities at institutes dedicated to their support since 2006. We support the installation of facilities such as automatic doors, handrails, ramps, anti-slip rolls, height adjustable countertops and braille blocks, the construction of interior rubber block, and the repair of external walls and disabled bathrooms at welfare institutes. 1,088 institutes have been benefited from this project by 2016.

### Cha-Car-Cha-Car Playground

In 2016, a total of 5,793 children visited Hyundai's Cha-Car-Cha-Car Playground and experienced a variety of new automobile technologies. The children drove small-scale Sonatas equipped with such safety features developed in connection with Hyundai's self-driving technologies as automatic collision avoidance, emergency braking and resumption. Since the sensors installed on the vehicles track and process spatial information and send audio/tactile signals to the drivers, the children were able to experience the wonder and joy of driving safely even under poor visibility. These future drivers all received a personalized driver's license as a memento of their memorable experiences.




### Health Care Project for Taxi Drivers

Korean taxi drivers drive 250km on average per day; but due to a lack of time and places to take breaks, many suffer from illnesses related to the lumbar and nervous system. Such health and age issues may cause traffic accidents and have negative impacts on road safety as well. In order to contribute to solving these social issues, Hyundai began to put together a project to help improve taxi drivers' health.

Hyundai has set up Energizing Stations to help taxi drivers to stay healthy. Located in five areas in the Seoul metropolitan region, the stations are each equipped with a three-stage healthcare system that allows taxi drivers to check their blood pressures, measure the body fat and composition, and do stretching exercises that the system recommends based on its diagnoses. By keeping a record of their measurements in the system, taxi drivers also can receive



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detailed counsel from a fitness expert who visits each station once a week. In 2016 alone, approximately 2,000 drivers used the stations. Hyundai also has in place an Energizing Bus, a 45-seat bus renovated to enable a customized exercise therapy service. The bus is fitted with cutting-edge instruments for measuring physical constitution and body mass as well as fitness equipment for muscle development and flexibility. As one of the 100 public fitness programs operated by the Korea Sports Promotion Foundation, Hyundai's Energizing Bus enabled approximately 900 people to experience customized exercises in 2016.

**Traffic Safety Stories with Robocar Poli**

Hyundai offers diverse traffic safety programs for children such as traffic safety classes, exhibition and training. Traffic safety class in particular is conducted at kindergartens and daycare centers throughout Korea. All programs are based on the animation 'Traffic Safety Stories with Robocar Poli' created by Hyundai as a global project for the traffic safety of children. In 2017, we plan to create within our Ilsan building a 'Hyundai Poli Traffic Safety Playground' where children and their parents can play together and learn about traffic safety.

**Give Driving Campaign**

Hyundai launched a 'Give Driving' campaign in 2016, in partnership with the maker of CARIV, an app that awards drivers points for safe driving. Drivers earn more points as they drive longer within speed limits, and lose their points for each sudden start or acceleration or speeding they make. The app also offers diverse features that help drivers manage their driving data and vehicle maintenance. We matched the accumulated points of participating drivers with donations which then were used in the installation of safety signals in school zones and road-kill prevention features.

**Safety Quiz Campaign**

Hyundai has run the Safety Quiz Campaign, to address the importance of safety education and to enable children to learn about safety in an easy and fun way. From the first one through the eighth quiz in 2016, a cumulative number of around 148 thousand children participated, and some 3.3 million people visited the quiz contest website. As such, Hyundai is taking the lead in spreading a safety culture for children and preventing safety-related accidents.



Traffic Accident Zero for Children Campaign



Traffic Safety Stories with Robocar Poli



Hyundai Green Zone China

**Traffic Accident Zero for Children Campaign**

Since March 2016, we have cooperated with the traffic safety organization Citizen's Coalition for Safety in launching a 'Traffic Accident Zero for Children' campaign through which we provide school vehicles and install new safety technologies to help protect children from traffic accidents. Together with our partner, we invite applications from parents and child care centers, carry out on-site investigations and have safety experts review our findings. To those found to be more worthy of our support, we provide new school vehicles and safety features as well as safety devices that are mandatory following the passage of the 'Serimi Act' requiring school vehicles carrying children under 13 years old to have guardians on board. By further expanding the uses of new safety technologies and utilizing our automobile technology, we plan to consistently explore ways of protecting children from traffic accidents.



**Hyundai Green Zone China**

Hyundai launched the second phase of 'Hyundai Green Zone China', which is an ecological restoration project carried out in China. Our plan is to create 40 million square meters of grassland populated by local native flora in Zhenglan Qi for five years until 2018. As of 2016, a total of 927 people from the Happy Move Global Youth Volunteers, volunteer groups of college students in China, and employees of Hyundai and BHMC as well as their family members have visited the Hyundai Green Zone to participate in volunteer activities for desertification prevention, and created 13 million square meters of grasslands which accounts for 33% of the total project area. Local residents are hired which contributes to the economic self-reliance of the local community.

**Dream Park-IONIQ Forest**

In cooperation with SL Corp., Hyundai built a 'Dream Park-IONIQ Forest' in a landfill site in Incheon, with donations collected from the IONIQ Longest Run campaign. On the 191,000 km collectively run by some 14,000 IONIQ Longest Runners was launched the first Dream Park-IONIQ Forest in December 2016. We plan to plant approximately 30,000-40,000 more trees over the next five years.

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## Happy Move

### Happy Move Global Youth Volunteers

Hyundai's Happy Move Global Youth Volunteers to train young leaders and to contribute to the international community was established in July 2008. Every year, approximately 1,000 college students are selected, and cumulative total of 8,500 young people have participated in the Happy Move Global Youth Volunteers. In 2016, the 16th class of the volunteers (Jan.-Feb.) and the 17th class (July-Aug.) visited China, India, Vietnam, Laos, and Indonesia. While staying in those country for about a month, each class taught local children traffic safety and engineering, helped preserve world cultural heritage sites, built up mangrove forests in shoreline areas, and built houses and educational institutions in impoverished areas.

### Employee Volunteer Groups

There are a total 134 employee volunteer groups across Hyundai's business sites. They have established ties with 168 social welfare facilities across the nation, and conduct volunteer work on a regular basis. Around 9,000 employees participated in volunteer activities in 2016. Volunteer activities on the Group level were also carried out on national holidays and at the end of the year to share moments of happiness with the marginalized at our sisterhood organizations. In addition, as part of our efforts to contribute to urban-rural coexistence and to resolve the labor shortage issue in rural communities, Hyundai has established ties with 70 rural villages located near our business sites, and help them by lending a hand during the busy farming seasons in spring and autumn.

### H-self Sharing Planner

Hyundai introduced the 'H-Self Sharing Planner' in 2016 to enable staff to plan their volunteer activities. This was devised to satisfy demands for volunteer activities that go beyond visiting specific partner organizations over a defined period, and enabled staff to engage more in volunteer activities. 196 creative volunteering activities were planned by staff in 2016, including installing heating films for seniors who live alone, offering music concerts and musical instrument education for children at community child centers, and touring around the Ulsan Plant with foreign employee. The company provided consulting and funding for these activities.

## Dream Move

### Gift Car Campaign

'Gift Car' is Hyundai's social contribution program that provides people possessing the will, plan and other things but economic means to become self-reliant with opportunities to start their own business. In addition to compact cars, 1-ton trucks, vans or other types of vehicles, we provide low-income households with seed money, startup education and management consulting in a systematic manner so that they can become economically self-reliant based on the 'gift car' of their choice. Furthermore, 'Gift Car for Youth Startup' was added in 2016 to provide start-up opportunity to young people who are poor but rich in creativity and the drive to succeed. Our Gift Car programs go beyond vehicle donation to funding, education and consulting support and thus ensure beneficiaries can stand on a sound economic footing they have built up.

### H-Jump School

'H-Jump School' is a social contribution program that aims to narrow the educational gap and to develop future leaders possessive of the volunteer spirit and knowledgeable of the humanities. Initiated by Hyundai, the program is operated in cooperation with the Seoul Scholarship Foundation, the Kyungpook National University, and the social enterprise Jump. Teachers are selected among undergraduate volunteers to serve as after-school teacher and mentor to teens in underprivileged areas, helping them with their studies for eight hours a week for one year. In return for their service, the volunteer teachers are given scholarships and an opportunity to be mentored for a year by leaders in the fields of their choice. In addition, they receive various opportunities to attend talk concerts, special lectures, and cultural performances.

### H-Social Creator

We have been operating the 'H-Social Creator' program since 2015 to foster young social innovators. In 2016, the second year of the program, 30 selected college students refined their social innovation ideas for six months through solution workshop on resolving social issues, mentoring by our employees, and sharing of their expert knowledge. In carrying out their missions on such



Happy Move Global Youth Volunteers




H-Jump School



H-Social Creator



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topics as environmental protection, safety issues arising from technological development, aging, and social issues related to inconveniences faced by seniors in their daily lives, the participants suggested a slew of innovative ideas such as ways of improving electric wheelchair safety for users, developing apps for preventing smartphone hacking, and supporting seniors in their retirement.

**Looking for Three-Leafed Clovers**

'Looking for Three-Leafed Clovers' provides children who have lost their parents to traffic accidents with mentoring support and opportunities to explore career options and develop the option of their choice into their dream career. Started in 2005 with material donations, this program in 2013 shifted its focus to career mentoring by undergraduates. Over the past 11 years, the program has helped about 1,460 children. Since 2015 when it doubled in size, the program has grown to offer 80 children a one-on-one tutoring, on a monthly basis, by 80 mentors on study courses related to their dream career. While funding the education opportunities of the children's choice, the program in 2016 formed ties with various business leaders and thus enabled the children to experience working in the diverse worksites of businesses related to their career goal.



Looking for Three-Leafed Clovers




Hyundai-KOICA Dream Center




**Hyundai-KOICA Dream Center**

The 'Hyundai-KOICA Dream Center' is a global social contribution project based on private-government cooperation to contribute to solving social issues, such as educational imbalance and job creation in developing nations, in partnership with Korea International Cooperation Agency (KOICA), Plan Korea, and other related organizations. The fourth Hyundai-KOICA Dream Center established in February 2016, is located within the Hanoi Industrial Vocational College in Vietnam, and consists of automotive maintenance and construction safety facilities on a 1,570.25 square meter land. This center also is Hyundai Motor Group's first overseas case of creating shared value (CSV) launched in cooperation with Hyundai Engineering & Construction with the aims of fostering experts in construction and automotive maintenance and helping them secure a job. As Vietnam's average occupational injury rate is over ten times higher than Korea's, the construction safety practice courses included in the construction training curriculum are expected to contribute not only to job creation but also to reduction of occupational injuries and safeguarding of the people's lives.


**Achievements of Hyundai-KOICA Dream Centers**

- 
**1st Dream Center (Ghana)**
  - 94 trainees graduated (on a cumulative basis); nine trainees landed a job; and 92 trainees passed the national standard qualification test in the vehicle maintenance sector


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- 
**2nd Dream Center (Indonesia)**
  - 391 trainees completed the course; and 237 trainees landed a job

---

- 
**3rd Dream Center (Cambodia)**
  - 66 trainees completed the course; and 32 trainees landed a job

---

- 
**4th Dream Center (Vietnam)**
  - 65 trainees are receiving training

\* As of January 2017

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# CSR Activities of Overseas Subsidiaries

## Free Dental Clinic on Wheels<sup>①</sup>

- Convert trailers into mobile clinics for dental care
- Treat an average of 20-25 patients per day, and refer children with severe conditions to dental specialists
- 2016 Performance: Provided dental care to 9,368 patients

## Hyundai Soccer Program for Youth

- Enable children to experience their local cultural heritage
- Assist children in visiting stadiums and enjoying football with professional players
- 2016 Performance: Participated by 2,591 children

## National Week of Transport

- Share the importance of traffic safety and responsibility across the company during the 'National Week of Transport'
- 2016 Performance: Participated by 65 employees

## Support for the Play 'Monica and Cebolinha'<sup>②</sup>

- Sponsor the production of the play, which adapts 'Romeo and Juliet' for family viewing as well as its performance
- 2016 Performance: Performed a total of 25 times, and attended by approximately 26,000 people



## Hyundai Motor Brazil (HMB)



## Dream Village Project – Cultivating Social Enterprises<sup>③</sup>

- Assist the establishment of social enterprises for the development of local communities and to help them become economically independent
- 2016 Performance: Established four social enterprises, and benefited 84 families

## Dream Village Project – Developing Infrastructure<sup>④</sup>

- Strengthen the local community infrastructure by repairing public institution buildings
- 2016 Performance:
  - High schools: Repaired buildings and classrooms
  - Elementary schools: Donated equipment, and overhauled bus stops

## Educational Support<sup>⑤</sup>

- Support public schools with aging facilities and/or a lack of teachers due to insufficient government funding
- Donate benches, desks, and computers while assisting with building construction
- 2016 Performance: Supported 15 schools in nearby areas, and donated 50 computers



## Hyundai Motor India (HMI)



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**Summer Camp**

- Provide a summer camp program to the children of employees
- 2016 Performance: Participated by 50 children



①

**Good Neighbor Campaign** ①

- Provide financial support to residents of 13 local districts in nearby areas to help them enjoy culture, sports and other leisure activities
- 2016 Performance: Participated by 25 employees and local residents



②

**Korea Day** ②

- Host cultural events to promote Korea
- 2016 Performance: Hosted events at 11 venues

**Vehicle Donation**

- Donate pre-production vehicles and components to schools so that students can use them for educational purposes
- 2016 Performance: Made donations to eight schools

**Hyundai Motor Manufacturing Czech (HMMC)**



**Sisterhood Ties with Schools** ③

- Form sisterhood ties with schools to nurture talents equipped with capabilities required at Hyundai and to promote the development of local communities
- 2016 Performance: Opened the 'Hyundai Classroom', donated vehicles, and built labs



③

**Hyundai Assan Otomotiv Sanayi (HAOS)**



**United Way Campaign** ④

- Four week program in cooperation with the 'United Ways of Alabama', a local charity organization, to raise funds for philanthropic institutions chosen by our employees
- 2016 Performance: Raised funds totaling USD 302,000

**Spina Bifida Walk-N-Roll** ⑤

- Host a one-mile walkathon and an educational exhibition to publicize the rare disease Spina Bifida and raise funds for the Spina Bifida Association
- 2016 Performance: Raised funds totaling USD 25,000

**Jingle Bell Run** ⑥

- Host walkathon and race events to publicize the Arthritis Foundation and raise funds
- 2016 Performance: Raised funds totaling USD 107,000



**Hyundai Motor Manufacturing Alabama (HMMA)**



④



⑤



⑥

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**Vehicle Donation Campaign**

- Donate test vehicles and engines to automobile technique schools and colleges across China
- Contribute to fostering professionals in the automobile sector
- 2016 Performance: Donated cumulative total of 544 vehicles and 1,113 engines for experimental purposes

**Anti-Desertification Campaign in Inner Mongolia**

- Implement the 5-year plan for anti-desertification for the area of 40 million square meters in Zhenglan Qi
- Participated by employees and college students majoring in environmental engineering
- 2016 Performance: Participated by 55 employees

**Hope Elementary School<sup>①</sup>**

- Completed the construction of the 2nd BHMC Hope Elementary School
- 2016 Performance: Donated 51 computers and offered teaching support



**Vocational Trainings**

- Donated test vehicles to Auto Service College for teaching aids, with an aim to create an educational environment that fosters talents who meet the 'WorldSkills Russia' requirements

**Road Safety Campaign for Children<sup>②</sup>**

- Launched a campaign for youth to publicize the importance of road safety
- Developed the board game 'Hyundai Experts of Traffic Rules' – sponsored a team that participated in the 'Safety Wheel' competition, and served as a judge
- 2016 Performance: 12 teams of four members participated in the Safety Wheel competition, and the team sponsored by HMMR came in third place

**Robocar Poli Playground<sup>③</sup>**

- Built a 'Robocar Poli' playground to raise awareness for the importance of road safety to children
- Provide road safety games for children and an opportunity to test drive the Creta for parents
- 2016 Performance: Participated by approximately 300 people

**Autumn Day of Environment**

- Hosted to motivate employees to become more interested in environmental issues
- Environmental clean-ups, tree planting, teamwork games, visit to the Sestroretsk Razliv Museum
- 2016 Performance: Participated by around 60 employees at HMMR and its suppliers as well as their families as volunteers



**Pravo Rulya Transportation Festival<sup>④</sup>**

- Run in collaboration with the Ministry of Transport of the Russian Federation and the Ministry of Education and Science of the Russian Federation to raise awareness for the importance of transportation, innovation, production professionals and engineering to youth
- 2016 Performance: Attended by nearly 5,500 people





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- Hyundai Hope on Wheels**<sup>①</sup>
- Designed to support children with cancer and is co-sponsored by HMA and our dealers in the U.S.
  - Tour around the nation between March and October to host events and provide research fund for childhood cancer
  - 2016 Performance: Donated USD 13 million in 2016 alone, and a cumulative total of USD 115 million

- Hyundai ST Math Labs**
- Create classrooms at kindergarten and elementary levels to help outstanding pupils get extra education in science, technology, engineering and math
  - 2016 Performance: Donated USD 2 million to 45 schools, participated by a cumulative total of 19,500 students

- Coats for Kids**
- Designed to donate new winter clothes to low-income families, and two cities are chosen every year as beneficiaries
  - 2016 Performance: Donated approximately 2,000 coats to people in Detroit and Pennsylvania

- Employee Volunteering**
- Employees either make direct donations or engage in volunteer activities in their spare time
  - Food donations, environmental clean-ups for parks on Earth Day, participation in the 'Read Across America' event, donation to the armed forces, wetland protection activities, participation in the Career Day events, serving as a judge for science fairs, participation in the Habitat for Humanity, blood donations, and the celebration of cultural heritage



**Hyundai Motor Europe (HME)**

- Skills for the Future**<sup>②</sup>
- Designed to provide technology-driven education to assist young people in finding the right career path and to address youth unemployment
  - Participated by small businesses to recruit talents for start-ups
  - 2016 Performance: Participated by 5,020 students, 95 volunteers, and 150 small businesses between 2015 and 2016, made classroom visits on 94 occasions



- Hyundai Motor Espana, S.L. (HMES)**
- Sponsorship for the Cancer Research Foundation**<sup>③</sup>
- Sponsor the 'Charity Dinner for Young Cancer Researchers' hosted by FERRO<sup>1)</sup>, a Spanish cancer research foundation
  - 2016 Performance: Participated by 490 people, provided the IONIQ for shuttle service

<sup>1)</sup> FERRO: A foundation which engages in a wide array of cancer research initiatives, from developing cancer treatments and nurturing young cancer researchers to supporting the early approval of new cancer treatment and sponsoring young cancer researchers

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① **Hyundai Motor Czech (HMCZ)**

**SOS Children's Villages** ①

- Raise funds through the race event hosted for 'SOS Children's Villages', a foundation that supports underprivileged children
- 2016 Performance: Raised funds totaling CZK 68,000, and total distance run by participants recorded 36,000 kilometers



② **Hyundai Motor Netherlands (HMNL)**

**Hyundai for All** ②

- Designed to support youth soccer as the official FIFA partner
- Assist youths with disabilities in playing soccer
- 2016 Performance: Participated by 180 youths

**RMHC Mission 2020** ②

- AUD 500 is given in discounts to consumers who purchase Hyundai cars through the Ronald McDonald House Charities (RMHC) network, and that amount is matched and forwarded as donations by HMCA.



**Hyundai Motor United Kingdom (HMUK)**

**Street League** ①

- Support 'Street League'<sup>1)</sup> with facility development since 2012
- 2016 Performance: Donated GBP 25,000 and vehicles, and provided internship opportunities at Hyundai dealer shops

<sup>1)</sup> Street League: A program to assist young people aged between 16 and 25 in learning skills for communication, teamwork, and writing cover letters, to help them find jobs

**Hyundai Motor Poland (HMP)**

**Internship Program** ②

- Provide internship opportunities to undergraduates in Warsaw
- 2016 Performance: Hired 12 interns per year on average



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**Great Music for Young Generation**

- A program to enable children and youths to learn about classical music and historic composers
- Implemented in cooperation with the Moscow Conservatory, and HMCIS supports with making arrangements for performers and presentations
- **2016 Performance:** Provided a total of 8 teaching sessions between October 2016 and May 2017, and participated by 600 children and their parents

**Hyundai Traffic Safety Programs** ①

- Developed as a program to raise awareness for the importance of traffic safety to children and promote their participation
- Hosted the Robocar Poli traffic safety poster competition, developed a traffic safety program based on Robocar Poli characters, and launched a pilot teaching program at kindergartens
- The programs developed by HMCIS will be provided at kindergartens after the approval granted by the Russian transport police and educational authorities
- **2016 Performance:** Ran the programs between June and December in 2016, more than 200 children participated in the poster competition, and more than 100 children participated in the pilot traffic safety program

**Hyundai Student Exchange Program** ②

- In 2008, Ulsan University in Korea and the Moscow Polytech University signed an MOU to promote cooperation in science and industry, and have run a student exchange program since 2009.
- HMCIS hosts technology project competitions for students who want to participate in this exchange program in topics including Korean history, Hyundai Motor Company, new automotive technology, English, etc. The winners are awarded flight tickets and financial support with expenses.
- **2016 Performance:** Benefited a cumulative total of 35 students; five were selected among 50 students at the Moscow Polytech University participated in the competition

**Employee Volunteering**

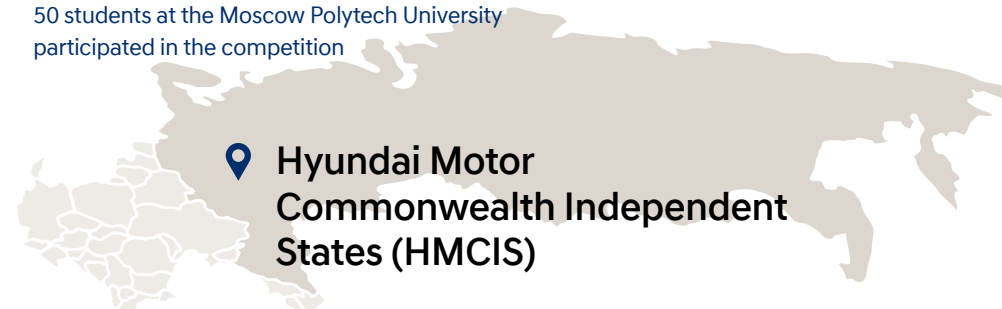
- In September 2015, HMCIS volunteer club was created to raise funds among employees and engage in social contribution activities
- Cloth donation to orphanages, sending New Year cards to war veterans, and fund-raising for patients suffering severe diseases
- Approximately 40 employees or one fourth of the total have joined the club
- **2016 Performance:** Visited nursing homes to host Christmas Bazaars, and participated in the fund-raising marathon



①



②



**Hyundai Motor Commonwealth Independent States (HMCIS)**



**Hyundai Motor Deutschland (HMD)**

**Team Spirit for Humanity**

- Designed to promote pro-refugee sentiment in Germany
- Sponsor soccer matches
- **2016 Performance:** Hosted soccer matches in six cities, participated by more than 2,500 children

**Hyundai Motor Rental**

- Provide vehicles free of charge to Caritas when it runs educational programs for children
- **2016 Performance:** Provided five H-1 Travels and one i40, benefited a total of 530 people on 64 occasions

**Every Kilometre Counts**

- Designed to donate EUR 0.30 per every kilometer traveled by Caritas to run educational programs
- **2016 Performance:** Traveled 36,275 kilometers, and donated EUR 10,000

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**Green Move**

**Phase 2 of the Hyundai Green Zone China Project**

- Create grasslands upon the dry lake in Inner Mongolia in collaboration with the Communist Youth League of China and EcopeaceAsia in order to combat desertification and restore the local ecosystem
- Remove weeds across tree nurseries, and plant perennial shrubs and reeds
- Use the WeChat (Chinese social network channel) account of Hyundai Motor Group dedicated to CSR to exhibit the photos of volunteering work by college volunteer teams
- Successfully transplanted perennial reeds
- 2016 Performance: Sent a total of 360 volunteers, including volunteer corps of Korean and Chinese college students, employee volunteer corps, and media volunteer corps of Korea and China

**Safe Move**

**Traffic Safety Campaign**

- Provide experience-based education to elementary schools in Beijing to raise children's awareness on traffic safety and to improve their response to dangerous traffic situations
- Educational videos for traffic safety, mini driving experience programs, traffic safety quiz contests, and the production of traffic safety signs
- 2016 Performance: Provided education to 1,033 students at two elementary schools since November 2016 which this campaign was launched

**Happy Move**

**Employee Volunteer Corps**

- Developed to raise employees' interest and importance of CSR
- Anti-desertification in Inner Mongolia, environmental protection, visit to nursing homes, and emergency relief training for employees
- 2016 Performance: One staff at each department participated in volunteer programs



**Dream Move**

**Dream Class**

- Provide educational supplies – books, computers, and sports goods – to elementary schools with old facilities in deprived areas in collaboration with the China Children and Teenagers' Fund
- Raise funds with local Hyundai dealers, customers and media outlets to donate educational equipment to elementary schools in deprived areas
- 2016 Performance: Donations were made in a total of eight areas

**Tong Xin Yi**

- Designed to address the major social issue in China of protecting children left behind when their parents moved to cities to work, and to keep them away from juvenile delinquency
- Built extracurricular facilities for left-behind children in rural areas – libraries, mental health counseling, arts and music activities, outdoor sports, vegetable gardens, etc.
- 2016 Performance: Opened the first Tong Xin Yi<sup>1)</sup> in Cangzhou, Hebei Province, and employee participated in volunteer activities

<sup>1)</sup> Tong Xin Yi: A Chinese word meaning hearts of children railway station



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**Vietnam – Care Together Center**

- Established to help Vietnamese women, who returned to their home country after divorce from their Korean husband, become self-reliant and support their children
- Support with the renovation and operation of the center located in Can Tho in southern Vietnam, near Ho Chi Minh City
- Vietnam-Korea family law counseling center, employment and start-up training, children’s library, and research and survey support

**Vietnam – Medical Support for Children with Facial Disfigurements**

- Support children with facial disfigurements in Vietnam and Laos, so that they can receive medical treatment, in alignment with Korea’s medical volunteer corps
- 2016 Performance: Around 10 Korean medical professionals were sent to volunteer for one week per year

**Vietnam**

- Provide ‘Dreams Come True’ and other programs for underprivileged children and elementary school students from low-income families, so that they can travel, have fun at amusement parks, and be benefited from comprehensive educational support programs

**Malaysia**

- Assist automotive department students at the University of Malaysia Perlis (UniMAP) in receiving automotive technology education
- Industry-academia cooperation between automotive schools and Hyundai dealers, planning and providing automotive technology education and field experience programs, joint R&D on green car technology, etc.

**Philippines – Village with a Sustainable Water Circulation System**<sup>①</sup>

- A pilot project to address issues on water contamination and the shortage of drinking water, and to raise awareness for hygiene and health, in collaboration with the Rainwater Research Center of the Seoul National University and the non-profit organization Better World
- Install drinking water equipment and provide hygiene and healthcare education
- Install drinking water equipment that uses rain water at newly-built elementary schools
- Offer regular water quality monitoring as well as hygiene and healthcare education
- Expanded our support for drinking water vehicles and beneficiary areas

**Kazakhstan – Traffic Safety Campaign for Children**<sup>②</sup>

- Abay bol<sup>1)</sup> Drive·Think·Care Campaign: Provide venues where children can experience traffic safety within public facilities, and carry out campaigns to encourage drivers to abide by traffic rules within school zones

**Ukraine – H-Road Campaign**

- Camps for children from war-affected families and orphanages
- Culture of traffic safety campaigns and support for underprivileged children
- Sell stickers with a pledge to observe traffic safety rules, and use the profits to make donations for the education of under-privileged children

**Serbia – Safer Road with Hyundai**

- Invite traffic experts to provide traffic safety education for children
- Offer traffic safety experience programs through games and play

<sup>1)</sup> Abay bol: A Kazakh phrase meaning ‘be safe’ or ‘be careful’



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**Morocco** <sup>①</sup>

- Provide elementary schoolers aged between 7 and 11 with educational program on road safety and environmental protection
- Provide on-site education package (teachers, teaching aids, stationary supplies, etc.)
- 2016 Performance: Provide supports to approximately 50 schools in 10 cities (100 occasions per year)

**South Africa**

- Build libraries at local elementary schools located in impoverished areas to benefit both schools and their students
- 2016 Performance: Built libraries and donated books and equipment

**Nigeria**

- Donate educational equipment to schools in impoverished areas

**Peru**

- Assist an underdeveloped mountain village (Tilina) in breeding livestock and commercializing local specialties in order to improve their quality of life

**Chile – Environmental Improvement and Child Education Support in Valparaiso** <sup>②</sup>

- A program operated in collaboration with Good Neighbors in order to address the environmental pollution issues caused by waste as well as educational inequality issues
- Operate recycling trucks and environmental educational centers for children
- Plan to operate visiting educational programs and promote recycling in 2017
- 2016 Performance: Recycling trucks are under pilot operation for 27 schools, 57 schools confirmed their participation, and donated the profits generated through recycling campaign to school development funds





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# Supporting the Arts and Culture

Classification	2016 Achievements	Mid-to Long-term Directions
National Museum of Modern and Contemporary Art	<ul style="list-style-type: none"> <li>MMCA Hyundai Motor Series 2016: Kimsooja – Archive of Mind</li> </ul>	<ul style="list-style-type: none"> <li>MMCA Hyundai Motor Series 2017: IM Heung-soon – Things that do us part</li> </ul>
Tate Modern	<ul style="list-style-type: none"> <li>Hyundai Commission 2016: Philippe Parreno</li> </ul>	<ul style="list-style-type: none"> <li>Hyundai Commission 2017: Superflex</li> </ul>
Los Angeles County Museum of Art	<ul style="list-style-type: none"> <li>The Hyundai Project at LACMA: art + technology                             <ul style="list-style-type: none"> <li>Supporting the art + technology Lab</li> <li>'Rain Room' by Random International (extended and closed in November)</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>The Hyundai Project at LACMA: art + technology (ongoing)                             <ul style="list-style-type: none"> <li>Supporting the art + technology Lab (ongoing)</li> <li>Alejandro Inarritu</li> </ul> </li> </ul>

Hyundai delivers a wide array of values and experiences to our customers by supporting the arts and culture on global stage. We also generate creative brand values and promote technological innovation based on understanding and respect for the art community.

## National Museum of Modern and Contemporary Art

The 'MMCA Hyundai Motor Series' aims to expand the boundaries of Korean arts, and give Korea's prominent artists a platform at an international level. By showcasing exhibitions for Korean artists, such as LEE BUL in 2014 and Ahn Kyuchul in 2015, the MMCA Hyundai Motor Series has enabled contemporary Korean artists to unleash their spirit of creativity and experimentation, which has resonated widely with a huge audience.

The third MMCA Hyundai Motor Series was held in 2016, and was entitled 'Archive of Mind', a solo exhibition created by Kimsooja, a world-renowned conceptual and installation artist. Archive of Mind unveiled nine artworks between July 27th 2016 and February 5th 2017, and was one of the largest solo exhibitions held at MMCA Seoul.



MMCA Hyundai Motor Series 2016: Kimsooja – Archive of Mind



Hyundai Commission 2016: Philippe Parreno



The Hyundai Project at LACMA – art & technology

## Tate Modern

We have formed a long-term partnership with the world-renowned Tate Modern in London, a modern art museum that attracts more than 5 million visitors each year, to present the 'Hyundai Commission' exhibitions. This project selects one globally-acclaimed artist per year to create large-scale installation artworks, and will last for 10 years from 2015. Following the exhibition presented by Abraham Cruzvillegas in 2015, in 2016 the French artist Philippe Parreno showcased his exhibition 'Anywhen', which allowed visitors to experience time and space in ways never before possible.

## Los Angeles County Museum of Art

The 'Hyundai Project at LACMA' is a partnership between Hyundai and Los Angeles County Museum of Art (LACMA), and will continue until 2024. LACMA is known for its commitment to the cultural diversity of the Pacific Rim, and the values integrated into its perspectives on both history and the future. Hyundai respects and shares LACMA's philosophy and vision of pursuing cultural diversity and constant innovation.

Based on the common denominators of technology and arts innovation, we pay homage to LACMA's spirit of challenge in exploring new possibilities in 'art + technology', creating whole new areas of convergence between arts and technology. We therefore formed a long-term partnership with LACMA, and sponsor the 'art + technology' project which supports the innovative research and creative activities undertaken by artists looking to combine arts with science and technology. In 2015, the 'Rain Room' exhibition was presented by the artist group Random International, featuring a fantastic area of rainfall created within the exhibition space. This was followed by a retrospective exhibition of the Los Angeles-based media artist Diana Thater, and thus opened the first chapter in our long-term partnership. In 2016, James Turrell, a prominent artist and a pioneer in 'art + technology', presented his artwork 'Light Reignfall', which has since become part of LACMA's collection. We have also supported a wide range of creative research undertaken by the 'art + technology Lab'.

## Reliable Partner for Social Entrepreneurs Building a Better Future

At the core of our social philosophy of 'Moving the World Together' are social enterprises which use their innovative business models to create jobs and address local community issues. Guided by our commitment to sustainable social enterprise, we foster leading social enterprises, support them in each phase of their growth, and develop a platform to facilitate the social enterprise ecosystem.

Number of annual beneficiaries of  
'Easy Life'

140,000+

Number of jobs created through  
'H-OnDream Audition'

1,439

Compound annual growth rate of  
Easy Move Inc.

25%



Easy Life – Korea's first social enterprise to serve the mobility needs of seniors and people with disabilities



### Easy Life to promote senior welfare while creating social jobs

'Easy Life' is Korea's first social enterprise to serve the mobility needs of seniors and people with physical or mental challenges. It provides vehicle transport, mobile nursing care and bathing, nursing homes, and the sale and rental of welfare equipment. It also offers middle aged women with career discontinuation the opportunity to find a stable job and realize their potential. There are 140,000 beneficiaries of Easy Life every year, and as of 2016, the company employs nearly 800 women whose careers had previously come to an end. Hyundai has supported Easy Life since 2006, in particular by building 'Easy Hub', which offers nursing and leisure programs for seniors, and by developing its mobile nursing care centers. We provide financial and management support to boost the growth of the company, and we also help to improve the quality of the welfare services and create quality jobs, which ultimately contributes to the development of local communities.

H-OnDream Audition for young social entrepreneurs, celebrating its 5th class in 2016



### H-OnDream Audition to cultivate young social entrepreneurs

The 'H-OnDream Audition' was initiated in 2012 by Hyundai Motor Group and Hyundai Motor's Chung Mong Koo Foundation to support social enterprises which help young social entrepreneurs with creative and innovative ideas to address social issues. Every year, teams compete in the sector-specific preliminaries and nationwide finals, and 30 winning teams are awarded not just prize money but also financial and management support, resource alignment and the mentoring that is critical to ensure their sustainable growth and business success. In the fifth H-OnDream Audition held in 2016, the Grand Prize went to the 'Two-Together' team, which had the idea of providing tour services for physically or mentally-challenged people, and improving their tourism infrastructure. From 2012 to 2016, we have supported 150 start-up teams and created jobs for 1,439 people. We will continue to align with innovative social enterprises in order to help resolve social issues and create jobs.





**What is the value of Easy Move Inc. as a social enterprise and what is your business direction?**

Our value lies in how we have remained consistently sustainable in the seven years since our foundation as a social manufacturing enterprise, and how we have positioned ourselves as a viable member of the corporate ecosystem. Just as with any other business, our success as a social enterprise depends on critical building blocks such as ensuring the best quality and offering swift and reliable services. At Easy Move, we aim to build on these fundamental endeavors, and also to give back to society through our business.

**How can you create a virtuous cycle through which social enterprises make profits and therefore attract investment?**

The most important requirement is to create sufficient capital. Even if you have great values and purpose when you start your business, the chances of success are low if you have insufficient capital. Continued investments from major companies and investments from financial institutions have therefore played a key role in ensuring the growth of Easy Move. We believe that if major investments flow continuously into social enterprises, this would help to develop a successful social investment model.

**How do you expect Hyundai to promote social contributions and the growth of social enterprises?**

The investment and support that Hyundai provided to Easy Move was not just about making philanthropic contributions, but instead represented a sustainable model for creating shared value (CSV) that all of us aspire to achieve. It is our profound hope that this example can benefit other social enterprises as well. We hope that the model of having a large business as an investor becomes deeply rooted, and is adopted by other large businesses and institutions joining in with Hyundai's CSV initiative to help our society change for the better.

Doyoung Oh  
CEO  
Easy Move Inc., Korea

Easy Move Inc. honored with the Minister of Trade, Industry and Energy Award at the 'Most Loved Companies' award in 2016



Employees of Easy Move Inc.

Electric Scooters manufactured by Easy Move Inc.



**Easy Move Inc., getting in step with people with mobility challenges**

Easy Move Inc. was founded in 2010, and was the first social enterprise in Korea in the mobility aid industry. Backed by investments from Hyundai, ten non-profit foundations joined together to create Easy Move to provide safer and more convenient mobility assistance devices to people with mobility challenges, including senior citizens and people with physical/mental disabilities. It manufactures and sells high-technology and high value-added mobility aids – rehabilitation training equipment, strollers, mobility aids, and welfare vehicles – for a range of age groups. While imported products are expensive and limited in after-sales service, Easy Move products are recognized for their competitive pricing, quality and after-

sales service. In addition to our initial investments, Hyundai has continued to provide additional support, and has used our expertise in R&D and marketing to contribute to strengthening its business. As a result, it turned a profit for the first time six years after its establishment, and has been growing at an annual rate of 25%. In 2016, Easy Move posted KRW 5.8 billion in sales, and also became the first social enterprise to receive impact investments from financial institutions, as well as being honored with the Minister of Trade, Industry and Energy Award in the social venture category at the fourth 'Most Loved Companies' award in 2016. Easy Move has thus become widely recognized as a success story in social enterprise investment.

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# Facts & Figures

Classification	Index	Unit	2014	2015	2016	Note
Compliance management education	Number of training sessions in Korea	Case	41	45	83	
	Number of participants in Korea	Person	2,900	57,100	27,470	Sum of online trainings (two sessions since its launch in 2015), collective trainings, and others
	Number of training sessions overseas	Case	14	2	1	
	Number of participants overseas	Person	765	1,940	610	
Security practices (Korea)	Total number of security staff (Internal)	Person	359	359	359	Scope : Personnel responsible for patrol and building security
	Total number of security staff (Outsourced)	Person	614	614	614	
	No. of security personnel trained in the organization's human rights policies	Person	926	926	933	Training on manuals to respond to building tenants, work ethics, etc.
Market share	Korea	%	41.2	38.9	36.0	
	Excluding Korea	%	5.1	4.9	4.8	
	Global	%	5.8	5.6	5.5	
Global production	Korea	Vehicle	1,876,428	1,858,395	1,679,905	
	U.S.	Vehicle	398,851	384,519	379,020	
	China	Vehicle	1,120,000	1,052,000	1,142,000	
	India	Vehicle	610,650	645,012	665,017	
	Czech Republic	Vehicle	307,450	342,200	358,400	
	Turkey	Vehicle	203,157	226,500	230,010	
	Russia	Vehicle	237,000	229,500	207,000	
	Brazil	Vehicle	179,480	175,002	161,756	
	China (Commercial)	Vehicle	22,520	30,552	37,881	
	Consignment (Commercial)	Vehicle	-	4,635	4,511	
	Total	Vehicle	4,955,536	4,948,315	4,865,500	
Our System	Korea	Vehicle	685,191	714,121	658,642	
	Excluding Korea	Vehicle	4,278,344	4,250,710	4,201,407	
	Global	Vehicle	4,963,535	4,964,831	4,860,049	
Statements of income (Consolidated)	Sales	KRW billion	89,256	91,959	93,649	
	Operating profit	KRW billion	7,550	6,358	5,194	
	Net profit	KRW billion	7,649	6,509	5,720	Includes minority interest
	EBITDA	KRW billion	10,100	9,152	8,552	Operating profit + depreciation of tangible assets + depreciation of real estate held for investment + depreciation of intangible assets
Statements of income (Separate)	Sales	KRW billion	43,046	44,440	41,714	
	Operating profit	KRW billion	3,735	4,267	2,699	
	Net profit	KRW billion	4,914	5,435	4,102	
	EBITDA	KRW billion	5,349	6,047	4,913	Operating profit + depreciation of tangible assets + depreciation of real estate held for investment + depreciation of intangible assets
Statements of financial position (Consolidated)	Total assets	KRW billion	147,225	165,368	178,836	
	Total liabilities	KRW billion	84,604	98,487	106,491	
	Shareholders' equity	KRW billion	62,621	66,881	72,345	
Statements of financial position (Separate)	Total assets	KRW billion	61,342	66,977	69,851	
	Total liabilities	KRW billion	15,681	17,281	17,271	
	Shareholders' equity	KRW billion	45,661	49,696	52,580	
Profitability ratio (Consolidated)	Operating profit margin	%	8.5	6.9	5.5	
	Net profit margin	%	8.6	7.1	6.1	
Profitability ratio (Separate)	Operating profit margin	%	8.7	9.6	6.5	
	Net profit margin	%	11.4	12.2	9.8	



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Classification	Index	Unit	2014	2015	2016	Note
Sales by overseas subsidiary	HMMA (America)	KRW billion	7,437	7,510	8,217	
	BHMC (China)	KRW billion	19,756	19,203	20,129	
	HMI (India)	KRW billion	4,637	5,404	5,981	
	HAOS (Turkey)	KRW billion	2,744	3,186	3,320	
	HMMC (Czech)	KRW billion	5,398	5,794	6,787	
	HMMR (Russia)	KRW billion	2,384	1,930	2,041	
	HMB (Brazil)	KRW billion	2,263	1,710	1,636	
Our System	Dividends (Shareholders and investors)	KRW billion	817	1,080	1,080	
	Interest expenses (Shareholders and investors)	KRW billion	300	259	272	
	Salaries (Employees)	KRW billion	8,538	8,846	8,878	
	Raw materials costs (Suppliers)	KRW billion	49,677	52,095	52,102	
	Income tax (Government)	KRW billion	2,302	1,950	1,587	
	Donation (Local community)	KRW billion	71	66	76	
	Total	KRW billion	61,705	64,296	63,995	
Distribution of economic value by stakeholder (Separate)	Dividends (Shareholders and investors)	KRW billion	817	1,080	1,080	
	Interest expenses (Shareholders and investors)	KRW billion	123	111	129	
	Salaries (Employees)	KRW billion	6,211	6,259	6,265	
	Raw materials costs (Suppliers)	KRW billion	26,311	26,740	25,001	
	Income tax (Government)	KRW billion	1,194	1,245	841	
	Donation (Local community)	KRW billion	50	51	50	
	Total	KRW billion	34,706	35,486	33,366	
Quality index	Product durability index	Point (Ranking)	169 (16th)	188 (15th)	158 (9th)	Score a vehicle 3 years after its purchase based on the durability quality (points per 100 vehicles)
	New vehicle quality index	Point (Ranking)	94 (1st)	95 (2nd)	92 (2nd)	Score a vehicle 90 days after its purchase based on the number of complaints (points per 100 vehicles)
Customer satisfaction survey	Hyundai Customer Satisfaction Index (Composite index)	Score	80.3	78.3	79.4	Survey of customers who have bought a new vehicle in recent 3 years
	No. of customers participated in the HCSI	Person	3,100	4,000	4,000	
	External evaluation - National Customer Satisfaction Index	Ranking	1st place at 5 segments; 2nd place at 1 segment	1st place at all segments	1st place at all segments	Conducted by Korea Productivity Center (compact, semi-medium, medium, semi-large, large, RV)
	External evaluation - Korean Standard-Quality Excellence Index	Ranking	1st place at all segments	1st place at all segments	1st place at all segments	Conducted by Korean Standards Association (semi-medium, medium, SUV, after service)
	External evaluation - Korean Customer Satisfaction Index	Ranking	1st place at all segments	1st place at all segments	1st place at all segments	Conducted by Korea Management Association Consulting (passenger car, RV)
	External evaluation - Korean Service Quality Index	Ranking	1st place at all segments	1st place at all segments	1st place at all segments	Conducted by Korea Management Association Consulting (sales, maintenance)
	External evaluation - Korean Net Promoter Score	Ranking	1st place at all segments	1st place at all segments	-	
Satisfaction level of customer service	Hyundai Customer Satisfaction Index - Korea	Point (Ranking)	82.0 (1st)	81.8 (1st)	82.7 (2nd)	Service centers and bluehands
	Hyundai Global Satisfaction Index - Overseas	Score (Number of countries where the survey was conducted)	841 (25 countries)	882 (28 countries)	893 (26 countries)	Scoring system has been changed due to changes in survey structure and questions in 2015
Non-compliance with regulations and voluntary codes	Marketing communication activities (Korea)	Case	0	0	0	Incidents of non-compliance with laws and regulations and voluntary codes concerning marketing communications such as advertising, sales promotion, and sponsorship; based on a business report
	Marketing communication activities (Overseas)	Case	0	0	0	
	Customer information protection	Case	0	0	1	Incidents of non-compliance with customer information-related laws and regulations and number of administrative actions (Korea)
	Product information provision	Case	0	0	1	Incidents of non-compliance with laws and regulations and number of administrative actions regarding information provided to customers to inform vehicle performance and function such as fuel efficiency

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Classification	Index	Unit	2014	2015	2016	Note	
Energy consumption	LNG	Mwh	1,683,424	1,569,306	1,606,054		
	Electricity	Mwh	3,595,979	3,619,249	3,596,858		
	Diesel, Kerosene, Gasoline	Mwh	111,087	82,307	72,244		
	Liquefied fuel	Mwh	1,796	105	152		
	Gaseous fuel	Mwh	2,914	457	1,280		
	Total	Mwh	5,395,200	5,271,424	5,276,588		
Energy intensity	Energy consumed in producing one vehicle	Mwh/Vehicle	1.09	1.07	1.08		
Greenhouse gas emissions	Scope 1	tCO <sub>2</sub> e	835,240	816,952	806,933		
	Scope 2	tCO <sub>2</sub> e	1,745,981	1,753,243	1,737,914		
	Total	tCO <sub>2</sub> e	2,581,221	2,570,195	2,544,847		
Greenhouse gas emission intensity	Greenhouse gas emissions per vehicle production	tCO <sub>2</sub> e/Vehicle	0.521	0.519	0.523		
Year-on-year change of greenhouse gas emissions	Scope 1	tCO <sub>2</sub> e	- 7,395	-18,288	-10,019		
	Scope 2	tCO <sub>2</sub> e	147,266	7,262	-15,329		
	Total	tCO <sub>2</sub> e	139,871	-11,026	-25,348		
Cumulative number of models certified as eco-friendly vehicles	International certification on eco-friendliness	Vehicle	11	12	12	Certification in accordance with international standards on vehicle eco-friendliness	
	GHG emission certifications	Vehicle	14	15	15	Carbon labeling certification	
	Low-carbon product certifications	Vehicle	2	4	4		
Eco-friendliness	Raw materials	Steel (amounts used)	Ton	801,851	1,234,078	1,249,939	
		Steel (scrap)	Ton	270,178	499,860	458,982	
		Aluminum (amounts used)	Ton	30,170	120,785	109,122	
		Aluminum (scrap)	Ton	7,094	34,314	30,593	
		Total	Ton	709,602	767,512	663,796	
Weight of waste		Regular waste (by type)	Ton	662,977	721,794	617,795	
		Specified waste (by type)	Ton	46,625	45,718	46,001	
		Korea (by region)	Ton	388,310	434,812	359,438	
		Overseas (by region)	Ton	321,292	332,700	304,358	
		Total	Ton	739,417	664,834	586,303	
Weight of waste by disposal method		Landfill	Ton	119,437	26,189	27,275	
		Incineration	Ton	48,636	34,439	60,978	
		Recycling	Ton	564,571	597,769	493,102	
		Others	Ton	6,773	6,436	4,948	
		Total	Ton	739,417	664,834	586,303	
Consumption of water	Water consumed	Ton	20,845,135	20,747,991	18,817,437		
		Korea	Ton	13,277,468	13,067,942	12,895,791	
		Overseas	Ton	7,567,667	7,680,049	5,921,646	
	Water recycled	Ton	2,146,680	1,853,393	2,300,269		
		Korea	Ton	601,128	605,627	649,310	2015 figures of worksites in Korea have been recalculated
		Overseas	Ton	1,545,552	1,247,766	1,650,959	
	Recycling ratio	%	10.3	8.9	12.2		
	Korea	%	4.5	4.6	5.0		
		Overseas	%	20.4	16.2	27.9	



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Classification	Index	Unit	2014	2015	2016	Note	
Air pollutants	Total	Ton	1,221	1,117	1,172		
	CO (by type)	Ton	345	334	275		
	SOx (by type)	Ton	40	37	37		
	NOx (by type)	Ton	399	411	460		
	PM (by type)	Ton	437	335	400		
	Korea (by region)	Ton	330	292	342		
	Overseas (by region)	Ton	891	825	830		
	Water pollutants	COD	kg	225,977	183,653	173,092	
BOD		kg	58,330	23,919	21,525		
SS		kg	44,732	28,722	25,313		
n-H		kg	417	507	166		
Others		kg	378,123	374,673	463,254		
Eco-friendliness	Consumption of refrigerant (HFC, R135a, etc.)	Total	Ton	1,121	930	528	
	Water pollutants	Total	kg	707,579	611,474	683,350	
		COD (by type)	kg	225,977	183,653	173,092	
		BOD (by type)	kg	58,330	23,919	21,525	
		SS (by type)	kg	44,732	28,722	25,313	
		n-H (by type)	kg	417	507	166	
		Others (by type)	kg	378,123	374,673	463,254	
		Korea (by region)	kg	47,835	34,932	33,355	
	Overseas (by region)	kg	659,744	576,542	649,995		
	VOC emissions	Total	Ton	10,631	11,772	9,615	
		Korea	Ton	8,429	8,130	7,241	
		Overseas	Ton	2,202	3,642	2,374	
	Consumption of hazardous chemical substances	Total	Ton	13,610	13,479	4,521	
Korea		Ton	1,679	1,237	900		
Overseas		Ton	11,931	12,242	3,621		
Non-compliance with regulations and voluntary codes	Penalty and fine for non-compliance with environmental regulations	KRW	61,388,000	480,000	5,860,000	Overseas manufacturing plants have been added to the reporting scope since 2016	
Costs and investments for environmental protection	Total	KRW billion	133.2	115.4	156.4	Figures for the year 2014 and 2015 have been recalculated due to the corrections and additions made by overseas subsidiaries	
Suppliers	Support for Foundation of Korea Automotive Parts Industry Promotion	Quality and Technology Volunteer Group	Company	97	97	101	
		Supplier Support Group	Company	43	46	50	
	Suppliers in joint growth and fair trade agreements	Number of suppliers in the agreements	Company	293	298	298	
	Joint recruitment with suppliers	Number of people hired	Person	17,510	18,600	13,000	
	Cumulative number of suppliers in joint expansion partnership	Number of suppliers	Company	607	600	700	
	Non-compliance with regulations and voluntary codes	Legal sanction against the violation of fair trade	Case	0	0	0	Unfair competition such as collusion and monopoly-related violations
	Energy-Saving Technology Exchange Meeting	Number of suppliers participated	Company	26	32	33	
	Supply chain management (Korea)	Number of supplies	Company	8,800	8,800	8,800	Some 300 tier 1 suppliers; some 5,000 tier 2 and 3 suppliers; and some 3,000 raw material suppliers and others

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Classification	Index	Unit	2014	2015	2016	Note	
Number of employees	Korea	Person	64,956	65,614	66,890		
	Overseas	Person	44,792	46,458	51,430		
	Portion of employees working overseas	%	40.8	41.5	43.5		
	Total	Person	109,748	112,072	118,320		
Workforce by region	Korea	Person	64,956	65,614	66,890		
	North America	Person	6,558	7,881	9,886		
	Europe	Person	6,693	6,277	6,625		
	China	Person	17,173	17,951	19,447		
	India	Person	8,984	9,343	9,284		
	Others	Person	5,384	5,006	5,257		
	Total	Person	109,748	112,072	117,389		
	Workforce by duty in Korea	Management	Person	183	265	369	
Research committee		Person	12	16	19		
Research		Person	9,161	9,701	10,037		
Office work		Person	11,668	12,078	11,756		
Technology, Production, Maintenance		Person	33,337	34,529	35,439		
Sales		Person	6,199	6,166	6,185		
Others		Person	4,396	2,859	3,085	Includes such special-duty employees as flight attendants, nurses, and helicopter pilots	
Total		Person	64,956	65,614	66,890		
Labor union membership (Korea)		Number of people with labor union membership	Person	46,217	46,844	48,150	
		Labor union membership percentage	%	71.2	71.4	72.0	
Employees	New recruitment	Person	6,453	6,681	7,053		
	Employee turnover (Korea)	Number of employee turnover	Person	85	69	104	
Employee turnover rate		%	0.13	0.11	0.16		
Parental leave (Korea)	Number of employees on parental leave (Male)	Person	19	34	50		
	Number of employees on parental leave (Female)	Person	150	176	212		
	Return rate after parental leave (Male)	%	95.0	94.1	89.1	Ratio of employees excluding those who resigned	
	Return rate after parental leave (Female)	%	97.0	96.6	89.1		
	Retention rate after parental leave (Male)	%	-	-	96.0	Ratio of employees who have stayed at work for at least 12 months after returning back to work; new indicator added in 2016	
	Retention rate after parental leave (Female)	%	-	-	85.6		
Female employees	Number of female employees (Korea)	Person	3,046	3,166	3,436		
	Number of female executives (Korea)	Person	3	3	4		
	Female employment rate (Korea)	%	4.7	4.8	5.1		
	Number of female employees (North America)	Person	960	1,291	1,390		
	Number of female executives (North America)	Person	4	9	6		
	Female employment rate (North America)	%	14.6	16.4	14.1		
	Number of female employees (Europe)	Person	1,058	965	1,212		
	Number of female executives (Europe)	Person	3	2	2		
	Female employment rate (Europe)	%	15.8	15.4	18.3		
	Number of female employees (China)	Person	2,044	1,777	2,152		
	Number of female executives (China)	Person	0	9	10		
	Female employment rate (China)	%	11.9	9.9	11.1		



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Classification	Index	Unit	2014	2015	2016	Note	
Female employees	Number of female employees (India)	Person	140	144	160		
	Number of female executives (India)	Person	0	0	0		
	Female employment rate (India)	%	1.6	1.5	1.7		
	Number of female employees (Others)	Person	470	292	527		
	Number of female executives (Others)	Person	-	-	-		
	Female employment rate (Others)	%	8.7	5.8	10.0		
	Total number of female employees	Person	7,718	7,635	8,877		
	Total number of female executives	Person	10	23	22		
	Total number of female executives	%	7.0	6.8	7.5		
	Employees	Employees with disabilities (Korea)	Number of employees with disabilities	Person	1,766	1,864	1,867
Percentage of employees with disabilities			%	2.72	2.84	2.79	
Outstanding talent work rotation program participants		Korea	Person	19	7	6	
		Overseas	Person	16	10	0	
Employee training (Korea)		Training expenses per employee	KWR 10,000	67	61	55	
		Training hours per employee	Training hours per employee	62	71	56	
		Total training expenses	KRW billion	43.6	40.2	36.9	
Employee satisfaction		Score	Score out of 5	3.46	-	3.55	Survey was not conducted in 2015
Occupational accidents		No. of employees involved in occupational accidents (Korea)	Person	345	339	217	Based on figures of Ulsan, Asan and Jeonju plants in Korea
			%	0.90	0.87	0.55	
	No. of employees involved in occupational accidents (Overseas)	Person	82	55	38	Based on figures of overseas manufacturing plants	
		%	0.22	0.15	0.10		
	No. of employees involved in occupational accidents (Total)	Person	427	394	255	Based on figures of Ulsan, Asan and Jeonju plants in Korea and overseas manufacturing plants	
		%	0.56	0.52	0.33		
Society	Social welfare	KRW million	24,058	26,109	22,252		
	Medical and healthcare	KRW million	102	806	380		
	Education	KRW million	15,236	15,431	10,369		
	Culture & Sports	KRW million	9,722	21,341	27,004		
	Environmental protection	KRW million	1,285	921	1,310		
	Emergency relief	KRW million	4,662	368	5,508		
	International exchange	KRW million	2,713	2,633	1,941		
	Othres	KRW million	7,422	2,840	6,738		
	total	KRW million	65,200	70,449	75,502		
	Voluntary performance of employees (Korea)	Number of volunteer activities	Case	2,691	2,546	2,348	
Number of participants		Person	23,480	24,499	28,462		
Number of hours participated		Hour	132,887	166,912	144,697		
Traffic Accident Zero for Children campaign	Number of vehicles donated	Vehicle	11	13	14	2014 and 2015 figures are the performance results of the 'H-together' projects	
	Number of organizations supported	Organization	37	27	115		

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# GRI Index

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# Independent Assurance Statement

## To the Stakeholders of Hyundai Motor

The Korea Productivity Center (the “Assurer”) was requested by Hyundai Motor to provide an independent assurance on the “Hyundai Motor 2017 Sustainability Report” (the “Report”) and hereby provides the following assurance statement.

### Responsibility and Independence

Hyundai Motor is entirely responsible for all information and opinions presented in this Report. The Assurer is solely responsible for the assurance statement on the content of the Report. As an independent assurance agency, the Assurer was neither involved in the process of preparing this Report nor in any conflicts of interest that may undermine our independence.

### Assurance Standards

The independent assurance was performed in accordance with Type 2 and moderate level of assurance engagement based on the AA1000AS (2008) assurance standards. The assurance statement checked the suitability of inclusivity, materiality, and responsiveness by following the AA1000APS (2008) assurance principles. Moreover, it verified whether the information on the Report is compliant with the GRI G4 Guidelines.

### Limitations

The Assurer conducted an assurance engagement on Hyundai Motor’s 2016 performance by following the assurance standards above. We verified the reliability of Hyundai Motor’s performance on the Report in the following manner: financial data were verified through the financial statement and disclosed documents audited by an auditing agency, and other data including GHG data and homepage linkage, etc. were verified with the existing assurance results. Furthermore, the on-site inspection was limited to the Seoul headquarters, research centers (Namyang, Uiwang), and the Ulsan Plant. The Assurer states that if an additional assurance process is performed in the future, the results may be different.

### Methodology

The following method was used to provide the assurance about the Report:


1. Verified whether requirements from the Core Option of the GRI G4 Guidelines were fulfilled.
2. Verified consistency with the principles dictating the content and quality of sustainability reports based on the GRI G4 Guidelines.
3. Verified the objectivity and appropriateness of the material issues selected and the content of the Report by conducting media research and a benchmark analysis.
4. Verified the suitability of the information and expression errors through a comparison analysis with other publications.
5. Verified the evidence of data and information, internal process, and system through an on-site inspection of the Seoul headquarters, research centers (Namyang, Uiwang), and Ulsan plant.

6. The scope and boundaries of the assurance process have been conducted according to the boundaries of the time period, region, and value chain of the report. Therefore, the scope of the assurance process meets 100 percent coverage of the non-consolidated revenue of the company, and data regarding the supply chain has not been included unless specified.

### Findings & Conclusion

The Assurer verified that the Report accurately and fairly illustrates Hyundai Motor’s sustainability management activity and performance. Moreover, through the assurance, the Assurer verified that Hyundai Motor’s Report fulfilled the requirements of the GRI G4 Guidelines’ Core Option. In the case of General Standard Disclosures, the Assurer verified that the Report is written in compliance with the requirements of the Core Option. For Specific Standard Disclosures, the Assurer reviewed the Disclosure on Management Approach (DMA) and indicators about material issues by using the reporting criteria process below. The Assurer also reviewed the indicators regarding the non-material aspects of the Specific Standard Disclosures.

Material Issue	GRI Material Aspect	GRI Indicator
Product and Service Quality	Customer Health and Safety	PR1, PR2
	Product and Service Labeling	PR3, PR4
Improvement of Financial Stability	Economic Performance	EC1, EC2, EC3
Ethics/Compliance Management	Compliance	EN29, SO8
	Anti-corruption	SO4
	Customer Privacy	PR2, PR8, PR9
Development of Eco-friendly Products	Products and Services	EN27
Labor-Management Relations	Labor/Management Relations	LA4
Communication with External Stakeholders	Marketing Communications	PR5, PR7
Social Contribution	Marketing Communications	EC7, EC8 HR2
Reduction in GHG Emissions	Emissions	EN15, EN16, EN17, EN18
Support for the Growth of the Supply Chain	Supplier Environmental Assessment	EN3
	Supplier Assessment for Labor Practices	LA15
Employee Health and Safety	Occupational Health and Safety	LA5, LA6, LA7

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**1. Inclusivity: Participation of Stakeholders**

The principle of inclusivity articulates that organizations should include stakeholders in the process of developing strategic responses to and achieving sustainability. In this regard, the Assurer could verify that Hyundai Motor made various efforts to abide by and improve the principle of inclusivity in 2016. The Assurer verified that Hyundai Motor categorizes its major stakeholders into six groups, including customers/dealers, employees, and suppliers, and that the company is collecting stakeholders' opinions by actively communicating with them. Hyundai Motor has particularly expanded communication with shareholders through the Corporate Governance & Communication Committee and is actively promoting stakeholder engagement through interviews with a wide range of stakeholders.

**2. Materiality: Significant Issue Identification and Reporting**

The principle of materiality articulates that organizations should focus on issues relevant and material to both the organization and its major stakeholders. The Assurer found that Hyundai Motor successfully identified issues relevant and material to the company and its major stakeholders based on a reasonable materiality analysis process. Hyundai Motor deduced 10 core issues in 2017 and the Assurer could verify that the activities and key performance of the core issues are evenly covered in each page of the Report. Within this process, the company's efforts to select issues that are important to the company through the direct and indirect participation of employees is evident.

**3. Responsiveness: Response to Issues**

The principle of responsiveness articulates that organizations should be responsive to the issues that may influence the performance of their stakeholders. The Assurer found that Hyundai Motor successfully identified issues which may impact stakeholders' performance, implemented measures to address them, and adequately presented relevant information in the Report. Regarding the CSV activities that Hyundai Motor is pursuing as a priority, the company has composed a Report that is easy for stakeholders to understand and has also presented the social and business impact of each activity on the company. Hyundai Motor has made it easy for stakeholders to understand the company's response to each issue by presenting the 2016 plans and results as well as the 2017 plans and mid- to long-term direction.

**Recommendations**

Upon appraising Hyundai Motor's various efforts and performance for enhancing its sustainability, the Assurer makes the following proposals for future publications of the Report and a higher standard of sustainability.


- **Measuring external social and environmental effects:** There is a need to calculate and manage the financial impact of the positive and negative social and environmental effects occurring from business activities. Through this, stakeholders will be able to recognize Hyundai Motor's CSR/CSV activities as financial information and appropriately evaluate the company's value.

- **Expanding the data management scope:** There is a need for Hyundai Motor to manage the results of CSR/CSV according to the social, cultural, and environmental characteristics of each country. In terms of the important issues of each country that Hyundai Motor operates in, the Assurer recommends that the company expand the scope of data management to manage the results of activities not only from a global perspective but also at the regional level.



2June, 2017  
CEO Sun-jick Hong

Dong-soo Kim,   
Director

Yang-ho Lee,   
Team Manager

Dae-kwon Yang,   
Senior Fellow

The Sustainability Management Center of the Korea Productivity Center is an assurance agency officially certified by AccountAbility [the organization that established AA1000, the international standard for stakeholder participation and verification] and is qualified to conduct independence assurance engagements. Our Assurance Committee is comprised of competent experts who have in-depth experience in sustainability management consulting and assurance and have completed the relevant training.

- AA1000AS (2008): The AA1000 Assurance Standard (2008) is an international assurance standard, set by AccountAbility, that provides the method of reporting sustainability management issues by evaluating the organization management on performances, compliance with principles, and reliability of performance information.
- AA1000APS (2008): The AA1000 AccountAbility Principles Standard (2008) is an international assurance standard set by AccountAbility that provides the principles of the AA1000 standards.



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This Assurance Statement has been prepared for Hyundai Motor.

### Terms of Engagement

Lloyd's Register Quality Assurance Ltd. (LRQA) was commissioned by Hyundai Motor to assure its GHG Inventory Report for the calendar year 2015 (hereafter referred to as "the Report") and the GHG data summarised in Table 1 below. The Report has been prepared in accordance with GHG Target Management Scheme for quantification and reporting of GHG emissions in Korea. The Report relates to direct GHG emissions and energy indirect GHG emissions.

### Management Responsibility

The management of Hyundai Motor is responsible for preparing the Report and for maintaining effective internal controls over all the data and information disclosed. LRQA's responsibility was to carry out an assurance engagement on the Report in accordance with our contract with Hyundai Motor. Ultimately, the Report has been approved by, and remains the responsibility of Hyundai Motor.

### LRQA's Approach

Our verification has been conducted in accordance with GHG Target Management Scheme in Korea: Specification with guidance for verification of greenhouse gas assertions to reasonable level of assurance.

In order to form our conclusions we have :

- Visited sites and reviewed processes to control the data and records regarding GHG emissions and energy uses
- Interviewed the relevant persons responsible for managing and maintaining raw and consolidated data
- Verified the historical data and information back to source for the calendar year 2015.

### Level of Assurance & Materiality

The opinion expressed in this Assurance Statement has been formed on the basis of a reasonable level of assurance and at a 2.5% level of materiality.

### LRQA's Opinion

Based on LRQA's approach, except for the effect of the matter described in the following qualification, we believe that the GHG and energy data presented in the Report are materially correct :

- The GHG emissions from LNG and electricity consumed by the companies which are subject to GHG Target Management Scheme in Korea and are occupying Hyundai Motor's own buildings have not been excluded from Hyundai Motor's organizational boundary, but we are confident that they are below the materiality level.

31st March 2016

#### SANG-KEUN YOO

On behalf of Lloyd's Register Quality Assurance Ltd.  
17th Floor, Singsong Building, 67 Yeouinaru-ro, Yeongdeungpo-gu, Seoul, 07327, Korea

LRQA Reference: SEO 6012382

Table1. GHG emissions reported in the Report

Scope (as defined within GHG Target Management Scheme in Korea)	Year 2016
Direct GHG Emissions	488,537
Energy Indirect GHG Emissions	1,005,763
<b>Total GHG Emissions</b>	<b>1,494,300</b>

Data is presented in tonnes of CO<sub>2</sub> equivalent.

Lloyd's Register Quality Assurance Limited, its affiliates and subsidiaries and their respective officers, employees or agents are, individually and collectively, referred to in this clause as the 'Lloyd's Register Group'. The Lloyd's Register Group assumes no responsibility and shall not be liable to any person for any loss, damage or expense caused by reliance on the information or advice in this document or howsoever provided, unless that person has signed a contract with the relevant Lloyd's Register Group entity for the provision of this information or advice and in that case any responsibility or liability is exclusively on the terms and conditions set out in that contract.

Because of the inherent limitations in any internal control it is possible that fraud, error, or non-compliance with laws and regulations may occur and not be detected. Further, the verification was not designed to detect all weakness or errors in internal controls so far as they relate to the requirements set out above as the verification has not been performed continuously throughout the period and the verification carried out on the relevant internal controls were on a test basis. Any projection of the evaluation of control to future periods is subject to the risk that the processes may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

The Korean version of this statement is the only valid version. The Lloyd's Register Group assumes no responsibility for versions translated into other languages.

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# About this Report

## About This Report

This is the fifteenth Sustainability Report of Hyundai Motor Company, with the focus of this year's report being on the company's five core values for sustainability management. In particular, this report focuses primarily on data analysis and accessibility of information. For data analysis, we monitored the tasks for this year which we presented in the previous report, and reported the results after analysis of key indicators. To ensure easy accessibility of information, we have published this report in an interactive PDF format. In addition, there are special sections on the highlights for major issues, as selected through the materiality analysis, and on new activities in creating shared value (CSV) over the period covered by the report.

### Reporting Principle

Global Reporting Initiative (GRI) G4 Core guidelines

### Reporting Scope

Hyundai Motor Company and its subsidiaries

### Reporting Boundary

Dconomic (based on Korean International Financial Reporting Standards), social and environmental performance

### Reporting Period

January 1st, 2016 - December 31st, 2016; also includes some data and information from 2014 - March 2017

### Reporting Cycle

Annual (last report was published in June 2016)

### Assurance

Separate independent assurances are given by third-party assurance service providers concerning Hyundai's sustainability management as a whole, and its greenhouse gas emissions and energy consumption

### Headquarters

12, Heolleung-ro, Seocho-gu, Seoul, 06797, Korea

### Contact Information

CSV Strategy Team, Hyundai Motor Company  
(Phone: +82-2-3464-2025, E-mail: hmcsr@hyundai.com)

### CSV Management Organization

We have established the CSV Strategy Team under the Business Strategy Planning Division at our company headquarters, in order to create both corporate and social value, and to improve our sustainability at the company level. The CSV Strategy Team is responsible for planning our CSR/CSV programs, supporting the implementation of these programs, and publishing a sustainability report a major communication channel with stakeholders. Our sustainability report is reviewed and approved by the Chief Corporate Planning Officer prior to publication.

**Publication Date** June 30, 2017  
**Publisher** Hyundai Motor Company  
**Production** CSV Strategy Team  
**Design** Talantone Creative Group  
**Website** www.hyundai.com



## UN Global Compact Index

Hyundai joined the UN Global Compact in 2008 and has since complied with the principles and publishes its compliances through sustainability reports.

	Principles	Page Reference
Human Rights	Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and	79, 82
	Principle 2: make sure that they are not complicit in human rights abuses.	79, 82
Labour Standards	Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	82
	Principle 4: the elimination of all forms of forced and compulsory labour;	75, 79
	Principle 5: the effective abolition of child labour; and	75, 79
Environment	Principle 6: the elimination of discrimination in respect of employment and occupation.	33, 85
	Businesses should support a precautionary approach to environmental challenges;	57, 68-69
	Principle 8: undertake initiatives to promote greater environmental responsibility; and	64, 68-69
Anti-Corruption	Principle 9: encourage the development and diffusion of environmentally friendly technologies.	60-62
	Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.	33-34



## United Nations Sustainable Development Goals

The United Nations Sustainable Development Goals (SDGs) consist of agenda items that aim to mitigate wide-ranging risk factors that pose threats to sustainable development – economic and social polarization, aggravating social inequalities in their diverse forms, and environmental destruction – during the period between 2016 and 2030. The SDGs present 17 goals and 169 targets that all nations in the world are required to reach through joint endeavors. To share the spirit of the SDGs and to contribute to the sustainable development of the global community, Hyundai defined five values through which our business conduct is aligned with the SDGs.

## Sustainability Report Publication History



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# Thanks to

(In alphabetical order)

Ah Rom Kim	Dong Hyeok Son	In Ho Noh	Ji Hyung Lee	Man Ki Lee	Seung Yoon Shin
Andreas Wittmann	Dong Seok Kim	In Kyo Jeong	Ji Min Song	Mathieu Gardies	Sin Jae Kim
Ba Mi Kim	Dong Woon Jeong	Ja Hun Koo	Ji Young Park	Mi Dol Ryu	Soon Hyeong Kwon
Beom Soo Kim	Eui Jeong Kim	Jae Ho Choi	Jin Kyung Kim	Mi Hye Ban	Soon Jeong Jeong
Bon Chan Koo	Eun Jin Seok	Jae Hwan Lee	Jin Oh Park	Mi Jin Na	Soon Kim
Bong Kyu Choi	Geoffrey Mortimer-Lamb	Jae Kyung Shin	Jin Seok Ryu	Min ho Choi	Soon Sang Hong
Chang Gu Han	Geun Hee Cho	Jae Min Shin	Jiří-Pavlík	Min Seong Yoo	Tae Eun Park
Chang Hee Kang	Hae Bi Chi Jeong	Jang Ho Kook	Jong Taek Jeong	Myung Roh Lee	Won Bae Kim
Chang Ho Yoo	Ho Yeol Ryu	Je Hyung Jeon	Jong Wook Hwang	Nam Soo Han	Won Jun Choi
Chang Jae Lee	Hong Mo Koo	Je Jun Park	Ju Yong Lee	Sandra Scherb	Yeon Jeong Kim
Chang Min Lee	Hwi Bong Seo	Jeong Ah Kim	Jun Ho Kim A	Sang Beom Kim A	Yong Sik Yoon
Chang Wook Jeong	Hye Joo Jeong	Jeong Ho Noh	Jun Ho Kim B	Sang Beom Kim B	Yoo Sun Koo
Dae Han Wie	Hye Mi Park	Jeong Ho Park	Ki Bum Song	Sang Hwi Lee	Young Eun Choi
Dae Hwan Jeong	Hyo Il Park	Jeong Hwan Kim	Ki Hun Lee	Sang Mi Han	Young Jae Lee
Deok Hoon Kim	Hyun Gui Jeong	Jeong Hwan Park	Ki Tak Yoo	Seok Hwan Kim	Young Ju Jeong
Deuk Yong Cha	Hyun Jeong Yang	Jeong In Jang	Kwang Su Kim	Seong Chil Kang	Young Soo Yoon
Do Young Oh	Hyung Jun Kim	Jeong Jun Lee	Kyo Young Jeong	Seong Hee Bang	Yu Kyung Choi
Dong Ho Kwak	Hyung Ryul Lee	Jeong Yeon Kim	Kyu Min Lee	Seong Woong Seo	
Dong Hun Kang	In Ho Jeong	Ji Hyun Choi	Kyung Min Doh	Seung Min Ryu	



