



THE ROAD TO SUSTAINABILITY

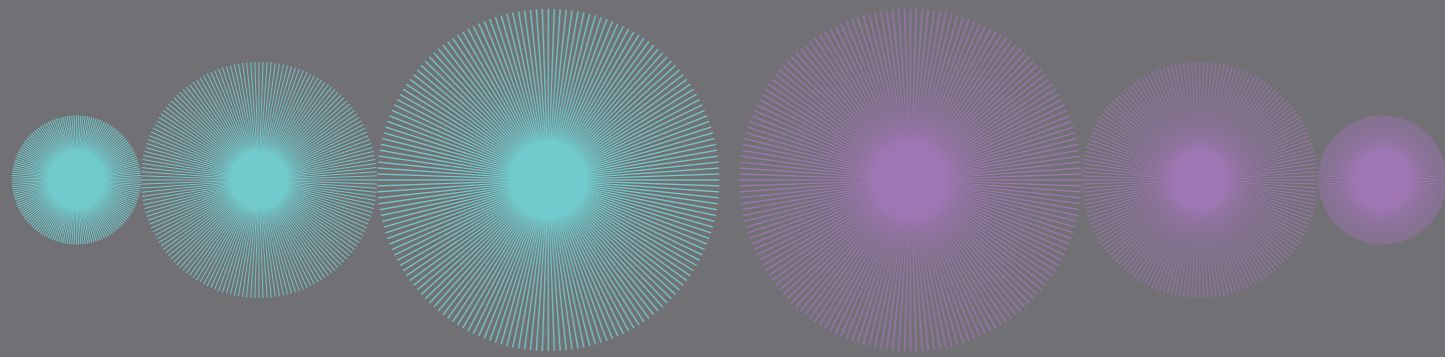
HYUNDAI MOTOR COMPANY

2012 SUSTAINABILITY REPORT



2012 SUSTAINABILITY REPORT THE ROAD TO SUSTAINABILITY





Key Performance Data

Business Performance	2009	2010	2011
Sales (in billion KRW)	31,859	36,761	42,774
Net Income (in billion KRW)	2,962	3,476	4,741
Operating Profit (in billion KRW)	2,235	3,491	4,771
Operating Profit Percentage (%)	7.02	9.50	11.17
EBITDA (in billion KRW)*	3,649	4,924	6,335

※ The 2010 data has been recalculated for Hyundai Motor Company only, excluding the present value discount adjustment.

Environmental Performance	2009	2010	2011
Energy Use (TJ)	37,183	42,384	47,904
Greenhouse Gas Emissions (in 1,000 tons CO ₂ -e)	1,926	2,197	2,284
Water Use (in 1,000 tons)	16,987	19,662	20,390
Hazardous Chemicals Used (in tons, domestic only)	2,520	2,241	1,817
Air Pollutant Emissions (in tons, domestic only)	599	608	528
Water Pollutants Released (in tons, domestic only)	195	234	271
Organic Solvents Recovered (in 1,000 tons)	2,276	2,506	2,987
Waste Generated (in tons)*	490,630	535,779	586,750

※ The 2010 waste generation data was recalculated because of a correction to the Beijing plant data adjustment.

Social Performance	2009	2010	2011	
	In Korea (in persons)	56,027	56,461	57,303
	Overseas (in persons)	22,512	23,724	29,125
Employees	Proportion of Female Employees (% , domestic only)	10.7	12.3	15.1
	Industrial Accident Rate (% , domestic)	1.45	1.60	1.22
	Industrial Accident Rate (% , overseas)	-	1.18	0.67
Customers	Initial Quality Study (by JD Power)	95	102	108
Local Communities	Employee Volunteering (persons, domestic)	25,851	27,160	33,679
	Financial Contribution Made (in million KRW, domestic)	72,245	67,373	75,200

※ 2010 data was corrected using updated data.

REPORT PROFILE

Since 2003, the Hyundai Motor Company (HMC) has been publishing a Corporate Sustainability Report entitled ‘The Road to Sustainability’. Through the publication of this Report, HMC reaffirms its commitment to sustainable business management, sharing our achievements with our stakeholders and promoting an enhanced understanding of HMC’s sustainability management.

REPORTING GUIDELINES

HMC’s 2012 Sustainability Report has been produced in line with the G3 Global Reporting Initiative guidelines which were set out in October 2006. The table on pages 90 and 91 of the Report shows where to find the information that corresponds with each of the GRI Indicators.

PERFORMANCE DATA COLLECTION PROCESS

Data regarding business performance, environmental management and social contribution is displayed in tables and graphs which are managed by HMC staff from the relevant departments. At the beginning of each calendar year, the Environmental Strategy Team collects the data via the company intranet which is then reviewed and analyzed. The process by which environmental performance data is collected and managed is reviewed annually by outside experts during the ISO 14001 certification procedures. Key environmental performance data on greenhouse gas emissions, water use and waste are collected from both domestic sites and overseas. However, some environmental performance data and most of the social contribution activities data are collected only from domestic operation sites. Work is under progress to improve the data collection system to include a greater proportion of overseas operation sites.

REPORTING PERIOD AND SCOPE

This Report covers quantitative results from the 2011 calendar year and qualitative results from January 2011 to March 2012. The Report includes sustainability activities at HMC headquarters, domestic sales offices, service centers, distribution centers, training centers, manufacturing plants and R&D centers, as well as overseas manufacturing plants, sales offices, regional headquarters, overseas offices, overseas R&D centers and other related companies (import companies, auto financing firms and advertising firms).

ASSURANCE

Between 2003 and 2006, HMC hired third-party assurance experts to review the contents of our Sustainability Report. Beginning in 2006, we organized an external review committee made up of sustainability experts to enable more detailed review and feedback. In 2008, we held a series of meetings with key representatives from various stakeholder groups including investors, government, NGOs, sustainability experts and suppliers, and endeavored to take into consideration their opinions when the Report was being produced. In 2009 and 2010, we organized the Sustainability Report Review Committee to assess how well we responded to stakeholder demands in the Report. In 2011 and 2012, we commissioned third-party auditors to verify the data in the Report. Data collection, report drafting and internal reviews were carried out in collaboration with the Environmental strategy team, who were in charge of the report’s publication, and relevant HMC teams responsible for the content of different parts of the Report.

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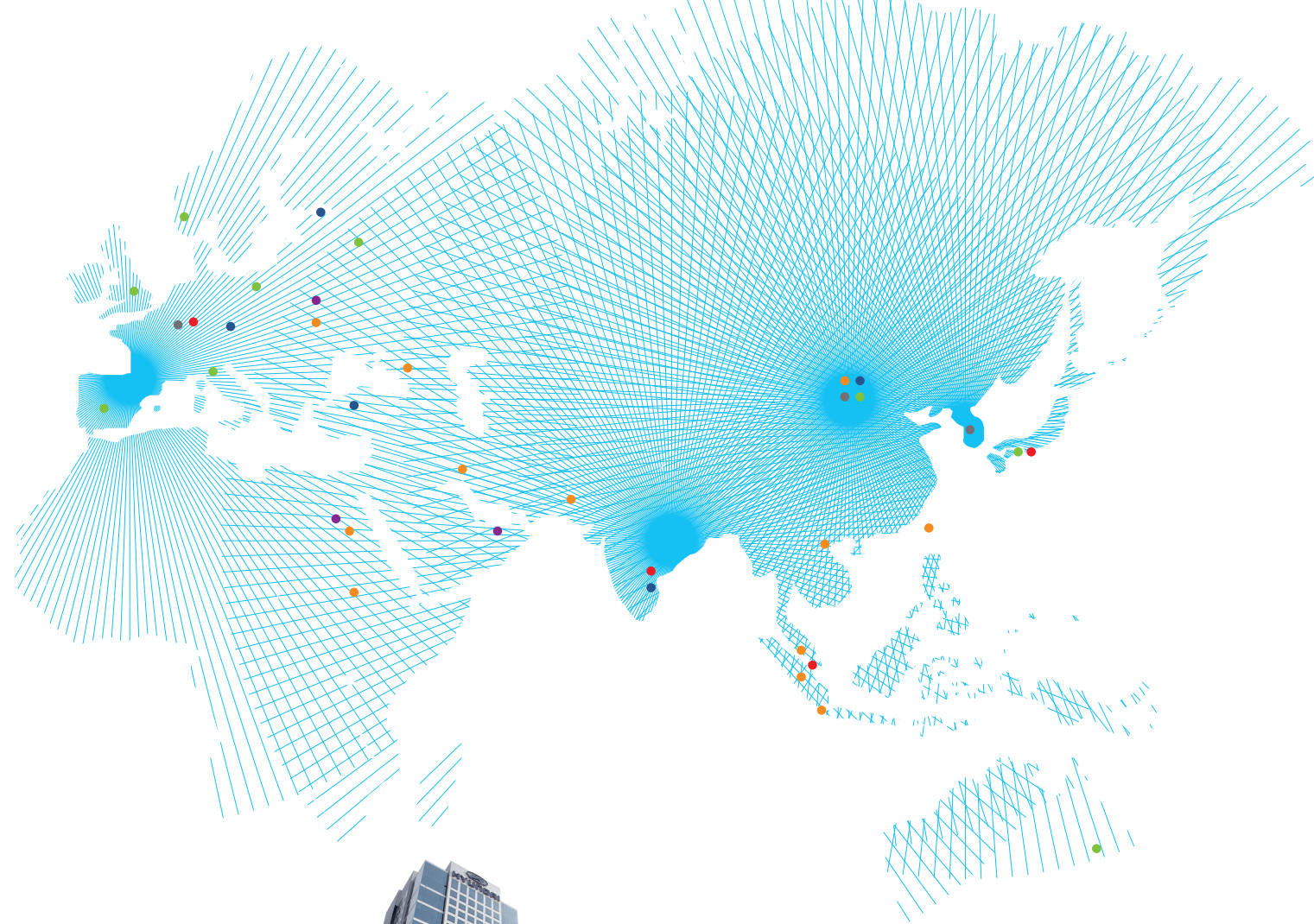
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HYUNDAI MOTOR COMPANY IN THE WORLD

Name
Hyundai Motor Company

Chairman/ CEO
Mong-koo Chung

Headquarters
12 Hunreung-ro (Yangjae-dong),
Seocho-Gu, Seoul, Korea

Business Area
Manufacturing Motor Vehicles

Products
Passenger cars, CUVs, SUVs and
Commercial vehicles

No. of Employees
86,428

Sales
42,774 billion KRW
(HMC sales only)

AFRICA

Africa Regional Headquarters
Egypt CKD Assembly Facility (ITAMCO)
Sudan CKD Assembly Facility (GIAD)

MIDDLE EAST

Middle East Regional Headquarters
Iran CKD Assembly Facility (RVMCO)
Pakistan CKD Assembly Facility

EUROPE

Hyundai Motor Poland (HMP)
Hyundai Motor Norway AS (HMN)
Hyundai Motor United Kingdom, Ltd. (HMUK)
Hyundai Motor Europe Technical Center GmbH (HMETC)
Hyundai Motor Europe GmbH (HME)
Hyundai Motor Company Italy (HMCI)
Hyundai Motor Espana, S.L. (HMES)
Hyundai Motor Manufacturing Czech (HMMC)
Hyundai Motor Manufacturing Rus LLC (HMMR)
Hyundai Motor CIS (HMCIS)
Eastern Europe Regional Headquarters
Russia CKD Assembly Facility (TagAZ)
Ukraine CKD Assembly Facility (BOGDAN)
Hyundai Assan Otomotive Sanayi Ve Ticaret (HAOS)

ASIA-PACIFIC

Beijing Hyundai Motor Company (BHMC)
China CKD Assembly Facility
Beijing Jingxian Motor Safeguard Service Co., Ltd.
Hyundai Motor Group China (HMGC)
Vietnam CKD Assembly Facility
Asia & Pacific Regional Headquarters
Malaysia CKD Assembly Facility-1
Malaysia CKD Assembly Facility-2
Hyundai Motor India (HMI)
Hyundai Motor India Engineering Pvt. Ltd. (HMIE)
Indonesia CKD Assembly Facility
Taiwan CKD Assembly Facility
Hyundai Motor Japan R&D Center
Hyundai Motor Japan (HMJ)
Hyundai Motor Company Australia (HMCA)

NORTH AMERICA

Hyundai Motor America (HMA)
Hyundai California Design Center
Hyundai Motor Manufacturing Alabama (HMMA)
Hyundai America Technical Center Inc. (HATCI)
Hyundai Auto Canada (HAC)

SOUTH AMERICA

Venezuela CKD Assembly Facility (MAV)
Brazil CKD Assembly Facility (CAOA)
Hyundai Motor Manufacturing Brazil (HMMB)
Central & South America Regional Headquarters

- Production Facilities
- Sales Subsidiaries
- CKD Assembly Facilities
- R&D Center
- Regional Headquarters
- Others

THE ROAD TO SUSTAINABILITY

HMC believes in pursuing growth which can provide a sustainable future, we actively seek opportunities to achieve our dual goals of business growth and making a positive social contribution. Cultivating a new automobile culture based on mutual benefits, and taking responsibility for future generations are the core objectives of HMC's sustainable management. This year marks the tenth anniversary of the publication of our first Sustainability Report back in 2003. This year's Report is yet another important mile stone in HMC's road to sustainability that provides an opportunity to look back and assess past performance and to look to the future of the HMC.

1991

Developed the Sonata Electric Vehicle

1995

Ulsan Plant earned ISO 14001 Environmental Management Certification

1999

Developed the Hyundai Customer Satisfaction Index (HCSI)

2001

Established an Ethics Charter and an Employee Code of Conduct

2002

Established a Quality Management Division

2003

Declaration of Global Environmental Management
Established CSR Committee
Announced CSR slogan 'Moving the World Together'

2004

Launched Electric-Hybrid Vehicle demonstration program
Launched North American Hydrogen Fuel Cell Electric Vehicle demonstration program

2005

Implemented Kyoto Protocol response measures
Established Climate Change Task Force
Expanded employee volunteer corps and activity scope

2006

Declared global ban on use of four heavy metals

2007

Established an Ethics Committee within the Board of Directors

2008

Joined UN Global Compact
Expanded social contribution activities to all HMC operation sites
Signed a fair trade agreement with suppliers

2009

Announced 'Blue Drive' low carbon green technology strategy
Launched Avante (Elantra) LPi Hybrid

2010

Developed Blue-on EV
Declared shared growth policy with suppliers

2011

Released Sonata Hybrid

MESSAGE FROM THE CEO



STRATEGY FOR SUSTAINABLE GROWTH

Dear Stakeholders,

This Report is our tenth Sustainability Report and I would like to thank our stakeholders for their continued support and interest in our sustainable management during the past ten years.

HMC's corporate philosophy and activities are deeply rooted in sustainability and all HMC members including myself are dedicated to promoting sustainability.

Humanity is facing a number of serious challenges including energy shortage, climate change, depletion of natural resources and an ever increasing polarization of society. These challenges have significant impacts on businesses at many different levels. However, although the challenges pose threats they also present new opportunities. In this light, sustainable business management can serve as an engine for future growth by encouraging and stimulating us to tackle these challenges in a proactive and innovative manner.

We need to invest in the protection of our ecosystem and to tackle other environmental problems which left alone could have a significant negative impact on our livelihoods. This is especially true for the automobile industry considering the large amount of resources that are used and the emissions associated with the manufacture and use of automobiles. Automobile manufacturers therefore, are striving to achieve 'sustainable mobility', both as a moral obligation and as something which is imperative to our business. In addition, we will continue to make improvements in vehicle performance, safety and affordability. HMC has set the realization of sustainable mobility as its ultimate goal and created a growth strategy for achieving this goal.

We have been making significant investments in the development and commercialization of green vehicles. In 2011, we released the Sonata Hybrid in both the North American and Korean markets. Additionally, we successfully conducted demonstration programs for Hydrogen Fuel Cell Electric Vehicles and Electric Vehicle. HMC will continue investing in green vehicle development and we aim to produce a much larger number of them in the very near future.

In 2011, our annual global sales hit the four million mark as our investment in green vehicle technology increased. HMC has a long way to go but I firmly believe that these record high sales figures are proof that we are getting closer to achieving our vision to ultimately become a truly 'beloved car company'.

The healthy growth of a corporation can only be achieved through organic collaboration with stakeholders, based on mutual trust. Therefore, HMC manages its business focusing on the mutual benefits of key stakeholders including customers, investors, employees, suppliers and local communities. In fact, we have placed responsible business management as the core of our sustainable growth strategy.

We would never have come this far without your continued support. I would like to ask for your feedback and continued support in the future.

Thank you.

June 2012

A handwritten signature in black ink, reading "M. K. Chung". The signature is fluid and cursive.

Mong-koo Chung
Chairman Hyundai Motor Group

CORPORATE PHILOSOPHY

The Hyundai Motor Company's power to create a sustainable future lies in its willingness to tackle challenges and in its respect for creativity. In 2011, HMC's corporate philosophy was revised to set firm guidelines for overcoming all challenges in our path towards accelerated growth and to making a greater contribution towards achieving sustainability for humanity.

1

MANAGEMENT PHILOSOPHY

"Realizing mankind's dream by creating a new future through ingenious ideas and continuously challenging new frontiers."

The management philosophy of a company is the basis of its business management and provides its reason for existence. Using HMC's traditional values and spirit as a basis, the essence of our management philosophy is summarized in three key ideas: 'unlimited sense of responsibility', 'realization of possibilities' and 'respect for mankind'. These three key ideas were used as the basis for our new management philosophy, "Realizing mankind's dream by creating a new future through ingenious ideas and continuously challenging new frontiers."

'The sense of unlimited responsibility' signifies the pursuit of sustainable growth through a deep sense of responsibility towards our stakeholders. 'The realization of possibilities' signifies our pioneering spirit that has driven HMC to new business frontiers. The 'love for humanity' represents our will to contribute to the improvement of living conditions for all humanity. Using this new management philosophy as our guide, the Hyundai Motor Company will continue its growth as a respected company making a positive contribution to humanity.

CORE CONCEPTS EMBEDDED IN MANAGEMENT PHILOSOPHY

Unlimited sense of responsibility	<ul style="list-style-type: none"> Pursue sustainable growth in order to provide for not only HMC's employees and their families but also those of our suppliers Pursue the best quality in products to ensure safety and satisfaction of customers that lasts a lifetime
Realization of possibilities	<ul style="list-style-type: none"> Foster DNA that strives for never-ending growth and advancement Nurture an entrepreneurial spirit which enables us to break out of our comfort zone and to take risks in light of greater success Create authentic values by turning small possibilities into real achievements
Respect for mankind	<ul style="list-style-type: none"> Contribute to improving general living conditions by providing products and services of the highest quality for the greatest number of people Proactively tackle environmental issues and make contributions to local communities worldwide

2

VISION

"Lifetime partner in automobiles and beyond"

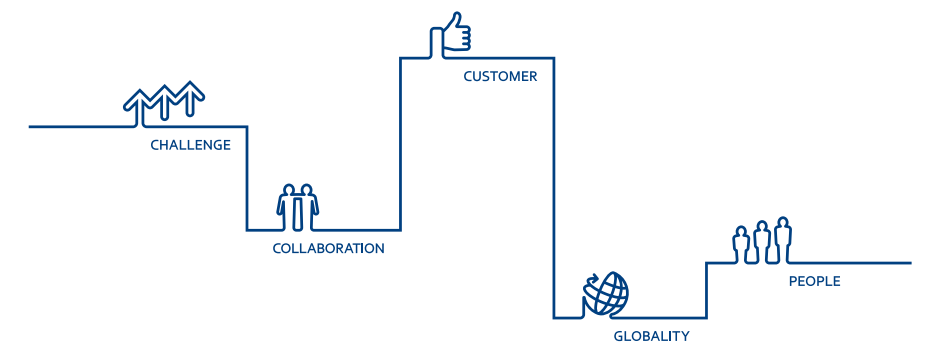
"To become a trusted lifetime partner for our customers, we will bring a new perspective to automobiles through innovative mobility solutions based on human-centric, eco-friendly technologies and services."

The new 'Vision 2020' presents clear sustainable growth goals for all members of the Hyundai Motor Group, as well as setting out what we must strive to achieve. Automobiles are no longer just a means of transportation that connect people but another space for living. Vision 2020 is designed to embrace the changing values and philosophy of what automobiles mean to society. By pursuing this vision, HMC has set out to become not just a car maker but a company that creates new values, a company beloved by customers, and ultimately, a lifetime partner to our customers.

3

FIVE CORE VALUES

We have selected five core values 'customer, challenge, collaboration, people and globality' to help us implement our new management philosophy and realize the vision of 2020. The five core values were created using the following process. First, we identified the unique characteristics embedded in HMC's employees that have contributed to our success so far. Then we mixed in sustainable values, creating something useful for guiding our actions. The core values will serve as a guide not only for HMC's business management activities but also to strengthen its community of members and to provide a basis for sustainable growth and development.



CORE IDEAS EMBEDDED IN THE VISION

LIFETIME PARTNER

We will provide brands, products and services that are tailored to the needs of customers from youth to post-retirement. We envision our future customers choosing HMC products at all stages of their lives.

PARTNER FOR EVERYDAY LIFE

We will provide a complete range of services associated with automobiles from vehicle selection, purchase and operation, making the process an entirely satisfying experience for our customers. We will create innovative services in order to provide greater value and benefits for our customers.

PARTNER FOR GREATER HAPPINESS

We will create a new kind of automobile to make it not just a means of transportation but a place of exceptional comfort and joy. We intend to transform our automobiles making them a faster, safer and more convenient transportation tool. To help realize our goal, we shall develop environmental and information technologies capable of mass application.

SUSTAINABILITY MANAGEMENT PROMOTION STRUCTURE

As a responsible corporate citizen, HMC strives to achieve mutual growth with its stakeholders, by considering business efficiency, environmental impact and our social responsibility, when making business decisions.

1

SOCIAL RESPONSIBILITY MANAGEMENT

In 2008, we established a CSR Committee to more effectively promote our CSR activities and to raise awareness internally. The CSR Committee is responsible for activities in three core areas including environmental management, trust-based management and social contribution. With guidance from the CSR Committee, HMC joined the UN Global Compact and declared its commitment to fulfill its social responsibilities throughout its business practices. The UN Global Compact is a voluntary initiative launched by the UN that seeks to align business operations and strategies globally using ten universally accepted principles in the areas of human rights, labor, the environment and anti-corruption. We renewed our CSR Charter shortly after joining the UN Global Compact in April 2009 and established a CSR taskforce with responsibility for establishing our long-term CSR strategy up to 2020 and for setting the foundations for its implementation.

Our long term CSR goal is 'To become a sustainable value provider'. We have selected seven core project areas: 'growth with partners', 'provision of pleasant mobility', 'to be a responsible business partner', 'promotion of transparent business management', 'to be a company that people can trust', 'to be a great company to work for' and 'to lead on climate change response'. We have selected stakeholders who are most suitable for each project area and are focusing on the creation of a sustainable future based on our partnerships with stakeholders.

2

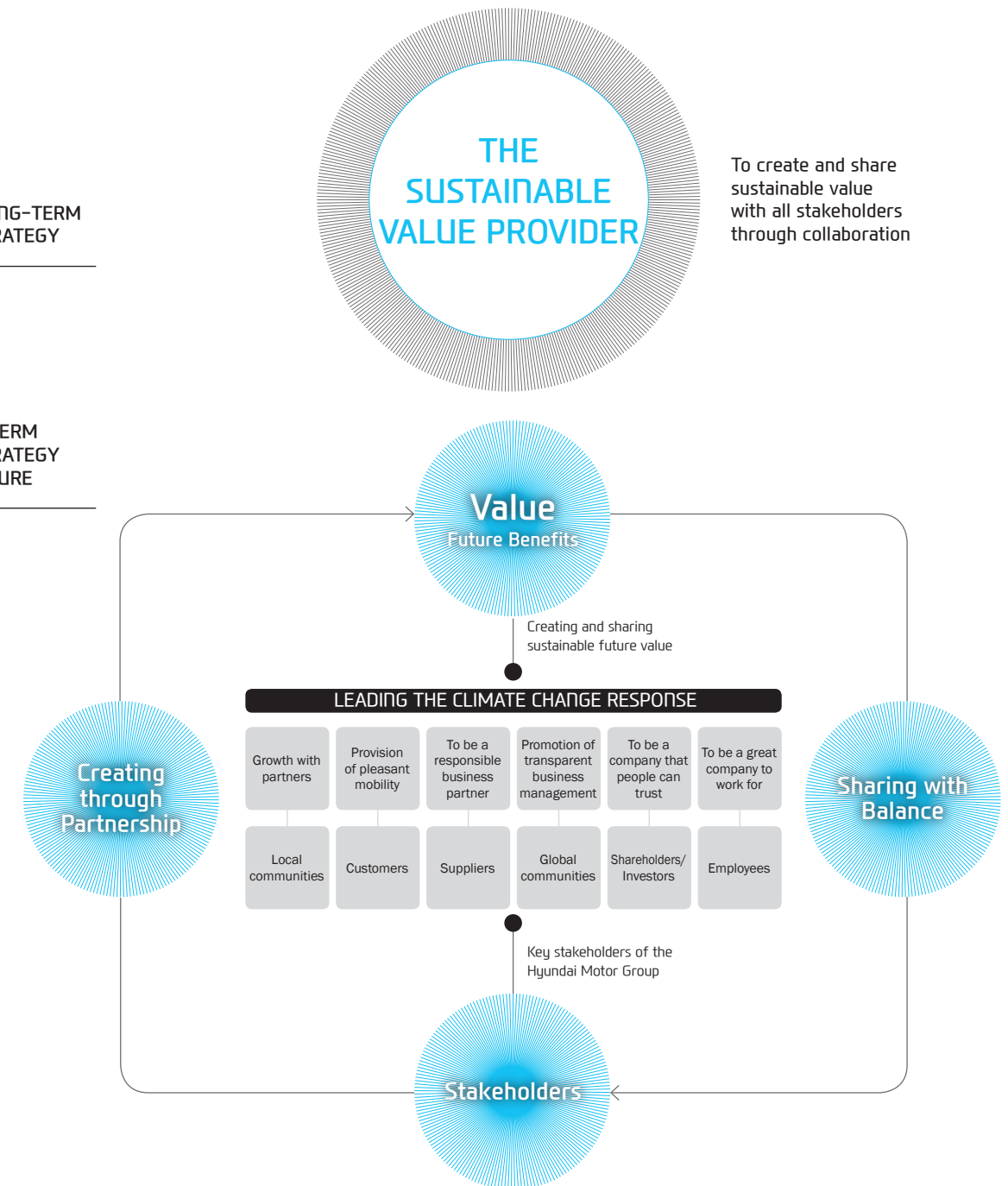
ENVIRONMENTAL MANAGEMENT

In 2003, HMC announced its new environmental management philosophy and policies, and since then has been pursuing green growth whilst striking a healthy balance between business growth and environmental protection. Rather than just focusing on regulation compliance, we are focusing our efforts more proactively on environmental management such as creating new market opportunities by improving energy efficiency and reducing costs. With this goal in mind, we are also striving to reduce the negative environmental impact associated with the lifecycle of our products. HMC is focusing on implementing 'Blue Drive', a strategy that currently focuses on improving the fuel efficiency of vehicles powered by internal combustion engines and seeks to supply zero emission vehicles in the future.

Aiming to strengthen its capacity to respond to global environmental issues and regulations, HMC identified climate change, recycling, air quality and hazardous materials as the core issues and established an environmental management structure accordingly. Climate change has been identified as the top priority, at present. Therefore, we are concentrating our effort on reducing CO₂ emissions of both our automobiles and our operation sites.

2020 LONG-TERM CSR STRATEGY

LONG-TERM CSR STRATEGY STRUCTURE



Value

Many different value streams not just financial gains are generated through our business activities. The creation and fair sharing of multiple value streams with stakeholders is a necessary part of realizing sustainable development for the future. Using our long-term CSR strategy as its guide, the Hyundai Motor Group will strive to share the sustainable values that are created through partnership with our key stakeholders.

Stakeholders

The Hyundai Motor Group has achieved significant business growth through close collaboration with stakeholders and is fast becoming a global leader in the automotive industry. In sustainability management, all stakeholders are important partners who create and share future values. The Hyundai Motor Group will strive to identify key social issues through close interaction with its key stakeholders including local communities, customers and employees and will incorporate measures for tackling these issues into our CSR Strategy.

3 TRUST-BASED MANAGEMENT

Companies can only grow with the support of their stakeholders. HMC has been pursuing a strategy of shared growth by establishing trust-based relationships with our stakeholders including customers, employees, investors, suppliers and local communities. Mutual respects as well as transparent and ethical business operations are the key principles in earning the trust of our stakeholders. HMC is persistently communicating the value of trust-based management to stakeholders while making a continuous effort to further improve transparency and ethical standards in our business.

4 SOCIAL CONTRIBUTION ACTIVITIES

As a responsible corporate citizen, HMC has been devoting significant resources to creating a better society for all members of the global community as part of the work that comes under our CSR motto 'Moving the World Together'.

'Moving the World Together' social contribution projects are our flagship social welfare programs tailored for people in need. We also conduct various other CSR activities that fall into categories such as 'Easy Move', 'Safe Move', 'Green Move' and 'Happy Move' depending on the nature of the project. We also conduct CSR activities in areas including social welfare, education, art and culture and also sport. In 2003, we established a long term CSR management roadmap to ensure that our activities are carried out in an efficient manner, leading to tangible changes. Our sustained efforts in CSR have led to the establishment of a global CSR promotion structure with effective programs and a large number of volunteers. We will continue to improve our implementation structure to fulfill our rightful role as a respected corporate citizen of the global community.

ETHICAL MANAGEMENT AND CORPORATE GOVERNANCE

Transparency and high ethical standards are required for all businesses. HMC has earned the trust of our stakeholders through our transparent and ethical business conduct. We will continue to foster a sound corporate culture by encouraging all of our employees to understand the merits of ethical management and strictly enforcing a high ethical standard.

HMC's ethical management policies were designed to foster a corporate culture based on fairness. In 2001, HMC established the HMC Ethics Charter, the Employee Code of Conduct, and the Guidelines for Ethical Business Conduct to set clear guidelines for all its employees. In 2008, we joined the UN Global Compact which provides principles for all employees to help them comply with all relevant laws, regulations and also to respect accepted social norms. HMC has also been conducting training on fair trade and anti-corruption to foster a corporate culture where employees can make ethically correct decisions when faced with difficult situations that may involve ethical dilemmas.

In order to improve transparency in the management decision making process, HMC also established an ethics committee in 2007, which is composed of external directors. In 2011, we adopted the International Financial Reporting Standards (IFRS) in order to increase the transparency of our accounting practices.

HMC's Ethical Management practice has evolved considerably in order to further promote transparency and fairness. In 2002, we adopted a voluntary Fair Trade Compliance Program in order to ensure fair trade with our suppliers. HMC signed its third fair trade agreement with a record number of suppliers in 2011. HMC's ethical management policies are making a considerable contribution towards strengthening HMC's competitiveness and creating new economic values by eliminating the source of a number of management inefficiencies.

1 REGULATION COMPLIANCE

Complying with all laws and regulations, as well as respecting internationally accepted norms of business conduct in all its business practices is a key business principle within HMC. With that principle as a basis, HMC also strives to promote the voluntary compliance with all regulations, and has created a Fair Trade Compliance Program to prevent any unfair business conduct.

Fair trade agreement with suppliers

Since we signed our first fair trade agreement with our supplies in September 2008, we have continued to uphold it, resigning the fourth fair trade agreement in 2012.

In 2009, the Fair Trade Commission awarded HMC the 'AA' rating for our thorough implementation of the fair trade promotion activities including improvement of payment conditions and the creation of a number of supplier support funds.

More recently, HMC created new supplier support schemes including 'the Share Growth Fund', 'R&D Support Corps' and sector-specific supplier training after signing its third fair trade agreement with 202 suppliers.

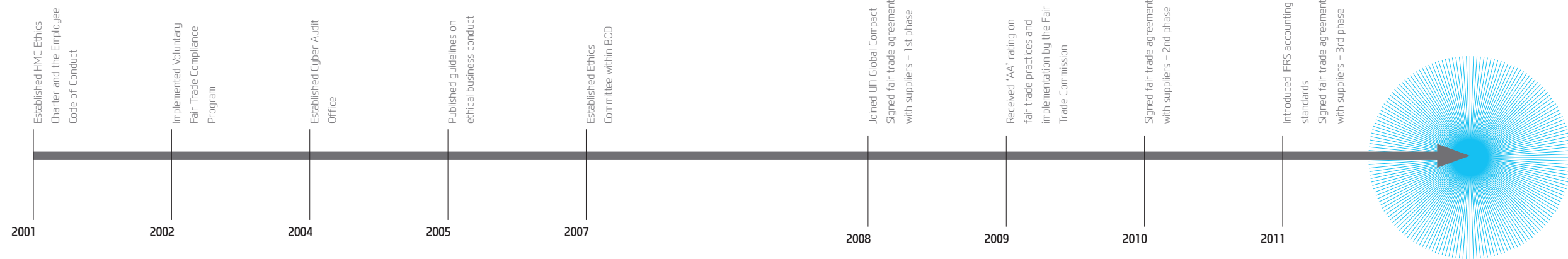
The new agreement contains three new supplier relations guidelines on supplier contract signing, new supplier registration-management and management of the internal audit committee on subcontracting. HMC is greatly expanding support for second and third tier suppliers using the new guidelines to foster a fair trade culture.

Subcommittees

The Audit Committee The committee made up of four external directors, the Audit Committee is responsible for auditing HMC finances and operations. It has the authority to demand executive officers provide information on the company's operational and financial status. The committee is responsible for reporting their findings to the BOD.

The External Director Candidate Nomination Committee The committee is comprised of two executive and three external directors as stated in the relevant laws. All HMC external directors must first be nominated by the committee and then approved at the general shareholders' meeting.

ETHICAL MANAGEMENT PROMOTION ACTIVITIES



The Ethics Committee The committee was established in 2007 to increase the transparency of internal business transactions and to promote ethical business management practices. The committee was made a subcommittee of the BOD in 2012 to enable more effective enforcement of transparent and ethical business management. The committee is comprised of three external directors, one executive director and is headed up by one of the three external directors.

2 BOARD OF DIRECTORS

HMC has a Board Of Directors (BOD) as required by Korean law. Comprised of four executive directors and five external directors who are leading experts in various areas relevant to the automotive industry, the BOD acts to promote transparent and sound business management.

Important business management decisions are discussed and approved by the BOD and by shareholders when necessary at the general shareholder's meeting. Corporate accounting and business management practices are also subjected to an audit by third-party professionals. The Board of Directors makes decisions on matters defined by law or our articles of incorporation, issues delegated by the general shareholders' meeting, and key matters relating to the basic guidelines for company operations. The BOD retains the authority to supervise the duties of directors and management.

The BOD has three subcommittees including the Audit Committee, the External Director Candidate Nomination Committee and the Ethics Committee to ensure that the BOD can operate effectively.

At the 2011 Shareholders' Meeting, a compensation ceiling of 15 billion KRW for directors was approved. Total compensation paid to executives and external directors was 8.82 billion KRW from January 1st to December 31st, 2011. The average compensation paid to an internal director was 2.1 billion KRW and 86 million KRW for an external director.

BOARD OF DIRECTORS COMPOSITION

Classification	Name	Job Position	Committee	Date of Appointment	Length of Term (years)
Executive Directors	Mong-koo Chung	Chairman/CEO	External Director Candidate Nomination Committee	Mar. 11th 2011	3
	Eui-sun Chung	Vice Chairman	-	Mar. 12th 2010	3
	Choong-ho Kim	President/CEO	External Director Candidate Nomination Committee, Ethics Committee	Mar. 16th 2012	1
	Gap-han Yoon	Vice President/CEO	-	Mar. 16th 2012	3
External Directors	Se-bin Oh	Lawyer, Dongin Law Group	External Director Candidate Nomination Committee, Audit Committee, Ethics Committee	Mar. 11th 2011	3
	Il-hyung Kang	Of Counsel, Bae, Kim & Lee LLC	External Director Candidate Nomination Committee, Audit Committee	Mar. 16th 2012	3
	Young-chul Yim	Lawyer, Shin & Kim	Audit Committee, Ethics Committee	Mar. 16th 2012	3
	Sung-il Nam	Professor of Economics, Sogang University	External Director Candidate Nomination Committee, Audit Committee	Mar. 12th 2010	3
	You-jae Yi	Professor of Business Administration, Seoul National University	Ethics Committee	Mar. 11th 2011	2



ECONOMY

SUSTAINABILITY MANAGEMENT FOR A BETTER TOMORROW

The creation of economic value is fundamental to cultivating innovation and creativity. As a global corporate citizen, HMC practices advanced sustainable management to fulfill its responsibilities and to enhance stakeholder value by expanding our business and generating profits. HMC is striving to enhance its business competitiveness while strengthening its environmental credentials and contributing to resolving social issues. While building an enhanced brand reputation, HMC is also striving to generate economic benefits and to share them with all of our stakeholders.

20
Global Business
Management

24
Business
Performance

26
Sharing Economic
Gains

2011 GLOBAL SALES

In 2011, HMC's annual vehicle sales reached 4 million units. This was a remarkable achievement made possible through HMC's steady efforts in quality management and customer-first management. These two management principles were designed to improve the quality of life for all of our customers. The strong sales achieved recently with the new high fuel efficiency models is what led to these record-high sales. The year 2012 is expected to be another challenging year for the automotive market with the looming global economic depression. HMC will continue to strengthen its quality management and customer-first management initiatives and to increase its investment in the development of green vehicle technologies in order to grow and continue delivering great customer value.

TOTAL
4,060,778
UNITS





GLOBAL BUSINESS MANAGEMENT

HMC is responding to the fast-changing demands of global customers with a global management structure which fully utilizes strategically placed production and R&D facilities and management offices; enhancing its competitiveness and strengthening its foundation for sustainable growth. By offering products and services of the highest quality to our customers worldwide, we are not only improving customer satisfaction but also fulfilling our responsibility as a corporate citizen by creating jobs and vitalizing local economies.

1

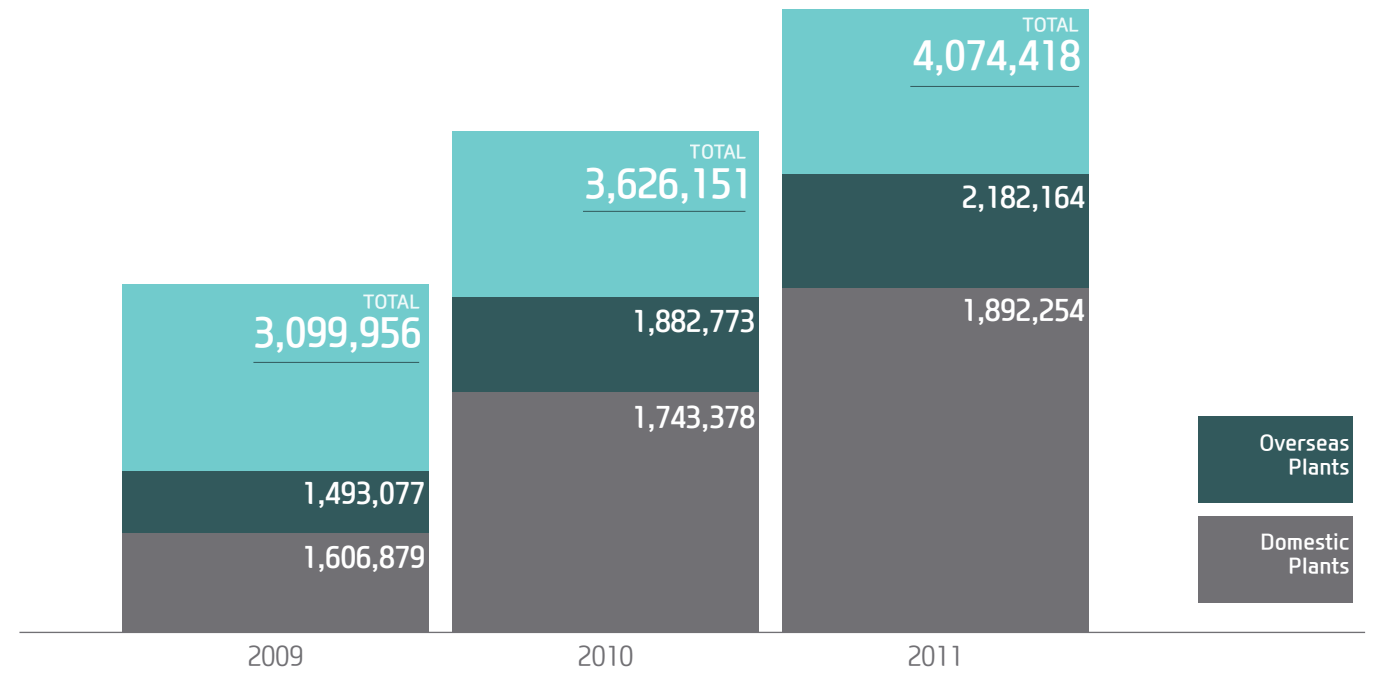
GLOBAL PRODUCTION

Starting with our first overseas manufacturing plant in Turkey in 1997, we rapidly expanded our overseas production bases in India, China, Czech, U.S. and Russia. In addition, HMC also established R&D centers and sales subsidiaries in key markets, in order to develop and produce innovative vehicles that better meet the needs of our consumers in each market.

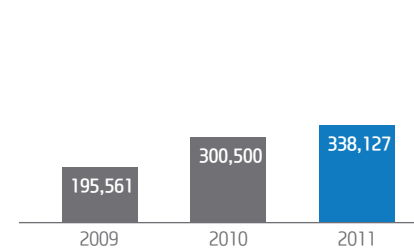
In 2010 for the first time, overseas production accounted for more than 50% of total production for the first time and this increased to 54% in 2011 with the launch of a new manufacturing plant in Russia and increased production from the Czech Plant. With the forthcoming launch of third plant in China and a new plant in Brazil, the proportion of overseas production will continue to increase for next few years.

GLOBAL PRODUCTION STATUS

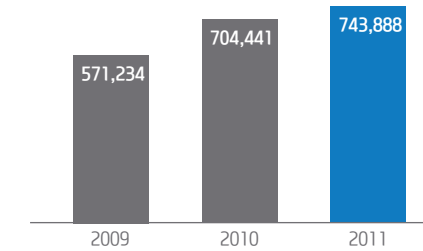
(Unit: vehicles)



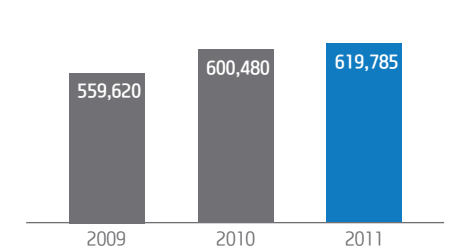
U.S.



CHINA



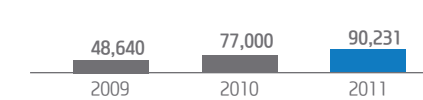
INDIA



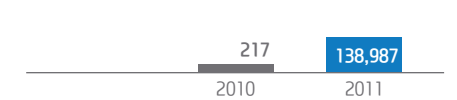
CZECH



TURKEY



RUSSIA



As of mid-2012, we have a domestic manufacturing capacity of 1.82 million vehicles and our domestic plants successfully achieved their 2011 production goals, producing slightly more vehicles than planned. The six overseas plants also delivered their production goals, producing 3% more vehicles than set out in the 2011 plan. Overall, HMC exceeded its production goal by 2%, producing over 4 million vehicles for the first time in its history in 2011.

2 GLOBAL SALES

Concerns over the European fiscal crisis have aggravated the downward sales trend in the global automotive market and slowed growth in emerging markets such as China and India. Fortunately, automotive sales in the U.S. and Russia have increased thanks to rise in consumer confidence, leading to continued increase in global sales, reaching over 70 million units.

Sales of domestically produced HMC vehicles have increased by 8.9% to 1,885,975 units in 2011 compared to the previous year. Sales in the Korean market were 683,570, up by 3.6% and 1,202,405 units were exported, which was a 12.1% increase from a year ago. Similar to 2010, the increase in overseas sales of domestically produced vehicles largely came from advanced countries, in the Middle East, as well as Central and South American markets. In 2011 sales of HMC vehicles in Korea slightly increased, with market share increasing by 1.4% to 46.4% thanks to the popularity of the new Avante (Elantra), which was our top-selling vehicle and to the third highest-selling Grandeur (Azera).

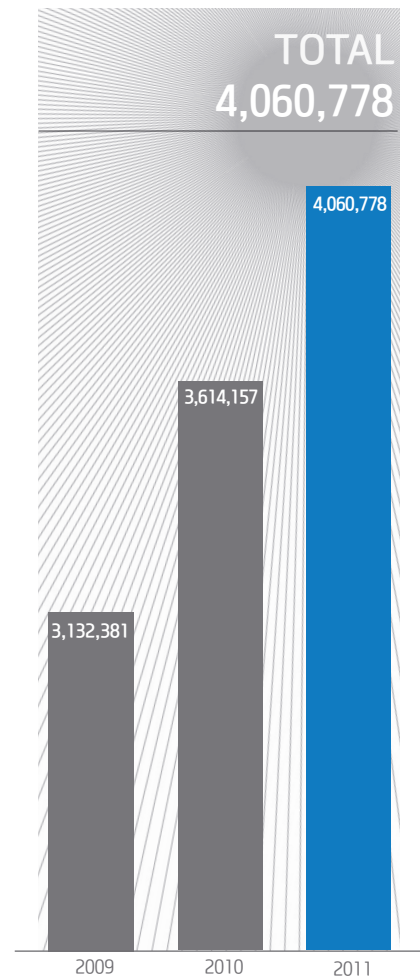
Sales of vehicles produced in overseas plants increased to 2,174,803 units, a 15.6% increase from the previous year. The proportion of vehicles produced overseas was 53.6%. Total HMC vehicle sales were 4,060,778 units which was a 4% over achievement compared to the 2011 business plan, making 2011 the first year in which annual sales surpassed the 4 million marks. Sales in China and India increased slightly while HMC's market share in the U.S. market surpassed the 5% mark thanks to the popularity of the Elantra and Sonata for the first time in 26 years since HMC entered the market.

HMC achieved the highest market share of 2.9% in the European market despite a 1.5% decrease in overall automotive sales. Sales of HMC vehicles in the European market are expected to increase in 2012 with the establishment of the new sales offices in Germany and France. HMC is expecting more geographically diversified sales portfolio by region this year, which will help with establishment of a stronger business structure and in turn creating a sustainable growth.

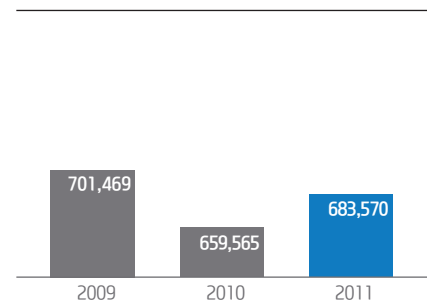
Global automotive sales began to slow down significantly during the second half of 2011 and the trend is likely to continue, with lasting instability in the financial markets due to the Euro zone crisis causing a decrease in vehicle sales in both advanced and emerging economies. Despite challenging market conditions, HMC set an annual sales target of 4.29 million units for 2012, an increase of 5.7% from the 2011 sales. We are confident that our high quality vehicles produced using our customer-first management system and incorporating our strong brand image will allow us to achieve this target despite the global economic challenges.

GLOBAL SALES STATUS

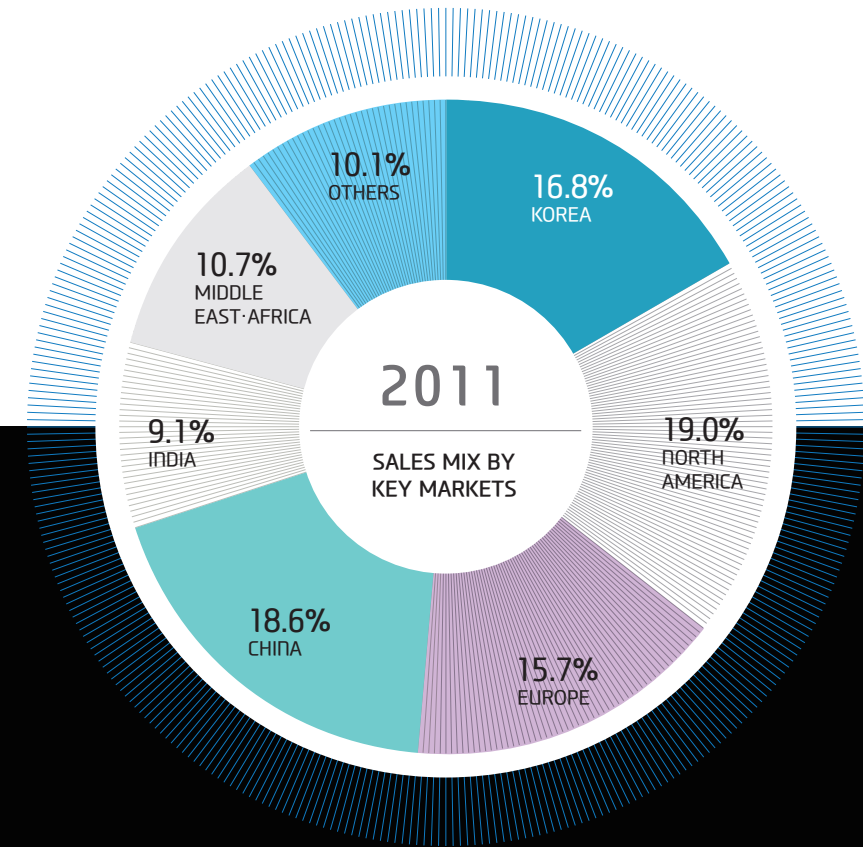
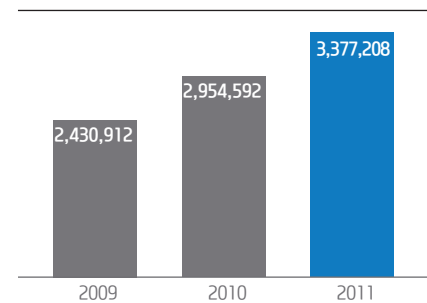
(Unit: vehicles)



DOMESTIC SALES



OVERSEAS SALES



BUSINESS PERFORMANCE

With the global economic recession, the business environment of 2011 was full of challenges. In addition to the slow automotive market, HMC faced the extra challenge of strong Korean Won and significantly increased raw material costs. Despite these obstacles, HMC continued to grow in sales volume by strengthening product competitiveness, improving brand value and promoting its customer-first management practice. Rather than focusing on making short-term profit, HMC is ensuring a sound financial structure and creating growth that is sustainable.

HMC adopted the K-IFRS for the annual period beginning on January 1st, 2011. In accordance with the K-IFRS 1101 First-time Adoption of K-IFRS, the date of transition to K-IFRS was January 1st, 2010. In 2011, HMC enjoyed great business success with outstanding performance on key financial indicators including sales revenue, operating and net profits thanks to an increase in overall sales and an improved product mix. The negative impact on profits due to the weak dollar was mitigated by the strong Euro, leading to a record high of 77,798 billion KRW in sales revenue which was 16.1% higher than the previous year. Operating profit increased by 36.4% to 8,075 billion KRW. Net profit also increased to 8,105 billion KRW up by 35.1% from a year ago, partly because of reduced financing expenses and increased equity income. EBITDA also increased by 29% to 10,410 billion KRW thanks to steady improvements made to the cash flow.

All overseas plants achieved sales increases in 2011. The Alabama Plant in the U.S. had a 4% increase in sales due to increased production of the Elantra. Plants in China recorded a 15% increase in sales because of the increased production of the Sonata. HMC had a modest increase in production in India while production in Turkey increased significantly as it began production of the ix20, leading to sales of 1,477 billion KRW which represented a 20% increase year on year. HMC's Czech Plant registered its highest ever increase in sales by 45% with production of the ix20 and ix35 (Tucson). HMC's new plant in Russia, which produces the Solaris (Accent), posted significant sales in its first year of operation with sales of 1,806 billion KRW.

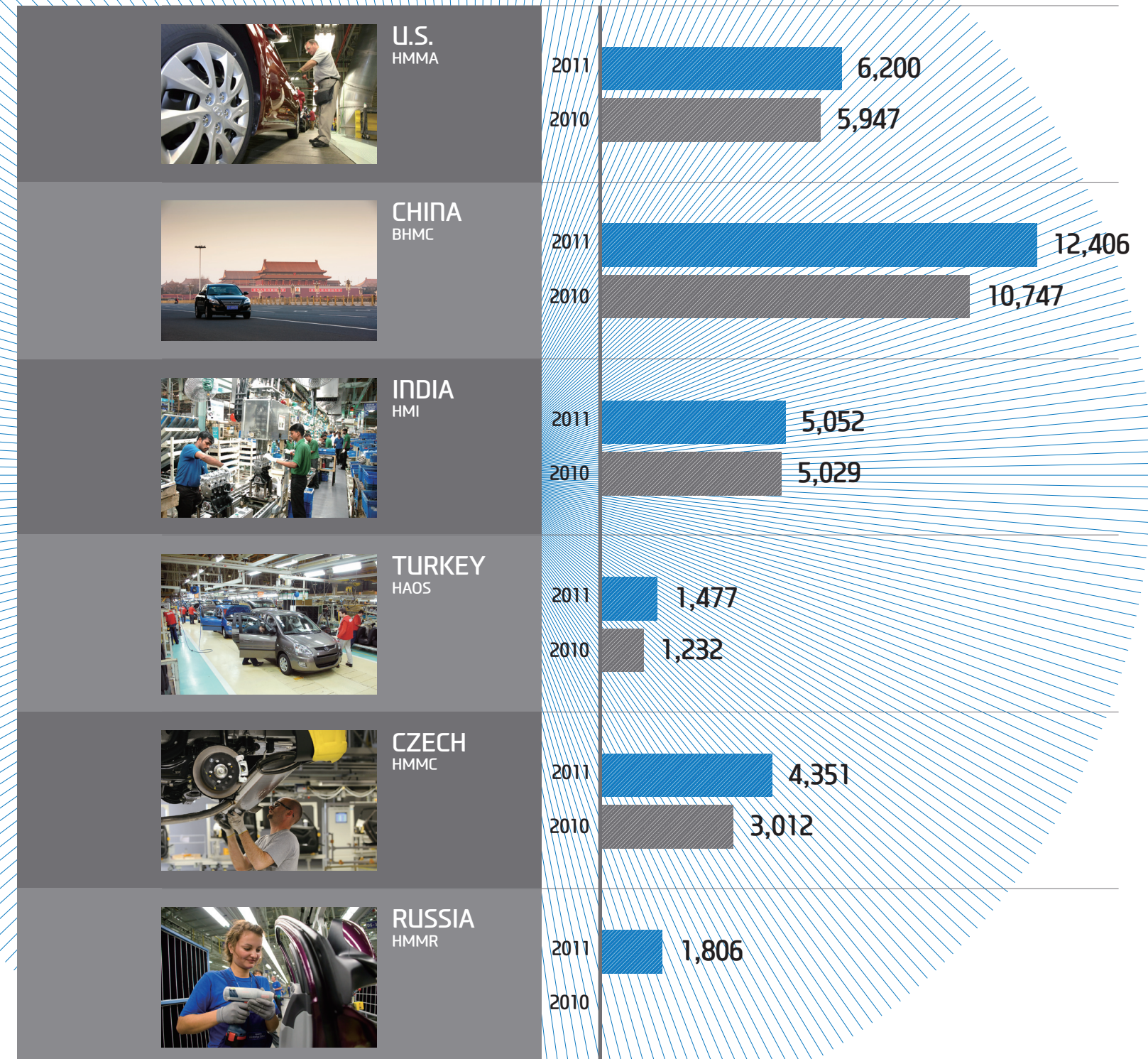
KEY FINANCIAL PERFORMANCE INDICATORS

(Consolidated and HMC only)

Key Financial Indicators	2010		2011		Note
	Consolidated	HMC only	Consolidated	HMC only	
Sales (billion KRW)	66,985	36,761	77,798	42,774	
Operating profits (billion KRW)	5,918	3,491	8,075	4,777	
Rate of operating profits (%)	8.83	9.50	10.38	11.17	
Net profit (billion KRW)	6,001	3,476	8,105	4,741	Consolidated : including non-controlling ownership
ROE (%)	18.25	12.23	20.10	14.58	
EBITDA (billion KRW)	8,072	4,924	10,410	6,335	
Total capital (billion KRW)	32,888	28,432	40,328	32,522	

SALES BY OVERSEAS PRODUCTION SUBSIDIARIES

(Based on sales data from individual subsidiaries before adjustment for consolidation, Unit: billion KRW)





SHARING ECONOMIC GAINS

HMC is actively making a positive contribution towards the development of the countries and local communities that it operates in, by creating additional economic value through sales, job creation, fair trade promotion, CSR activities and much more. HMC also aims to share these economic gains, value-added created through collaboration with stakeholders such as shareholders, investors, employees, suppliers and governments, in an equitable manner.

■ DIVIDEND AND INTEREST PAYMENT

	2009	2010	2011	
Dividend per share (in KRW) (dividend rate)	Common shares	1,150	1,500	1,750
	1st preferred stock	1,200	1,550	1,800
	2nd preferred stock	1,250	1,600	1,850
	3rd preferred stock	1,200	1,550	1,800
Earnings per share (in KRW)	Basic earnings per share	10,890	12,804	17,456
	Diluted earnings per share	10,890	12,804	17,456
Total dividend payment (in million KRW)	317,199	412,227	480,105	
Interest expense (in million KRW)	232,110	355,254	286,672	

SHAREHOLDERS AND INVESTORS

In order to give its economic gains back to shareholders, HMC has made a sustained effort to maximize shareholder value by continually increasing its enterprise value as well as consistently paying cash dividends every year. In 2011, we paid a cash dividend of 1,750 KRW for each common share. The total dividend payment was 480.1 billion KRW, which was an increase of 16.5% compared to the previous year. Interest expense decreased by 19.3% from 355.3 billion KRW in 2010 to 286.7 billion KRW in 2011.

2

EMPLOYEES

In 2011, HMC paid a total of 5,360 billion KRW to employees, which was an increase of 17.7% from 2010. Payment to employees includes salaries, retirement benefits and fringe benefits. Employee training expenses increased to 28 billion KRW which was a 27.3% increase compared to 2010. On January 1st 2011, HMC introduced a new defined benefit pension plan and hopes to offer the option of choosing a defined contribution plan on January 1st 2013. The new pension scheme is managed externally, replacing the internally managed retirement bonus scheme.

3

SUPPLIERS

Payment for parts and materials increased by 14.7% to 26,054 billion KRW while payment for outsourced services increased by 18.3% to 537 billion KRW. These accounted for 62.2% of total sales revenue.

4

GOVERNMENT AND LOCAL COMMUNITIES

Tax paid to central and regional government by HMC in 2011 was 2,779 billion KRW, which was an increase of 16.8% year on year. The increase was largely due to increased net profit. CSR activity expenses also increased by 11.6% to 75.2 billion KRW. Major social projects that we contributed includes the Japanese earthquake relief, production of educational animation 'The Robocar Poli' which focused on traffic safety education for children and exhibitions conducted at the Hyundai Art Hall.

■ EMPLOYEE PAYMENT & SUPPORT

(Unit: billion KRW)

	2009	2010	2011
Salary	5,081	4,553	5,360
Training expenses	14	22	28

■ EXPENSE PAID TO SUPPLIERS

(Unit: billion KRW)

	2009	2010	2011
Materials/parts	19,269	22,720	26,054
Outsourced services	446	454	537
Proportion of supplier payment to sales (%)	62.0	63.0	62.2

■ TAX PAYMENT AND SOCIAL CONTRIBUTION EXPENSES

(Unit: billion KRW)

	2009	2010	2011
Central government tax	1,480	2,215	2,585
Regional government tax	88.3	165	194
Social contribution expenses	72.2	67.4	75.2
			Corporate tax, VAT and etc.
			Regional income tax, property tax and etc.

ENDLESS INNOVATION FOR A GREENER TOMORROW

Creating better automobiles is an important objective of HMC, yet our definition of a 'better automobile' goes beyond improved convenience and performance. In fact, creating a greener automobile is one of our highest priorities as we are faced with multiple environmental challenges including climate change and depletion of natural resources. Recognizing the seriousness of the issues we are facing, HMC is investing in the development of green vehicles, green production technologies and other environmental technologies that not only meet regulation standards but fulfill our responsibility for our children and future generations.

32

Climate Change

46

Recycling

49

Hazardous Materials

52

Air Quality

THE 2011 AVERAGE CO₂ EMISSIONS OF HMC NEW PASSENGER VEHICLES SOLD IN THE EU

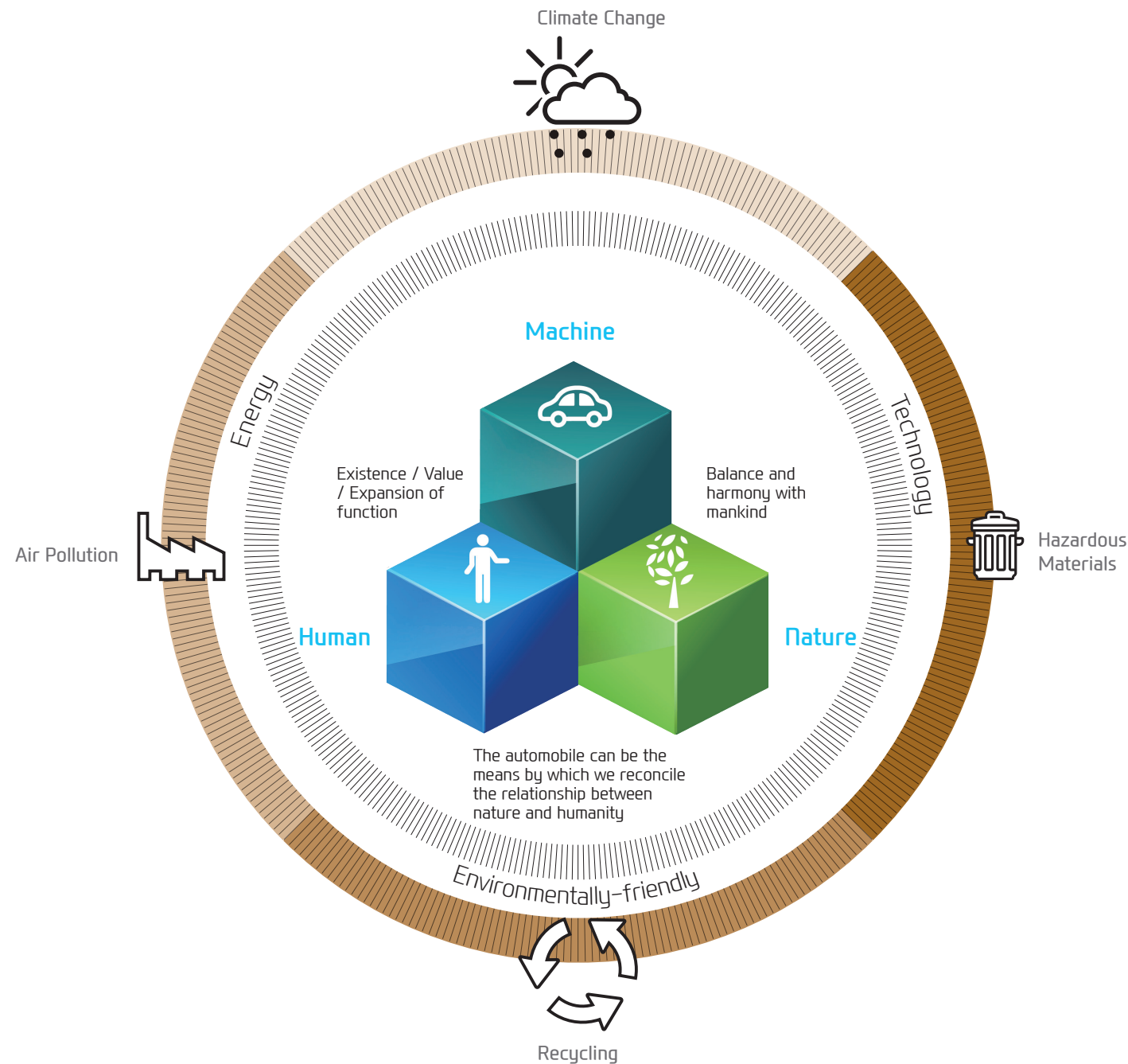
A growing number of countries are introducing ever tighter standards on greenhouse gas emissions in order to prevent a global crisis caused by climate change. For example, the European Union introduced a strict CO₂ emission standard on new passenger vehicles in 2012. HMC has been making significant efforts to reduce CO₂ in all stages of the vehicle life cycle including production, operation and recycling. As a result, HMC succeeded to reduce the average CO₂ emissions of new passenger vehicles registered in the European Union region in 2011 to 132g/km, a 28.6% reduction against the 1995 average CO₂ emissions of 185g/km, thanks to improvements made in fuel efficiency.

DECREASE BY
28.6%



HARMONY MEDIATION

“The automobile can be the means by which we reconcile the relationship between nature and humanity”



The role of automobiles in the protection of the environment and global ecosystem

Simply put, to date improving human convenience has been the key focus of technology development. As a result, the advancement of science and technology has led to the development of a lifestyle with a level of convenience never before thought possible. However, more than two centuries of industrialization has also had a significantly negative impact on the environment. For example, the increased mining of natural resources has led to the depletion of energy resources which has become a serious issue for the future. Moreover, greenhouse gases from the operation of power plants, the use of automobiles, deforestation and other human activities has accelerated potentially dangerous climate changes according to the consensus of the international scientific community.

As such, industrialization which helped many nations to obtain economic wealth, has brought with it some serious negative consequences. Among the consequences, climate change is the most serious threat. However, the release of other pollutants into the air, water and soil are also leading to serious problems. These environmental problems are becoming so serious that they are undermining our very survival.

The development of alternative green technologies, not just the improvement of existing technologies, is required to effectively tackle the global environmental problems of climate change. Since most of the greenhouse gases which are emitted and cause climate change are manmade, the keys to tackling the climate change crisis lie in the development of alternative green energy technologies to fossil fuels such as oil, gas and coal. The development of alternative energy is important because their supply is in decline and also because the extraction and use of fossil fuels is causing serious problems in many parts of the world including the polarization of economic wealth and even in some places military conflicts. The development of alternative energy sources and technologies powered by them is key to the restoration of our ecosystem, the long-term survival of humanity and even world peace.

Understanding the situation at hand, HMC is seeking to create a new paradigm in automotive technology development that will lead to the production of much greener vehicles and production technologies beyond regulation standards.

The announcement of HMC's environmental management philosophy and policies was designed to strike a balance between 'Humanity', 'the Environment' and 'Society'. It was intended as the first step in the transition from a passive response to regulation compliance to proactive environmental management. In addition, HMC began investigating what role automobiles can play in mitigating the relationship between mankind and nature.

The ultimate goal of this investigation is to find a new role for automobiles as a green medium that can restore the relationship between human and nature, rather than the current situation where the automobile has a detrimental impact on the environment while only serving human needs. Although it may be an impossible goal, HMC is committed to sustaining investment in the development of green energy and technologies to lead to a new era of clean alternative energy in the near future.

Our research areas include the reduction of greenhouse gas emissions and pollutants associated with the lifecycle of automobiles, the advancement of Hybrid electric powertrain and the development of commercially viable Electric Vehicles and Fuel Cell Electric Vehicles, which will bring us closer to maintaining harmony between nature, humans and machines. HMC believes in the potential of automobiles to become a mediator that reinstates balance between nature and mankind.

CLIMATE CHANGE

Increase in the concentration of GreenHouse Gases (GHG) has been identified as the main cause of climate change. HMC is striving to develop greener vehicles with reduced GHG emissions and is promoting the implementation of low carbon business management with a focus on the reduction of GHG emissions throughout the manufacturing process.

1 BLUE DRIVE

HMC is promoting the development of energy efficient Hybrid Electric and Alternative Fuel Vehicles in order to reduce GHG, which has recently become one of our key corporate environmental responsibility, and to make the transition to an alternative energy society.

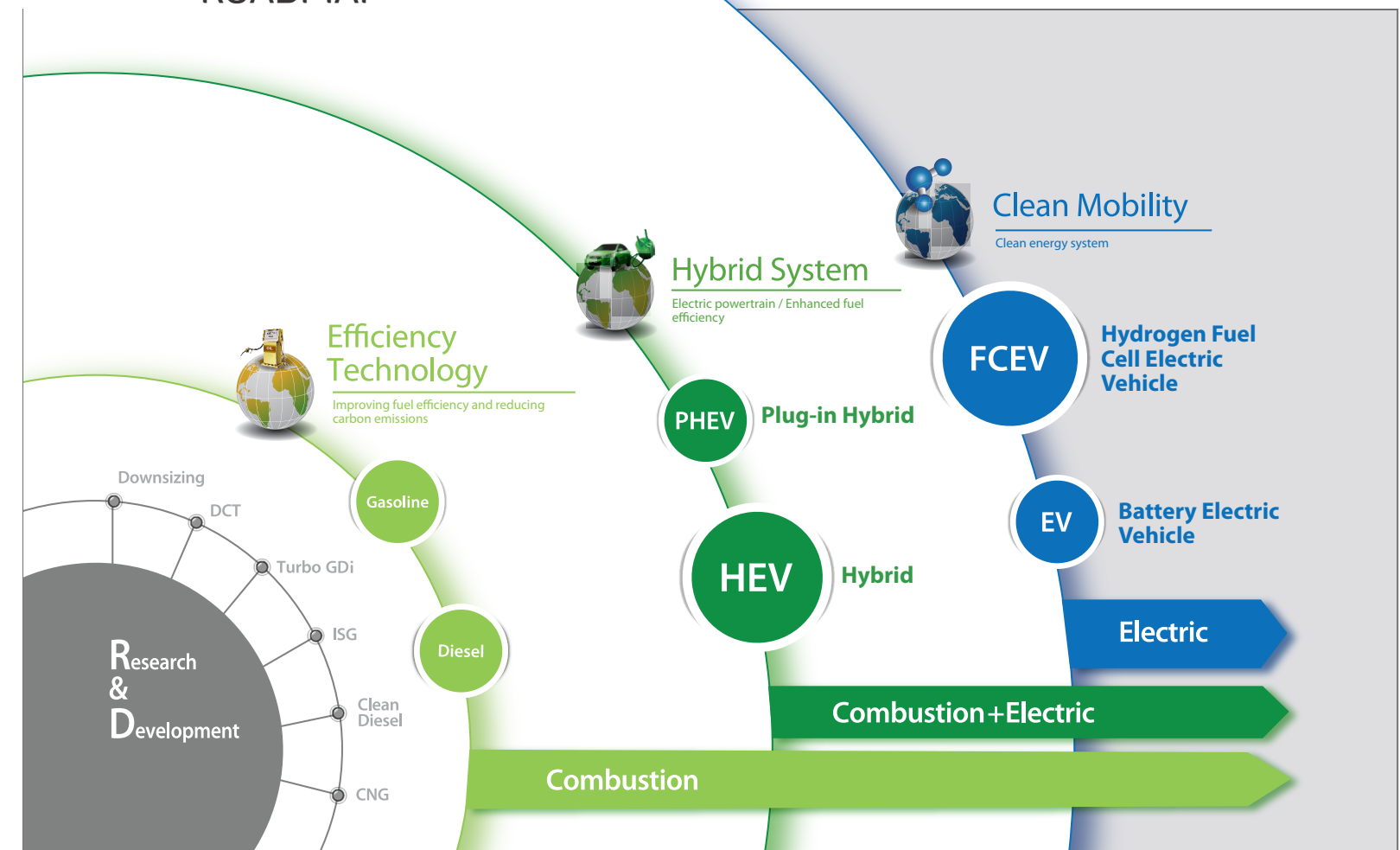
The goal of our Blue Drive strategy is to improve the environmental performance of our vehicles while ensuring their original function of providing transportation.

Key technologies included in the 'Blue Drive' initiatives are high efficiency combustion engines, engines that run on bio fuel, Plug-in Hybrids, Electric Vehicles and Fuel Cell Electric Vehicles. All of these have the potential to contribute to the reduction in tailpipe emissions including CO₂, as well as enhancing the performance, safety and convenience of our cars.

HMC is striving to combine low carbon green technology with satisfying our customers' demands. HMC will continue to produce more 'Blue Drive' vehicles to help our customers contribute towards the preservation of the environment, to lead in the low carbon vehicle market and ultimately to open the door to a new era of 'Clean Mobility'.

BLUE DRIVE ROADMAP

HMC's green vehicle strategy is focused on three development areas which differs on type of energy sources, system integration technologies and time of implementations.



Efficiency Technology

Our primary focus is improving the efficiency of our vehicles. We are dedicated to making immediate improvements in environmental performance, particularly reducing CO₂ emissions by improving the fuel efficiency of our conventionally powered gasoline and diesel vehicles.

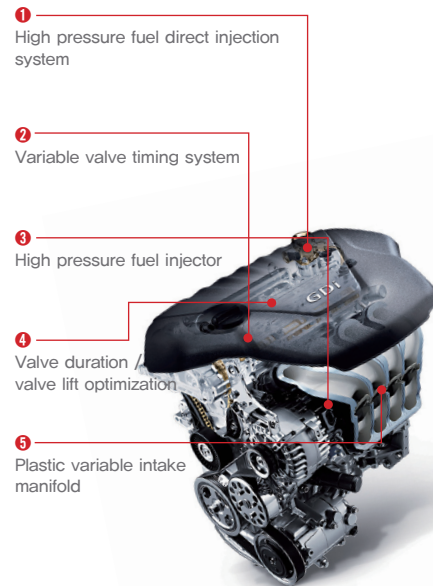
Hybrid System

Our second strategic focus is on the development of intermediate technology, which can contribute to the development of an electric powertrain. The two technologies which we are concentrating on are the hybrid electric and plug-in hybrid systems, both of which employ a combination of an internal combustion engine and electric powertrain system, providing significant improvements in fuel efficiency.

Clean Mobility

Our third strategic focus is on the development of green technology which can be a long-term solution, through sustained R&D efforts. Battery Electric Vehicle (EV) and hydrogen Fuel Cell Electric Vehicle (FCEV) technologies are currently regarded as potential long-term solutions. We have made excellent achievements with our R&D of both EV and FCEV. HMC has established targets for the commercialization of both the EV and FCEV and is currently exploring opportunities to form partnerships with relevant industries in order to effectively cope with the uncertainty associated with the commercialization of the EVs and FCEVs. HMC believes that the successful commercialization of the EV or FCEV will open the door to a new era of 'Clean Mobility'.





Fuel efficiency improvement technologies incorporated in the Gamma 1.6L GDI engine

Fuel efficiency improvements

Fuel efficiency: Top development priority for a models by HMC

HMC is focusing on; the maximization of powertrain fuel efficiency, the minimization of energy loss in vehicle systems, and the use of renewable energy as our three core activities in improving the fuel efficiency of our new models. The all new Azera released in 2011 had a rated fuel efficiency of 12.8km/L which was a 13.3% improvement on the previous generation. The rated fuel efficiency of the Veloster and i40 are 16.6km/L and 23.3km/L respectively which are the highest in their classes in domestic market. Thanks to these new vehicles with such low CO₂ emissions, the average CO₂ emissions of HMC vehicles registered in the European Union members states has decreased by 28.6% compared to 1995, to 132g/km in 2011.

In the U.S., HMC recorded 36.3mpg in corporate average fuel economy of all 2010 model year passenger cars sold by the company, which was 32% above the regulation standard of 27.5mpg. HMC was selected as the automobile company with the lowest fleet average CO₂ emission of 329g/mile and with an average fuel efficiency of 27.0mpg, by the U.S. Environmental Protection Agency (EPA) for 2010 model year.

Releasing high fuel efficiency models in different markets

Achieving maximum fuel efficiency with new technologies including ISG system and DCT pack

HMC offered the option to fit the advanced Idle Stop & Go (ISG) on the Blue Saver version of the Accent and Avante (Elantra). As the name suggests, the ISG system stops the engine when the vehicle is not moving and restarts the engine automatically to cut down on unnecessary engine running. Unlike the standard version which only activated when the gear shift was in neutral, the advanced ISG system is fully operational regardless of gear position. Thanks to the advanced ISG system, the Blue Saver version of the Accent and Avante (Elantra) have outstanding fuel efficiency ratings of 17.7km and 17.5km respectively.

The Dual Clutch Transmission which operates like an automatic transmission but with the efficiency of a manual transmission contributed to the outstanding fuel efficiency improvements. For example, a DCT-equipped Veloster has a fuel efficiency of 16.6km/L while offering a wonderful sporty performance.

HMC has released high fuel efficiency models in a variety of markets with different regulations. For example, HMC has released four models including the Accent, Elantra, Veloster and Sonata Hybrid, with highway fuel efficiency over 40mpg in the U.S. In Europe, HMC has released the i20, i30 and i40 with clean diesel engines with incredibly low CO₂ emissions.

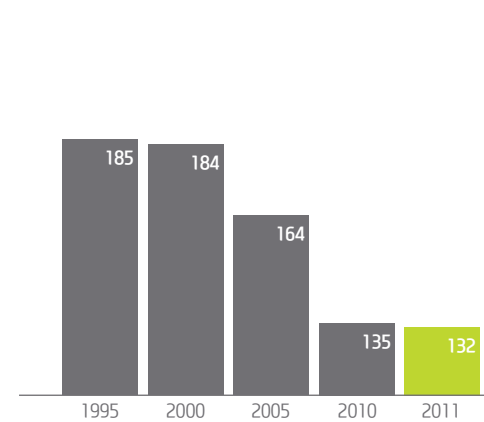
Biofuels and other alternative fuels

Alternative fuel vehicles that meet local demands

HMC is currently developing engines that can run on alternative fuels other than gasoline or diesel fuels. For example, HMC has already developed models capable of running on ethanol. We are especially focusing on Flexible Fuel Vehicles (FFV) capable of running on E85 (85% ethanol + 15% gasoline), as a response to increasing use of ethanol in North America and Brazil. In 2011, we launched the Tucson FFV in Brazil.

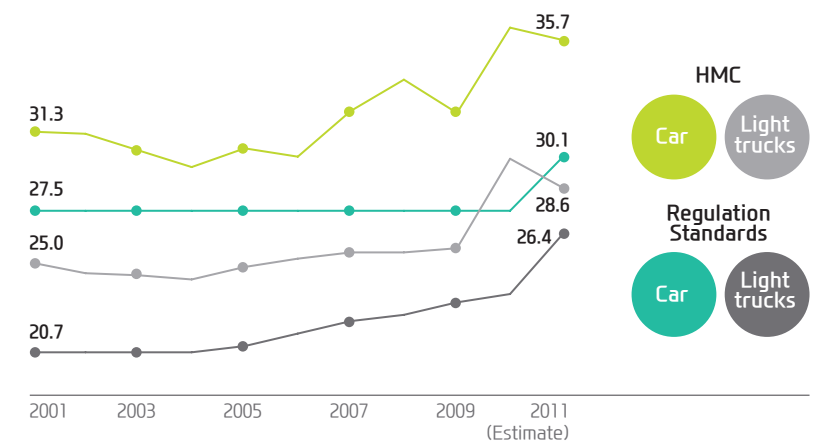
FLEET AVERAGE CO₂ EMISSION OF HMC NEW PASSENGER VEHICLES SOLD IN THE EU

(Unit: g/km)



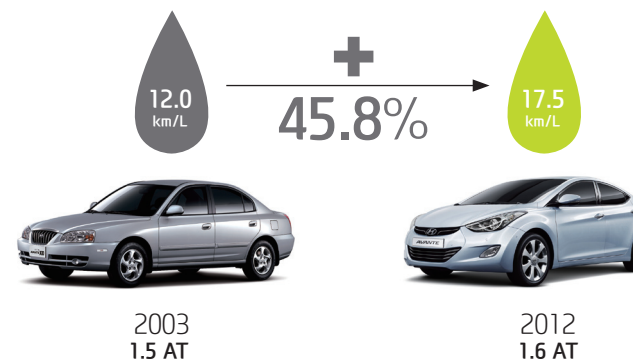
U.S. CORPORATE AVERAGE FUEL ECONOMY

(CAFE: Corporate Average Fuel Economy, Unit: mpg)

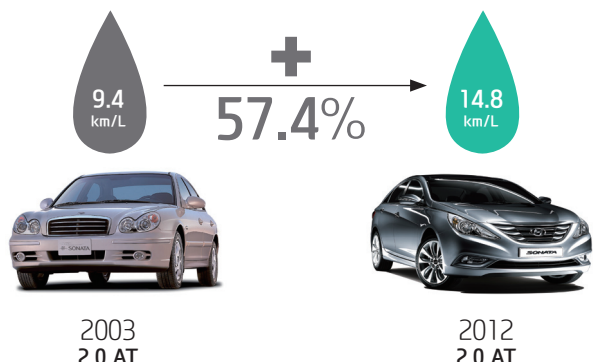


FUEL EFFICIENCY IMPROVEMENT IN KEY DOMESTIC MODELS

Avante (Elantra)



Sonata



Sonata selected as the most fuel efficient model in its class by U.S. EPA

Each year, the EPA tests the fuel efficiency of all vehicles sold in the market and publishes a list of the vehicles with the top fuel efficiencies in 15 different categories. According to the U.S. EPA, the Sonata was selected as the most fuel efficient vehicle in the 'Large Car' category sold in 2011 with an average fuel efficiency of 28mpg (11.9km/L). The announcement is expected to have a positive influence on sales since fuel efficiency has become such an important criteria for car buyers.

Although the Sonata is smaller than most of the models categorized as 'Large Car's, it is

classified as a large car because of its large interior space, which is the sole criteria in the EPA classification. The 2011 EPA award proved that the Sonata is a vehicle with exceptional fuel efficiency and ample cabin space. It is also remarkable how high the fuel efficiency of the Sonata is compared to key competitors' models in the large car category such as the Chevrolet Impala (22mpg) and Toyota Avalon (23mpg). Even compared to leading vehicles in the mid-sized category, the Sonata has outstanding fuel efficiency, such as the Toyota Camry (28mpg), Nissan Altima (27mpg) and Ford Fusion (26mpg).

The European market requires a different response because of the high number of diesel vehicles, as well as vehicles that run on bio diesel, which is made from rapeseed, palm or soybean and are much more commonly used in the region. We are working toward the standardization of BD5 fuel (95% diesel + 5% bio diesel) and the production of diesel vehicles capable of running on BD5 fuel. All HMC's diesel vehicles released since 2010 are capable of running on BD5 as well as bio fuel with up to 20% to 30% bio diesel content.

Vehicles running on Compressed Natural Gas (CNG) are classified as green vehicles because they emit 20% to 30% less CO₂ emissions compared to gasoline models. HMC's first CNG vehicles were 11.5 ton waste transport trucks and buses launched in 2000. In 2010, we developed a CNG Hybrid Electric Bus 'Blue City' to further reduce CO₂ emissions. We have released a natural gas version of our popular Santro in India where CNG is more widely used. We also released the i10 Bi-fuel model at the end of 2011, which runs on both LPG and gasoline.

Hybrid Electric Vehicle

Development of Proprietary LPi hybrid system and gasoline hybrid systems

The Hybrid Electric Vehicle (HEV), which has gained significant popularity as a greener alternative to conventional vehicles, is powered by both an internal combustion engine and an electric motor, a combination which leads to a reduction in fuel consumption and improved performance when compared to conventional vehicles. HMC has developed several HEVs starting with its first HEV concept car, the FGV-1 Hybrid in 1995. In 2004, we developed the Click Hybrid and in 2005 produced the Verna Hybrid.

In 2009, HMC mass produced the world's first LPi HEV, the Avante (Elantra) LPi Hybrid, for sale in the Korean market. In May 2011, we released the Sonata Hybrid which has outstanding fuel efficiency and performance characteristics in Korea and the U.S. and plan to expand our hybrid line-up with midsize cars and SUVs in the future.



Sonata Hybrid

Hard-type direct drive hybrid system The Sonata Hybrid is the first mass-produced gasoline hybrid model by HMC, based on the highly acclaimed Sonata. It is also HMC's first hybrid model developed for the overseas market. Equipped with a customized engine and six-speed transmission optimized for a hybrid system, it is the greenest midsize sedan in HMC's line-up for the mass market. HMC developed a custom hard-type hybrid system, called the Direct Drive Hybrid (DDH) system, which is a proprietary parallel hybrid drive system different from the power split system employed in our competitors' hybrid models. By employing the DDH system that employs smaller electric motors and is simpler in structure than competitors' system, the Sonata Hybrid boasts excellent fuel efficiency while keeping price comparatively low.

The DDH system also has more dynamic performance because the engine transmits power directly to the wheels. Thanks to its unique configuration, the Sonata Hybrid has an excellent highway fuel efficiency rating of 40mpg, giving it a competitive edge in the U.S. market. It also has an excellent city fuel efficiency rating of 35mpg which is on a par with or higher than most competitor models in its class.

The Sonata Hybrid is also the world's first hard-type HEV equipped with lithium-ion polymer (Li-ion) batteries with four layers of safety features to ensure fail-proof operation.

Plug-in Hybrid

Preparing for the launch of the Plug-in Hybrid Car in 2015 HMC is aiming to release a mid-size Plug-in Hybrid car in 2015. Plug-in Hybrids are HEVs with larger batteries which can be charged using an external power source, which allows them to be driven as an electric vehicle using the electricity stored in the battery. Once the battery is drained, it can be driven as an HEV using both the internal combustion engine and the electric motor system.

Electric Vehicle

2011 BlueOn EV demonstration program, Aiming to launch a compact car EV by 2015

Electric Vehicles (EVs) have come under the spotlight as a key sustainable mobility option with the need to reduce CO₂ emissions and the inevitable depletion of oil supplies. In addition to EV development, we are also strengthening partnership with relevant stakeholders to enable the commercialization of EVs. For instance, we signed an MOU with the Korean Electric Power Corporation (KEPCO) to collaborate on the development and standardization of EV chargers.

BlueOn EV

HMC has released a number of EVs including the Sonata EV in 1991 and the BlueOn in 2010. The BlueOn EV is equipped with a lithium-ion polymer battery and a range of new electric drive components to provide top class performance. It has an incredible range of 140km on a single charge. The top speed of the BlueOn is 130km/h and it can accelerate from zero to 100km/h in 15.7 seconds. All high voltage components were designed with comprehensive safety features and have undergone extensive testing to ensure they are reliable and safe. Many of the components were developed domestically, strengthening the foundation for continued improvements in EV technologies in Korea.

HMC has supplied 30 BlueOn EVs to government agencies and regional government bodies as part of a demonstration program. 256 additional BlueOn EVs were supplied for this program between January and December 2011.

Participation in national research project on compact EV development

HMC is participating in the 'Green Transportation System based on Next-generation Electric Vehicles' commissioned by the Korean government, as one of 45 partners including large corporations, SMEs, universities and research institutes. The participants plan to invest a total of 126.7 billion KRW: between May 2011 and April 2014, 67.2 billion KRW from government and 59.5 billion KRW from the private sector. Developing an affordable electric powertrain for a compact car is the ultimate goal of the project. The team is striving to achieve a driving range per single charge of over 200km, 0 to 100km/h acceleration time of 11.5 seconds, charging time of five hours for slow charging and 23 minutes for rapid charging.

Fuel Cell Electric Vehicle (FCEV)

HMC to participate in the 2011 FCEV demonstration project in Europe

Hydrogen is regarded as a compelling alternative to fossil fuels. FCEVs are operated as an EV using the electricity generated from the fuel cell where oxygen and hydrogen reacts. As a result, an FCEV has zero direct emissions just like an EV yet with higher energy efficiency and performance compared to an EV. In general, a FCEV is also at least twice more energy efficient compared to a conventional vehicle, making the



Tucson ix FCEV at the 2012 Beijing Motor Show



FCEV Northern Europe demonstration program

FCEV the most energy efficient vehicle technology available today.

HMC's most recently developed Fuel Cell Electric SUV is up to 3.75 times more energy efficient than comparable gasoline-powered SUVs. Since 1998, HMC has invested significant resources in fuel cell development in order to achieve the twin goals of better performance and lower cost. Recently, we successfully developed a metallic separator (bipolar plates) technology which led to a reduction in the fuel cell stack price to one sixth of its original price, dramatically improving mass production potential.

FCEV demonstration program

HMC has been operating an FCEV demonstration program in collaboration with the Korean government since 2006. HMC also participated in the North America FCEV demonstration program led by the U.S. Department of Energy between 2004 and 2009. FCEV demonstration program in Korea in the cities of Seoul and Ulsan with 48 Tucson ix FCEV was launched in 2009 and was successfully completed in 2011.

The third-generation Tucson ix FCEV has a fuel efficiency equivalent to 30.2km/L (UDDS), a driving range of 635km (UDDS) and a top speed of 160km/h. It has also improved low temperature start-up ability and can be started at minus 25°C (-13°F). Thanks to the modularization of core FCEV components including the fuel cell stack, drive train components and inverter, the size of the FCEV system was reduced by 20% and significant weight reduction was achieved.

Participating in FCEV demonstration program in Europe

HMC has succeeded to make significant achievements in the FCEV program conducted in Europe. For example, HMC signed MOUs with four Northern European countries on FCEV demonstration projects in January 2011, an MOU on participation in Clean Energy Partnerships with the German government in February 2011 and an MOU with Copenhagen city office for the supply of FCEVs in May 2011.

In October 2011, the European Parliament selected HMC as the sole implementer of the FCEV demonstration program. The EU Fuel Cells and Hydrogen Joint Project also picked the HMC ix35 (Tucson) as the demo FCEV for a demonstration program in Denmark and Norway. HMC has also supplied third generation ix35s to the Danish government. HMC's participation in the demonstration programs in Europe will lay the foundation for HMC's leadership in the alternative fuel vehicle market. HMC will further strengthen its capacity in FCEV technologies through these experiences.

INTERVIEW

WOONG-CHUL YANG

VICE CHAIRMAN, ENVIRONMENTAL TECHNOLOGY CENTER



Please can you tell us about HMC's Blue Drive strategy.

The Blue Drive strategy focuses in the short term on improving the performance and fuel efficiency of conventional vehicles and in the long term on achieving sustainable mobility through the development of alternative powertrain vehicles. More specifically, we are focusing our efforts on the development of Hybrids, Electric Vehicles and hydrogen Fuel Cell Electric Vehicles. We released the Sonata Hybrid first in North America and then into the Korean market in 2011. Equipped with precision clutch control and a number of exciting new technologies, the Sonata Hybrid can smoothly shift between EV operating mode and the HEV mode. It also has excellent fuel efficiency and world class performance characteristics. We have also developed our first EV in 2010 which can be driven on highway called BlueOn, and which is currently being tested in a demonstration program in Korea. The Tucson ix FCEV, a third generation FCEV with improved fuel efficiency and driving range was also recently completed and supplied for demonstration programs in Korea and Europe.

Faced with peak oil and climate change, key stakeholders including governments and consumers are now demanding green vehicles more than ever. What is your prediction on how the green vehicle market will develop?

The Hybrid Electric Vehicle (HEV) market is the fastest growing among green vehicles because it doesn't require investment in the alternative fuel infrastructure. Japanese carmakers currently dominate the market, but American and European carmakers

have now entered the race. Currently, the HEV market is dominated by mid-sized and smaller vehicles. However, I expect competition in larger HEVs including SUV models to intensify in the future. The market for EVs and Plug-in HEVs (PHEVs) is also growing considerably because of government incentives for the development and purchasing of vehicles powered using electric powertrain and therefore low emissions that satisfy strengthened emissions standards. The PHEV comes equipped with larger battery than HEVs, enabling EV-like operation for a short distance. Unlike EVs, PHEVs can run on gasoline using the internal combustion engine, and therefore do not require rapid-charging station for operation. However, a slow charging infrastructure is still needed for overnight charging of the batteries. Electric vehicles still have a long way to go largely because of the limited capacity of batteries and the high costs. For instance, an EV made using currently available technology costs two to three times more than comparable conventional vehicles, and has a driving range per charge of only 200km or less. The lengthy charging time is another obstacle to the commercialization of EVs. Nevertheless the age of the EV may come sooner than expected as there is strong support from governments and an increasing number of car manufacturers are moving into EV development. I predict that a small yet significant niche market will be developed with related businesses such as rapid charging stations and car-sharing being established. The high production costs of fuel cell stacks which generate electricity by facilitating a reaction between hydrogen and oxygen is a key obstacle in the commercialization of FCEVs. Establishment of hydrogen charging stations is another significant obstacle. Even though the commercialization of FCEVs will take longer

than other green vehicles many automakers including HMC, Toyota and Honda are investing in its development because FCEV has the potential to be the ultimate alternative to conventional vehicles and internal combustion engines. EV and FCEVs are expected to be the dominant green cars of the future. I expect EVs to become the leading mode of transport for urban and short-distance travel, if battery performance and cost can be improved and charging stations installed. The FCEVs are expected to be used by those who need transport over longer distances.

Please tell us more about HMC's plans to develop green cars.

The global automotive industry is striving to lower the cost of green vehicles as well as trying to overcome technological barriers. Carmakers are focusing on: simplifying systems (integration and downsizing parts), employing new technologies to transfer power and heat, developing next-generation batteries, developing a permanent magnet that requires less use of rare minerals and developing computer chips made from Silicon Carbide for automotive use. I am certain that progress in these R&D areas will drive down the price of the next-generation of green vehicles and in the near future improve their performance beyond even that of conventional vehicles. HMC is well placed to lead in the green vehicle market, with the internal capacity to develop core green vehicle components. We plan to further strengthen our R&D of advanced green vehicle technologies to be a leader in green vehicle technology.

2 REDUCING GHG EMISSIONS AT PLANTS

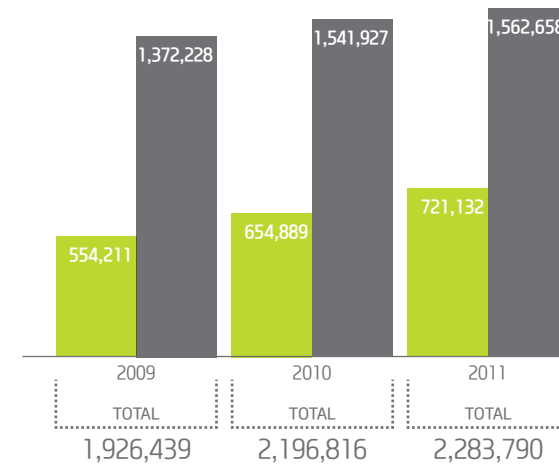
Balancing economic prosperity and environmental protection is central to HMC's goal to be a top global company. We are constantly working to reduce GHG emissions not just at our production plants but at all operating sites including sales offices, service centers and research centers.

On April 14th 2010, the Korean government passed a new law the 'Basic Law on Low Carbon Green Growth'. The government also set a national target for reducing GHG emissions, by 30% by 2020 and introduced 'GHG-Energy Target Management Scheme (TMS)' to control GHG emissions from large emitters. The TMS is a 'top-down' emissions reduction system which forces GHG reductions to achieve the 2020 target.

HMC agreed its first target for reduction of GHG emissions and energy use with the Korean government in 2011 and successfully delivered the agreed reduction despite a challenging business environment, abnormal weather conditions and oil price fluctuations.

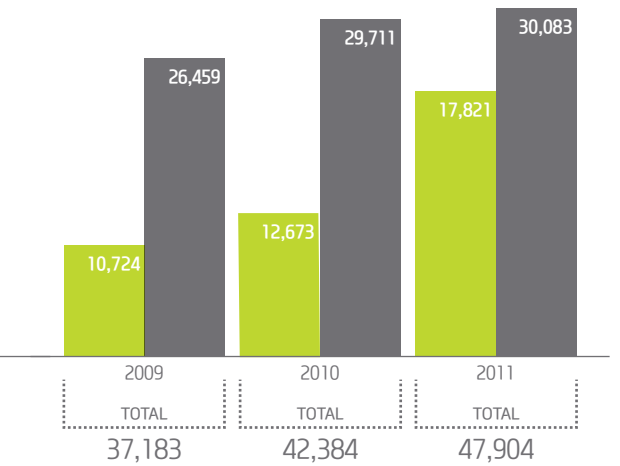
GHG EMISSIONS

(Global, Unit: tons-CO₂)



ENERGY CONSUMPTION

(Global, Unit: TJ)



2011 GHG emissions

2011-Participation in 'GHG-Energy Target Management Scheme'

HMC has been managing its GHG emissions and associated processes using the operation principles from the 'GHG-Energy Target Management Scheme' as a guide. According to the GHG data, calculated using governmental guidelines and verified by Lloyd Register Quality Assurance Ltd., the total GHG emissions from HMC's domestic operation sites was 1,541,927 tons in 2010 and 1,562,658 tons in 2011. The number of vehicles produced in 2011 increased by 8.5% to 1,892,254 units from 1,743,378 in 2010. Therefore, GHG emissions per vehicle produced decreased by 6.6% from 0.884 ton in 2010 to 0.826 ton in 2011.

The GHG emissions from three production plants, Ulsan, Asan and Jeonju, accounted for 85.9% of the total emissions. The remaining 14.1% of the GHG emissions were from energy use at buildings including R&D facilities, service centers, headquarters and sales offices. In 2011, the proportion of direct (Scope 1) and indirect (Scope 2) GHG emissions was 35.8% and 64.2% respectively. This is due to a heavy reliance on electricity supplied from the national grid in the manufacturing process of automobiles.

According to our assessment, total GHG emissions from overseas production plants located in the U.S., China, India, Turkey, the Czech Republic and Russia increased 2.5 times from 285,000 tons-CO₂ in 2007 to 721,132 tons-CO₂ in 2011. This is due to increased production volumes at our overseas plants and to the addition of new production plants.

GHG emissions reduction activities at production plants

HMC has established a five-year plan (2011~2015) to reduce GHG emissions associated with production plants. The current target is a 5% reduction by 2015 compared to the 2005 levels. We plan to achieve a 10% reduction by 2020. The five year reduction plan is designed as a rolling plan intended to achieve the annual reduction goals set internally each year. The scope was revised in 2011 to cover all facilities managed by HMC, including R&D facilities, service centers, headquarters and sales offices. We have also identified three key emissions reduction strategies which are energy efficiency improvements, introduction of advanced CO₂ emissions processing (capture and storage, absorption) and the increased use of renewable energy.

< U l s a n P l a n t >

We invested more than 8.4 billion KRW to install heat pumps which enable us to collect and reuse waste heat from our painting shops in 2008 and 2009. We also introduced high-efficiency inverters and a number of facilities to improve energy efficiency. The new energy efficient facilities have successfully offset our increase in energy use due to the expansion of the plant.

An investment of 2.7 billion KRW was made to install a high efficiency lighting system which led to an annual CO₂ emissions reduction of 6,805 tons. Utilizing the steam generated using waste heat from the incinerator located in the Hyundai Heavy Industry has also contributed to the immense reduction in CO₂ emissions of 11,046 tons per year since 2010. Replacement of old energy supply utilization-related facilities led to a reduction of 10,465 tons of CO₂ emissions in 2011. We plan to invest 6.9 billion KRW to achieve a reduction of 18,103 tons-CO₂ per year in 2012.

Introduction of advanced management system for GHG reduction

The Ulsan Plant became the first plant in Korea to receive ISO 50001 energy management system certification on December 28th 2011. The ISO 50001 certification standard was announced in June 2011 and the Korean Energy Management Corporation, a government affiliated energy efficiency improvement promotion agency, had been encouraging Korean companies to adopt the standard. The implementation of the advanced energy management system at the Ulsan Plant reinforced top management's dedication to energy efficiency improvement and its four step process: plan, do, check and action.

< A s a n P l a n t >

The 2011 production volume at our Asan Plant was the highest ever at 302,650 units, up by 5.1% from 2010. As a result, the total GHG emissions increased from 2010, yet GHG emissions per vehicle produced decreased by 3.1% due to the implementation of various efficiency improving measures.

Replacement of the steam supply system in the paint shop, which previously consisted of an external gas boiler generating steam and then transferring by pipe, was one of the most effective energy efficiency improvements made. The new steam generator uses natural gas and has a much higher thermal efficiency leading to a significant reduction in GHG emissions. Further improvements will be implemented in the future, including installation of high efficiency LED lamps and improvements to the manufacturing process, in order to achieve further reduction in GHG emissions and energy use.

< J e o n j u P l a n t >

In 2011, annual GHG emissions at our Jeonju Plant decreased by 1% to 139,111 tons-CO₂ from 141,315 tons-CO₂ in 2010, while production volume increased by 5.3% to 64,235 buses and trucks. Reducing the defect rate at our part manufacturing plant and integrating the heat treatment operations helped reduce our energy use and in turn lower CO₂ emissions by 2,200 tons-CO₂. Over 2,600 metallic lights (430 watt per bulb) in the truck assembly lines and materials processing plants were replaced with high efficiency fluorescent lights (162 watt per bulb) and induction lights (150 watt per bulb), leading to a reduction of 1,115 tons-CO₂.

Other energy efficiency improvement measures were implemented including the installation of a centralized control system to operate a direct-fired heater to reduce unnecessary use during off hours and break periods and the installation of auto traps which prevent the loss of pressurized air by removing moisture in high pressure air pipelines.

< O v e r s e a s P l a n t s >

Reducing overseas GHG emissions

At HMC's Czech Plant the focus was on achieving an immediate reduction as local regulation requiring this recently came into effect. Meanwhile at all other HMC plants overseas we are voluntarily working to reduce emissions due to growing concern about climate change and rising energy prices. According to our calculations total GHG emissions at six HMC plants located in the U.S., China, India, Turkey, Czech Republic and Russia have increased by 10.1% from 654,889 tons-CO₂ in 2010 to 721,132 tons-CO₂ in 2011. This is due to an increase in the overall production volume including operations at a new production plant in Russia.

Czech Plant (HMMC) | The Czech Plant will be subject to the European Union Emission Trading Scheme with emission allowances and a reduction target, starting in 2013. In 2009, we established a GHG emissions inventory and have been achieving significant reductions in GHG emissions through measures such as improving energy efficiency of paint shop ovens and the optimization of T/UP booth operation.

In 2011, 600 metallic lights in our transmission manufacturing plant were replaced with more energy efficient compact fluorescent lights with a Digital Addressable Lighting Interface, leading to energy savings of 800MW. In addition, an advanced lighting system will be installed at the new transmission plant, which will be operational from 2012 and will result in savings of 490MW of electricity.

U.S. Plant (HMMA) | The U.S. EPA introduced a Mandatory Reporting Rule in 2011. Accordingly, the HMMA made its first GHG emissions report to the EPA on September 2011. Most of the direct GHG emissions from HMMA are associated with natural gas use at the paint shop and therefore efforts to reduce emissions have concentrated on measures such as optimizing oven operation, lower operating temperatures and reduced RTO initiation time from 7.5 hours to 5.5 hours. Further reductions in natural gas use and GHG emissions are expected with the installation of the waste heat reuse system in the near future.



Installation of high energy efficiency lights at Czech Plant



China Plant (BHMC) | HMC built its first and second plants in China in 2002 and 2007 respectively, with a combined annual production capacity of 600,000 units. A new plant with a production capacity of 400,000 units will be completed in 2012, expanding the total capacity to one million units per year. Faced with a significant increase in energy use, we are focusing on the following three activities to reduce energy use. First, we are improving energy management by eliminating unnecessary lighting and heating. We are improving our electricity system and optimizing the assembly robot operations to reduce electricity use during the manufacturing process. Lastly, we are replacing outdated equipment such as old heaters in the engine assembly lines with more efficient equipment.

India Plant (HMI) | Although per-capita GHG emissions in India are some of the lowest in the world, India is still the third largest GHG emitter, after China and the U.S. We have two plants, the first built in 1998 and the second in 2007, with an annual production capacity of 650,000. HMC is striving to improve the energy efficiency of the two plants in order to contribute to the mitigation of emerging energy shortages in India.

First, we identified sources of unnecessary energy use such as air conditioning and lighting in unoccupied areas and installed advanced control devices such as sensor-controlled lights. We also implemented energy patrol schemes to ensure the elimination of unnecessary energy use during off hours and break times. Inverters were installed to improve the efficiency of energy intensive devices such as fans and pumps. External lighting fixtures are gradually being replaced with high efficiency LED lamps and solar electricity-powered street lights were installed at the plant gates, reducing energy use whilst generating some positive publicity.

Russia Plant (HMMR) | High energy efficiency was a high priority objective during the construction of the Russian Plant, which became operational in 2011. For example, high efficiency condensing boilers and direct heat ovens were fitted. We also installed inverter type motors in order to minimize electricity use. Our indoor temperature control system adjusts the amount of fuel burned for heating by monitoring changes in indoor temperature, while maintaining the temperature within two degrees of the target temperature and minimizing fuel use.

Turkey Plant (HAOS) | HMC's Turkey Plant is subject to a government regulation on energy use and resource efficiency improvement (Acceptance date: October 25th 2008) which was created as part of the Energy Efficiency Act (Law No: 5627, Acceptance date: April 18th 2007). As a result, we have been receiving annual energy management training in addition to submitting annual energy reports the Energy and Resource ministry.

We have implemented a long list of energy saving measures which includes; the introduction of a real-time energy use monitoring and control system, the incorporation of a waste heat recycling system using the paint shop steam, the optimization of the paint shop oven flame intensity, reduced oven preheating time (by 30 minutes), shortened air-heating unit operation time (by 1 hour), automated building temperature and light control system, optimization air pressure (7 bar → 6.5 bar), the employment of high efficiency pumps and motors, the introduction of high efficiency lights and much more. Further efforts will continue to be made to further reduce energy use in the future.

< Namyang R & D Center >

Reducing GHG emissions from buildings

GHG emissions from buildings including R&D facilities, service centers and headquarters account for 14.1% of total emissions from HMC's domestic operation sites. HMC's efforts to reduce CO₂ emission associated with its buildings began in 2008. We have included these buildings in the scope for corporate GHG emissions reduction since 2010.

Significant achievements were made in 2011 thanks to the introduction of energy efficiency improvement equipment and renewable energy. For example, building and street lights were replaced with high efficiency LED lights, which consume 80% less electricity than incandescent lights and do not release mercury and harmful gases. In December 2011, 168 LED lamps (60 watt per bulb) were installed in our offices and in November 2011, 40 LED lamps (165 watt per bulb) were installed on streets.

In July 2010, we installed a 50kW solar electricity system on the roof of the recently completed R&D Museum. In addition, a 10kW system was installed at our Quality Assurance Center building. The electricity generated from these systems is used to power the lighting and climate control systems of the respective buildings, reducing annual CO₂ emissions by 41.6 tons. The R&D GHG emissions reduction task force, created in February 2010, has come up with 23 ideas to reduce emissions, including the recovery of unspent fuel in test vehicles, optimizing the coolant amount in test equipment, energy efficiency improvement of personal computers and enabling power-saving mode in heaters and air conditioners. The task force spent 1.2 billion KRW on reduction activities and achieved a reduction of 3,338 tons-CO₂.

<Headquarters and other facilities>

Adjusting the operating mode of water coolers and the air-fuel ratio of boilers installed at the HMC headquarters resulted in significant energy savings and a cost saving of 53 million KRW. Installation of the heat to electricity conversion device at the glass elevator contributed to a saving of 1.1 million KRW in electricity. Motion detection sensors were installed for lights in emergency staircases and restrooms at the Rolling Hills Hotel to save electricity. Lights in guest rooms were also replaced with energy efficient LED lamps.



LED street lamps installed at Namyang R&D Center



Namyang R&D Center solar electric system

RECYCLING

Dwindling natural resources has become a serious threat to the sustainability of the global community, making improved resource efficiency and the reduction of environmental impact necessary requirements for all corporations who have a sense of responsibility. HMC as a responsible corporate citizen, is striving to help achieve a recycling-based society.

VEHICLE RECYCLING

2015 target: Achieve 95% vehicle recoverability rate by weight

We are striving to minimize vehicle waste at the end of the vehicle's life. For example, we have made significant investments to the development of recyclable materials and recycling technologies. In addition, we have established the Automobile Recycling Center to process over 4,000 vehicles which are at the end of their lives, per year. HMC is also investing in research for 'Design for Recycling' and for more efficient vehicle recycling technologies that will generate less waste.

Recycling seat foam

The cushion foam used in car seats, which accounts for over 10kg per car, are made of urethane, which is a type of thermosetting polymer, which is far more difficult to recycle than other types of polymers and plastics. Despite the challenge, HMC developed a custom designed process to produce materials which could be used in the noise absorbing panel by shredding the foam and mixing it with PET fibers, thereby enabling the recycling of seat foam. The materials made using the recycled seat foams are currently used in luggage partitions and will be used more widely shortly, including luggage compartment trims and insulation pads.

Automobile Recycling Center

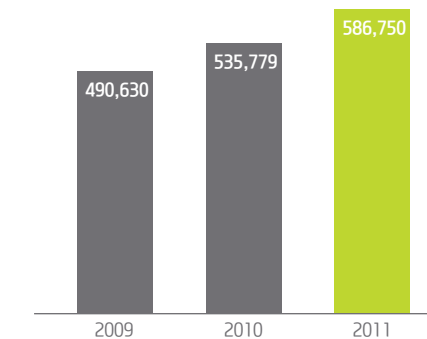
An Automobile Recycling Center (ARC) was established within the Namyang R&D Center for the efficient recycling of vehicles at the end of their lives and for the development of vehicle dismantling technologies. The ARC has an eight step process designed for efficient dismantling and recycling of vehicles. New recycling techniques and technologies are developed at the center, which are then transferred to external vehicle recyclers. We are also developing a low-cost vehicle dismantling system for use by small scale automobile recyclers. The center hosts visitor days more than 10 times a year and hosts seminars on the introduction of new vehicle recycling technologies.

Recycling green vehicles

Recycling Hybrid Electric Vehicles (HEV) requires special skills and processes because they are equipped with high voltage batteries and electric components. HMC is supporting the safe recycling of its HEV by supplying manuals on how to handle the high voltage lithium ion battery of the Avante Hybrid and Sonata Hybrid to vehicle recyclers. HMC will also continue to work towards developing recycling technology for HEVs and EVs to ensure the efficient and safe recycling of green vehicles.

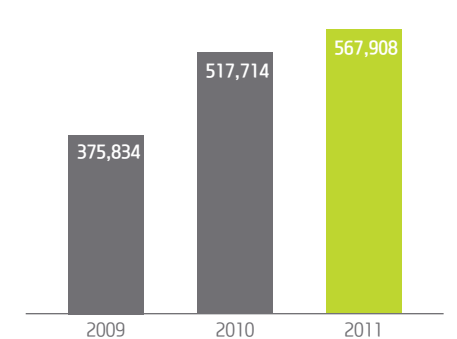
TOTAL AMOUNT OF WASTE GENERATED

(Global, Unit: tons)



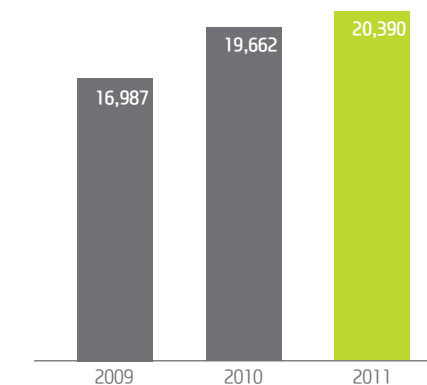
TOTAL AMOUNT OF RECYCLED MATERIALS

(Global, Unit: tons)



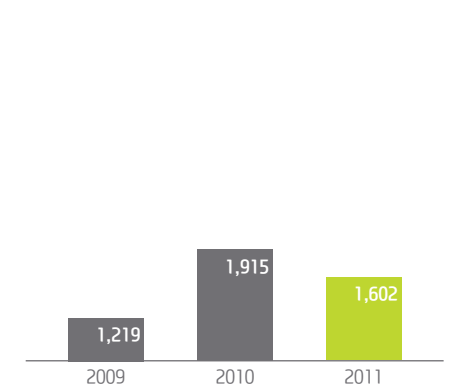
WATER USAGE

(Global, Unit: 1,000 tons)



WATER RECYCLED

(Global, Unit: 1,000 tons)





2 MINIMIZING WASTE

Improving the waste treatment process

In 2011, the total amount of waste produced increased to 586,750 tons, a 9.5% increase from 2010. The increase in waste volume was largely due to the construction of a new engine and transmission manufacturing plant in Korea.

Waste from automobile manufacturing consists mostly of waste paint and thinners from the paint shops, packaging materials made of vinyl, paper and wood used for shipping parts, and molding sand used for the production of parts such as engine cylinder blocks. All metal scraps are recycled by HMC or outside recyclers for use in other industries.

In order to reduce waste and improve recyclability, we have replaced real-time waste collection methods with sequenced collection methods to improve the separation and collection efficiency of different materials.

We have also developed and applied a new technology to reduce the water content of paint sludge to 40% in order to improve the incineration efficiency of the sludge. Installation of waste paint compression equipment is also contributing to a reduction in paint waste.

3 RECYCLING WATER

Zero discharge system in Asan and India Plants

HMC has been paying particular attention to the issue of water shortage. Recognizing the need to reduce water usage, HMC has implemented a zero-discharge water circulation system, which reprocesses and reuses water within our plants in Asan, Korea and India, which has been suffering from water supply shortages since 2006. The zero discharge system processes all waste water within the plant for reuse and therefore, does not release any waste water into local water bodies. The system is helping contribute to a significant reduction in overall water use associated with vehicle manufacturing.

We have also installed a water reuse system that reprocesses and recycles vehicle cleaning water used during the electro-coating process. Furthermore, we have installed water saving devices in bathrooms and other water using facilities at Headquarters and the R&D Centers.

In 2011, HMC's total global water use was 20.39 million tons, which was a 3.3% increase from the previous year. However, per sale use of water was 26 tons per 100 million KRW, which was a decrease of 11%. The amount of water resources recycled has decreased by 16% due to problems with our zero-discharge water circulation system in India.

HAZARDOUS MATERIALS



HMC has established a comprehensive hazardous materials management system in order to minimize problems associated with the use and disposal of hazardous materials in the production, use and disposal of vehicles. We are also collaborating with suppliers to develop alternative materials that comply with regulations and are safer for the environment and people.

Restrictions on the use of materials with potentially negative environmental and health effects are becoming stricter in many advanced nations. In July 2003, the EU passed legislation that limits the use of four hazardous heavy metals including lead, cadmium, hexavalent chromium and mercury. Then in June 2007, the EU passed new chemical management regulations, named 'REACH', which require registration, reporting and authorization for chemicals that are used in the EU region in amounts greater than one ton per year.

Strict regulations and even a ban on the use of hazardous materials are being adopted in an increasing number of regions. For example, the Korean government placed a ban on the use of four heavy metals, and the Canadian government has adopted a new policy that requires companies to report the use of certain chemicals. The U.S. government has also placed a ban on the use of ozone depleting chemicals and launched the Green Chemistry Initiatives. Finally, the Chinese government has placed a ban on the use of four heavy metals and bromine flame retardant.

We are striving to ensure that none of the banned or restricted chemicals are used in our final products. We are also making strong efforts to develop alternative materials that will meet the new regulation standards before we even need to.

1 ELIMINATING THE USE OF FOUR HEAVY METALS

Establishing HMC Global Standard on four heavy metals

HMC has placed a complete ban on the use of four heavy metals (lead, mercury, cadmium, and hexavalent chromium), which are known to be hazardous to human health and the environment. Our efforts to find alternative materials to the four heavy metals began in 2002. In 2006, we created a voluntary ban on the use of these four heavy metals with the announcement of the 'HMC Global Standard on four heavy metals', with a strict timeline for phasing out the four heavy metals. Following the phase out plan, in July 2003 we began prohibiting the use of the heavy metals in all cars produced for sale in Europe. From January 2008, all HMC vehicles sold in the Korean market were made free from the four heavy metals. In 2009, we began enforcement of our policy on ban of the four heavy metals in all cars produced in our overseas plants for sale in markets with relevant regulations. We plan to expand the scope to include all vehicles, even those sold to markets that do not have the relevant regulations yet.

2 RESPONDING TO EU REACH

Implementation of EU REACH compliance process

The EU REACH (Registration, Evaluation, Authorization, and restriction of Chemicals) policy became effective in 2007. Commonly referred to as the 'No Data, No Market' policy, REACH requires all companies manufacturing or importing chemical substances into the EU, in quantities of one ton or more per year, to register these substances.

As of mid-2012, 73 chemicals have been identified as Substances of Very High Concern (SVHC) and 14 substances has been identified as substances that require authorization for use, due to their potentially negative impact on health and environmental impact.

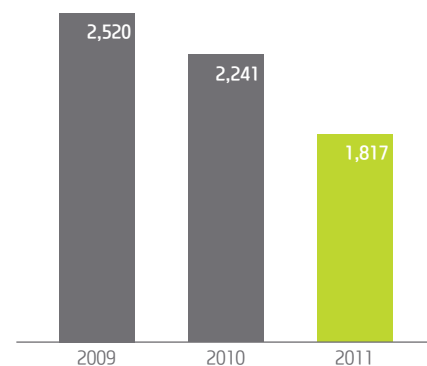
In response to the implementation of this directive, HMC created a chemical substance management system and a database containing materials information in order to reduce not only the chemicals currently subjected to EU REACH but substances which are likely to be subjected to restrictions in the future.

3 PROHIBITION ON THE USE OF OZONE DEPLETING CHEMICALS

The use of Ozone Depleting Chemicals (ODC) leads to an increase in the risk of skin cancer and causes significant damage to the ecosystem. Since 1989, the U.S. imposed strict regulations on the use of ODCs and placed a special tax on the use of these substances. The Korean government also instituted a ban on the use of chlorofluorocarbons (CFCs), halon, and carbon tetrachloride (CCl₄) in 2010. The Korean government plans to institute a ban on the use of methyl chloroform (1,1,1-TCE) after 2015. HMC prohibits the use of ODCs at all of its production facilities in Korea. We are also monitoring the use of ODCs by our suppliers and have been maintaining full compliance.

HAZARDOUS CHEMICALS USED

(Domestic, Unit: tons)



4 ESTABLISHMENT OF A HAZARDOUS CHEMICALS MANAGEMENT SYSTEM

A comprehensive electronic database that tracks data including the weight of parts and materials information and an effective supplier communication network is necessary in order to comply with the various regulations on hazardous chemicals. In 2004, HMC joined the International Material Data System (IMDS), which was created in collaboration with a group of automakers to enable more effective management of hazardous materials used in automobile parts and to ensure regulation compliance from the vehicle development stage.

We also developed a propriety chemical management system, 'e-Chemical Management System (e-CMS)', which creates a customized database using the information collected using the IMDS system. Scope has also been expanded to vehicles sold in markets that do not have strict regulations yet to preemptively meet new standards. A regular check-up system is also in place at each manufacturing plant to check for the use of hazardous chemicals. In 2011, the total amount of hazardous materials used in domestic operations was 1,817 tons, down by 19% from a year ago.

Preventing workplace exposure to carcinogens

Establishment of Carcinogen Management Task Force in 2011

The negative health impact associated with exposure to carcinogens such as benzene, asbestos and formaldehyde has become a significant social issue for labor unions, consumers, the media and NGOs.

For example, the EU introduced REACH in 2007 and the Global Harmonized System (GHS)-based Classification, Labeling and Packaging Regulation in January 2009, strictly limiting the use of hazardous chemicals. The Ministry of Employment and Labor and the Ministry of Environment are in the process of drafting a revised, GHS-based, hazardous chemical management policy as well. Regulation in the workplace on exposure to carcinogens is expected to become stronger due to the sustained increase in the number of cancer patients.

Although, lifestyle habits such as smoking are regarded as the most important causes of cancers, chemical exposure in the workplace are also known to be significant causes of cancers. HMC has been strengthening management policy

on the use of carcinogenic materials in order to protect its employees from occupational cancers. In October 2011, a Carcinogen Management Task Force was established and their work led to a formal agreement between the labor union and management regarding the replacement of 15 carcinogenic chemicals and three highly hazardous chemicals with safer substitutes.

The task force conducted a survey on the use of the 18 chemicals using the Material Safety Data Sheets (MSDS) and identified 236 products containing one or more of the 18 chemicals. Further research was conducted to assess the availability of replacement materials and management plans were established for each one of them. Work is under progress to introduce GHS/MSDS standards in order to improve the reliability of the MSDS. The task force plans to strengthen internal policy on carcinogenic materials and hazardous chemicals in order to create a safer working environment.

AIR QUALITY

HMC is developing new technologies including clean diesel engines and NOx emission technologies, whilst enforcing stricter internal emissions standards than current regulation require, with the goal of complete elimination of emissions from both vehicle tailpipes and plants.

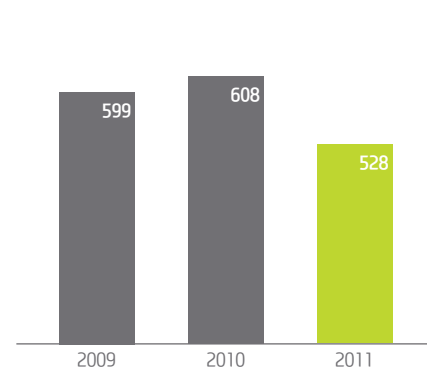
VEHICLE TAILPIPE EMISSIONS

Developing improved engines and emission reduction technologies

Tailpipe emissions have improved dramatically, however the increase in the number of automobiles and the population concentrations in cities have made further improvements necessary. In response, the EU has adopted the Euro 5 standard, which required new models to meet more stringent standards for PM and NOx emissions from September 2009 and required all models to meet the same standards starting in January 2011. The Euro 6 standard, which requires a 56% cut in NOx emissions from diesel cars compared to Euro 5, will become effective in 2014. In the U.S., the Californian government is requiring auto makers to sell an increasing number of vehicles that meets the zero emission vehicle standards. The Korean government also revised its clean vehicle standards, imposing much more stringent requirements for NOx and PM emissions.

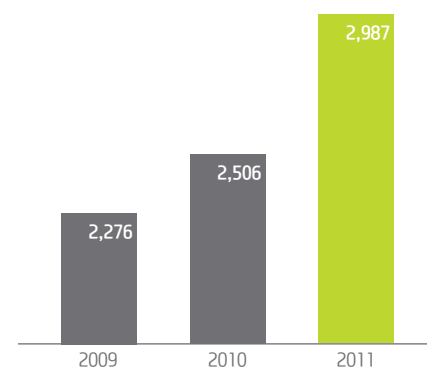
AIR POLLUTANT RELEASED

(Domestic, Unit: tons)



ORGANIC SOLVENT RECOVERED

(Global, Unit: 1,000 tons)



HMC is continuing to invest in emission reduction technologies in order to develop zero emission vehicles. For instance, a number of new technologies including an optimized combustion chamber design, high pressure fuel injection (1,800~2,000 bar), high efficiency turbocharger, low pressure exhaust gas recirculation system and catalyzed NOx reduction system are all now incorporated in our new diesel engine vehicles.

In Europe in 2009, we began selling a number of vehicles equipped with Euro 5 compliant engines. In 2012, we also released an all new Santa Fe model which satisfies the Euro 6 standard which will come into effect in 2014.

Clean diesel engines

Although diesel engines are more fuel efficient than gasoline engines, diesel engine exhaust contains higher concentrations of NOx and PM. However, diesel emissions can improve significantly using technologies such as the Common Rail Direct injection (CRDi) system, Diesel Particulate Filter (DPF), NOx catalyst and combustion improvement. Application of the technologies reduces NOx and PM in diesel emissions, and also reduces noise while improving performance.

In fact, the application of various emissions improvement technologies has improved diesel engine fuel efficiency making it 30% better than comparable gasoline engines. As a result, new diesel vehicles emit up to 20% less CO₂ emissions. We have developed Euro 5 compliant clean diesel engines, the R and U2 engines, and produced compact cars and SUV models using these engines, for sale in Europe.

Development of NOx reduction technologies

Among the pollutants in diesel exhaust, soluble organic fraction in CO, HC and PM are all cleaned by the oxidation catalyst. Most of the PM in the exhaust is removed by the DPF. However, the solution for achieving a 56% reduction in NOx emissions compared to Euro 5 level, as required by the Euro 6 standard, is still under development.

We have strengthened our NOx reduction technology research including the development of the Lean NOx Trap (LNT), and a Low Pressure EGR System (LP EGR) for diesel engines. The LP EGR system can reduce up to 60% of NOx emissions through recirculation of low pressure exhaust which has been released from emission treatment devices. The new Santa Fe released in 2012 comes equipped with a newly developed R engine, compliant with the Euro 6 standard.



Clean diesel vehicle: the 'i' series

In 2007, HMC began the production of strategic European cars, the 'i' series, starting with a compact hatchback i30 followed by i10, i20 and i40. Although they are sold in some other markets, the i series are tailored to best meet the needs of European consumers.

Although the i10 is only offered with a gasoline engine, the i20, i30 and i40 are offered with the Euro 5 compliant U2 clean diesel engine. The i40, released in 2011, is equipped with a downsized high efficiency U2 1.7 liter clean diesel engine, resulting in best-in-class fuel efficiency of 21.7km/L and CO₂ emissions of 122g/km.

THE i SERIES EMISSIONS / FUEL EFFICIENCY / CO₂ EMISSIONS

(All figures are based on EU-type approval test results of the most efficient models)

i20

(Released on Mar. 2012)

U2 1.1	Emissions	Euro 5
	Fuel efficiency	31.8 (km/L)
	CO ₂ emissions	84 (g/km)

U2 1.4	Emissions	Euro 5
	Fuel efficiency	28.4 (km/L)
	CO ₂ emissions	94 (g/km)



i30

(Released on Mar. 2012)

U2 1.6	Emissions	Euro 5
	Fuel efficiency	24.4 (km/L)
	CO ₂ emissions	109 (g/km)



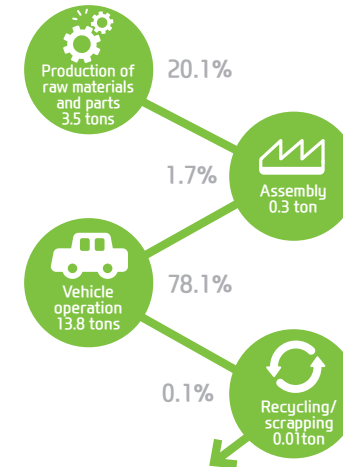
i40

(Released on Jun. 2011)

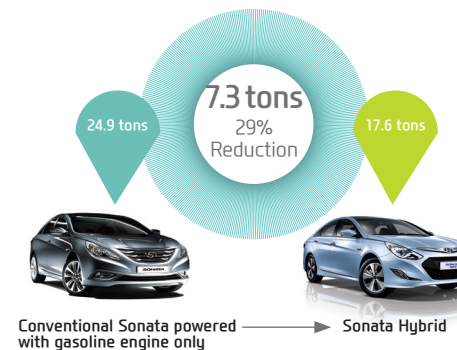
U2 1.7	Emissions	Euro 5
	Fuel efficiency	21.7 (km/L)
	CO ₂ emissions	122 (g/km)



SONATA HYBRID: CARBON FOOTPRINT



CO₂ EMISSION REDUCTION: CONVENTIONAL SONATA VS. SONATA HYBRID



- The Sonata Hybrid earned low carbon product certification in Korea.
- 7.3 tons-CO₂ reduction = amount of carbon sequestered by 1,090 pine trees

GLOBAL ENVIRONMENTAL WORKSHOP

HMC established the Global Environmental Workshop in 2010 to strengthen collaboration among our global teams and to improve our environmental regulation compliance. In 2011, a workshop was held to discuss new environmental regulations in the U.S. and Europe to enhance our understanding of emerging regulations and to strengthen networks among staff in charge of compliance management. The 2012 workshop is expected to focus on improving effectiveness in regional environmental regulation responses.



CARBON FOOTPRINT REDUCTION

Since 2009, HMC has been calculating the carbon footprint of new models over the complete product life cycle including the production, use and disposal of vehicles. The calculation results are expressed in tons of CO₂, and the data collected is used as the basis for achieving further carbon footprint reductions.

In 2011, we calculated the carbon footprint of six new models including the Veloster, Accent, Grandeur (Azera), i30, i40, and Sonata Hybrid. Among these, the Sonata Hybrid achieved a 29% reduction in its carbon footprint and was awarded a low carbon product certification granted to products which have achieved more than 4.24% reduction in emissions compared to the baseline. The difference in the carbon footprint reduction of the Sonata Hybrid compared to the non-hybrid model was 7.3 tons. According to the assessment, the hybrid drivetrain was capable of achieving a 35% reduction in the CO₂ emissions associated with vehicle use, which has the added benefit of significant savings on motoring costs.

Reductions were also made in other models. For example, the carbon footprint of the Grandeur (Azera) was 4.4 tons less than comparable models in its class. The i40 wagon also had a 1.7% smaller carbon footprint than comparable models. We worked with TÜV Nord, an internationally recognized certification agency which issued LCA (Life Cycle Assessment) certification for the Tucson ix in 2010, and, for i10 and i20 in 2011. The test results confirmed that life cycle CO₂ emissions of the i10 and i20 were reduced by 7.9% and 12.9% assuming a life cycle driving distance of 150,000km.



WORKING TOGETHER FOR A BRIGHTER TOMORROW

New values are created only through interaction with others and HMC grew into a global automaker thanks its positive interaction with stakeholders. HMC will continue to engage and collaborate with different members of society and aim to build a sustainable future through CSR activities.

58
Employees

72
Customers

80
Suppliers

85
Local
Communities



SOCIETY

EMPLOYEES
NO. OF EMPLOYEES

86,428

UP 7.8% FROM 2010

CUSTOMERS
JD POWER IQS

108^{PP}

44% IMPROVEMENT
AGAINST 2001

SUPPLIERS
SHARED GROWTH FUND

40 BILLION
KRW

69 BILLION KRW
FOR 2012

LOCAL COMMUNITIES
CSR EXPENSES

75.2 BILLION
KRW

UP 12% FROM 2010

EMPLOYEES

Employees are the foundation of corporations. They hold the keys to their growth. The personal development of each and everyone of its employees is a requirement of any great company. Recognizing the importance of its people, HMC is striving to provide a nurturing environment.

1

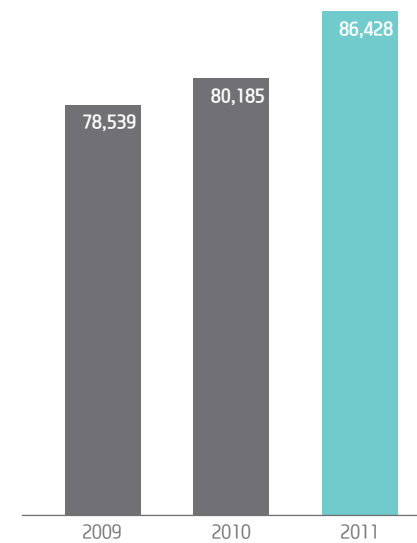
EMPLOYEE STATUS

By the end of 2011, the total number of employees has increased to 86,428, a 7.8% increase from 2010. Slightly more than 66% of employees (57,303) are stationed in Korea. The employees stationed at overseas operation sites have also increased to 29,125, up 22.8% compared to a year ago. The increase in the overseas workforce is due to new employees hired because of the expansion of manufacturing plants in India and China and due to increased production activities at plants located in the Czech Republic and Russia.



TOTAL EMPLOYEES

(Unit: persons)



KOREA-BASED EMPLOYEES BY JOB-TYPE

(Unit: persons)

	2009	2010	2011
General Administration	11,179	11,355	11,502
R&D	6,224	6,790	7,700
Production & Maintenance	32,036	31,765	31,568
Sales	6,304	6,270	6,264
Others	284	281	269
Total	56,027	56,461	57,303

OVERSEAS EMPLOYEES BY REGION

(Unit: persons)

	2009	2010	2011
North America	5,841	5,005	5,149
Europe	4,430	3,974	6,499
China	7,117	7,443	9,625
India	4,947	5,511	5,795
Others	177	1,791	2,057
Total	22,512	23,724	29,125

Increasing local hiring

22.8% increase in overseas employees with the plant expansions and increased production volume

We are steadily hiring an increasing number of local staff as our operations are becoming increasingly global. For example, the number of employees in North America and Europe increased by 2,669 to 5,149 and 6,499, respectively. The number of employees in China and India increased even more significantly to 15,420 up by 19% compared to 2010. Local hiring is expected to increase further as our overseas production and sales activities increase. Our overseas operations are making a positive contribution to local communities by creating jobs and stimulating local economies, with the added benefit of enhancing HMC's brand image.

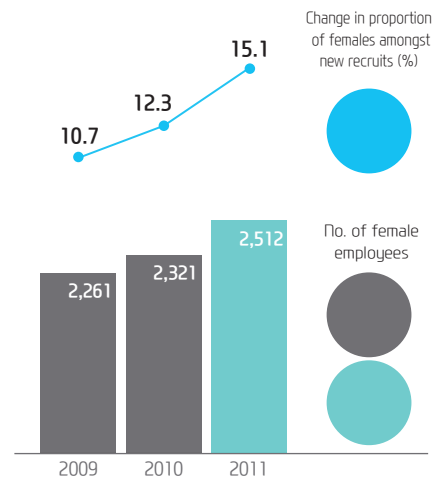
2

PROMOTING DIVERSITY

On the surface, rapid globalization has turned the world into several economic blocks where universal qualities are respected and similar goals are pursued. However, HMC recognizes that there still exists a strong need for personnel affairs policies which respect different lifestyles and cultures. Attracting talent from diverse backgrounds is a matter of strategic importance because the development of the right vehicles for different markets requires innovative ideas from people who understand each market. It is practically impossible for employees from a single culture and similar background to come up with innovative ideas that work for peoples of different cultures and tastes. Recognizing this, HMC is striving to create a corporate culture which respects diversity and creative thinking.

■ FEMALE EMPLOYEE STATUS

(Domestic, Unit: persons)



Increasing local hires and increasing the proportion of females are some of our key policies in promoting diversity within HMC. HMC will continue promoting diversity within our organization and will more effectively tailor our product lineup and business management strategies to meet the diverse needs of our customers in different regions, using the local knowledge and expertise of our employees.

Equal opportunity: attracting female employees

Increasing recruitment of female employees

Due to the auto industry's labor-intensive job characteristics, the balance of male and female employees is not very strong at HMC. Therefore, HMC has been making an extra effort to attract female talent to create a better balance, including a number of benefits ranging from work environment improvement to increasing the number of female employees. Thanks to these efforts, the number of domestically employed female employees has been increasing steadily and was 2,512 at the end of 2011, which is equivalent to 4.4% of the domestic workforce. The other benefits include 90-days maternity leave. Maternity leave of up to three years is available for employees working at certain overseas plants. Furthermore, childcare centers have been built at a number of operation sites for working mothers.



3

HUMAN RESOURCE MANAGEMENT

Our long term objectives are to promote diversity and to support an aging workforce. Strengthening the link between performance and reward, integrated human resource management for effective management of a global workforce, and fostering global competency are the three immediate human resource management objectives. HMC strives to be an equal opportunity employer and does not discriminate against race, age, gender or any other factors in all human resource management activities including recruitment. We are also actively protecting employees from human rights violations and striving to foster an open corporate culture.

Open recruitment

Introducing a new recruitment process through job fairs

To secure the very best talent, we are diversifying our recruitment channels. In 2011, we replaced our traditional biannual graduate recruitment program with a job fair-based system.

The new job fair system has been well received particularly for including an opportunity to communicate our corporate values and philosophy to interested people and or attracting talented students that understand and respect HMC's values. Participants were provided with opportunities to introduce themselves to allow recruitment officers to assess their qualifications and whether their talents matched with HMC's current needs. Students were also provided with opportunities to meet with HMC staff from specific areas, to enable their talents and interests to be discussed and assessed.

We have also implanted a number of innovative recruitment programs overseas. For example, the Global Top Talent Forum is a unique recruitment program where participants are briefed on HMC's research activities and achievements, followed by interactions to identify students with a strong interest in automotive research and adequate capacity to be part of HMC's work.

HMC also has a number of programs for the early identification and hiring of talented students including local scholarship programs, 'the H Innovator' internship program and global scholarship programs. The global scholarship program has a special significance because the program provides financial support to students in emerging economies. The program also has the practical benefit of securing top local talent as a part of HMC workforce.

We are continuously trying to diversify our recruitment channels and methods to attract top talent as we hope to lead the transformation of recruitment culture in Korea. For example, HMC was one of the first companies to utilize social network services to advertise job opportunities.

Increasing performance-based pay

Implementation of standardized employee evaluation system

Performance evaluation and compensation scheme has to be designed to boost job satisfaction and foster personal development, and to be managed in a fair and transparent manner.

HMC's reward scheme has strengthened the links between business performance and rewards, ensuring that employees are fairly evaluated and rewarded in respect of their achievements. We have also established a standardized job performance evaluation system for increased transparency and fairness.



All employees are evaluated both on their job performance and their development potential. We also conduct a 360 degree evaluation to increase the fairness and objectivity of the personal evaluation.

Unlike associates and deputy managers who receive standardized salaries regardless of job performance, employees in managerial positions receive performance-based salaries in order to strengthen the link between job performance and compensation. In addition, promotion criteria have been changed from the previous seniority-based system, which favored researchers with more experience, to a promotion point system that favors staff with significant achievements.

Improving employee satisfaction

Conducting all staff survey on employee satisfaction

HMC has been assessing employee satisfaction using a customized employment satisfaction index, the ESI (Employee Satisfaction Index), developed in 2008. The employee satisfaction assessment was conducted with all 18,280 employees stationed at headquarters and R&D centers, with a total of 92 questions in 11 areas including job satisfaction, performance evaluation, promotion, compensation and other benefits. The response rate was 54%.

The results indicated a slight decrease in overall job satisfaction compared to the previous year which is assumed to be a result of an

increase in the sample size. The result indicated that employees with longer experience were more satisfied than the junior staff. The survey results are used as a basis for improving areas which were identified as sources of dissatisfaction, such as personnel affairs policies and work environments.

Human rights protection

Online employee complaint program

We publicly announced the HMC Ethics Charter which conveyed our commitment to protecting the human rights of all members of HMC. We have reinforced our commitment to protecting human rights in all of our business conduct by selecting 'Respect for People' as one of our new five core values.

We are determined to comply with local regulations on human rights protection and to strive to promote human rights beyond what is legally required. Prevention of child labor and the provision of equal opportunities regardless of age and gender are some of the most important policies in all of HMC's affairs. Forced labor is also strictly prohibited at all HMC operation sites.

Policies on working hours, labor conditions and salaries at all HMC operation sites are designed to be fair and in full compliance with local labor laws and regulations.

Employee rights support programs We are currently operating an Employee Complaint Review Committee and an Employee Complaint Counseling Office to ensure the speedy resolution of all issues. A new online-based employee complaint center named 'Once Click HR' was established on November 2011. 'One Click HR' can be accessed from the company intranet 'Autoway' and users can file their complaint in one of six categories: work location, office conflict, job description, personal affairs, sexual harassment and others. Personnel affairs department then provides appropriate solutions to the employees. Employees receive regular classes on sexual harassment prevention and human rights protection. HMC also operates employee complaint processing units at its overseas sites and is making an effort to ensure full compliance with local laws and regulations.

Labor relations management

Entering a new era of collaborative labor relations

The enforcement of fair employment policies is the foundation of shared growth and positive labor-management relations. HMC management fully recognizes the freedom of association, the right to organize, and the right for collective bargaining. A large number of HMC employees who work at domestic sites are members of the HMC Labor Union. Employee representative bodies are also in place at our overseas operation sites. The Labor-Management Consultation Committee represents union members at Hyundai Motor India (HMI), and the Public Assembly of Beijing Hyundai Motor Company (BHMC) represents BHMC employees. The employees of Hyundai Motor Manufacturing in the Czech Republic (HMMC) have formed a union which has become a member of the large Czech metal workers union, OS KOVO. A Management-Labor Council is also in place where matters such as collective bargaining, the settlement of collective agreements and review of employee suggestions are discussed.

Salary negotiations and collective bargaining agreed for three consecutive years without a strike

Labor relations issues in a single company can sometimes lead to significant social conflict and the HMC labor union, the largest labor union in Korea, has been involved in many such conflicts in the past. Following our roadmap for improved labor relations, we are pursuing a long-term relationship of mutual benefits through regular management briefings and by holding honest discussions of labor issues. A dedicated advisory committee was also created to help ensure constructive employee-management relations. As a result, we have been able to settle salary negotiations for three consecutive years between 2009 and 2011 without a strike.

Many experts believe that the three successful salary negotiations can be interpreted as a new beginning for labor-relations and a shared growth. HMC management and the labor union are determined to respect all laws and policies on labor relations and to make an active effort to understand each other better to help establish a positive labor-management relationship.

Supporting an aging workforce

Signing a MOU with ministry of education, science and technology on academia-industry collaboration with the Meister High School

An aging society is an issue that can lead to complicated issues on many levels including reduced income for retirees, the devaluation of property, and reduced taxable income for governments. HMC is no exception to the risks of an aging society. In 2011, the average age of HMC employees engaged in production activities was 43, and the number of retirees was 250. We expect the number of retirees to rise to more than 1,000 per year by 2016. As a response, we have created the 'Aging Workforce Research Collaboration Team' with members of both management and the labor union, in order to identify and implement effective mitigation measures.

HMC signed an MOU with the Ministry of Education, Science and Technology on academia-industry collaboration with Meister High Schools, which are highly specialized high schools for the training of highly skilled industrial workers. The MOU sets out an agreement on the fostering of 1,000 expert industrial technicians for the advancement of the automotive industry. This new arrangement has been referred to as an exemplary solution for the dual challenges of job creation and maintenance of workforce capacity. The first 100 HMC Meister High School students were selected in February 2012.

4 HUMAN RESOURCE DEVELOPMENT

HMC is striving to foster a workforce with a global mindset, creativity and willingness to take on challenges. HMC's employee development philosophy of 'foster workers with leadership abilities and the capacity to create new values for a better future; and to promote open-mindedness in our organizational culture' was created to support the realization of our group vision of 'Together for a better future' and the instillation of core values in HMC employees. We offer a range of related capacity building training sessions to our employees. Employees in managerial and executive positions are offered sessions on leadership, expert skills and global competency.

Hyundai Motor Group Employee Development Institute has opened a new training center in Mabuk, Korea in 2012. Created to be a top quality human resource development center, the Mabuk Campus is equipped with top quality education facilities and innovative training programs for employees of various ranks and expertise. The Mabuk Campus will also serve as a place where HMC employees can develop a better understanding of HMC's corporate values, build capacity to innovate and ultimately contribute to the sustainable growth of HMC.

HMC also operates an e-learning center, the Global e-Campus, for the personal development of our employees. This offers a set of corporate training programs which can be accessed through Internet-enabled PCs and smartphones. Employees can take self-assessment tests and choose training modules most appropriate for their skills. The Global e-Campus also offers the opportunity to share feedback among trainees and support collaborative learning programs.

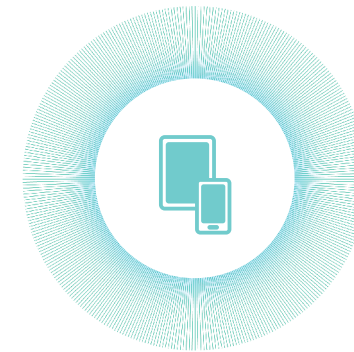
Core training modules

Implementing global human resource development standard

Last year, HMC's employee training program structure was renewed for more effective capacity building and personal development in line with the HMC long-term global human resource development strategy. The new training structure consists of four themes: Leadership, Professional, Value and Global.

The Leadership curriculum consists of several training modules designed for employees in different ranks, and aims to strengthen trainees global competency and capacity to generate positive business outcomes. The trainees are offered various exercises to develop their leadership skills during the training program, preparing them for leadership positions.

The Professional curriculum consists of the 'Academy' module, which focuses on core specialist skills, and the 'Innobiz School' module which focus on improving capacity for problem solving and increasing knowledge in new areas. The Value curriculum is designed for employees who have recently been promoted to enhance their understanding of HMC's management philosophy, vision and core values and their ability to uphold these in their role.



HYUNDAI MOTOR GROUP EMPLOYEE TRAINING PROGRAM STRUCTURE

Curriculum	Grade			
	Specialist (Team Members)	Operating Leader (Team Heads)	Directional Leader (Director)	Visionary Leader (Head of Division)
HLC (Leadership)	Leadership Competency Program	Leadership Pipeline Program		
HPC (Professional)	Professional Academy	InnoBiz School		
	Job Competency Program			
HVC (Value)	New Employee Orientation	Value Build-up Program		
		Organizational Development Program		
HGC (Global)	Regional Expert Program	Expatriate Program		
		Global Communication Program		
		Culture & Diversity Program		

* HLC: Hyundai Motor Group Leadership Curriculum, HPC: Hyundai Motor Group Professional Curriculum
HVC: Hyundai Motor Group Value Curriculum, HGC: Hyundai Motor Group Global Curriculum

TRAINING EXPENSES

	2009	2010	2011
Total training budget (in 100 million KRW)	142	304	362
Training expenses spent per employee (in 10,000 KRW)	25	54	64
Training hours per employee (in hours)	44	49	51

The Global curriculum focuses on increasing the global competency of the trainees, internalizing core values, fostering global leadership and enhancing the ability to communicate with staff and stakeholders from different cultures. The Global Human Resource Development Standard (GHRDS) curriculum is designed to provide structured training and professional development of our locally-hired personnel at overseas business sites. Developed at the HMC headquarter, the GHRDS curriculum consists of core training modules (HMC values, diversity, job skills) and complimentary custom modules developed by our overseas offices. Online versions of some of the core training modules have been created to provide high quality training for locally-engaged employees overseas.

Global competency building

Offering tailored training programs for building global competence

The Global Human Resource Development Standard (GHRDS) was established in 2007 to enable the effective personal development of our overseas employees including expatriate employees and those hired locally. In 2009, an on-line Global Learning Center was established as a part of our strategic global workforce cultivation program, which offers courses designed to build a common understanding of HMC's history, vision, management policies and core values. The Global Learning Center was also established to support the creation of locally-managed training programs that meet the needs of each subsidiary. The Global Learning Center will be further upgraded in the future as a central training resource that contributes to improved business performance. In addition, we are operating inward visit programs for locally hired employees stationed in overseas. Participants visit our domestic business sites including our R&D center and at the same time boost their understanding of Korean culture, foster a one-team spirit, and strengthen their sense of belonging. Our foreign language training program has been expanded with the increase in HMC's overseas business. We have extended our support by offering more online foreign language courses including Chinese and English courses. We also operate offline intensive English courses, English conversation programs, and the in-company English communication practice space 'Y.E.S (Your English Square)'. We are also experimenting with new methods to improve language skills such as conducting some of our regular training courses in English. Overall, HMC offers a comprehensive training program, tailored to individual needs and job requirements, to support the development of its employees.

Establishment of a Global HR Community As HMC's operations become increasingly globalized, global competency has become an important development goal for HMC employees. In 2010, we created the 'Global HR Community' within the company's intranet to help the development of global competency among HMC employees. It is full of information and useful tips based on the experiences of our employees based overseas, as well as guidelines for adapting to local culture in overseas operation sites. The site also offers administrative support to help staff prepare for going and returning from overseas. Full of lively details of the real life successes and mishaps of real of HMC staff, the online community has become an important resource for all HMC employees.

5

EMPLOYEES BENEFITS

A good work-life balance can lead to improved quality of life as well as increased productivity, efficiency and creativity. HMC is investing significant resources to ensure employees and their family members enjoy a high quality of life in good health. HMC provides statutory welfare benefits such as health insurance, industrial accident compensation insurance, national pension, health care benefits, and employment insurance. There are also a number of special benefit programs. For example, HMC provides opportunities to spend quality time with family and friends by providing paid long-service leave, family leave, and a variety of other vacation programs.

Housing support and other benefits

Introduction of new marriage support service in Korea

HMC provides employee housing and dormitories for employees with do not own a home and who are working at manufacturing plants. Long-term and low interest housing loans are part of the HMC benefits package. Such benefits are created to help our employees fulfill their dream of owning their own home and living a stable life. The 'Saemaul Treasury Fund', which is a cooperative fund created through employee savings, is available to employees for loans and the profits are distributed among employees as dividends. HMC also operates employee assistance centers that provide free legal services and other administrative support such as the issuance of various official documents.

A new 'marriage support service' was launched in 2011 for single employees seeking partners. The service programs include quarterly social parties, a match-making service and a wedding planner service.

Supporting leisure activities

Supporting club activities, cultural experiences and vacation camps

HMC supports diverse cultural and club activities for employees to help employees re-energize themselves and foster a corporate culture filled with positive energy and creativity. Every year, 'Happy Engine Concerts' are held at local HMC offices around the country to provide employees with opportunities to enjoy music. HMC also offers an online literature service for employees which has received positive review from a significant number of employees.

HMC also holds memberships to popular condominiums in prime vacation spots in Korea, which are rented to employees for their vacations year-around. HMC also offers camping grounds near by manufacturing plants for employees who would like to take a group vacation.

Pension benefits

Introduction of a new pension scheme

Adequate pension programs are essential as the average age of our society is rapidly increasing. Since 1988, HMC has provided pension benefits as a measure to provide social insurance for retirement. Pension plans consist of both national and personal pension plans. HMC contributes 20,000 KRW to personal pension plans per month. For the national pension plan, each employee pays 9% of their average salary into the program, HMC pays half of the pension installments.

6

HEALTH & SAFETY

Ensuring employee health and safety is an essential part of corporate social responsibility. HMC has been making a sustained effort to provide a safe and healthy working environment since its incorporation. Since assuring employee safety is our highest priority, we are taking various measures including industrial safety pre-assessment, accident prevention activities, increased investment in safety improvement facilities and safety training. In addition, we are also operating an industrial health and safety center, a health fitness center, and free health check-ups to ensure the best health of all our employees.

Safety

Industrial accident rate down by 24% in Korea and down by 43.2% in overseas

Due to the industrial characteristics of the auto manufacturing business, HMC employees are exposed to a higher risk of industrial accidents compared to other industries. Therefore, HMC has been offering comprehensive safety training to better protect employees from the risks. In addition, we are continuously improving safety, as well as improving physically demanding processes in order to create a more pleasant and safe working environment. Thanks to the efforts made, the number of industrial accidents decreased by 24%, lowering the accident rate to 1.22%. Sustained efforts will be made to achieve a zero accident work place in the nearest future possible.

Establishment of Environment, Health and Safety (EHS) management system HMC has the EHS system at the Asan and Ulsan Plants which meets occupational health and safety management systems (OHSAS 18001). The new system is interlinked with the existing Integrated Environment, Safety and Health System (i-ESH), which can be accessed via HMC intranet (<http://iesh.hmc.co.kr>). The 'i-ESH' system collects information and data on safety, health and environment related issues. The data is then repackaged into various forms of statistical data to be used by employees working at relevant work sites.

The senior management of HMC places the uttermost importance on employee safety with a focus on four core elements of man, machine, management and media. Detailed risk assessments are conducted every time any of the employees identify a potential risk and processes and changes are made when deemed necessary to ensure improved safety. A comprehensive risk assessment is conducted once every three years to proactively manage risks associated with new technologies and processes incorporated in each production plant.

Rigorous safety management system Each business unit at HMC operates a separate ESH team for rigorous safety management. We also have a Health & Safety Team staffed with qualified professionals including a professional physician who offers health consultation services to employees as well.



Furthermore, the Industrial Health and Safety Committee, which is comprised of an equal numbers of labor and management representatives, makes decisions on the company's ESH policies and other key issues to better prevent safety-related accidents and to continue improving overall workplace safety.

Overseas plant safety management HMC is making uttermost effort to protect our growing number of overseas employees from industrial accidents, with a firm understanding that ensuring the highest employee safety is a fundamental requirement of our business and also the foundation for high productivity.

In 2011, 'creation of safe work place' was made a top business objective of HMC and we began making renewed efforts to prevent industrial accidents and to maintain smooth production operations.

As a first step, we introduced an industrial accident data monitoring system and set a target rate, which are reviewed on a regular basis. The definition and reporting scope of industrial accidents varies by country and therefore each overseas plant has a slightly different target that best complies with local requirements yet is in line with relevant international standards. Various programs on awareness raising and accident prevention activities are conducted as well.

All employees receive mandatory safety training and other activities are conducted to eliminate potential risks as much as possible, including a safety check of all high-risk facilities and the installation of additional safety equipment. The increased efforts being made in safety are proving to be effective with a reduction in the industrial accident rate at overseas HMC plants from 1.18% in 2010 to 0.67% in 2011. We are striving to further reduce the industrial accident rate to 0.57% in 2012.

We are also conducting strengthened training programs to build the capacity of safety managers at overseas plants. In November 2011, we held the first 'Global Safety Management Seminar' at our Czech Plant, to raise awareness of safety at overseas plants.

Following the establishment of OHSAS 18001-certified Health and Safety (H&S) system at domestic plants, we are preparing to improve H&S management systems at our overseas plants for OHSAS 18001 certification by 2014. We expect the improvements of the H&S system and certification to demonstrate our commitment to protecting our employees and local communities. The certification is also expected to provide the basis for sharing our belief that 'great quality is only achieved in a safe workplace.'

Managing employee health

Employee health and stress management and counseling center

HMC currently operates an industrial health center which provides a comprehensive range of medical services to create a healthy working environment. We are also operating a fitness center to help our employees maintain a healthier life. HMC provides regular health check-ups for all employees, in addition to collecting health data to control and better prevent illness in advance.

Free health check Free health check-ups are provided biennially to administrative and R&D workers and annually to plant workers. HMC is the first company in Korea to provide a Chinese medicine check-up program as an alternative to its regular medical check-up program. For employees over the age of 35, as well as their families, full health check-ups are provided. Through our on-line medical service site, 'Online Med', our employees can conveniently make arrangements for full health checks at their hospital of choice at a time that suits them.

Preventing accidents in the workplace and providing advanced medical support HMC operates an Industrial Medical Center and Medical Clinic in every domestic manufacturing plant and at the Namyang R&D Center as part of the industrial accident prevention program. Each site also has a 24-hour emergency clinic in operation. Our Industrial Medical Centers have comprehensive facilities, including a physical therapy room, a clinical laboratory, and a radiation room. Employees working at HMC and its suppliers can receive a full range of medical services, from preventive medicine, to diagnosis and treatment.

The center also conducts annual regular and special check-ups for employees working in hazardous environments and based on the results, provides additional medical services as required. On average, approximately 100,000 HMC employees and supply company employees visit the Industrial Medical Center for medical services each year, most commonly for treatment of respiratory and digestive ailments.

Strengthening health care measures for an aging workforce HMC is taking strong measures to address chronic diseases such as high blood pressure, dyslipidemia, diabetes and other diseases that are becoming more prevalent particularly among the older population, as the average age of HMC employees is increasing especially at the Ulsan Plant. Employees who have been diagnosed with symptoms are Placed in a health management program and receive regular medical check-ups and treatment. The employees being treated may work flexibly with less work hour to ensure a speedy recovery.

Results have been incredibly positive, with 90% showing improvement. Since 2004, health treatment services have been provided to employees suffering from muscular skeletal diseases. By the end of 2011, a total of 6,212 employees had received treatment for muscular skeletal diseases, and in 97% of cases the symptoms had improved as a result of treatment received during working and non-working hours. A small number of workers have been officially identified to be suffering from occupational injuries.

Stress management and counseling services We have established employee grievance and stress management centers, 'talk talk center' at headquarters, 'Maum-Shimter' at Namyang R&D Center and 'Hangbok Shimter' at Ulsan Plant. The centers have received favorable reviews for their professional counseling services and for providing a variety of support to alleviate problems reported by employees.



CUSTOMERS

Achieving full customer satisfaction is one of the top business objectives at HMC and we are therefore designing and implementing all our products and services from the customer's point of view. 'To become a beloved automaker' is our long-term goal and we are always striving to conduct all our business so that we can achieve full customer satisfaction.

1

QUALITY FIRST MANAGEMENT

Quality is incredibly important for an automobile because it directly affects customer satisfaction and safety. Therefore, since the launch of the quality improvement initiative in 1999, we have worked hard to improve the quality of all of our vehicles. In 2002, the Quality Management Teams at HMC and KMC were merged into the Hyundai-Kia Quality Management Division under direct supervision of the HMC chairman. In 2003, we created two new quality management units to ensuring the quality of cars exported overseas. The Quality Management and Maintenance Teams were also merged to ensure more effective operation. In 2004, the Global Quality Management Office was established with the purpose of responding to any quality problems reported any day of the year, 24-hours a day.



The dedication of senior management to quality was essential to ingraining the importance of quality management within the corporate culture. Currently, senior executives meet twice a month to discuss quality management issues. The biweekly meetings of top executives have fostered a sense of shared responsibility, and have made quality a high-priority issue for all divisions within HMC including R&D, production, purchasing, financial administration and sales. In 2010, we also strengthened our quality-focused marketing effort with the goal of positioning HMC as a 'Best Buy Brand'. In addition to achieving high build quality, we are also improving vehicle characteristics that affect the emotional quality of our vehicles.

Improving customer satisfaction on quality

HMC receive third highest record in JD Power Vehicle Dependability Study

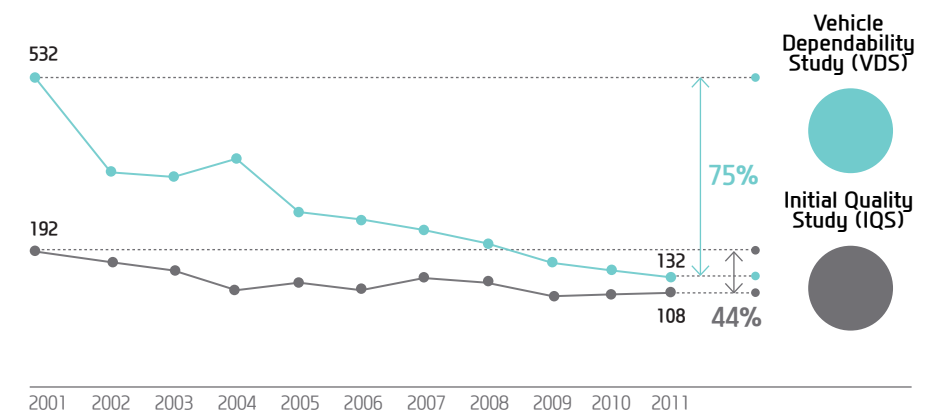
Many HMC vehicles have been ranked highly in the Initial Quality Study (IQS) conducted by JD Power, a U.S.-based global marketing information services company. HMC scored 108 PP (problems per 100 vehicles) in the 2011 IQS study as a brand, which placed HMC fifth in the non-luxury brand category. In terms of vehicle models, the Equus won the top award in the new vehicle category and the Accent was once again the segment winner for the sub-compact car category.

Our vehicles also performed favorably in the JD Power's Vehicle Dependability Study (VDS), scoring 132 PP, which placed HMC in third place in the non-luxury brand category, well above the industry average VDS score. The study, which measures problems experienced by the original owners of three-year-old vehicles, includes 201 different problems across all parts of the vehicle. Overall dependability is determined by the number of problems experienced per 100 vehicles (PP 100), with a lower score indicating higher quality. Established in 1968, the JD Power and Associates is a marketing information services company specializing in consumer satisfaction surveys of the automobile market and their results are one of the key references for consumers making a purchasing decision on new vehicles.

Thanks to the high quality product lineup, HMC earned the highest score on the automotive sector Customer Loyalty Engagement Index, conducted by Brand Keys, a U.S.-based marketing research firm, for two consecutive years.

CHANGE IN JD POWER IQS AND VDS SCORES

■ Low score indicates better quality.



2

IMPROVING CUSTOMER SATISFACTION

HMC has been operating a customer service center that handles customer complaints and inquiries since 1995. Customers can either call or post inquiries on the customer service web site to file complaints and receive expert assistance on problems they are experiencing. The customer opinions collected at the center are internally referred to as the 'Voice of the Customer'. The information is analyzed and fed to the relevant teams to improve processes and resolve identified issues.

We also regularly assess customer satisfaction by surveying customers who have recently purchased a HMC vehicle on the services they received. We are also operating channels for collecting 'Voice of the Customer' data in overseas markets. In addition to conducting customer satisfaction surveys on a regular basis, we are also conducting in-depth interviews with customers through focus groups, to analyze customer complaints and implement measures to address them thereby improving customer satisfaction in overseas markets. Ultimately, we are striving to achieve customer satisfaction throughout all areas of our business including purchasing, operation and end of life treatment of vehicles that we have manufactured.

We are also working with HMC dealers who are both important internal customers and the ultimate point of contact for HMC customers, to build their capacity through HMC Dealer Enhancement Program which is a training program designed to enhance customer service, dealership improvement and staff development. Dealers are also invited to visit Korea to enhance their understanding of HMC's operations and to strengthen partnerships with Korea-based staff. HMC's strong partnership effort with dealers was well received by members of the National Automobile Dealers Association who picked HMC as the best company to work with in the dealer attitude survey conducted in 2011.

■ LIST OF AWARDS RECEIVED IN OVERSEAS MARKETS

HYUNDAI MOTOR COMPANY

- 2011 Top Quality Award - Germany's Autobild Quality Report
- Top Score in Overall Quality - National Automobile Dealers Association in U.S.
- First Place in 2011 Brand Loyalty by JD Power



AVANTE

- 2012 The North American Car of the Year
- Best Resale Value Award for 2010, 2011 - Automotive Lease Guide (ALG)

SOPATA

- 2011 Top 10 Family Cars by Kelly Blue Book
- 2011 AutoPacific Vehicle Satisfaction Award



i40

- 2011 EuroCarBody Award - Automotive Circle International



Five sense Tea



Custom cologne 'Charming Blue' for HMC Display Shops

Hyundai Customer Satisfaction Index

In 1999, we developed the Hyundai Customer Satisfaction Index (HCSI) to measure the satisfaction of customers who own our vehicles. The survey collects customer opinions in four areas: product quality, sales service, maintenance service and corporate image. The data is then analyzed to calculate an HCSI score and to identify areas for improvement. HMC scored 64.3 points in 1999, 79.2 points in 2010 and 82.1 points in 2011. In addition to its use in improving specific business processes, the survey result is also used as a basis for policy decisions throughout our business practices.

We are also paying close attention to the customer satisfaction surveys conducted by third parties including the National Customer Satisfaction Index (NCSI) by the Korean Productivity Center, the Korean Customer Satisfaction Index (KCSI) survey conducted by the Korean Management Association Consultancy (KMAC), and the Korean Standard Service Quality (KSSQ) Index conducted by the Korean Standards Association (KSA).

Customer service

Establishing global service network - Going above and beyond complete customer satisfaction

We opened a Five Senses Brand Experience Center to offer visitors an opportunity to experience the HMC brand and our vehicles using all five of their senses. The center has its own unique music and is sprayed with the 'Charming Blue', a custom-made cologne, creating a unique atmosphere for a unique customer experience, unlike anything else. Customers are also offered with Five Sense Candies and four types of special teas including 'Happiness', 'Love', 'Smile' and 'Sincerity' which can only be found in the center.

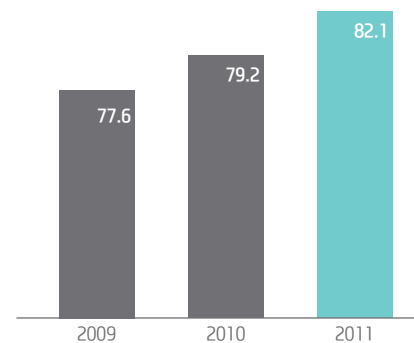
In 2007, HMC launched a premium membership service called 'BLU Service' in Korea for both existing and new HMC vehicle owners. Members can receive comprehensive vehicle maintenance services including annual vehicle check-ups, an integrated bonus point system, membership benefits and more.

In 2011, HMC launched a new 'Home to Home' repair service which collects vehicles at a time and location of the customer's choice and then, returns the vehicles when the repair work is completed. It is a premium service unique to HMC customers.

We recently introduced a free rental car service for vehicles owners who have to leave their under warranty vehicle, overnight for repairs to guarantee their mobility. We also offered a special disaster relief service for flood-stricken areas by providing food and other necessities and laundry services during the summer of 2011.

■ HCSI CUSTOMER SATISFACTION SCORE TREND

(Score: out of 100)



Our customers whose vehicles were flooded were provided with a 50% subsidy for repair costs and rental car expenses. We also offer a wide range of services such as free car washing for customers. As of December 2011, an extensive maintenance service network, which consists of more than 6,700 service providers equipped with cutting-edge equipment and manned by highly capable HMC-certified technicians, is in operation in more than 190 countries. HMC operates a Global Service Support Center to ensure the highest quality service from these providers. We also offer tailored customer service programs in different markets to provide customers with unique benefits.

The 'Before Service' program was launched in 2007 and more than 4 million domestic customers benefited from free check-up services between 2007 and 2011. When a series of customer complaints and repair records indicate a significant quality issue, we conduct an internal assessment and announce a voluntary recall when it is deemed necessary.

In 2010, a problem with door locks in approximately 50,000 new Sonatas was identified through an internal assessment following customer complaints. The door lock system design was immediately changed to solve the problem and a voluntary recall was announced in Korea and the U.S. to repair Sonatas manufactured before the change was made. As a result, 91% of the recalled units, had been repaired by December 2011.

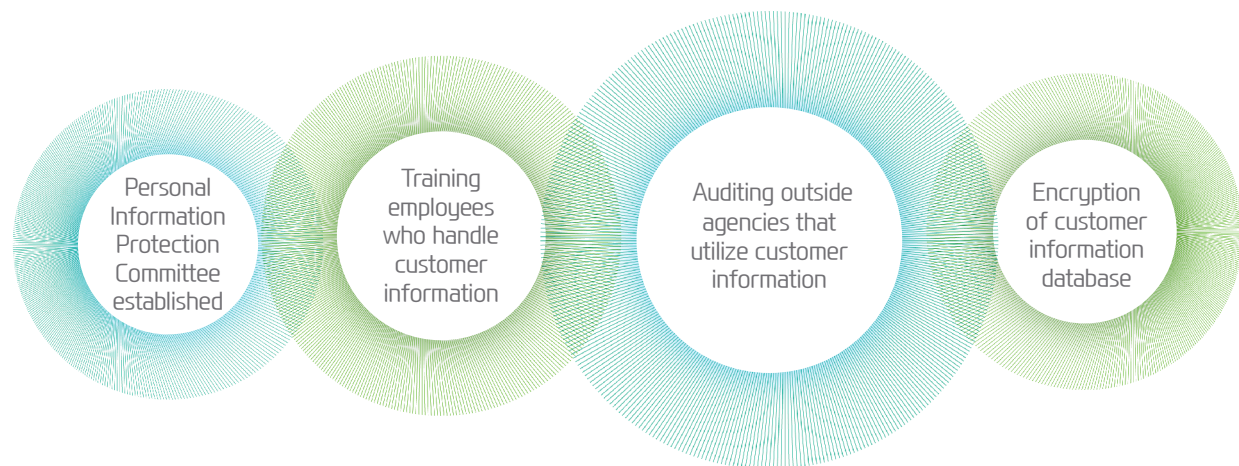
Protecting customer information

Launch of Personal Information Protection Committee

Faced with the increasing importance of protecting personal information and the growing number of data leaks in general, HMC is striving to reinforce the protection of our customer's information.

As a response, we established the Personal Information Protection Committee in 2011. In addition to regular training for relevant employees on customer information handling and auditing our outsourced service agents. Our customer information database is encrypted to prevent hacking and customer data is managed according to rigorous internal security regulations. We have placed a ban on the collection of resident registration numbers through websites and implemented an expiration date for customer information since 2012 in order to prevent data leaks and also to ensure compliance with the Personal Information Protection Act and other relevant regulations. A number of activities including regular training and internal assessments are conducted to address potential issues and to raise awareness about the importance of data protection.

2011 CUSTOMER INFORMATION PROTECTION



3

VEHICLE SAFETY

Vehicle safety is the most important development priority for all HMC vehicles. In addition to airbags, seat belts and ultra high strength auto body parts which minimize damage to passengers from accidents, preventive safety technologies such as intelligent safety systems capable of detecting a possible accident and activating measures to prevent accidents are employed in new HMC vehicles to better protect drivers and passengers, as well as pedestrians. HMC is committed to continuing to enhance vehicle safety.

Assessing vehicle safety

Equus, Elantra were selected as 'Top Safety Pick of 2011'

HMC conducts a great number of collision and road tests to develop vehicles with the highest safety. As a result, our vehicles score highly in vehicle safety assessment tests worldwide. In Korea, Grandeur (Azera) won the '2011 Safe Car of the Year' in its respective segments in the New Car Assessment Program (NCAP) conducted by the Korean Automobile Testing & Research Institute (KATRI). The Grandeur (Azera) also won five stars for both driver and passenger safety, which was assessed of through frontal, rear and offset collision tests.

The Equus and Elantra received the highest 'Good' ranking in high-speed front and side crash tests as well as in the roll over test. Both models were selected as 'Top Safety Picks of 2011'. The i40, ix20, and Veloster won five stars in overall safety in the Euro NCAP safety testing. The Sonata received the top safety rating of five star plus+ in the China-New Car Assessment Program (C-NCAP), proving HMC's expertise in vehicle safety technology.

2011 NEW VEHICLE SAFETY ASSESSMENT RESULTS

	Vehicle / rating
K-NCAP - Korea's Ministry of Land, Transport and Maritime Affairs	Grandeur / ★★★★★
US NCAP - IIHS (Insurance Institute for Highway Safety)	Equus, Elantra / 'Good' (highest rating) Top Safety Pick of 2011
Euro-NCAP	i40, ix20, Veloster / ★★★★★
C-NCAP	Sonata / ★★★★★☆

Making cars smarter with Blue Link

Integrating information technology

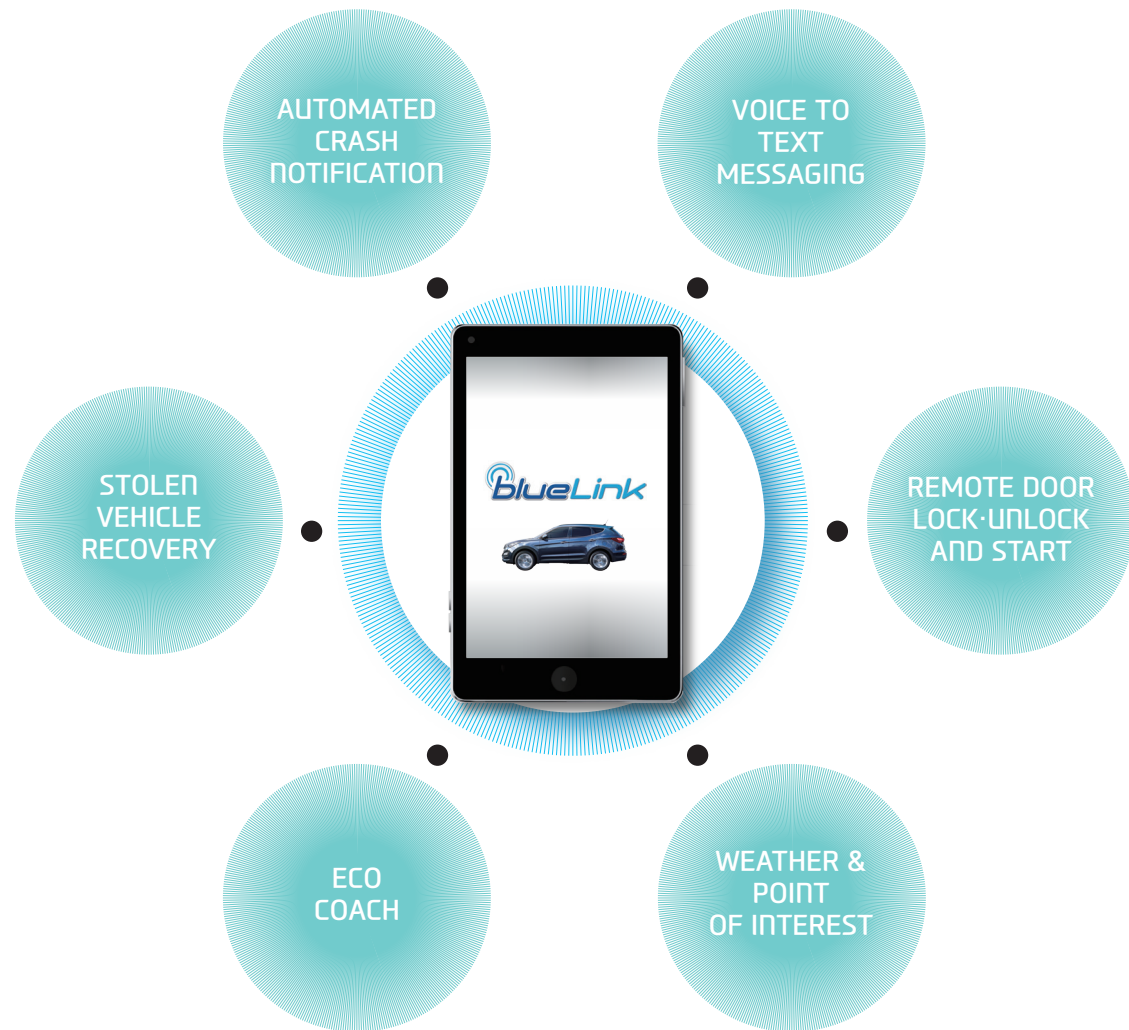
Improving customer satisfaction and quality of personal mobility are HMC's top development priorities. The 'Blue Link' technology, announced in January 2011, is HMC's solution for the development of more intelligent vehicles to provide a more convenient and safer driving experience for customers.

The 'Blue' represents HMC and 'Link' represents 'connectivity'. This is HMC's new global telematics service brand which utilizes a GPS system and cutting-edge mobile telephone technology.



By utilizing information technologies 'Blue Link' is designed to make driving more convenient, safer and greener. Blue Link has many convenient features including weather information, voice-to-text messaging, navigation and remote start. It also has advanced features including emergency support services in case of a crash for example, as well as safety features such as remote vehicle diagnosis. Blue Link also assists drivers in operating vehicles in a more eco-friendly manner with advanced navigation, management of vehicle part replacement records, gas station information and monthly CO₂ emissions reports. The third-generation Santa Fe, launched in 2012, is the first model to be equipped with the Blue Link technology in Korea.

MAIN FEATURES
OF BLUE LINK



INTERVIEW



CHRISTOPHER CHAPMAN
CHIEF DESIGNER, HYUNDAI AMERICA TECHNICAL CENTER

What are major design trends in automotive?

The first trend I see pretty regularly these days is the attempt to understand what 'Premium' looks like. Does premium have an aesthetic, and if so, is it universal? Other trends include aerodynamics, and intensive investigations on how new materials can improve the weight of the vehicles. Those two areas are perhaps the most effective ways design can influence the cars of the future. I'm happy to see, more and more, design trends which have a functional endeavor again-not just a 'style-for-style-sake' movement.

What do you think of 'Fluidic Sculpture'? What will be the next phase of HMC since HMC is getting very positive reaction on 'Fluidic Sculpture' design language nowadays?

To me, it is about energy, constant movement, and the idea of never-ending flow. Fluidity implies continuous motion. I think this design philosophy connects seamlessly to the type of customer we want to attract. Balance the energy with stability and control. Maintain and foster originality. Continue our message by solidifying belief in our philosophy. Creating an approach is hard work- sticking with it requires tremendous belief. We need to continuously chant our mantra.

Where do you think HMC design is compared to other brands, specially to German and Japanese brands?

Taking calculated risks is important to maintaining identity and differentiation. And acknowledging the successes of the competition is essential to healthy growth. Bench-marking and comparing oneself to the competition should result in differentiation, not emulation. If the Germans and Japanese have success, it is because they ultimately stay true to themselves and their culture. We should hope to do the same.



SUPPLIERS

HMC is striving to achieve sustained growth while maintaining a collaborative partnership with its suppliers who are responsible for the manufacturing of parts and materials for HMC vehicles. HMC will continue to foster a culture of fair trade and to strengthen supplier competitiveness in order to ensure shared growth with our business partners.

1

THREE CORE STRATEGIES FOR SHARED GROWTH

We have been operating various supplier support programs in areas such as financial support, as well as the establishment of a global management system, in order to sustain growth of our suppliers as independent companies.

In 2010, HMC began to implement our new shared growth strategy which builds on our partnerships with suppliers, founded on a mutually-beneficial cooperation initiative. The new strategy focuses on supporting the growth of our suppliers in becoming globally-recognized partners through a combination of support programs. HMC has identified 'global competency building', 'strengthening a sustained growth foundation', and the 'establishment of a shared growth system' as the three core strategies for realizing shared growth with our suppliers. We then launched technical assistance programs for quality improvement as well as overseas sales expansion support. Various programs were also launched to foster a corporate culture that embraces the concept of shared growth.

Global competency building

Establishment of supplier R&D Support Corps, new technology development know-how transfer

Supplier support programs for fostering global competency includes technology development support, quality management capacity building and productivity improvement support programs.

We were already operating a number of supplier support programs including the Guest Engineer Program, on-site training for second-tier suppliers and supplier participation in R&D Motor Shows. In addition to these programs, we established the Supplier R&D Support Corps, the Supplier Quality Management Training Center and a number of tailored policies for different types of suppliers in order to boost technological competency and product quality.

In 2010, we held our first R&D Motor Show during which suppliers were briefed on the features of recently released competitors' models. Designed as one of the first shared growth programs, the motor show provided an opportunity to learn about quality management of competitor companies' for supplier employees in charge of R&D and quality management. Over 4,000 members of supplier companies participated in the event.

Launched in 2011, the Supplier R&D Support Corps, which has 300 employees including 40 full-time, is another important organization established for the on-site support of R&D activities and to improve quality by transferring HMC's R&D expertise to suppliers participating in new vehicle development projects.



R&D Motor Show

The Supplier Quality Management Training Center was established to encourage enhanced quality management and offers 'Quality Management Expertise' courses for staff from supply companies in charge of product quality management. The courses are evaluated thoroughly using feedback from participants and revised in order to ensure effectiveness.

Strengthening a sustained growth foundation

Supporting overseas sales of suppliers and promoting sustainable growth

We operate various supplier support programs including overseas sales expansion support, improving financial stability and the establishment of infrastructure for growth. Programs within the overseas sales expansion support include overseas business expansion in collaboration with HMC, increased use of second and third-tier supplier products in overseas plants, and direct assistance for overseas sales to non-HMC buyers.



We established a 'Supplier Global Business Promotion Support Program' in 2011 which is designed to promote the overseas businesses of suppliers that manufacture high quality parts. The program has four areas of focus including; export competitiveness support, overseas demand identification, export work support and the establishment of an export activities monitoring structure. We also held various promotional events such as an overseas auto parts roadshow.

We have set an ambitious goal of increasing total exports of target suppliers from 7.4 billion USD in 2009 to 20 billion USD by 2015. We will increase supplier export support measures in collaboration with suppliers to achieve the goal and to strengthen the competitiveness of our suppliers.

Establishment of a shared growth system

Establishment of web sites for shared growth, supplier volunteer corps and more

HMC has organized a Win-Win Supplier Consultation Group, which consists of suppliers from all tiers in order to strengthen the network among suppliers, provide stronger support for second-tier suppliers, and to foster a shared culture of growth. Overall, we are aiming for the 'establishment of a shared growth system'. Specifically, we have increased support for information exchange sub-groups which consist of members of consultation groups who belong to the same region or industry sectors. HMC staff also visit suppliers to foster a network among suppliers of similar industry sectors.

Establishment of a shared growth website and the supplier volunteer corps are new initiatives designed to promote a culture of shared growth among suppliers. HMC is also increasing supplier visits to listen to their concerns and ideas more closely in order to ensure the effectiveness of our supplier support programs.

2

PROVISION OF ENVIRONMENTAL STANDARDS GUIDELINES FOR SUPPLIERS

All suppliers certified for ISO 14001 environmental management system

In 2007, HMC signed an environmentally-friendly parts supply agreement with our first tier suppliers and provided guidelines on environmental and ethical management practices.

As a first step, we announced the 'HMC Environmental Standards Guideline' which contains information on the environmental requirements for manufacturing auto parts to be used in our products. The HMC Environmental Standards provides guidelines on materials which are prohibited including four heavy metals (lead, mercury, cadmium, hexavalent chromium) and various other hazardous materials which are subject to regulations. The guidelines provides a wide array of information including a data entry method for the International Material Data System (IMDS) for calculating a vehicle recyclability score as well as Material Safety Data Sheet management, which are both necessary for ensuring compliance with applicable environmental regulations.

We are also encouraging all suppliers to obtain ISO 14001 environmental management certification. As a result, 100% of our first tier suppliers had received certification by the end of 2011.

GREEN PARTNERSHIP PROGRAM

Since 2003, HMC has invested a total of five billion KRW in our 'Supply Chain Green Partnership Program' in collaboration with the Korean government to help under-resourced suppliers establish an effective green business management system. HMC has conducted several other supplier environmental management improvement programs to help suppliers secure clean manufacturing technologies.

1st phase SCEM | Supply Chain Environmental Management

IMPLEMENTATION PERIOD: 2003. 7~2006. 6

SUPPLIER PARTICIPATION
15 first tier suppliers

PROGRAM OVERVIEW
Development of an exemplary multi-stakeholder win-win collaboration model involving participation of government ministries, expert organizations, academia and suppliers.

PROGRAM OBJECTIVE
Establishment of large corporation-SME green partnership, sharing of green management best practices and establishment of an information sharing network.

2nd phase SCEP | Supply Chain Eco-Partnership

IMPLEMENTATION PERIOD: 2006. 4~2008. 3

SUPPLIER PARTICIPATION
12 second and third tier suppliers

PROGRAM OVERVIEW
Transfer of environmental management know-how and sharing of best practices.

PROGRAM OBJECTIVE
Facilitation of supplier communication on environmental management using the SCEM network.

3rd phase SCCM | Supply Chain Carbon Management

IMPLEMENTATION PERIOD: 2008. 11~2010. 10

SUPPLIER PARTICIPATION: 15 suppliers

PROGRAM OVERVIEW
Establishment of supplier carbon footprint management structure.

PROGRAM OBJECTIVE
Establishment of supplier GHG emission inventory, GHG reduction strategies and management plans.

4th phase Eco-energy Management Solution using Automotive Green Partnership

IMPLEMENTATION PERIOD: 2010. 9~2011. 11

SUPPLIER PARTICIPATION: HMC and 3 suppliers

PROGRAM OVERVIEW
Development of eco-energy management solution using Automotive Green Partnership.

PROGRAM OBJECTIVE
Strengthening of foundation for green business management to cope with climate change and various environmental regulations.

AUTOMOTIVE GREEN PARTNERSHIP -BASED ECO-ENERGY MANAGEMENT SOLUTION

In 2010, HMC began the development of the 'Automotive Green Partnership-based Eco-Energy Management Solution (AGP Eco Solution)' with funding from the National IT Industry Promotion Agency. The AGP Eco Solution was designed as a response to rising demands for reduction of GHG emissions and energy use and was implemented at the Ulsan Plant and three supplier plants.

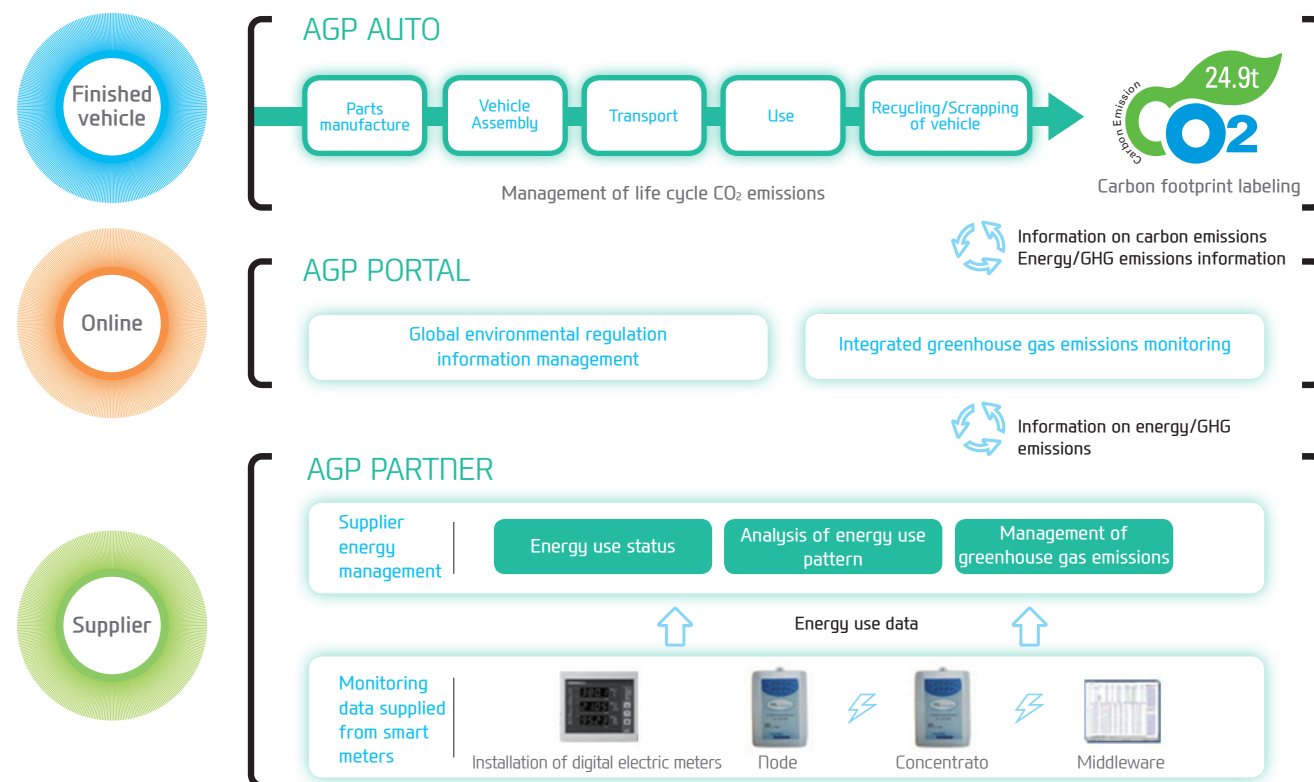
The AGP Eco Solution consists of three sub-systems including the AGP Auto for lifecycle GHG emissions management of vehicles, the AGP Partner for GHG emissions of suppliers and the AGP Portal for integrated monitoring of GHG emissions and energy use by HMC and suppliers.

Using the AGP Auto, a company can assess direct and indirect GHG emissions associated with the manufacturing of vehicles. The data from the AGP Auto can be used to reduce the carbon footprint of each vehicle model.

The AGP Partner is a supplier energy use management program which consists of smart meters and a centralized energy management system. The AGP Portal collects and processes real-time information on the energy use and GHG emissions of HMC and supplier facilities and provides the information to its user, enabling real-time monitoring of GHG emissions. The AGP Portal offers information on global environmental regulations as well.

The AGP Partner allows HMC suppliers to monitor their electricity use and to help them achieve energy savings. For instance, the three suppliers who participated in the AGP Eco Solution project achieved annual saving of 200 million KRW on their electricity bills. HMC plans to mandate implementation of the AGP Partner to all of its suppliers in order to strengthen the GHG reduction management structure throughout its value chain and to ultimately transform the automobile manufacturing business into a low carbon green industry.

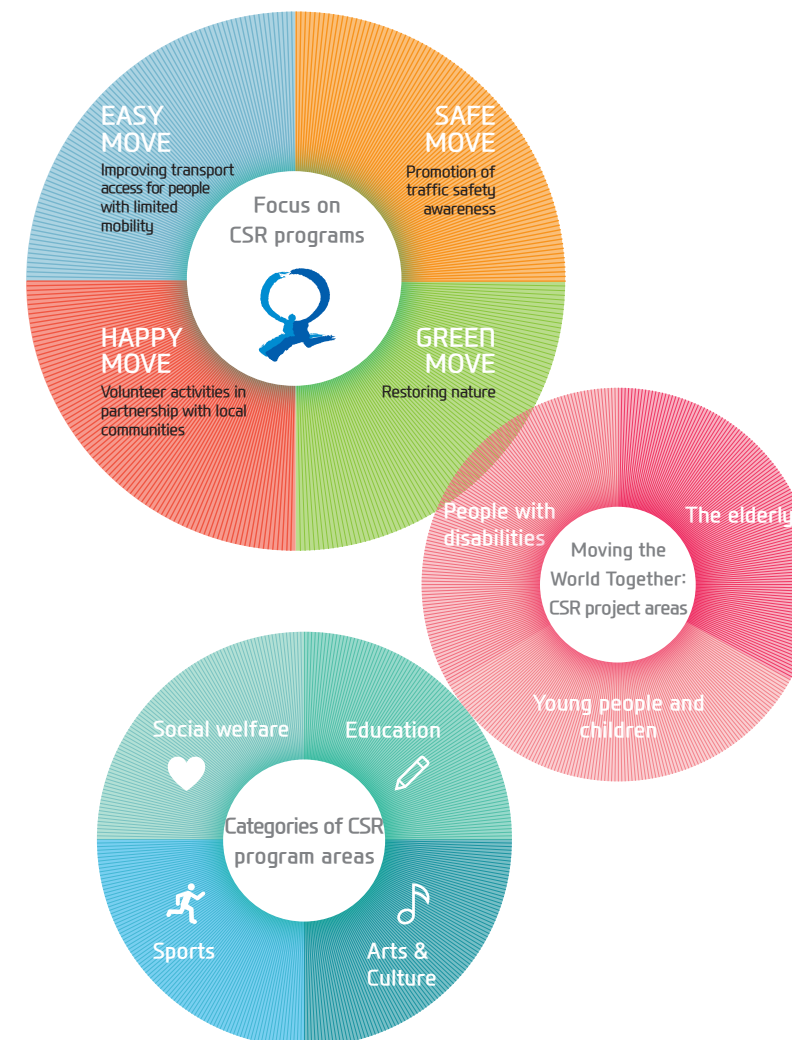
THREE SYSTEM AGP-ECO SOLUTIONS



LOCAL COMMUNITIES

We firmly believe that the value of CSR activities in areas such as social welfare, art & culture, education and the environment are as high as our main business activities. We will continue our investments in CSR activities in order to make a positive contribution towards improving people's quality of life and creating a sustainable society.

CSR ACTIVITY AREAS



FOCUS ON CSR PROGRAMS

Easy Move

Improving transport access for people with limited mobility

- Installation of emergency escape chutes and alarms
- Establishment of social enterprise, the Easy Move Ltd.
- Donation of special playrooms for disabled children

Safe Move

Promotion of traffic safety awareness

- Kids' Auto Park traffic safety training center
- Child traffic safety training bus and programs in Russia
- Distribution of angel wing-shaped 'boarding/unloading' stickers for kindergarten buses

Green Move

Restoring nature

- Hyundai Green Zone Korea: Reintroduction of the Myungju butterfly
- Hyundai Green Zone China: Forestation in Chakanor desert
- Funding support for various ecosystem protection activities

Happy Move

Volunteer activities in partnership with local communities

- Employee volunteer corps
- The Blue Santa volunteer activities
- Happy together family volunteer corps
- Home repair services

Other CSR activities

- Categories of CSR programs: Sports, Arts & Culture, Education, Social welfare
- Focus CSR Program Fund projects: For people with disabilities, the elderly, young people and children

EUROPE

Three-leaf clover youth camp - Azerbaijan
 Donations for earthquake victims - Turkey
 Safe Move traffic safety program for children - Russia
 Ostrava traffic safety education for children - Czech Republic
 Child traffic safety campaign - Serbia



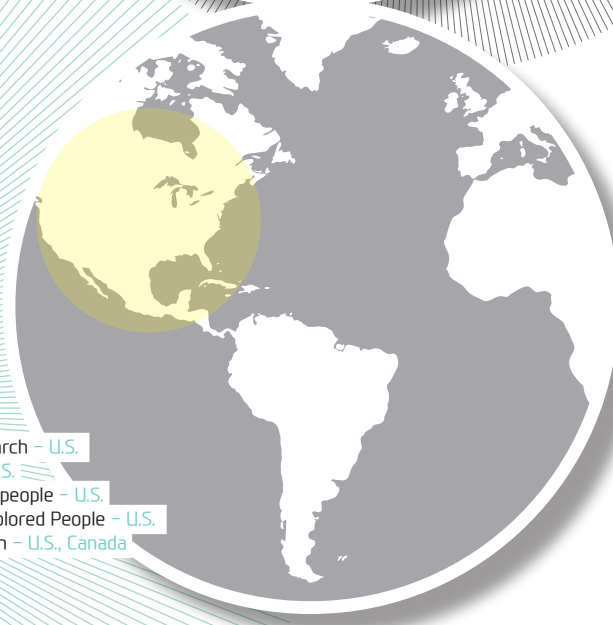
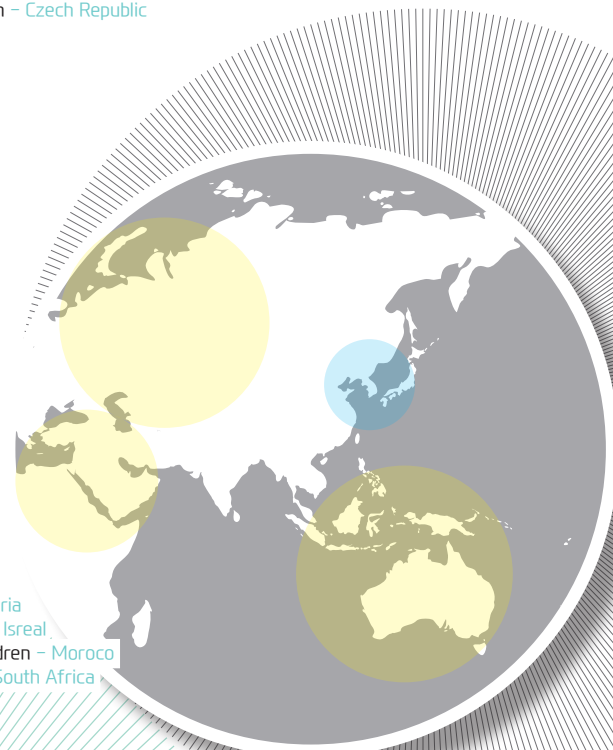
MIDDLE EAST-AFRICA

Malaria eradication campaign - Ghana
 Painting workshop for children in need - Syria
 Volunteer program for child traffic safety - Israel
 Medical support fund for impoverished children - Morocco
 Free technical training for young people - South Africa



AMERICA

Hope on Wheels for children's cancer research - U.S.
 Mothers Against Drunk Driving (MADD) - U.S.
 Safe driving education programs for young people - U.S.
 National Association for Advancement of Colored People - U.S.
 White Band Campaign for poverty alleviation - U.S., Canada



KOREA

Free cars for people in need
 Kids' Auto Park traffic safety education
 Ecosystem restoration projects
 - Hyundai Green Zone Korea
 Happy Move Global Youth Volunteer Program



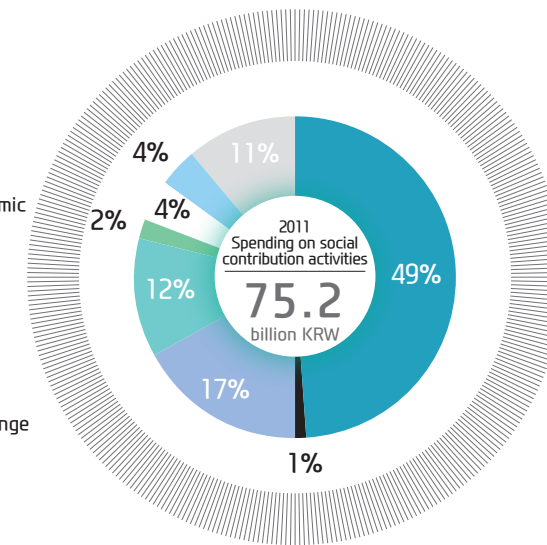
ASIA

Green Zone China activities - China
 Donation of 'Dream Classrooms' - China
 Donation of clothes and vehicles for Qinghai earthquake relief - China
 Scholarship for nurse training for women in need - India
 Donation of wheelchairs for disabled children - Indonesia



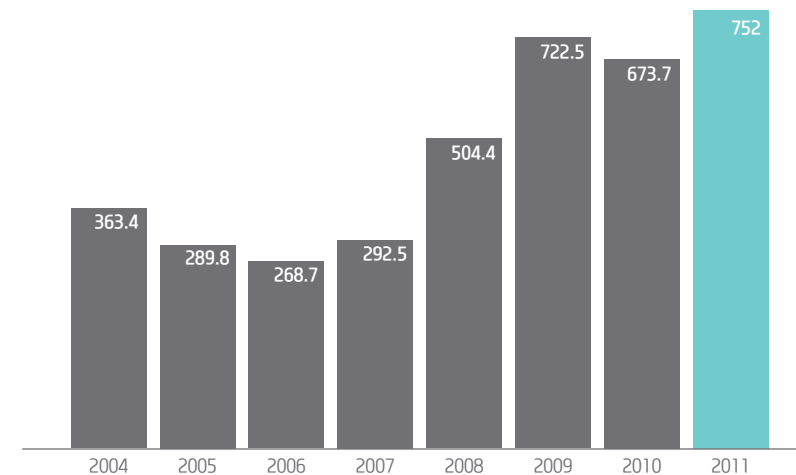
SOCIAL CONTRIBUTION ACTIVITY EXPENSE OVERVIEW

- Social welfare
- Medical & Health
- Education & Academic activities
- Sports and Cultural activities
- Environmental protection
- Disaster relief
- International exchange
- Others



ANNUAL SPENDING ON SOCIAL CONTRIBUTION ACTIVITIES

(Unit: 100 million KRW)



Please refer to <http://csr.hyundai.com/eng/index.aspx> for more information on HMC's social contribution activities

Social Contribution Activities
Whitepaper

2006

Stories of people who share
Oct. 2007



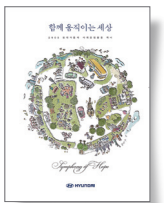
2007

Moving the World Together
Circle of Hope
Oct. 2008



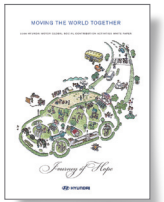
2008

Moving the World Together
Symphony of Hope
Jun. 2009



2009

Moving the World Together
Journey of Hope
Jun. 2010



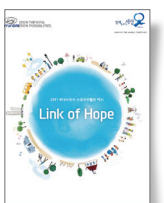
2010

Moving the World Together
Sharing of Hope
Aug. 2011



2011

Moving the World Together
Link of Hope
Jun. 2012



Independent Assurance

Independent Assurance Statement to Hyundai Motor Company Management

We have performed to provide independent assurance services over Hyundai Motor Company's 2012 Sustainability Report (the 'Report'). The management of Hyundai Motor Company is responsible for preparing the Report. Our responsibility is to carry out a limited level of assurance engagement on the information presented in the Report and to provide our conclusion.

We conducted our assurance engagement in accordance with ISAE 3000 (International Standard on Assurance Engagement 3000-Assurance Engagements other than Audits or Reviews of Historical Financial Information), issued by the International Auditing and Assurance Standards Board (IAASB). The extent for a 'limited level' of assurance is less than that of a 'reasonable' assurance engagement and therefore a lower level of assurance is provided for the Report. An engagement is limited primarily to inquiries of company personnel and review procedures applied to the data Hyundai Motor Company provided. The scope of our work was restricted to 2011 performance only. Information relating to the earlier periods has not been subject to our assurance.

Our work included the following activities.

- Interviews with the personnel responsible for aggregation and reporting of the subject data.
- An evaluation of the design, existence and operation of the systems and methods used to collect and process the subject data.
- Reviews on the subject data through inquiries and analytical procedures.
- Visit to the head office, the research centre and the 3 domestic production plants for a limited testing of the subject data aggregation and preparation.
- Verify the subject data that they were correctly reported from appropriate and reasonably balanced sources.

In conclusion, nothing has come to our attention that cause us to believe that the subject data referred to above are not fairly stated, in all material respects, in accordance with the reporting principles of Hyundai Motor Company.

- Hyundai Motor Company applies a reporting practice in accordance with the GRI G3 reporting principles to engage stakeholders on material aspects related to sustainability management performance.
- Hyundai Motor Company has applied detailed procedures to identify, collect, compile, and validate the data for 2011.
- Data for 2011 on Global Business Management (page 20-23), Business Performance (page 24-25), and Sharing Economic Gains (page 26-27) is consistent with data accumulated as a result of these procedures and appropriately reflected the Report.
- Data for 2011 on Environment (page 30-55) and Society (page 58-87) is consistent with data accumulated as a result of these procedures and appropriately reflected the Report. In addition, through the results we have obtained from material review, we concluded that the qualitative information presented in the Report appropriately reflects the performance of the Hyundai Motor Company's sustainability management and the willingness to further develop.

Deloitte.

June 22nd, 2012
Deloitte Anjin LLC



Partner / Dong-ho Kang



Assurance Statement related to the GHG Emission data of GHG Target Management System for the calendar years 2011 for the Hyundai Motor Company, Korea

Terms of Engagement

This Assurance Statement has been prepared for Hyundai Motor Company, Korea. Lloyd's Register Quality Assurance Ltd. (LRQA) was commissioned by Hyundai Motor Company to assure its GHG Inventory Report for the calendar year 2011. The Hyundai Motor Company data as presented in the GHG Report have been prepared in accordance with GHG Target Management Scheme for quantification and reporting of greenhouse gas emissions in Korea. The Report relates to direct GHG emissions and energy indirect GHG emissions. The Hyundai Motor Company comprised of the Headquarters, Ulsan Plant, Asan Plant, Jeonju Plant, R&D Centre, A/S Centre and Sales Branch Offices.

Management Responsibility

The management of Hyundai Motor Company was responsible for preparing the Report and for maintaining effective internal controls over 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 Company.

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 provide reasonable assurance that the Hyundai Motor Company.

In order to form our conclusions we have:

- Conducted site tours of the facilities and reviewed processes related to the management of GHG emissions data and records
- Interviewed relevant staff of the organization responsible for managing and maintaining raw and consolidated data, and
- Verified the historical data and information at an aggregated level for the calendar year 2011.

Level of Assurance & Materiality

The LRQA 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 we have found that the GHG data as presented in the Inventory Report of GHG emission and the amount energy used within the Report are materially correct, subject to the following qualifications:

- The emissions (purchased electricity) from others' corporations located in the Hyundai Motor Company's premises have not been excluded within the data. The amount is not considered to be material.
- The emissions from the rented Sales Branch Offices have not been included within the data. The omission is not considered to be material.

March 29th, 2012



Sang-keun Yoo

On behalf of Lloyd's Register Quality Assurance Ltd.

17th Floor, Sinsong Building, 25-4, Yeouido-dong, Yeongdeungpo-gu, Seoul, 150-878, Republic of Korea

LRQA Reference: SE06012382

This document is subject to the provision below:

This Assurance Statement is only valid when published with the Report to which it refers.

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

GRI Index

Hyundai Motor Company
2012 Sustainability Report

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EN29	Significant environmental impacts of transporting products and other goods	-
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HR8	Percentage of security personnel trained in the organization's policies or procedures	-
HR9	Total number of violations involving rights of indigenous people and actions taken	-
SOCIETY		
S01	Effectiveness of any programs/practices that assess and manage the impacts of operations	85
S02	Total number of business units analyzed for risks related to corruption	-
S03	Percentage of employees trained in organization's anti-corruption policies	15
S04	Actions taken in response to incidents of corruption	-
S05	Public policy positions and participation in public policy development and lobbying	-
S06	Total value of financial and in-kind contributions to political parties/politicians related institutions	-
S07	Total number of legal actions for anticompetitive behavior, antitrust, and monopoly practice and their outcomes	15~16
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HUMAN RIGHTS		
Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights; and	Philosophy 10~11 Responsibility 12~13
Principle 2	Make sure that they are not complicit in human rights abuses	Society Employees 62~63
HMC fully respects the Universal Declaration of Human Rights, and we have established internal policies and devices to promote human rights including the ethics charter and the employee code of conduct. Details on HMC's policies and philosophy that are relevant to human rights promotion and personal development support can be found at the company's webpage (http://audit.hyundai.com). HMC's management philosophy, core value, and global environmental management philosophy also support HMC's pursuit of mutual benefit and prosperity with all stakeholders.		
LABOR STANDARDS		
Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	Society Employees 58~70
Principle 4	the elimination of all forms of forced and compulsory labor;	
Principle 5	the effective abolition of child labor; and	
Principle 6	the elimination of discrimination in respect to employment and occupation.	
HMC respects the freedom of association and the right to collective bargaining, and abides the labor laws of the countries in which we operate, as well as the International Labor Standards created by the International Labour Organization. HMC strictly abides by minimal age requirements when hiring new employees, and all HMC employees have joined the organization of their free will. Employees are compensated fairly for the work they have conducted at respective operation sites as stated in the agreed terms and conditions of their contract and in conjunction with local laws and regulations.		
ENVIRONMENT		
Principle 7	Businesses should support a precautionary approach to environmental challenges;	Environment 30~55
Principle 8	should undertake initiatives to promote greater environmental responsibility; and	
Principle 9	should encourage the development and diffusion of environmentally friendly technologies.	
HMC fully recognizes the importance of good environmental management as a core requirement for success and is fully committed for preemptive action to tackle environmental issues. HMC's proactive stance on environmental issues is clearly stated in the Global Environmental Management Policy announced in 2003. This year's sustainability report contains much information on positive achievements due to HMC's preemptive actions on tackling climate change, depletion of natural resources, hazardous materials, and air emissions. HMC is focusing on the Blue Drive initiative that is focused on vehicle CO2 emissions and the development and widespread use of low carbon green technologies.		
ANTI-CORRUPTION		
Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery.	Ethics & Governance 15~17
HMC does not condone corruption in all its forms, including extortion and bribery. HMC's policy against corruption is well stated in the ethics charter and employee code of conduct. The purchasing division has established its own ethics charter to further discourage corruption. The ethics committee, which consists of outside directors, was created in 2007, to increase independent monitoring and supervision of transparency in internal business transactions and regulation compliance. We are also conducting employee training on a regular basis to promote higher internal ethical standards and we operate a cyber audit office to minimize corruption.		