



THE ROAD TO SUSTAINABILITY

HYUNDAI MOTOR COMPANY 2009 SUSTAINABILITY REPORT



BEFORE YOU READ

About the Company

Since its establishment in 1967, Hyundai Motor Company has grown into one of Korea's most recognizable and trusted firms. The company's passion for embracing challenges and singular drive propelled its growth in the technology-intensive industry of automotive manufacturing. Today, we proudly stand as one of the world's largest automotive producers. Looking ahead, our aim is to become a leading automaker of low-carbon, green growth through the development of environmentally-friendly technology. To this end, we will concentrate our products and facilities towards building a sustainable future for all.

About This Report

Hyundai Motor Company has published Sustainability Reports annually since 2003 to provide accurate and transparent information on our sustainability management activities and related data to diverse stakeholders including employees, shareholders, partner firms, government and NGOs. This, our seventh Sustainability Report, is an opportunity to review our progress made on sustainability activities, and offers guidance on any shortcomings and areas for improvement. The sustainability reporting process is part of our efforts to become a more environmentally conscious, socially responsible and economically viable enterprise.

Reporting Guidelines

The Hyundai Motor Company 2009 Sustainability Report was compiled using the G3 GRI (third generation of the Global Reporting Initiative) guidelines launched in October 2006. In the selection of reporting items, we included additional indicators beyond those required by the G3 GRI guidelines. More information on the guidelines applied to this report can be found on pages 87-89.

Data Collection and Writing the Report

Data from relevant departments was collected according to the HMC Sustainability Reporting Guidelines created in 2003. Additional data was compiled from various internal and external websites, including our intranet system Autoway. Discussions were held with relevant departments to review and evaluate contents along every major step of producing this report, such as collecting data, writing and final review.

Scope of Report

This report covers quantitative results from the period covering January to December 2008 (fiscal year 2008) and qualitative results from January 2008 to April 2009. The report includes sustainability activities at the HMC headquarters, domestic sales offices, service centers, distribution centers, training centers, manufacturing plants, R&D centers as well as overseas manufacturing plants, sales offices, regional headquarters, overseas offices, overseas R&D center and other companies (import company, auto financing firm and advertising firm).

Assurance

From 2003 to 2008, HMC had in place diverse internal controls to guarantee the accuracy of facts covered in Sustainability Reports by external auditors. In 2009, we applied a new assurance system. The system comprises an external review committee of experts who confirm the reports' balance, fairness and response to stakeholders. The committee raised varied questions and offered advice on each issue based on respective member's know-how and direct experience with the company. The company was aided by such insights and we expect that readers will positively view the committee's role.

GRI G3 Application Level

Data was compiled from relevant departments using HMC Sustainability Reporting Guidelines which have been in place since 2003.



Our constant challenge
is to build a world with
a sustainable future.

HMC helped make a better today than yesterday and is thinking ahead to a brighter tomorrow. We are well on our way to creating a greener earth and a world in which our environment, people and society live together in harmony.

HYUNDAI MOTOR COMPANY IN THE WORLD

FORGING THE WAY TO A SUSTAINABLE FUTURE.

As an automotive manufacturer with customers around the world, Hyundai Motor Company engages in sustainability activities in recognition of the social, environmental and economic responsibility of our global operations to our stakeholders and for our products roaming the streets across the planet.

Hyundai Motor Company Profile

Name	Hyundai Motor Company
Headquarter	231, Yangjae-Dong, Seocho-Gu, Seoul, Korea
Foundation	December 29, 1967
Chairman & CEO	Mong-koo Chung
Business Area	Manufacturing of vehicles

Main Models by Country

[As of Dec. 31, 2008]

	Main Models	
Domestic	Ulsan	Genesis and 9 Other Models
	Asan	Sonata NF, Azera TG
	Jeonju	Unibus and 4 Other Model Specialized Vehicles
Overseas	HMI (India)	Santro, Click, Accent, Sonata NF, i10, i20
	BHMC (China)	Accent, Sonata EF, Sonata NF, Elantra XD, Elantra HD, Tucson
	HMMA (U.S.)	Sonata NF, Santa Fe
	HMMC (Czech Republic)	i30
	HAOS (Turkey)	Accent, Lavita

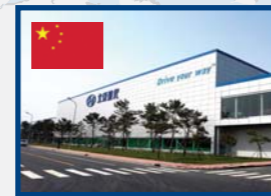


Europe

The European Union has finalized legislation requiring average CO₂ emissions to be slashed to 130g/km by 2012. Hyundai Motor Company is reducing the CO₂ emissions of its products accordingly.

China

In May 2008, Beijing Hyundai Motor China (BHMC) and Hyundai Motor Group China (HMGC) supported relief efforts for the Sichuan earthquake in China. The two companies contributed a total of 12.6 million yuan to the Red Cross of China. Meanwhile, the second plant in Beijing has been recording remarkable results in production and sales since starting operations in April 2008.



Canada

Genesis was named as the Best New Luxury Vehicle by the Automobile Journalists Association (AJAC) of Canada.



- Hyundai Motor United Kingdom Ltd.(HMUK)
- Hyundai Motor Europe Technical Center GmbH(HME R&D)
- Hyundai Motor Norway AS(HMNI)
- Hyundai Motor Company(Eastern Europe Regional Headquarters)
- Hyundai Motor Company Poland(HMP)
- Hyundai Motor CIS(HMCIS)
- Hyundai Central Europe Regional Headquarters
- Taganrog Automobile Plant(TagAZ)
- Hyundai Motor Manufacturing Czech(HMMC)
- Hyundai Assan Otomotive Sanayi Ve Ticaret A.S
- Reyan Vehicle Manufacturing Co.(RVMCO)
- Hyundai Motor America(HMA)
- Hyundai Motor Finance Co.
- World Marketing
- Hyundai Washington Office
- Hyundai Motor Manufacturing Alabama(HMMA)
- Hyundai Motor Company (Central & South America Regional Headquarters)
- MMC Automotriz S.A.
- Caoa Montadora de Veiculos S.A.



Africa

In 2008, our Africa Regional Headquarters carried out a campaign to attach reflectors to donkey carts in Sudan as part of our Safe Move initiative to promote traffic safety.



India

Hyundai Motor India adopted a zero wastewater discharge system at its plant to become a clean production facility. Additionally, the local subsidiary is earning the trust and respect of residents through diverse endeavors, including Medical Camp, traffic safety campaign, natural disaster recovery efforts, and the donation of desk and chair sets and educational materials to the Thandalam area.



Australia

The i30 and Grand Starex were selected as best-in class vehicles at 2008 Australia's Car of the Year awards.



USA (California)

Hyundai Motor Company is stepping up R&D activities to manufacture cars that comply with California's LEV (Low Emission Vehicle) II and ZEV (Zero Emission Vehicle) standards, considered the most stringent in the world.

USA (New York)

In April 2008, Hyundai Motor Company signed onto the UN Global Compact and renewed its commitment to social responsibility and corporate citizenship.



Brazil

The Genesis Forest Project in the Cerrado region of Brazil is part of our Blue Drive environmental policy. Spanning 3,000 acres of tropical forest, the project will offset approximately 93,170 metric tons of CO₂, the equivalent of a whole year of emissions for all 2009 Hyundai Genesis sedans sold in North America.

Headquarters (Ulsan Plant, Asan Plant, Jeonju Plant, Hyundai & Kia Corporate R&D Division, Hyundai & Kia Eco Technology Research Institute, Commercial Vehicle Development Center)

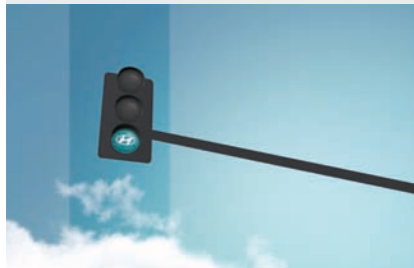
- Regional Headquarters
- Overseas CKD Assembly Facilities
- Overseas Sales Subsidiaries
- Overseas Production Facilities
- Regional Offices
- R&D Center
- Other Subsidiaries

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Our constant challenge is to create a world with a sustainable future.



Before you read

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We fulfill our responsibility. HMC contributes to economic advances through global marketing to enhance brand value and transparent management practices.



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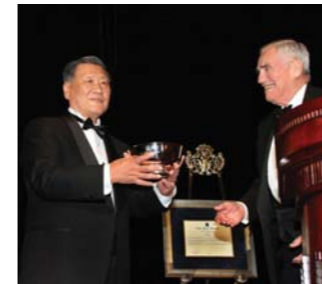
Children of the world smile while leaning on an eco-friendly car under clear skies

Children from all over the world smile while leaning on an environmentally-friendly car underneath blue skies. The clear blue skies symbolize our humanism and earth-friendly philosophy. The happy smiles of the children reflect our social responsibility and efforts to make a better future for all.





MESSAGE FROM THE CHAIRMAN



Renewing our commitment to sustainability

I am pleased to present Hyundai Motor's latest Sustainability Report and share the progress made delivering on the various expectations of our stakeholders, who include domestic and overseas customers, shareholders and business partners.

The global auto industry today faces unprecedented challenges posed by the worldwide recession, climate change and energy problems. More than ever, society expects creative and innovative thinking from automakers, on top of social contributions. Hyundai Motor is committed to creating enduring value as a responsible, corporate citizen. We are taking a two-pronged approach towards this end: quantitative growth through global, quality and brand management to enhance our global competitiveness and further build upon sales results; and qualitative growth by embracing environmental management. Concurrently, we engage stakeholders in a wide range of activities to further mutual cooperation and successful relationships. We will continue working actively to promote the value of sharing, creating jobs and reinvigorating the economy. I believe that corporate accountability is not only a strategy for overcoming challenges to our business but a new paradigm for long-term economic growth.

"Green management" will be the key driving force behind our sustainability approach. "Blue Drive" is our plan to develop low-carbon, fuel-efficient vehicles that minimize vehicle fuel consumption and reduce CO₂ emissions, thereby meeting the social need for both mobility and environmental preservation. The Elantra LPi Hybrid, launched in July 2009 as the world's first to be powered by LPG(Liquid Petroleum Gas), is our ambitious initiative to open up the Blue Drive era.

Hyundai Motor is a company that presents fresh values and a new vision for a sustainable future. For us, this simply means working for the good and happiness of people. We will devote ourselves to developing our sustainability system as a core element of our business strategy and set an example of corporate responsibility.

August, 2009

Chairman | Mong-koo Chung



Interview

President | Seung-suk Yang

HMC's challenge to create a sustainable future

Q [How did Hyundai Motor perform in 2008 when the US-led economic crisis put the brakes on worldwide auto demand?](#)

A Automakers are currently engaged in a fierce battle for survival due to the US-led global growth slowdown. The majority of carmakers, including the big three in the US, are struggling with the plunge in sales. Our global sales volume also dipped slightly due to weaker demand, but we continue to increase our global market share. I believe that HMC's ability to increase its market presence despite the challenging domestic and international conditions is the direct result of our continued investment in quality management and our staying one step ahead of the competition in developing and delivering new models that answer the demands of regional customers. In the most difficult of times, it is the customer who holds the key to a company's future. HMC is building a worldwide lineup of compact cars that are competitively priced and commercially attractive to local customers via a strategy of regional differentiation. Our underlying competitiveness, coupled with creative and aggressive marketing activities, bolstered our sales ability and brand value, which in turn led to our essentially solid performance in 2008.

Q [What is Hyundai Motor's approach to the low-carbon, green growth policies being introduced by countries around the world?](#)

A Efforts to curb greenhouse gases and counter climate change can be seen in countries around the world. Europe will enforce a law limiting CO₂ emissions from new cars in 2012. The Obama administration announced stricter fuel economy standards. The Korean government also declared plans to introduce tighter fuel efficiency and CO₂ emissions standards from 2012. HMC is going beyond the changes needed to respond to these global environmental regulations. Our goal is to meet the demands of our customers and other stakeholders for low-carbon, green growth. Our Blue Drive strategy represents our commitment to develop and supply environmentally-friendly vehicles. Blue Drive will guide our efforts to create vehicles with enhanced basic features such as driving performance, safety and convenience, while at the same time consume less fuel and produce less CO₂. The first result of our Blue Drive strategy was the Elantra LPi Hybrid. Launched in July 2009, the vehicle generates the least amount of CO₂ emissions(99g/km) among Korean cars. We plan to expand our lineup of hybrid vehicles to mid-sized sedans in 2010 and supply them to overseas markets. Hydrogen fuel cell vehicles, considered the ultimate objective of our Blue Drive technology, will expand domestic and overseas pilot projects to open the way to early mass production.

We also made significant progress in our social endeavors. In March, labor and management reached an agreement on enhancing manufacturing flexibility to cope with increased production of compact cars. The two sides also decided to create the Permanent Special Labor-Management Council to form a united front to changing business and market conditions. In April 2008, we signed onto the UN Global Compact and declared our commitment to ten principles in the areas of human rights, labor, environment and anti-corruption. Internally, we launched the CSR Committee to strengthen our CSR system and implementation.

Q [What are the key characteristics of the 2009 Sustainability Report?](#)

A The biggest change is the use of a new assurance system. From 2003 to 2008, HMC consulted with external advisors to verify the facts covered in our sustainability reports. On top of running stakeholders dialogue, the 2009 report relied on an external review committee comprising experts to confirm the report contents, publishing process and reporting system. I have high hopes that this new initiative will enhance stakeholders' trust in the report.

Q [What are your future plans for sustainability management?](#)

A The immediate task facing the automotive industry is to overcome the crisis posed by stalled demand. At the same time, industry players face crucial issues over the long term such as tightening environmental regulations and high oil prices. HMC will attempt to tackle both short and long-term challenges by adhering to our Blue Drive strategy and concentrate our resources on developing vehicles that answer customer, social and environmental demands. We believe that sustainable growth and development at HMC will be possible by adhering to high standards of ethics and transparency inside our organization and in dealings with stakeholders to fulfill our financial, environmental and social responsibilities. We are always open to stakeholder opinions and shall endeavor to reflect them in our operations as we continue on the road to sustainability.

Key Material Issues

We present the issues deemed most material to us in working towards sustainable progress.

One of the key objectives of a sustainability report is to provide stakeholders with the information they require. HMC selected issues that are most material to stakeholders and our operations in accordance with external changes and our internal sustainability strategy. We divided the contents of this report into the following five sections to facilitate the search of contents by stakeholder group.



Employees

PEOPLE

We adopted customer-first management as our mid- to long-term growth strategy and are pursuing qualitative advances by prioritizing customer value across all business activities, including R&D, manufacturing, sales and maintenance. In addition to providing high quality customer services such as Voice of Customer (VOC), we offer unique programs such as Blue Service, Before Service and Special Check-up Service for greater customer value.

Design for Recycling System



ENVIRONMENT

We introduced a comprehensive manufacturing environment management system to oversee various environment-related performance indicators related to production. They include greenhouse gas emissions, water use, and discharge of air pollutants, water pollutants and waste. We are preemptively blocking environmental risks and thereby minimizing the use of hazardous chemicals and emission of pollutants. Investments in technological developments such as waste reducing technology and application of environmentally friendly re-cycled materials are enhancing the recyclability of automobiles.

INTERVIEW

Q

How do you view HMC's response to climate change and related regulations?

Yoo Kyoung Park (apg Asset Management Asia, Senior Sustainability Specialist)



A

Climate change is ultimately market change. A strategy is needed to predict how climate change will affect consumer patterns and to lead in the changing consumer landscape as countries adopt related regulations. Climate change and the resulting abnormal weather patterns will act as a measuring stick of corporate risk management capabilities. Therefore, I believe that a general study of the physical risks facing stakeholders should precede any discussions on the possible response of companies.

For HMC to possess an edge as an environmentally friendly company, it must do more than merely "react" to climate change. The company must put more effort into possessing technology that exceeds regulation standards, a future-oriented and cool-headed management team, the organizational foundation and ability to manage the issue of climate change, and the financial soundness necessary to support continued investments. A company that can claim the qualities listed above will become the market leader.

HOPE ON WHEELS



SOCIETY

As part of our drive to pursue win-win relationships with suppliers, we extend to them a wide range of support systems including management support, quality and technical support, and education/training. HMC is working to enhance the global competitiveness of suppliers by building a carbon footprint management system through our Green Partnership program. Our global CSR efforts are unified under the "Moving the World Together" slogan and we operate customized programs to best meet the unique needs of each region.

Shipping Quay



ECONOMY

Through our economic activities, we are distributing financial returns to diverse stakeholders, expanding our production and sales network on the global scene, and raising our corporate value via creative brand management. In 2009, we have been boosting "creative quality management" to strengthen our global competitiveness. Furthermore, we will continue to increase our global market share by embracing a differentiated profit structure and marketing strategy for each regional market.



LA Motor Show - Blue Drive

CLIMATE CHANGE

Blue Drive was first announced in 2009 as our pro-environment strategy and brand. Through Blue Drive, HMC is carrying out efforts to reduce CO2 emissions in response to regional climate change-related regulations. We are also carrying out mass production of hybrid vehicles. As part of our global corporate social responsibility (CSR) initiative, we are extending support to activities to stop the desertification of Asia.

Materiality Analysis

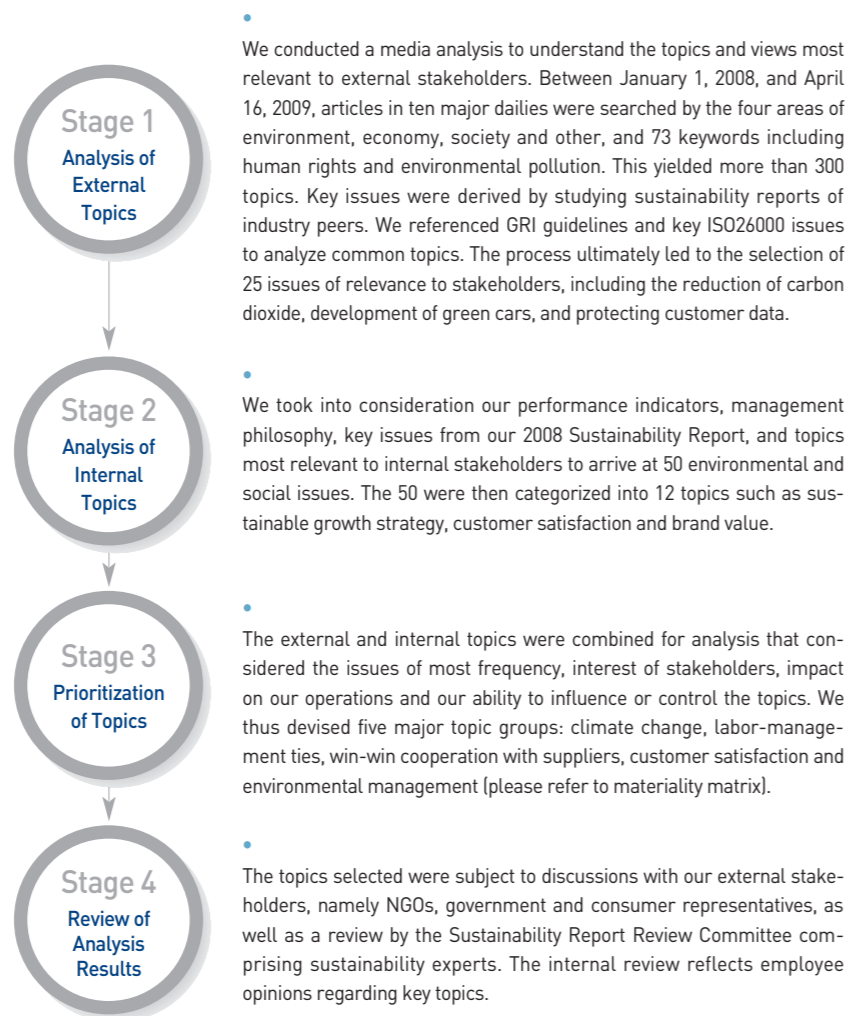
We address issues material to our stakeholders and our business.

A major objective of this report is to address the issues most material to our stakeholders and HMC. To identify the most important topics, we considered the following three criteria:

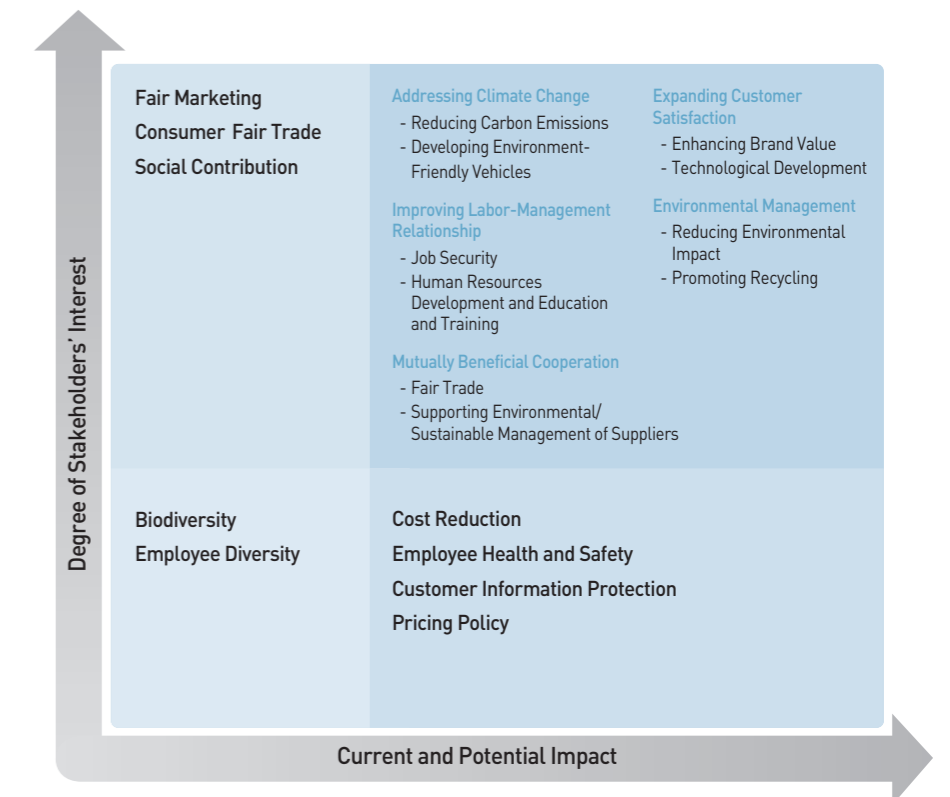
- Topics that currently or potentially could have a major impact on HMC
- Topics of most interest to stakeholders
- Topics which HMC can control or influence

After the selection of the major topics, we adopted a four-stage approach.

4 Stage Selection Process of Material Issues



Materiality Analysis Matrix



Major Issues	Details	Related Pages
Coping with Climate Change	Reducing Carbon Emissions	P 26-27
	Development of Environment-Friendly Vehicles	P 28-33
Better Labor-Management Relationship	Job Security	P 56
	Human Resources Development and Education & Training	P 57
Mutually-Beneficial Cooperation	Fair Trade	P 22, 67
	Supporting Environmental/Sustainable Management of Suppliers.	P 67-72
Enhancing Customer Satisfaction	Elevating Brand Value	P 60-63
	Technological Development	P 64-65
Environmental Management	Decreasing Environmental Impace	P 34-35, 41-43, 46-53
	Promoting Recycling	P 44-46

Stakeholder Engagement

Communicating material and useful information to stakeholders.

HMC recognizes shareholders, investors, customers, employees/labor union, and suppliers/distributors as core stakeholders who have a direct impact on our business activities. We also fully comply with various laws and regulations and consider the government that legislates and enforces such laws as important stakeholders. Furthermore, we work with global/regional communities to fulfill our role as a responsible corporate citizen.

In the categorization and engagement of stakeholders, HMC strives to comply with the materiality, completeness and responsiveness principles set forth by the AA1000 Stakeholder Engagement Standard (SES).

- Materiality: Knowing stakeholders' material concerns
- Completeness: Understanding stakeholder concerns, that is, views, needs, and performance expectations and perceptions associated with their material issues
- Responsiveness: Coherently responding to stakeholders' material concerns

HMC's stakeholder engagement can be divided into understanding stakeholders' material concerns and expectations, and engagement activities by stakeholder group. Engagement level consists of four stages of providing information, collecting opinions, holding discussions, and building partnerships.

1. Understanding Stakeholders' Major Concerns and Expectations

In 2009, HMC held discussions with stakeholders and conducted a survey of stakeholders to understand their major concerns and expectations.

1) Stakeholder Discussions

• Discussion Topics

Dialogue focused on the five material topics selected through the materiality analysis, namely climate change, customer satisfaction, labor-management ties, win-win partnerships and environmental management, as well as other issues presented by stakeholders.

• Facilitator

Business Institute for Sustainable Development (BISD), an independent organization, facilitated the stakeholder discussions.

• Participating Stakeholders

We invited stakeholders related to the material topics to attend the dialogue. The role of participating stakeholders was to read over HMC's 2008 Sustainability Report in order to understand pending issues, attend the dialogue and present opinions on related issues.

• Results of Stakeholder Discussions

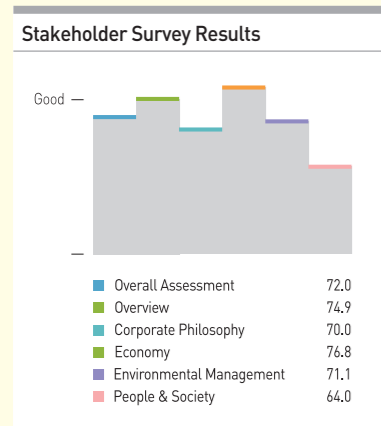
The main topics of interest regarding the material issues as expressed by each stakeholder group are shown below. HMC made every effort to reflect the dialogue results in the 2009 Sustainability Report. We will continue to try and address those that were not reflected in future reports.



Summary of Major Issues

	Major Issues					Others
	Climate Change	Customer Satisfaction	Labor-Management Relationship	Mutually Beneficial Cooperation	Environmental Management	
Shareholders/ Investors (Young jun Kim Managing director)	Climate Change Responding to Related Regulations		Labor- Management Issues		Need to Suggest Environmental Management Strategy	Need to Suggest Mid- to Long-Term Growth Strategy Offering Stakeholders Information Corporate Governance
Government/ Organization (Young min Kim secretary)	Suggesting CO2 Emissions Reduction Plan and Goal					Offering Stakeholders Information [Budget]
NGO (Sung kyu Oh deputy secretary general)	Anti-Climate Change Marketing			Environmental Cooperation with Small and Medium-Sized Companies Employees' Human Rights at Overseas Business Sites	Environmental Management at Overseas Business Sites	Efforts for Social Equality
Consumers (Sung chun Kim team leader)		Offering Product Information Consumer Safety Solving Consumers' Problems and etc.				Sustainable Production and Consumption
Employee/Labor- Management (Jang won Lee Managing director)			Labor- Management Issues Job Security for White-Collar Workers			Offering Stakeholders Information [Temporary Workers and Portion of Female Employees]
Suppliers (Bal young Kim director)			Education for Labor Union's Awareness	Relationship with Suppliers		Need to Suggest Sustainable Growth Strategy

Stakeholder Engagement



※ Figure is simple average of each item, converted from 5-point to 100-point system

2) Stakeholder Survey

HMC conducted a stakeholder survey to collect opinions on our 2008 Sustainability Report and make related improvements for this report and upon HMC's sustainability management.

Survey method: Online survey and email, fax

Survey target 100 persons (internal and external stakeholders, sustainability experts)

[Survey Results]

The Economy part received the highest marks in the 2008 Sustainability Report. Respondents felt more work could be done in the People & Society part and in particular, stakeholders said HMC could go into greater detail regarding supplier information.

The majority of respondents said that the 2008 report was an improvement over the previous year's edition. The areas regarded as showing the most upgrades were "Inclusiveness of issues/content" and "Layout and design" which received approval rates of 83% and 82% respectively.

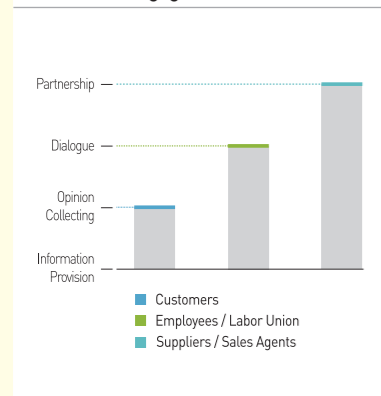
Accordingly, we attempted to reflect these opinions and include more detailed content with supporting data in the 2009 report. We also strived to add more content in the People & Society part which was pointed out as being relatively weaker, and include more details concerning our corporate governance system, overseas market strategy and response to climate change. These efforts can be seen in the suppliers (pgs 66-72) section, corporate governance (pgs 18-19), overseas market strategy (pg 84), climate change (pgs 24-37), and mid- to long-term business plans (pg 82).

Engagement Activities by Stakeholder Group

• Customers

Customers are the top priority of HMC's management activities. Our vision of "Innovation for Customers" was based on our founding philosophy of serving customers first. Recently, we have been strengthening communication with customers to collect their increasingly diverse opinions and incorporate them into our operations.

Stakeholder Engagement Level



Activities by Participatory Level

Stakeholders	Engagement Activities
Customers	Information provision - Running Car Clubs and Community Web Sites
	Opinion Collection - Conducting HSCI (HSCI: Hyundai Customer Satisfaction Index) - Launching the Auto Prosumer System (Operating a panel of 15,000 customers in 2006)
Employees / Labor Union	Opinion Collection - Reflecting Employees' Opinions through the GWP (Great Working Place) Campaign. - Running the HCS (Hyundai Communication System) (Alabama Plant in U.S.)
	Dialogue - Running Labor-Management, various labor-management committees and councils
Suppliers / Sales Agents	Opinion Collection - Establishing Foundation of Korea Automotive Parts Industry Promotion (2002)
	Dialogue - Launching Green Partnership for Small, Medium-Sized and Big Companies (from 2003 to 2008, SCEM& SCEP)
	Partnership - Launching the Guest Engineer System (beginning in 1999)

• Employees/Labor Union

HMC provides a strong support system for employees to maximize their potential. We endeavor to nurture world-class personnel. Our aim is to offer a safe and healthy working environment to employees so that they can enjoy a happier and fulfilling life.

• Suppliers/Distributors

Under the firm belief that the competitiveness of a finished car is the sum of its parts, we actively support efforts by suppliers to secure superior technology, high quality standards and a stable management environment. For those firms who face difficulties in executing environmental management due to a shortage of financial and technical resources, HMC carried out the Supply Chain Environment Management (SCEM) and Supply Chain Eco-Partnership (SCEP) projects that provide comprehensive support in the area of environmental management from 2003 to 2008. In 2009, we are executing the Carbon Footprint initiative for partner firms.

• Shareholders/Investors

To enhance the understanding and trust of shareholders and investors, we hold regular shareholders' meetings and quarterly performance reviews. Additionally, HMC is an active participant in various domestic and overseas investor conferences as part of a bid to provide more information and communicate with investors. Furthermore, the Investor Relations section of our homepage features timely information on investment-related data including updates of our financial status.

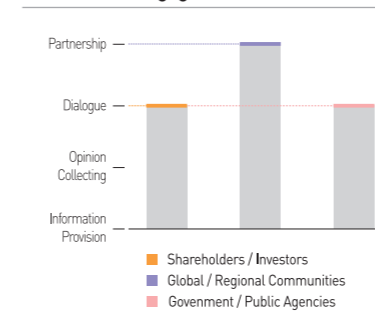
• Global/Regional Communities

We act in partnership with global/regional communities and civic groups to stimulate regional development, promote job creation, and further sustainable advances. As part of our drive to become a responsible corporate citizen, we carry out a multifaceted range of CSR activities under the slogan "Moving the World Together."

• Government/Public Agencies

HMC fully complies with related regulations and responsibilities, including the payment of taxes. We are a vocal participant in the drafting of auto industry related policies. HMC maintains organic cooperation with government agencies on the issues of addressing climate change, protecting the environment and promoting economic/social development.

Stakeholder Engagement Level



Activities by Participatory Level

Stakeholders	Engagement Activities
Shareholders / Investors	Information Provision, Dialogue - IR Conference for Domestic/Overseas Investors (Earnings Conference, Roadshow, Conference Call etc)
	Opinion Collection - Shareholders Meeting
Global / Regional Communities	Partnership - Build Partnerships with NGO, NPO, Specialized Agencies etc - Social Welfare Public Proposal Project for Regional NPOs (2005-) - Employee Volunteer Group - Overseas Business Sites Engage in Social Welfare, Education, cultural Projects in Partnership with Regional Communities
	Dialogue - Discussions on Plans Regarding Legal Revisions

Corporate Philosophy

HMC will contribute to enhancing the quality of life for all.

We developed our corporate philosophy that encompasses our management philosophy and vision, policy and strategy to explore ways for sustainable growth with stakeholders and contribute to improving the quality of life for all. The spirit of creative challenge has so far guided HMC and will continue to encourage our efforts in becoming a global leader of sustainability management.

Management Philosophy

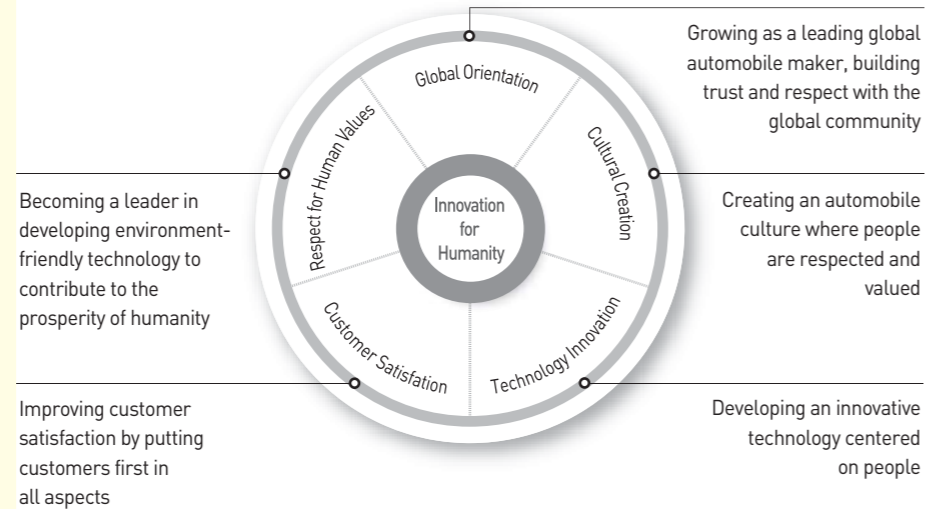
“Guided by the spirit of creative challenge, we shall spur innovations for a more advanced automobile culture and contribute to the harmony and co-prosperity of shareholders, customers, employees and other stakeholders of automobile industry.”

The spirit of creative challenge is our core belief that has powered HMC to its present status and continues to lead us in our quest to foster a creative and innovative organization. It forms the foundation of our sustainability activities as we aim to create profits, the primary objective of an enterprise, and contribute to providing sustainable mobility while fulfilling our responsibilities to the environment and society. This in turn, allows us to deliver benefits to all our stakeholders, including shareholders, customers, employees, suppliers and communities.

Vision

HMC selected five core strategies of global orientation, respect for human life, customer satisfaction, technical innovation and cultural creation to achieve our mid- to long-term vision of “Innovation for Customers.” Our goal is to emerge as a respected global company by creating an automotive culture that puts customers first by developing human-focused and environmentally-friendly technical innovations.

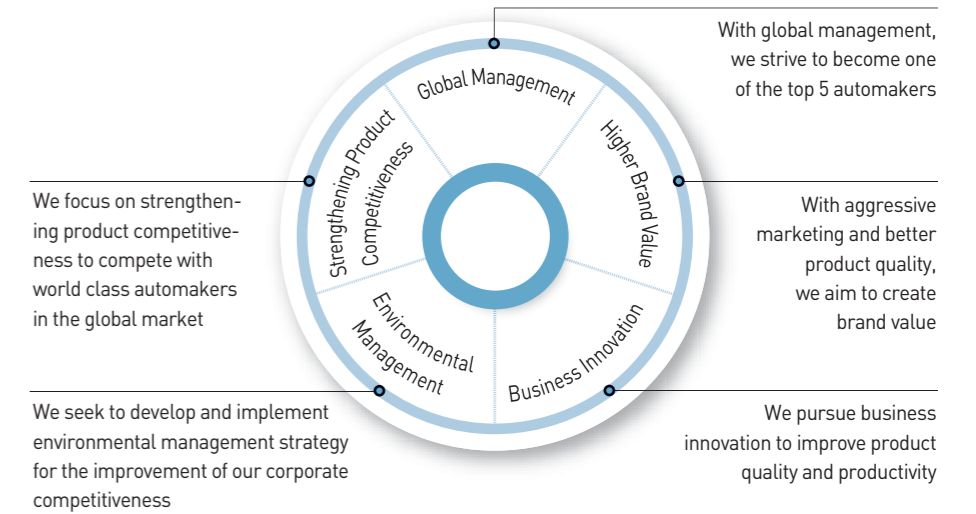
Innovation for Customers



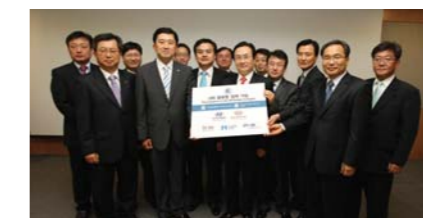
Mid- to Long-Term Strategies

Our five mid- to long-term strategies comprise global management, brand value enhancement, management innovation, environmental management, and product competitiveness. The inclusion of building an environmental management system reflects both stakeholder interest and the need to address environmental issues when drawing up business strategies. HMC intends further cement its position as a respected automaker of the 21st century that shows consideration for the environment.

Management Policy



Signatory to the UN Global Compact



In April 2008, HMC joined the UN Global Compact and declared its commitment to sustainability and responsible business practices. The Global Compact is a voluntary initiative that seeks to align business operations and strategies everywhere with ten universally accepted principles in the areas of human rights, labor, environment and anti-corruption. Around the world, a total of 4,470 companies (including 112 Korean companies) and groups have joined the initiative so far. HMC was the first Korean auto industry player to become a signatory, recognizing that its continued efforts in ethical management, environmental management and social responsibility were aligned with the values advocated by the UN Global Compact. Additionally, HMC is devoted to actively executing its social duties in accordance to global standards and to achieving sustainable growth with all stakeholders including shareholders, customers, employees, suppliers and community members.

The Ten Principles

- Human Rights**
 - Principle 1. Businesses should support and respect the protection of internationally proclaimed human rights; and
 - Principle 2. make sure that they are not complicit in human rights abuses.
- Labor Standards**
 - Principle 3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
 - 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 of employment and occupation.
- Environment**
 - Principle 7. Businesses should support a precautionary approach to environmental challenges;
 - Principle 8. undertake initiatives to promote greater environmental responsibility; and
 - Principle 9. encourage the development and diffusion of environmentally friendly technologies.
- Anti-Corruption**
 - Principle 10. Businesses should work against corruption in all its forms, including extortion and bribery.

Corporate Governance and the Board of Directors

We are establishing a good corporate governance system and taking the lead in transparent management.



Corporate Governance and the Board of Directors

Under the Board of Directors are the Audit Committee and the External Director Candidate Recommendation Committee. Additionally, an independent Ethics Committee was established in 2007.

Board of Directors

The Board of Directors (BOD) makes decisions on matters defined by laws or our Articles of Incorporation, issues delegated by the general shareholders' meeting, and key matters related to the basic guidelines for company operations and work execution. The BOD retains the authority to supervise the duties of directors and management. The BOD comprises four internal and five external directors.

BOD Composition (As of Mar. 24, 2009)

	Name	Title / Organization	Positions Held		
			External Director Candidate Recommendation Committee	Audit Committee	Ethics Committee
Internal Committee	Mong-ko Chung	Chairman and CEO	○		
	Seung-suk Yang	President and CEO	○		
	Ho-don Kang	Vice Chairman and CEO			
	Jung-dae Lee	Vice Chairman			
External Committee	Dong-gee Kim	Professor Emeritus, Business School, Korea University	○	○	○
	Kwang-nyun Kim	Lawyer, SAMHAN Law office	○	○	○
	Il-hyung Kang	Of Counsel, Bae, Kim & Lee LLC		○	○
	Young-chul Yim	Lawyer, Shin & Kim		○	○
	Seon Lee	Professor, Korea University of Technology and Education			○

※ Detailed information on directors can be found at the homepage of HMC (Korean: <http://pr.hyundai.com/>, English: http://worldwide.hyundai.com/worldwide_index.html) or DART system (<http://dart.fss.co.kr>). ㉮

Key BOD Activities in 2008

Meeting	Date	Topics	Resolution
1 st regular	Jan. 24 2008	· Approval of financial statement and 8 others	Original draft passed
1 st Extraordinary	Mar. 14 2008	· Approval of CEO appointment and 4 others	Original draft passed
2 nd regular	April. 24 2008	· Approval of providing debt payment guarantee for overseas subsidiaries (HMMC, 300 million Euros) and 3 others	Original draft passed
3 rd regular	July 24 2008	· Approval of equity investment in subsidiary (HMC Investment Securities, KR₩50 billion) and 3 others	Original draft passed
4 th regular	Oct. 23 2008	· Approval of renewing Hyundai Capital support agreement and 4 others	Original draft passed
2 nd extraordinary	Dec. 17 2008	· Approval of issuing corporate bonds	Original draft passed

※ Please refer to our website or the Financial Supervisory Service's DART system for more details. ㉮

Committees under the BOD

The Audit Committee consists of four external directors. It is responsible for auditing the finances and operations of HMC. The committee has the authority to demand business reports and review the company's financial status. Members approve matters related to the general shareholders' meeting, directors, BOD, and audit. Internal measures are in place to enable members' access to management information necessary to conduct their auditing duties.

The External Director Candidate Recommendation Committee comprises two internal and two external directors. All HMC external directors are appointed through the recommendations of the committee. The 2008 Shareholders' Meeting approved a directors' compensation ceiling of KR₩10 billion. Total compensation paid to internal and external directors was KR₩7.092 billion from January 1 to December 31, 2009. The average compensation for an internal director was KR₩1,713 million and KR₩48 million for an external director.

Key Activities by Audit Committee in 2008

Meeting	Date	Topics	Resolution
1 st regular	Jan. 24 2008	· Approval of financial statement and 5 others	Original draft passed
2 nd regular	April. 24 2008	· Approval of Audit Committee chair appointment and 1 other	Original draft passed
3 rd regular	July 24 2008	· Approval of discussions with external auditor on non-audit work agreement contract	Original draft passed
4 th regular	Oct. 23 2008	-	-

※ Please refer to our website or the Financial Supervisory Service's DART system for more details. ㉮

Ethics Committee

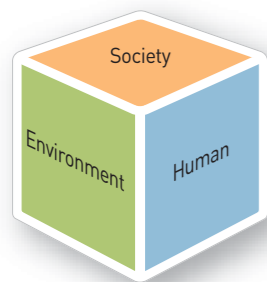
The Ethics Committee was established to monitor the transparency of internal transactions and supervise ethics management. The committee comprises five external directors, one executive and two advisors (independent). The function of the Ethics Committee is to review formulation/revision of ethics regulations and their implementation; adherence to internal transaction regulations as defined by the Fair Trade Act and commercial laws, and observance of the compliance program; and key policies related to social contribution.

Key Activities of Ethics Committee in 2008

Meeting	Date	Topics	Resolution
1 st regular	Jan. 24 2008	· Resolution of original draft of various social service plans for 2008 · Reviewed debt payment guarantee for overseas subsidiary · Reviewed transaction with company featuring same majority shareholder · Reports - Report on transactions with subsidiaries in 2007 - Details of internal transactions in 4Q07 - Details of social service works in 4Q07 - Details of donations in 2H07 - Review of adherence to Employees Code of Conduct in 2H07	Original draft passed
2 nd regular	April 24 2008	· Resolution of original draft for providing debt payment guarantee for overseas subsidiary · Review of transactions with company featuring same majority shareholder · Review of financial transactions with affiliated financial firm in accordance to agreed terms · Reports - Details of internal transactions in 1Q08 - Details of social service works in 1Q08	Original draft passed
3 rd regular	July 24 2008	· Resolution of original draft for providing debt payment guarantee for overseas subsidiary · Review of transactions with company featuring same majority shareholder · Review of financial transactions with affiliated financial firm in accordance to agreed terms · Review of equity investment in subsidiary · Reports - Details of internal transactions in 2Q08 - Details of social service works in 2Q08 - Details of donations in 1H08 - Review of adherence to Employees Code of Conduct in 1H08 - Status report on operations of compliance program	Original draft passed
4 th regular	Oct. 23 2008	· Resolution of original draft for providing debt payment guarantee for overseas subsidiary · Review of renewing Hyundai Capital support agreement · Review of transactions with company featuring same majority shareholder · Review of financial transactions with affiliated financial firm in accordance to agreed terms · Reports - Details of internal transactions in 3Q08 - Details of social service works in 3Q08 - Report on 2009 schedule of regular Ethics Committee meetings	Original draft passed

Environmental Management

Acting on our environmental management philosophy.



HMC publicly declared its environmental management philosophy and global environmental management policy, and laid the foundation for systematic environmental management. Furthermore we applied our environmental management strategy across the entire value chain of the automotive industry. As a global, eco-friendly company, HMC strongly adheres to the belief that environmental management forms the basis of sustainable development. We are committed to maximizing our social responsibilities by minimizing any negative environmental impact.

Environmental Management Philosophy and Policy

We were the first Korean automaker to introduce an environmental management system in 1995. We then formulated an environmental management philosophy and global environmental management policy, which was officially announced in June 2003. This enabled us to upgrade our related systems and present a clear direction and principle regarding environmental management to our entire organization and employees. At the same time, we clearly expressed our determination to fulfill our social responsibilities to external stakeholders.

Environmental Management Philosophy

We respect basic human values by protecting the environment and creating a society where humanity and nature peacefully co-exist, and fulfill our duty as a responsible corporate citizen.

Global Environmental Management Policy

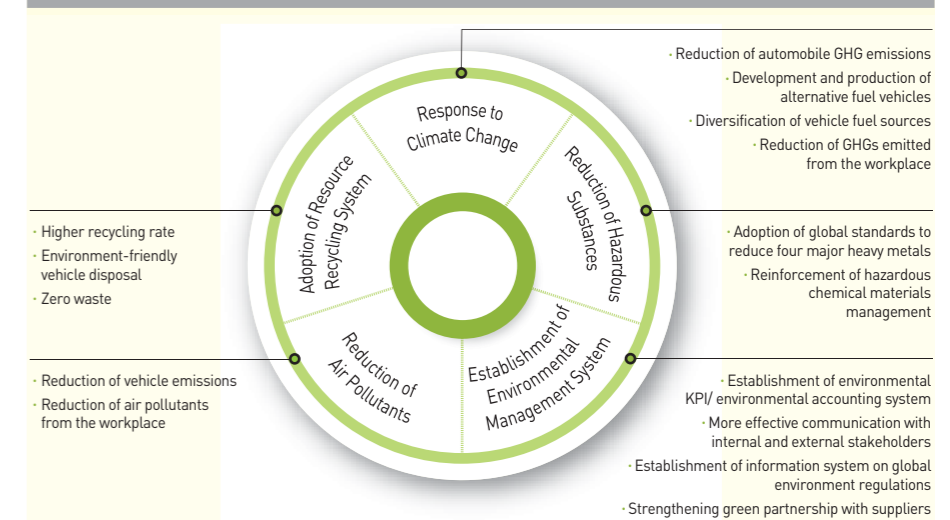
As a responsible corporate citizen dedicated to respecting human values and creating a prosperous and sustainable society, we established the following global environmental management policy to help preserve our earth.

- Recognize the environment as a core element of business success and create corporate value by proactively pursuing environmental management.
- Uphold our social responsibility by developing and distributing environmentally friendly vehicles.
- Promote the sustainable use of energy/resources and minimize pollutants across the full product life-cycle (development, production, sale, use and disposal).
- Endeavor to provide all employees with environmental training programs and support suppliers in their environmental management activities.
- Comply with all domestic and international environmental regulations and agreements. Strive to improve environmental management and communicate the results to internal and external stakeholders.

Environmental Management Strategy and System

Environmental Management Strategy

We established five core tasks for environmental management in a bid to effectively and consistently implement related activities in a unified direction, and to strengthen our capacity to respond to global environmental issues and regulations.



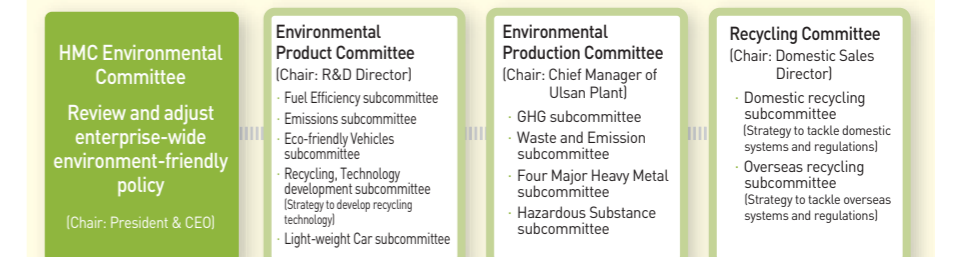
Environmental Management System

Based on our environmental management philosophy, HMC has an environmental management strategy for the entire value chain of the auto industry including R&D, purchasing, manufacturing, logistics, sales and customer service.

- **Philosophy & Policy** Establishment of environmental management philosophy & policy | Declaration of global environmental management
- **Organization & Strategy** Establishment of environmental management strategy | Operation of Environmental Committee
- **Management System** Environmental accounting | Establishment of cooperation system with stakeholders | Sustainability training for employees | Publication of Sustainability Report
- **R&D** Environmentally-friendly design | Improved fuel economy & reduced emissions | Additional recycling | Establishment of environmental data system | Development and distribution of environmentally-friendly vehicles
- **Purchasing/Logistics** Establishment of green purchasing system | Establishment of SCCM | Logistics optimization
- **Production** Establishment of clean production system | Expansion of ISO14001 certification | Establishment of integrated environmental management system | Disclosure of environmental data
- **Marketing/Sales** Green marketing | Green sales
- **A/S** Green service | Support for maintenance shops' environmental management

HMC Environmental Committee

The Environmental Committee is the highest decision-making body regarding environmental management and was created to facilitate the making and implementation of related decisions. It is chaired by the President and CEO, and comprises the Environmental Product Committee, Environmental Production Committee and Recycling Committee. Eleven sub-committees exist under the three committees to promote organic cooperation among units.



Ethical Management

Enhancing transparency through ethical management.

Transparency and trust are becoming critical to evaluating businesses. Local and overseas examples have shown that companies with high levels of management transparency and market trust grow and prosper, while those that do not are eventually rejected by the market. HMC approaches and amends irrational elements of its business from an ethical standpoint, and by doing so, strengthens competitiveness and delivers trust to customers and suppliers. At the same time, ethical management allows us to save on time and money spent on transactions and increase sales to create new economic value-added. Other positive effects include how employees feel a greater sense of pride and satisfaction in their work, develop greater loyalty to the company and become motivated to contribute more to the company's growth.

Ethical Management

We practice ethical management as a company that delivers trust to stakeholders and upholds its social responsibility. HMC endeavors to create a setting where employees can make the right decision when faced with ethical dilemmas. To this end, we established the HMC Code of Conduct and Employees Code of Conduct, as well as regulations regarding work ethics and gift giving/receiving. Ethical training is conducted to promote an ethical corporate climate in the organization. The Ethics Committee acts as a supervisory body on our ethical management activities.

In 2008, we signed Korea's largest fair trade pact with 2,400 suppliers. Furthermore, we included updates of our compliance program in operation since November 2002 on our official website (www.hyundai.com) and Annual Report to lay the foundation for fair trade and mutual growth with partner firms. In the same vein, we plan to establish a Fair Trade Day to heighten employee awareness, produce a voluntary checklist for staff unfamiliar with fair trade laws to encourage their compliance and boost preventive activities against violations.

Ethics Regulations

- **Code of Conduct**


The HMC Code of Conduct states the rules and regulations followed by a socially responsible company that is committed to raising the competitiveness of Korea's automobile industry to the global level and is leading national economic growth in the 21st century.

- **Regulations on Work Ethics**

Regulations on Work Ethics were created to clearly define and outline ethical guidelines for employees in dealing with other colleagues, customers, suppliers and competing firms. They include basic ethical rules and compliance measures for the workplace, as well as punitive measures for any violations. Additionally, a separate Workplace Ethics Committee can be established for effective application of the regulations.

- **Employees Code of Conduct**

The Employees Code of Conduct was adopted to ensure that every employee is committed to realizing the spirit of the HMC Code of Conduct. By pledging to abide by these guidelines, employees recognize that ethics are a source of corporate competitiveness and assume greater responsibility for their duties.

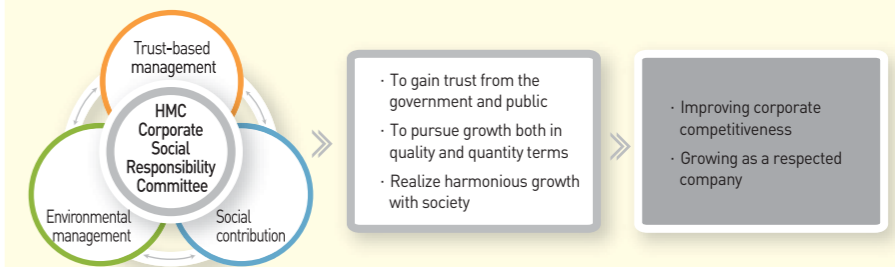
For more information on ethical management, please visit the Cyber Audit Office for ethical management at <http://audit.hyundai.com>. 

Corporate Social Responsibility

Pursuing balanced growth through socially responsible management.

HMC intends to pursue balanced and sustainable growth by embracing socially responsible management throughout its operations. We are dedicated to fostering a spirit of corporate citizenship as a company doing business on the global stage and fulfilling our responsibility as a member of society.

Our approach to CSR follows the three key areas of trust management, environmental management and social contribution. For trust management, our focus is on enhanced labor-management ties, win-win cooperation with suppliers and the spread of ethical and transparent management practices. Regarding the environment, we will proactively respond to global trends and regulations related to the environment. In social contribution, we are concentrating on securing expertise to raise the effectiveness of our initiatives to help global communities and charity works.



CSR Committee


We established the Hyundai-Kia Automotive Group CSR Committee and HMC CSR Committee in April 2008 to execute our CSR agenda in a more effective and systematic manner. The Hyundai-Kia Automotive Group CSR Committee is led by Chairman Mong-koo Chung. It holds regular meetings twice a year and divisional meetings four times annually to review the planning, execution and performance of CSR activities. The independent external review board provides expert feedback on our CSR performance and helps us to further develop related strategies.

Declaration of Social Responsibility Charter

In April 2009, HMC revealed its Social Responsibility Charter designed to strengthen CSR activities in business practices. The charter carries the vision and role of HMC in developing a sustainable relationship with shareholders, customers, employees, suppliers and community members.

Regarding employees, the charter specifies efforts to help employees realize their potential and build cooperative labor-management ties. It also stresses the importance of strengthening international competitiveness by building win-win cooperation and green partnerships with suppliers. For shareholders and customers, the long-term creation of economic and social value will promote shareholder rights and profits, while efforts should be made to protect customer information and provide unrivalled products and services in order to ensure customer satisfaction, safeguard their safety and health, and fulfill our product responsibility.

The charter outlines the importance of taking part in various CSR activities and abiding by social values such as global environmental regulations, in addition to promoting mutual understanding and social advances around the world through cultural exchanges.

For more information on ethical management, please visit the Cyber Audit Office for ethical management at <http://audit.hyundai.com>. 

Taking the Lead on Climate Change

HMC is committed to reducing greenhouse gas emissions to realize low-carbon, green growth.

Helping to mitigate climate change.

Climate change is the most pressing environmental issue facing the world today. The global community is stepping up efforts to curb the emission of greenhouse gases (GHG), a major culprit of global warming according to the UN Intergovernmental Panel on Climate Change (IPCC). The most prominent GHG in the atmosphere is carbon dioxide (CO₂) which is generated by the burning of fossil fuels. As a result, products and worksites that use fossil fuels as their main energy source are subject to regulations on CO₂ emissions.

In December 2007, delegates to the 13th meeting of the Conference of the Parties to the UNFCCC (COP 13) adopted the Bali Road Map, which outlines the negotiating process for a post-Kyoto framework with the goal of reaching an agreement by 2009. Negotiations will cover raising the GHG reduction targets from 2013 for 38 developed countries and introducing binding commitments to reduce GHG emissions for developing nations.

Industrialized nations have introduced and are likely to tighten regulations to control GHG emissions. Such measures include CO₂ caps, CO₂ tax, and CO₂ labeling. As a global automaker, HMC recognizes the importance of addressing climate change and supports worldwide efforts for GHG reduction. The best way to curb emissions from automobiles is to lower the use of fossil fuels and convert to low-carbon, alternative fuels. HMC conducts R&D to come up with ways to boost fuel efficiency, such as improved powertrains, lighter vehicles, and enhanced aerodynamics. Our R&D also encompasses the development of hybrid vehicles that reduce fuel consumption by over 50% and cars that run on alternative fuels.



Our Response by Region

HMC is boosting its environmental edge by adhering to global regulations on climate change.

Low CO₂ Emission Models in the EU
[As of Feb. 2008]

Model Name	Spec.	CO ₂
i10	Diesel 1.1 MT	114
i20	Diesel 1.6 MT	115
i30	Diesel 1.6 MT	119
Getz	Diesel 1.5 MT	118
Accent	Diesel 1.5 MT	120
ATOS	Gasoline 1.1 MT	131

• European Union (EU)

A law that limits average CO₂ emissions from cars sold and registered in the EU to 130 grams per km will take effect from 2012. This law will be phased in through 2015, at which point all cars sold in the region must meet the stated emission target. The EU aims to further lower the limit to 105g/km by 2020. This means CO₂ emission will be a crucial determinant of success for automobile companies. Moreover, EU consumers have become more sensitive to CO₂ emission. In 2008, major EU nations such as France and Spain began offering incentives for purchase of cars with CO₂ emissions below 120g/km and imposed progressive taxes on vehicles with emissions above 160g/km to encourage green purchasing among consumers. These measures have pushed up the sale of low-carbon vehicles.

Keeping pace with these trends, HMC has continued to lower CO₂ emission levels. In 2008, we launched the i10, i20, and i30; these cars are lighter and boast improved powertrain fuel efficiency. Consequently, our average CO₂ emission dropped by 14g/km, from 161g/km in 2007 to 147g/km in 2008. This means that a further 13% reduction is needed to meet the EU's 130g/km standard. HMC will continue with efforts to lower CO₂ emissions by setting annual reduction targets.

• USA

On May 19, 2009, the Obama administration announced new Corporate Average Fuel Economy (CAFE) standards that require passenger cars and light trucks to achieve an overall average of 35.5 miles per gallon (MPG) by model year (MY) 2016. Specifically, the standards will be tightened from 27.5 MPG in MY 2009 to 39 MPG in MY 2016 for passenger cars and from 23.1 MPG to 30 MPG for light trucks. The stricter rules, which will take effect four years sooner than anticipated, should impose upward pressure on automobile production costs and selling prices. In March 2009, the government issued CAFE standards for MY 2011, under which each automaker's required level of CAFE is based on target levels of average fuel economy set for vehicles of different sizes and on the distribution of that manufacturer's vehicles among those sizes. The estimated industry-wide CAFE for MY

HMC's Average Fuel Efficiency in the US

2004MY	27.7 mpg
2005MY	28.5 mpg
2006MY	28.9 mpg
2007MY	29.4 mpg
2008MY	31.1 mpg

2011 is 30.2 MPG for passenger cars and 24.1 MPG for light trucks. The figures for MY 2012 and beyond are set to be finalized by the end of March 2010.

The expected MY 2011 standards for HMC are 30.3 MPG for passenger cars and 26.4 MPG for light trucks. Our average levels for MY 2008 were respectively 33.2MPG and 25.6 MPG, already satisfying the MY 2011 standards. Moreover, HMC cars have been among the top performers in terms of fuel economy among models offered by 20 automakers in the US. The Elantra was chosen as one of the top five conventional gasoline cars by the National Automobile Dealers Association in March 2009. Our target is to raise fuel economy by 25% for gasoline cars and by 15% for diesel cars by 2015. We also plan to expand our offering of hybrid vehicles starting with the debut of the Sonata gasoline hybrid in 2010.

• Korea

Stricter average fuel efficiency standards will apply to new cars sold in Korea from 2012. A set proportion of annual car sales (30% in 2012, 60% in 2013, 80% in 2014,

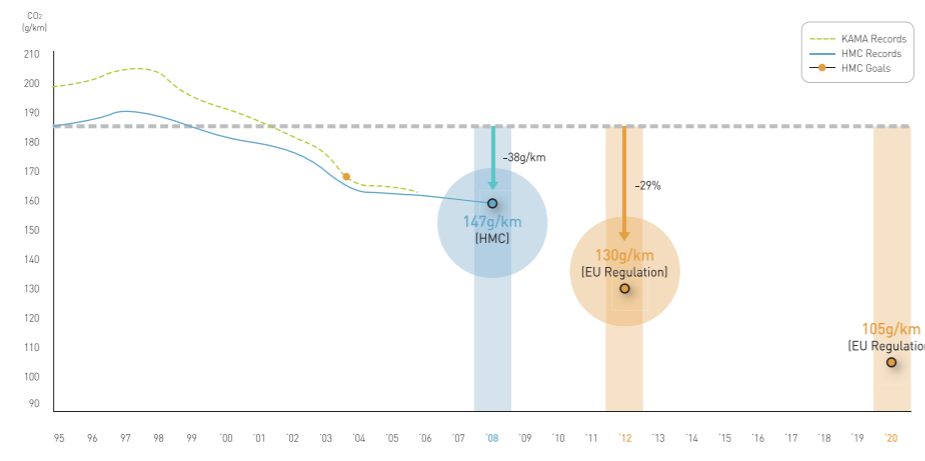
100% in 2015 and beyond) have to meet the requirements, with automakers having the option to choose between a fuel economy target of 17km/liter or GHG emission target of 140g/km.

HMC's average fuel efficiency levels in 2008 were 14.0km/l for 1,600cc and below and 10.9km/l for 1600cc and above, which were respectively 13% and 14% higher than the issued standards. We are leading the drive for improved fuel economy for passenger cars in Korea with improvement plans for each of our models. We also plan to introduce fuel efficient cars like the Elantra and Sonata hybrid to abide by Korea's new fuel economy rules.

• China

All HMC cars sold in China satisfy the country's second phase fuel economy standards which went into effect in 2008. Tighter regulations may be forthcoming given the steep rise in GHG emissions that has accompanied China's rapid economic growth. HMC will make continued efforts to improve fuel efficiency to contribute to curbing GHG emissions in China.

HMC's Average CO₂ Level in the EU



Elantra Selected as One of Five Models in 2009 with Least Impact on Global Warming

Alternative Fuel Cars

The Elantra LPi Hybrid made its debut in July 2009.



A Next-Generation Sonata Hybrid System ¹
The Nubis Hybrid Concept Car ²

For the automotive industry, the best solution to global warming is offering vehicles powered by non-petroleum fuels. While the ultimate goal is developing vehicles with zero gas emissions, the most promising option given current technology levels is hybrid cars powered by both internal combustion engines and electric motors. HMC is driving advances in hybrid electric vehicles with its proprietary technologies while investing in research to develop cars that run on alternative energy such as hydrogen fuel and bio-fuel.

Hybrid Electric Vehicle (HEV)

Hybrid electric vehicles (HEVs) combine the internal combustion engine of a conventional vehicle with the battery and electric motor of an electric vehicle. Eco-friendly cars boasting increased fuel economy and reduced gas emissions, HEVs have high commercial potential since they can be fueled through the existing gas station infrastructure. HMC conducted a test run of 50 Click hybrids in 2004,

and by 2005, core components of HEVs were developed locally. As of 2008, about 1,500 Accent hybrids were supplied to government agencies and educational organizations. In 2008, HMC developed the world's first LPi (LPG injection) HEV powered by an engine running on liquefied petroleum gas and an electric motor. The LPi HEV was made available to consumers in 2009 with the launch of the Elantra LPi Hybrid in July. In 2010, we plan to produce a mid-size gasoline HEV for the US market. Research is also underway with a view to commercializing a plug-in HEV that can be recharged by connecting a plug to an electric grid after 2012.

Elantra LPi Hybrid

The concept behind the Elantra LPi Hybrid is "an environmentally-friendly and practical compact sedan." The first vehicle in the world to be powered by LPG, it is environmentally friendly and economical while delivering a powerful performance. The Elantra LPi Hybrid features an LPi engine and hybrid system independently developed by HMC. The hybrid system includes four core electric components developed locally, namely a motor that provides secondary power, battery for storing electric energy, inverter that supplies high voltage from the battery to the motor, and converter that converts the battery's high voltage to 12V and supplies electric energy to components like the audio system and head lamps. The Elantra LPi Hybrid is also the first car in the world to adopt lithium ion polymer(Li-Poly) batteries which are 35% lighter than nickel-metal-hydride (Ni-MH)

Hybrid Electric Vehicles Development Roadmap



Elantra LPi Hybrid (2009) ¹
Engine Motor System ²
Battery System ³

Specification of Elantra LPi Hybrid

- Size(mm): 4,535 x 1,775 x 1,490 / Wheel Base 2,650
- Power Train: Gamma 1.6 LPi HEV
- * Engine Output: 114HP, Engine Torque: 15.1kg.m
- * Motor: 15kW, Powered by Lithium-ion Polymer Battery
- * Transmission: CVT for hybrid
- Fuel Efficiency: 17.8km/ℓ (Gasoline-equivalent: 22.3 km/ℓ)
- CO₂ Emissions: 99g/km

batteries and have enhanced collision safety. An electric motor provides secondary power during starts and acceleration and on uphill roads, while the ISG (Idle Stop & Go) system switches off the engine when the car is at a standstill to minimize unnecessary fuel consumption.

Thanks to enhanced fuel economy and the use of LPG, Elantra LPi Hybrid has 36% lower CO₂ emissions than the gasoline-powered Elantra. Moreover, it boasts a 12.7-ton reduction in carbon foot-print throughout its life cycle, which has the same effect as planting more than one thousand 30-year old pine trees.

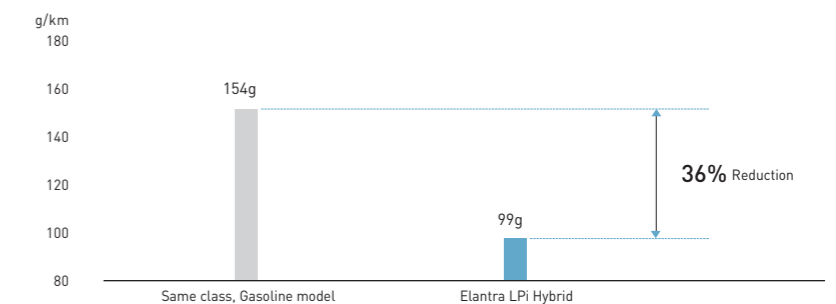
Proprietary Hybrid System

HMC plans to launch a mid-size vehicle featuring a proprietary hybrid system in the US

market in 2010. A full-hybrid system connecting the clutch and electric motor between the engine and transmission will enable the vehicle to be powered solely by the electric motor at low speeds. We plan to secure cost competitiveness through the use of locally developed core components such as motor, inverter and battery.

As for our longer-term plans, we are currently investing in research to commercialize a plug-in hybrid vehicle that can be recharged at home and can travel short distances powered solely by an electric motor after 2012. Our objective is to promote development giving balanced consideration to people, society and our planet while reinventing HMC as a provider of low-carbon, highly efficient automobiles.

Elantra LPi Hybrid's Low CO₂ Emission Profile



LPG certified fuel economy 17.8km/ℓ

Lowest CO₂ Emission Vehicle in Korea

(99g/km)



Elantra LPi Hybrid

Blue Drive

Meeting society's demands on mobility and the environment via the **blue drive** initiative.

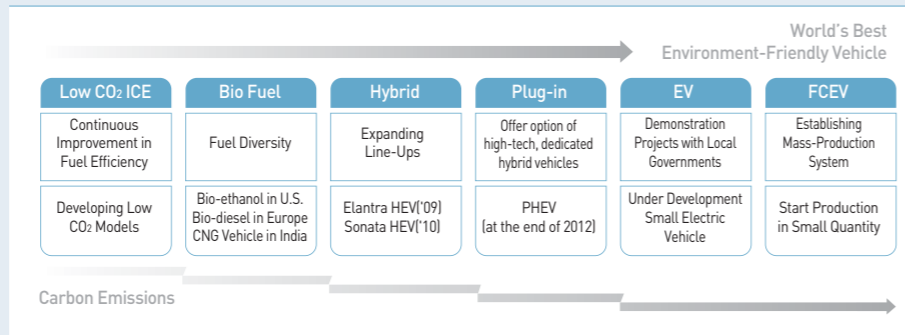
HMC has upheld a firm commitment to the environment since starting work on an eco-friendly concept car in 1995. We followed up with the declaration of global environmental management in 2003 and the opening of our Eco-Technology Research Institute in 2005. More recently, we unveiled our Blue Drive strategy and Elantra LPi Hybrid at the 2009 Seoul Motor Show.

Blue Drive represents HMC's resolve to protect our planet and contribute to building a sustainable world through eco-friendly vehicles. It encompasses low-carbon, green technologies such as internal combustion engines with increased fuel efficiency, biofuel vehicles, hybrid vehicles, plug-in hybrids, electric vehicles, and hydrogen fuel cell vehicles. Vehicles featuring green technology will

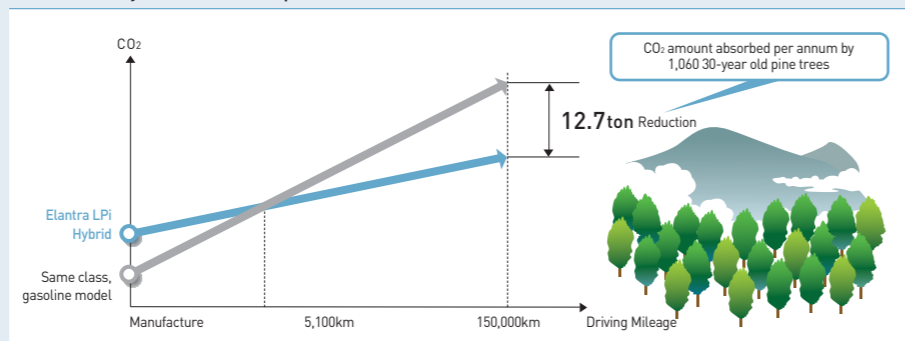
bear the Blue Drive emblem to promote HMC's eco-friendly approach and instill pride among green consumers for their contribution to preserving the environment.

The Blue Drive initiative comprises five stages of development, namely low-carbon models, biofuel vehicles, hybrid electric vehicles, electric vehicles, and hydrogen fuel cell vehicles. As each stage progresses, there will be a greater reduction in CO₂ and less reliance on petroleum. We will also set up an eco-chain that minimizes the environmental impact throughout a car's life cycle, from manufacture to usage and disposal. We aim to spearhead the low-carbon, green market of the future by developing and supplying low carbon vehicles with greater fuel efficiency.

Scope of Blue Drive Technology



Elantra LPi Hybrid Carbon Footprint Reduction



Collision Test of Hydrogen Fuel Cell Vehicle ¹
Fire Test of Hydrogen Fuel Cell Vehicle ²

Hydrogen Fuel Cell Electric Vehicle (FCEV)

Hydrogen FCEVs run on energy obtained when hydrogen reacts with oxygen in the atmosphere. They are regarded as the ultimate in pollution-free vehicles because water is the only emission.

Hydrogen can be produced using diverse energy sources including solar, wind and nuclear power. This means less reliance on fossil fuels and enhanced energy security. Hydrogen FCEVs also represent technology that most efficiently uses natural energy sources and boasts more than twice the efficiency of traditional internal combustion engines. In the case of an SUV, adoption of fuel cell technology will result in 3.75 times the efficiency compared to gasoline.

HMC launched R&D into fuel cell technology in 1998. The following year, we produced a fuel cell stack with maximum power of 2kW and power density of 0.2kW/l. Through continued upgrades, we developed a 100kW stack with improvements of 25% and 20% respec-

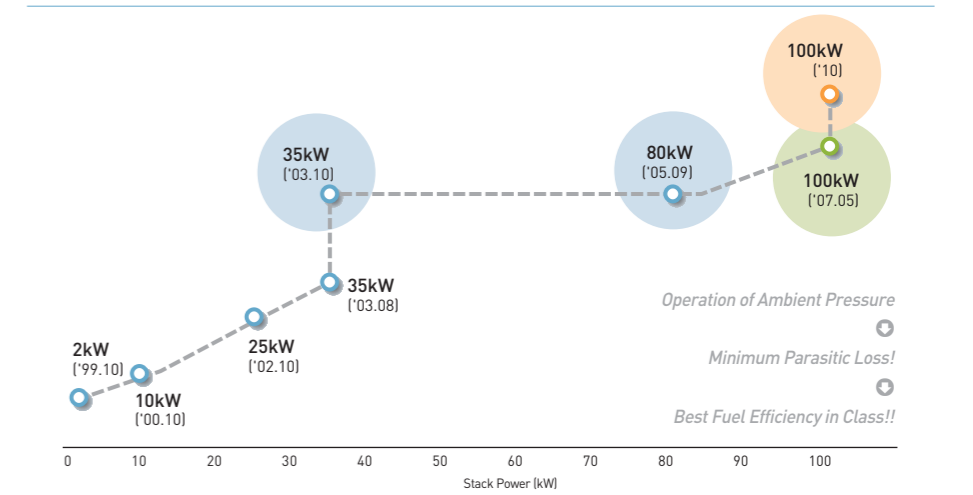
tively in maximum power and power density in May 2007. In recognition of our 50-fold improvement in stack power and six-fold increase in power density, we received the distinction of "national core technology" from the Korean government in 2007 and obtained certification for New Excellent Technology (NET) from the Ministry of Knowledge Economy in 2008.

Several issues have to be resolved such as the need for hydrogen distribution infrastructure and the high price of hydrogen FCEVs. Through ongoing investment to secure marketability and competitive prices, we have secured technology that makes it possible to start and drive these cars at a temperature of minus 20°C. We also demonstrated the potential for mass production by developing technology to make fuel cells by stamping thin metal plates, which lowers the price of a fuel cell stack to 1/6 of previous levels. Moreover, we have verified safety through various tests including collision and fire simulation tests.



100kW-Class Fuel Cell Stack

Development of Fuel Cell Stack by HMC





Specification of Hydrogen Fuel Cell Vehicle

Fuel Cell Power	100 kW
Super Capacitor	Max. 100kW
Motor System	100kW
H ₂ Tank	3.6 kg H ₂ @ 350 bar
Acceleration (0 → 100kph)	12 sec
Max. Speed	155 km/h

Tucson FCEV

HMC holds proprietary design technology for fuel cell systems and has developed over 90% of parts in cooperation with Korean companies. The second-generation Tucson hydrogen FCEV developed in 2007 provides optimal driving conditions and high vehicle efficiency by using a 100kW fuel cell and super-capacitor that can be operated under atmospheric pressure. The vehicle offers maximum speed of 150km/h and can accelerate to 100km/h within 12 seconds. It can travel 380km on a single charge with 3.7kg of hydrogen, which converts to fuel efficiency of 27km/l in a gasoline car. Tucson FCEV also features technology for ignition at low temperatures which shortens the start-up time from 2 minutes to 15 seconds at minus 20oC.

Two Tucson hydrogen FCEVs completed a 4,300 mile (approx. 7,000km) journey as part of the Hydrogen Road Tour 2008. Nine auto manufacturers took part in the 13-day, cross-country road trip, whose sponsors included the US Department of Energy. The event served to reaffirm the potential and safety of HMC's fuel cell technology.

Fleet demonstration Program of the Tucson hydrogen FCEV will be carried out in Korea (18 cars) and the US (16 cars) until 2010. After completing the necessary testing, we plan to initiate small-scale production of this model in 2012.

Fuel Cell Bus

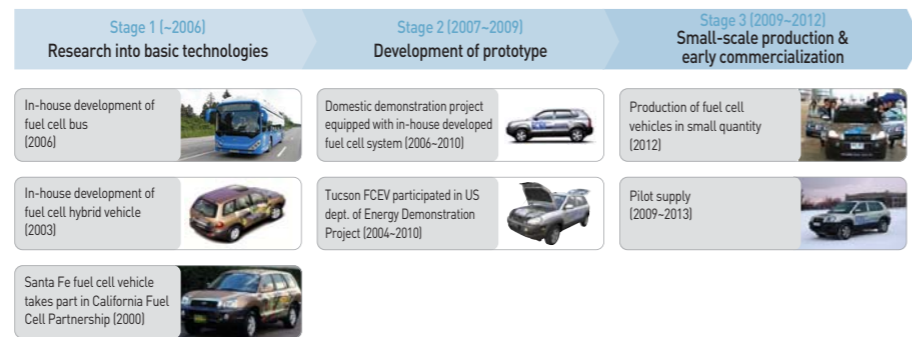
Fuel cell R&D extends to buses in addition to passenger cars at HMC. We unveiled our second-generation hydrogen fuel cell bus at the 2009 Seoul Motor Show. The bus features numerous technical refinements including a 200kW fuel cell power plant (vs. the previous 160kW system), 300kW of propulsion (vs. 240kW), acceleration of 0→50km/h in 8.4 seconds (vs. 14.2 seconds), and top speed of 100km/h (vs. 74km/h). In addition, the parallel connection of two 100kW fuel cell stacks lowered the system's overall voltage, while the system can operate with just one stack in times of emergency. The second generation hydrogen fuel cell bus is slated to take part in a government-led monitoring project.



Hydrogen Fuel Cell Bus Specification of 2nd-Generation Fuel Cell Bus

Fuel Cell Power	200 kW
Super Capacitor	MAX. 400 kW
Motor System	300kW
H ₂ Tank	3.5kg H ₂ @ 350 bar
Acceleration (0 → 50kph)	8.4 sec
Max. Speed	100 km/h

Hydrogen Fuel Cell Vehicle Development Roadmap



Grade 1 (highest) energy efficiency by Ministry of Knowledge Economy

Fuel Efficiency Enhancing Technologies



6-Speed Transmission



8-Speed Transmission



Double Clutch

Biofuel Vehicle
Obtained by processing plant materials, biofuel is one of the alternatives to fossil fuel. However, supply constraints have limited its use to a few regions. For instance, bioethanol is produced using sugarcane in Brazil while corn is used in the US. Flexible-fuel vehicles (FFVs) that run on a combination of gasoline and ethanol such as E85 (containing 85% bioethanol) are affected by various factors such as limited supply, crude oil prices, and grain prices. HMC is taking a prudent approach to developing bioethanol vehicles, taking into consideration changing market conditions.

The European Union (EU), where diesel cars are widespread, is promoting BD5 (95% conventional diesel and 5% biodiesel) by introducing quality standards for biodiesels, whose feedstock includes rapeseed oil, palm oil and soybean oil. All diesel models from HMC can run on BD5. Looking ahead to a future when eco-friendly biodiesels will be readily available, HMC is currently working on diesel engine technology enabling the use of diesel blends containing up to 20-30% biodiesel.

Compressed Natural Gas (CNG) Vehicle

CNG vehicles are associated with a 20-30% reduction in GHG emissions compared to gasoline vehicles. However, CNG use is limited to buses that travel on fixed routes due to the difficulty in building CNG distribution infrastructure. HMC has been supplying CNG buses to bus operators in Seoul and other major Korean cities from July 2004. Efforts are underway to stabilize production volume to ensure smooth supply of these buses. We continue to invest in R&D to develop greener CNG buses and plan to introduce the CNG powered Santro in India, which has an abundance of CNG, in the second half of 2009.

Boosting Fuel Economy of Existing Models
Improving fuel economy to reduce greenhouse gases and alleviate climate change is an important task facing all automakers. As part of efforts to reduce fuel consumption, HMC has developed the diesel common rail engine, gasoline direct injection engine, Idle Stop & Go (ISG), and Double Clutch Transmission (DCT). We are also improving aerodynamics by conducting wind tunnel tests, adopting low rolling resistance tires, and developing lighter cars for greater fuel efficiency.

In 2009, we launched Elantra and i30 models in Korea that received the top grade under the local government's fuel-efficiency system. We also introduced the i30 Blue in Europe which features ISG technology. Our goal is to improve fuel economy by 25% for gasoline vehicles and by 15% for diesel vehicles by 2015.

Improving Transmission Efficiency

Raising the energy efficiency of automatic transmission is vital to boosting fuel economy and reducing CO₂, which backs the importance of technology for smaller transmissions and more gears. HMC is applying its independently developed 6-gear automatic transmission in production models. Going forward, we will develop 8-gear automatic transmission and double clutch transmission to further raise fuel efficiency.

Developing Lightweight vehicles

The weight of a vehicle has a major influence on fuel economy. In general, a 100kg reduction in weight will slash CO₂ emission by about 8g. The EU is moving to introduce weight-based CO₂ standards to regulate automobile emissions. HMC plans to reduce the average weight of cars sold in Europe by over 10% from the 2007 level of 1,405kg by 2015. With that in mind, we are pursuing engine downsizing and developing a space frame body and high tensile, light-weight steel plates.

Greenhouse Gas Reduction in the Workplace

Realizing an energy efficient production system via tighter control over greenhouse gas generation.

2008 Greenhouse Gas Inventory of Domestic Business Sites

(Unit: ton)

		Emissions
Direct emissions	LNG	523,588
	LPG	1,175
	kerosene	3,168
	gasoline	559
	light oil	5,212
	welding-use CO ₂	560
	HFC	7,638
Indirect emissions (electric power)	SF ₆	337
		965,699
Total		1,507,936

In addition to products, workplaces that use fossil fuels are being subjected to tighter regulations on greenhouse gases (GHG). In Korea, the basic law for low-carbon, green growth was submitted to the legislature in February 2009 and is expected to be passed by the year's end. It includes mandatory reporting of GHG in the workplace and emission reduction targets from 2005 and reinforced the targets from 2008. The US unveiled a bill mandating GHG reporting by businesses with emissions of 25,000 tons or more. If the bill is finalized before the year's end, it will enter into effect from March 2011.

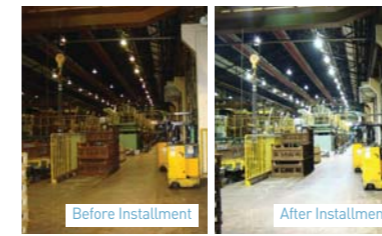
In response to tightening regulations, HMC is instituting a GHG reduction scheme for its facilities in Korea. The scheme will be gradually expanded to cover all of our overseas business sites. A proposal on reducing GHG emissions was presented as a key agenda item to the Environmental Committee. Our initial goal is to cap total GHG emissions in 2012 at 2005 levels by making economically feasible investments to boost energy efficiency and develop low-energy technology. As the second phase strategy, we intend to diversify energy sources from fossil fuels to new and renewable energy to slash GHG emissions by 10% from 2005 levels by 2020, the post-Kyoto goal.

Greenhouse Gas Inventory
Energy efficiency and alternative energy are core elements of GHG reduction strategy at HMC. Our short-term goal is to maximize energy efficiency of existing production lines. Long-term measures that are under consideration include the adoption of more efficient production facilities and switching to new and renewable energy sources.

In the meantime, work is underway at our energy research center to realize factories that consume less energy. GHG inventories are being set up to identify current emission levels and the potential for emission reduction at all of our business sites in Korea (Ulsan Plant, Asan Plant, Jeonju Plant, R&D centers, service centers, distribution centers and headquarters). The inventory data provides the basis for GHG reduction activities.

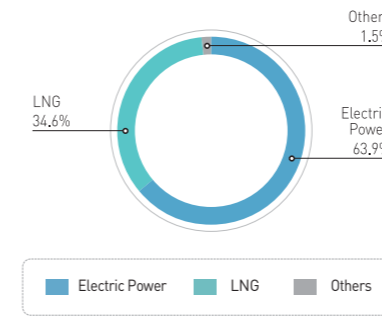
In December 2008, Asan Plant received verification for its GHG emission data from the Environmental Management Corp. We will set out to receive outside verification on GHG data for all three production plants in Korea from the second half of 2009. Down the road, we plan to set up GHG inventories for all HMC sites around the world.

Total Energy Management System (TEMS)
TEMS was set up to oversee usage and cost of electricity, LNG and other energy sources for each production process and production plant. It has been adopted at Asan Plant and Jeonju Plant. Utility Monitoring Management System (UMMS) monitors production processes and energy consumption trends to help us identify GHG reduction potential. We will make further upgrades to establish Greenhouse gas and Energy Management System (GEMS) which will apply to our overseas production sites as well as those located in Korea.

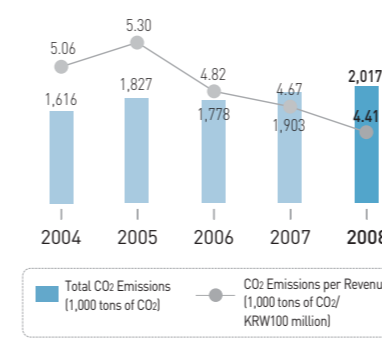


Electrodeless Lamp

GHG Emissions by Energy Source at Domestic Business Facilities (2007)



Total GHG Emissions (Domestic & Overseas)



Supply Chain Carbon Management

GHG Reduction per Energy Source and Manufacturing Process
Electricity and LNG account for the majority of GHG emissions from our worksites in Korea. Based on figures for 2008, the two were responsible for 98.5% (63.9% for electricity, 34.6% for LNG) of total energy consumption during the year, with other energy sources accounting for a mere 1.5%. These figures indicate that our production plants mostly use eco-friendly energy. Our plants' GHG reduction activities are centered on curbing electricity and LNG use and making greater use of new and renewable energy.

Painting, molding and forging facilities consume the largest amount of energy during automobile production. We installed heat recovery devices that recover high-temperature waste heat generated during the painting process to produce steam. The installation has slashed energy use for steam production by 50%.

For the smelting furnaces at material plants, we switched from parallel resonance to serial resonance to raise energy efficiency. We also installed a system that recycles waste heat from cooling towers for use in manufacturing processes and for heating purposes. The first such system to be set up at a Korean auto-manufacturing plant, it has reduced CO₂ emission by 4,000 tons and has been registered as a GHG reduction project with the Korean government.

Related to factory lighting, we replaced metal lamps (430Wh) with electrodeless lamps (150Wh) and high-efficiency fluorescent lamps

Support low-carbon management system
In 2008, we launched a project to manage the carbon footprint of ten suppliers in conjunction with the Ministry of Knowledge Economy. HMC is the first company in Korea to support the creation of such a system.

(54Wh*3 bulbs). The switches have cut annual CO₂ emission by 6,000 tons.
At our Asan site, we changed the electro-coat paint to adjust the rectifier voltage, while a crusher has been installed in the furnace at the material factory to shorten smelting time. In addition, we strive to optimize energy usage time at production facilities to eliminate unnecessary waste of energy. We will continue to recycle waste heat and raise equipment efficiency to curb GHG emissions.

Greenhouse Gas Emissions in 2008
HMC calculates GHG emissions based on the principles of feasibility, completeness, consistency, transparency and accuracy. Emissions are classified into direct and indirect emissions.

Our total emissions, spanning all domestic and overseas worksites, in 2008 amounted to 2.017 million tons of CO₂. That represents an increase of 6% over the previous year, which is attributable to the launch of production at our plant in the Czech Republic in November 2008, increased operating rate at our plants in India and China, and greater energy use for air-conditioning purposes due to global warming.

Total emissions from our business sites in Korea were 1.508 million tons of CO₂. Direct emissions accounted for 36% of the total while indirect emissions made up the remaining 64%. We will continue to reduce GHG emissions through investments to improve processes and energy efficiency.

Through this endeavor, we will help suppliers set up low-carbon management systems and GHG inventories, review and improve on GHG-generating processes, draw up total emission maps and reduction tasks, and assess the carbon footprint of suppliers products. Our intent is to share our knowhow and capabilities with our suppliers to promote GHG reduction and low-carbon operations in the automotive industry.

Low-Carbon Community Initiatives

Taking the lead in activities to mitigate climate change to promote a low-carbon society.

Social Response

Climate change has wide-ranging impacts on people's lives. Our approach to addressing this crucial issue extends beyond products, worksites and partner companies to embrace the wider society and the global community. Based on this outlook, we have joined hands with public agencies and environmental groups to prevent desertification in East Asia as a means of tackling global warming and yellow dust.

Preventing Desertification in China

Preventing desertification in China caused by climate change via Hyundai Green Zone China project.

Desertification in Mongolia is causing longer and more frequent occurrences of yellow dust in East Asia. In response, HMC launched the Hyundai Green Zone China project as part of its global environmental initiative. The project involves creating a 50km² prairie at Chakanor, an area within the Kunshantag desert in Inner Mongolia, China. It is being carried out jointly by HMC, NGOs, China's central government, and Inner regional government.

Chakanor is 1,000 meters above sea level and has an average rainfall of only 200-400mm a year. The area used to consist of plentiful grasslands, but is now experiencing rapid desertification due to climate change. The Hyundai Green Zone China project involves the planting of indigenous flora that grows well in the region's alkali soil to revive the local ecosystem.

Route of Salt Yellow Sands Originated in the Chakanor Region



[Home Page for Genesis Forest Project in U.S. <http://hyundai.carbonfund.org>]

Through this project, we created 3.33 millionm² of grassland in 2008. We intend to plant 11.66 millionm² of grassland every year from 2009 to create a prairie spanning 50km² by 2012.

Carbon Offset Program in the US

Hyundai Motor America [HMA] unveiled the Genesis Forest project in 2008. Carried out in conjunction with Carbonfund.org, this project offsets the emissions of all 2009 Hyundai Genesis sedans sold. It is expected to offset

93,170 metric tons of CO₂ by preserving and restoring 3,000 acres of tropical forest in Brazil. The first voluntary carbon offset program, it is designed to meet the Climate, Community and Biodiversity Standards developed by the Climate, Community & Biodiversity Alliance. Over in Europe, Hyundai Motor Manufacturing Czech (HMMC) is building an eco-friendly factory by transplanting trees on the factory site. Hyundai Motor Group China (HMGC) planted 300 trees on the hills near Huairou on the outskirts of Beijing. HMGC plans to continue with tree planting activities to help preserve the local environment.



INTERVIEW



A Meaningful Project to Restore the Ecosystem of East Asia

Zheng, Baiyu (Secretary General, Poor Relief Committee for an Ecologically Friendly Sustainable Development, Beijing Association of Yanjing University Alumni)

Desertification has increased over the past few decades in China and yellow dust has occurred with growing frequency over the last 50 years. During the last five to ten years, the average temperature of Inner Mongolia has risen by 0.6 degrees while annual precipitation has decreased by 50-100mm. Each year, hundreds of thousands of hectares of grassland have been subject to degradation and desertification. From a global perspective, Chakanor covers only a small area, but the Hyundai Green Zone China project is meaningful in that it sets a precedent for efforts to restore the Xilinguole Grassland. Creating grassland in Chakanor is important also because yellow dust containing large amounts of chemical substances have been detected since the Chakanor Lake dried up.



INTERVIEW



Planting New Hope in Desertified Land

Si, Qintu (Neimenggu, Xilingeremeng, Abagaqi, Chief of Publicity Office)

The Hyundai Green Zone China project will not only lead to major changes in the ecosystem of Chakanor, but also bring new hope to dried-up lakes covering an area of 1,000 km² in the Xilinguole Grassland and spanning more than 100,000 km² in the western part of China. Moreover, it should have far-reaching effects by playing a pioneering role in restoring the ecosystem of lakes that have dried up to leave behind alkali soil. HMC looks forward to seeing scientific restoration transform dried-up lakes in Xilinguole Grassland and other parts of China from a source of concern to engines (the use of this word is awkward here) that advance local economies.

Creating Human Value in Harmony with Nature

Creating human value in harmony with nature
HMC pursues green technologies that protect our planet



Striving for Zero Exhaust Emission.

Curbing emissions from automobiles will contribute to improving air quality in urban areas. Regulations on vehicle emissions such as nitrogen oxides (NOx) and particulate matter (PM) are becoming more stringent across the globe.

The EU is set to adopt the Euro 5 standard in September 2009. Euro 5 will impose limits that respectively represent 80% and 30% reductions in emissions of PM and NOx compared to Euro 4. The Euro 6 standard will be adopted in 2014 which calls for a 60% cut in NOx emission from diesel cars compared to Euro 5. Korea is expected to follow Euro 5 at the same time as the EU.

Over in the US, emission regulations include the federal Tier-2 standards and California's Low Emission Vehicle (LEV) II standards. California's LEV II and Zero Emission Vehicle (ZEV) are the strictest emissions standards in the world. Developing eco-friendly cars that satisfy tightening regulations is an important task facing the auto industry. But given current automotive technology, there are concerns that mandatory sales of pure electric vehicles or hydrogen fuel cell vehicles will burden automakers. Accordingly, the ZEV mandate was modified to give rise to Advanced Technology Partial Zero Emissions Vehicle (AT-PZEV) which allows automakers to meet emission requirements through cutting edge technology like plug-in hybrids between MY 2012 and MY 2017.

HMC is stepping up investment in new technology to reduce emissions below the required limits set by various regions. Our ultimate aim is to develop vehicles that produce zero emissions.



Elantra 2.0 SULEV Model

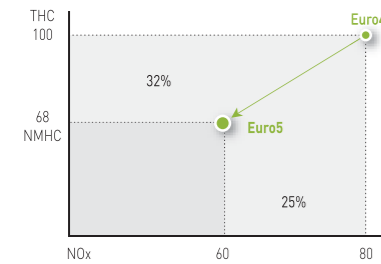
2009 Elantra GLS

Emission Reduction - Regional Response

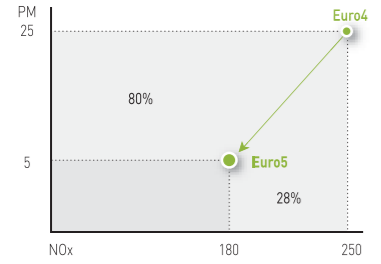
Investing to reduce car exhaust (emissions) to comply with global emission standards.

Euro 5 Standards

GASOLINE



DIESEL



• EU

HMC launched commercial production of the R Engine which complies with the Euro 5 standard in April 2009. The R Engine will power the facelift models of Santa Fe and Tucson from July and August 2009 respectively. In addition, all diesel models will employ a Diesel Particulate Filter (DCF) so that new models comply with pertinent regulations by September 2009 and all models already on the market do so from 2011. We are also working to develop Euro 6 compliant cars.

• US

All HMC cars sold in the US are powered by gasoline and adhere to emission standards of the pertinent state. The V8 Tau Engine in Genesis was selected as one of Ward's 10 Best Engines in December, 2008. It is also the first V8 engine developed by a Korean automaker that satisfies US emission regulations. Among HMC cars currently available in the US, the Elantra 2.0 and Sonata 2.4 meet requirements for a Super Ultra Low Emission Vehicle (SULEV). HMC will continue to promote its environmental leadership with the launch of the 2010 Tucson facelift model and Sonata hybrid in 2010, and an exclusive hybrid model in the second half of 2012.

• Korea

Emission standards for gasoline and LPG vehicles imposed by the Korean Ministry of Environment are comparable to California's Ultra Low Emission Vehicle (ULEV) standards, with limits of 31mg/km for NOx and 1,060mg/km for carbon monoxide. The standards for diesel cars are 250mg/km for NOx and 5mg/km for PM, which are equivalent to the Euro 4 standard. All HMC models available in the market meet Korea's emission mandates, with most models far exceeding the required levels.

ZEV Regulation in California, US

		06MY-08MY	09MY-11MY	12MY-14MY	15MY-17MY	
ZEV Mandatory ratio		10%	11%	12%	14%	
		Current	Current	Current	Revised	Current
Vehicle Type	Pure ZE	-	2.5%	3%	0.9%~3.0%	4%
	Improved AT-PZEV	-	-	-	0~2.1%	-
	AT-PZEV	4%	2.5%	3%	←	4%
	PZEV	6%	6%	6%	←	6%

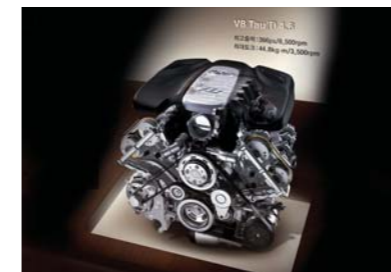
Emission Reduction - Low-Emission Engines

Green Powertrain Technology
Leading the future of automotive technology with low-emission engines.



• Low Pollution Diesel Engine (R Engine)

R Engine 2.0L	
BORExSTROKE (mm)	83 x 90
Maximum Output	184
Maximum Torque	40



• New Gasoline Engine (Tau Engine)

TAU Engine 5.0 L	
BORExSTROKE (mm)	96 x 87
Maximum Output	400
Maximum Torque	50

Green Powertrain Technology

HMC is reinforcing R&D into engine technology to curb vehicle emissions. For diesel engines in passenger cars, we employed the DCF which improved the exhaust gas purifying level to over 90%. In the case of the small and middle size I-4 gamma engine, which has a variety of environment-friendly qualities, the warm-up catalytic converter + under-floor catalytic converter (WCC+UCC) is placed at the back of the vehicle to shorten the catalyst activation time, thereby improving catalyst purifying efficiency and curbing emissions.

We started producing the diesel R engine for the EU market in April 2009 and the Tau engine for gasoline models in the US market from June 2008. The R engine is a next-generation diesel engine for passenger cars that complies with Euro 5 emission requirements. In addition to lower emissions compared to the D engine, the R engine boasts a 20% improvement in performance, 5% improvement in fuel efficiency and a lighter weight. The Tau engine, delivering luxury car performance, is propelling our drive for world-class engineering.

• Diesel R Engine

The R engine is a next-generation, eco-friendly diesel engine that delivers outstanding performance and fuel economy. It comes in two displacements (2.0-liter and 2.2-liter) and answers global demand for engines with increased fuel efficiency to address climate change and high oil prices. The R engine will power the Santa Fe, Tucson and Sonata models from 2009. Boasting a vast improvement in fuel economy, the R engine delivers 200 horsepower in the 2.2-liter variant and 184 horsepower in the 2.0-liter displacement.

Along with a marked reduction in noise and vibration, the R engine features an Electronic Variable Geometry Turbocharger (E-VGT), engine-mounted oxidation catalyst, close-coupled diesel particulate filter, and rapid preheating system. The use of plastic materials facilitates engine recycling. Compliant with the Euro 5 standard, the R engine is helping HMC overcome the hurdle posed by strict environmental regulations in the European market and strengthen its presence in the region.

• Tau Engine

Complying with US emission standards, the Tau engine boasts maximum output of 400 horsepower and 0-50km/h acceleration in 6 seconds. It represents cutting edge automotive technology with 177 patent applications in Korea and 14 abroad. After a four-year development period that began in 2005, HMC developed the first V8 engine independently developed in Korea in 4.6-liter and 5.0-liter displacements. Tau was selected as one of "Ward's 10 Best Engines" for 2009 by Ward's Auto World. The Tau made its debut in July 2008 in the Genesis sedan exported to the US market. It will also be launched in the future.

Minimizing Use of Hazardous Chemicals - Prohibition of the Use of Four Heavy Metals

The use of toxic chemicals is strictly controlled.

Stringent control over the use of hazardous chemical substances

All automakers bear the responsibility of keeping tight control over the use of hazardous chemical substances that affect human health and the environment. HMC rigorously manages the use of such substances from the design stage to actual production, and our hazardous chemicals management system extends to our parts suppliers. We also collaborate with suppliers to jointly develop environmentally friendly parts

and are stepping up efforts to develop alternative materials.

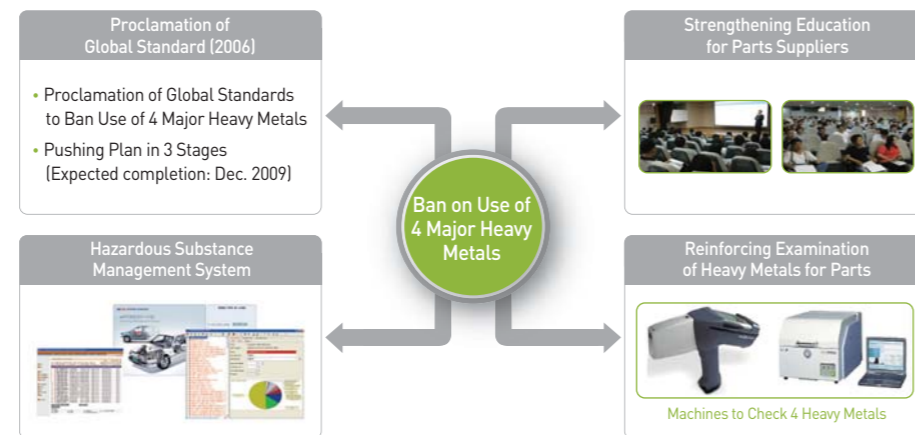
- **Prohibition of the Use of Four Heavy Metals**

We have developed and adopted substitutes for four heavy metals (lead, mercury, cadmium, and hexavalent chromium) for parts and raw materials to satisfy regulations on end-of-life vehicles in Korea and the EU. We established our policy on global standards on the four heavy metals in November 2006 to be phased by until 2009. This policy prohibits the use of the four heavy metals in all of our vehicles as well their parts and materials.

- **Chemical Management System**

The REACH (Registration, Evaluation, Authorization, and Restriction of Chemicals) regulation went into effect in the EU in 2008. 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. In response to this directive, HMC set up a chemical substance management system and created a chemical database.

4 Major Heavy Metal Management Process



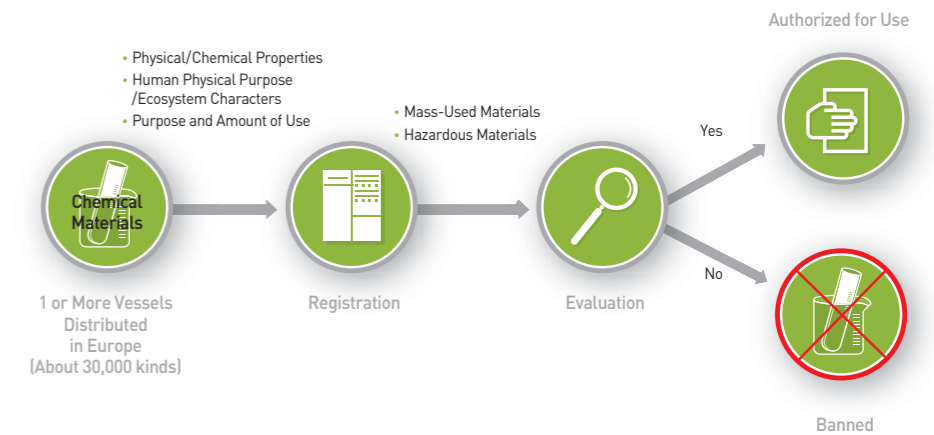
- **Prohibition of the Use of Ozone Depleting Chemicals (ODC)**

Ozone depleting chemicals (ODC) are substances that destroy the ozone layer which in turn increases the risk of skin cancer and threatens global ecosystems. To protect the ozone layer, The Montreal Protocol on Substances that Deplete the Ozone Layer was signed in September 1987. The US has strictly regulated the use of ODCs and levied taxes on these substances from 1989. Korea will ban the use of chlorofluorocarbons (CFCs), halon, and carbon tetrachloride (CCl4) after 2010 and enforce a ban on methyl chloroform (1.1.1-TCE) after 2015. HMC prohibits the use of ODCs at its production facilities in Korea and by its suppliers and promotes the use of eco-friendly substitutes.

- **Hazardous Substance Management System**

HMC identifies and monitors hazardous substances in automobile parts through the International Material Data System (IMDS). In 2008, we developed the e-Chemical Management System (e-CMS) to reinforce control of chemical substances. Every year, we conduct training on IMDS and new environmental laws for our suppliers to assist their efforts to manage hazardous substances.

Conceptual Diagram of REACH



**Enhancing Recyclability -
Increased Recycling of End-of-Life Vehicles**

Raising vehicle recyclability to preserve natural resources.

global regulations on recycling. Another way in which we promote recycling is expanding the use of recycled plastic (eg, scrap plastic arising from the manufacture of auto parts, used plastic parts, waste PET bottles) in producing our vehicles.

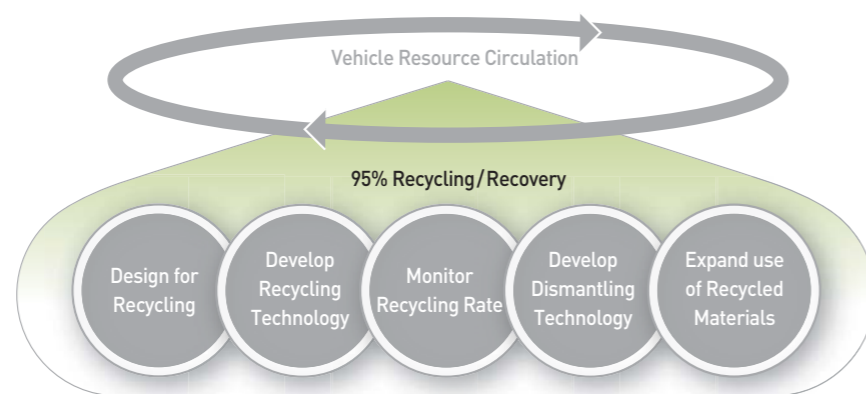
Increased Recycling of End-of-Life Vehicles

Aiming for a recycling rate of 95% for end-of-life vehicles by 2015 to realize resource circulation.

An important objective at HMC is to recycle resources that go into automobile manufacturing to prevent environmental pollution and raise the value of end-of-life vehicles. We facilitate recycling once a vehicle reaches the end of its useful life by prohibiting the use of hazardous substances such as heavy metals. In addition, recycling is factored into the automobile design process. We also run a program to assess the recyclability of all our models to respond to tightening

To promote resource circulation, we aim to achieve a recycling rate of 95% for end-of-life vehicles by 2015. To reach this goal, we are pursuing design for recycling and developing recycling technology. The recycling rate is continuously monitored to check on progress made towards our target. Moreover, we cooperate with automobile dismantlers for the development and transfer of vehicle dismantling technology and make diverse efforts to expand the use of recycled materials.

Vehicle Resource Circulation Target



**Enhancing Recyclability -
Development of Resource Circulation Technology**

Development of Resource Circulation Technology Investing in R&D to increase resource recycling.

adopted at the painting shops in Ulsan and India in March 2009 and will be used at more facilities going forward. Research on technology to curb all waste materials generated during automobile manufacturing is an ongoing pursuit at HMC.

Use of Eco-friendly, Recycled Materials

An automobile recycling center has been set up at HMC to promote resource circulation. We conduct research on diverse materials and seek ways to boost material recycling and realize efficient resource circulation.

Nylon Materials

Primarily used in the powertrain, nylon materials are used as composite materials by adding glass fibers and mineral fibers. In order to recycle nylon materials, they have to go through the following stages: material selection to separate and improve iron, copper and rubber; grinding and washing; property adjustment; and recompounding for reinforcing material strength. HMC has developed highly efficient recycling processes needed for the four stages including a friction turning washer and technology to increase the molecular weight of nylon polymer. We plan to use the recycled materials for the radiator fan shroud or roof rack, which is expected to lower material costs by over 20% and reduce waste treatment costs. We are also conducting R&D to apply new materials for parts that require high elasticity and high durability like tire wheel covers.

Odor Reduction Technology

We have employed computational fluid dynamics (CFD) to check foul odor generated during the molding process from 2005 and made improvements to the manufacturing process. As a result, foul odor decreased by 98% at the cast iron molding shop at Ulsan Plant and by 85% at the light alloy molding shop at Asan plant. That has created a more pleasant working environment and enhanced the quality of life for local residents. HMC will continue to take steps to reduce unpleasant odor at other facilities that.

Waste Reduction Technology

HMC developed dehydration technology that reduces the water content of paint sludge from the painting process by 70~40%. The reduced water content cuts the final discharge volume by 40% and lowers CO₂ emission by 11.7%. Of note, all paint sludge is incinerated. The dehydration technology was

Nylon Materials Recycling Process



Enhancing Recyclability - Development of Resource Circulation Technology

Recycled Scrap Rubber

Rubber tends to harden with the application of heat, which calls for different recycling technology compared to plastic. HMC has developed rubber powder-making technology that reduces the size of rubber materials to micrometer levels and the technology to use the resulting product as fillers. Work is underway to employ the application technologies we have developed since 2006 (eg. EDPM, pulverizing fluororubber at room temperature, plasticizing, mixing, processing). We intend to use the recycled materials in the overslam bumper and gasket of cars sold in 2009.

Functional Recycled Composite Materials Made with PET Bottles

PET containers are a common domestic waste item with excellent mechanical strength, durability and dimensional stability. But due to the wide range of colors of PET containers, impurities such as metals and degradation caused by moisture, they are mainly recycled into fiber which involves a relatively easy process. HMC is developing recycling technology to use highly functional PET materials in automobiles. We have come up with techniques to pulverize, wash and sort collected PET bottles to produce powders of uniform size; mixing ratio to adjust moldability such as surface smoothness; and technology to optimize compounding conditions. We plan to use the resulting materials for window motor housing.

(Design for Recycling Optimizing System) which can appraise and enhance environmental friendliness of a vehicle. DOROSY has been distributed to HMC's internal design and assessment teams as well as to designers of suppliers. We have also conducted related training.

Life Cycle Assessment (LCA)

LCA is a quantitative assessment of the environmental impact of a product throughout its entire life cycle, from raw material procurement and manufacture to usage and disposal. In 2008, we conducted LCAs for the i20, Genesis Coupe, the new Equus, and Elantra LPi Hybrid. Data obtained from the LCAs are being used to raise environmental friendliness of our vehicles and is available for viewing by all stakeholders on our company website.

We also calculate our vehicles' carbon footprint, which is the greenhouse gases generated from the consumption of resources and energy throughout a car's life cycle expressed as CO₂ equivalent. This data is used to support efforts to minimize our products' impact on global warming.

Eco-design and life-cycle analysis

Eco-design - Thinking of the Environment from the Design Stage

Since a physical model is not available at the design stage, we carry out digital verification to assess design for recycling (DfR) and design for dismantling (DfD). This allows us to gauge whether a vehicle can be easily dismantled and recycled based on virtual composition and simulation of the car using three-dimensional blueprints.

To promote eco-design, our designers developed the CATIA-based DOROSY



Education of Designers at Suppliers ¹
DOROSY Installation CD ²

Eco-Design and Life Cycle Assessment (LCA)

Coming up with eco-designs that consider recyclability from the outset.

Cleaner Production - Material Balance

Building a green production system.

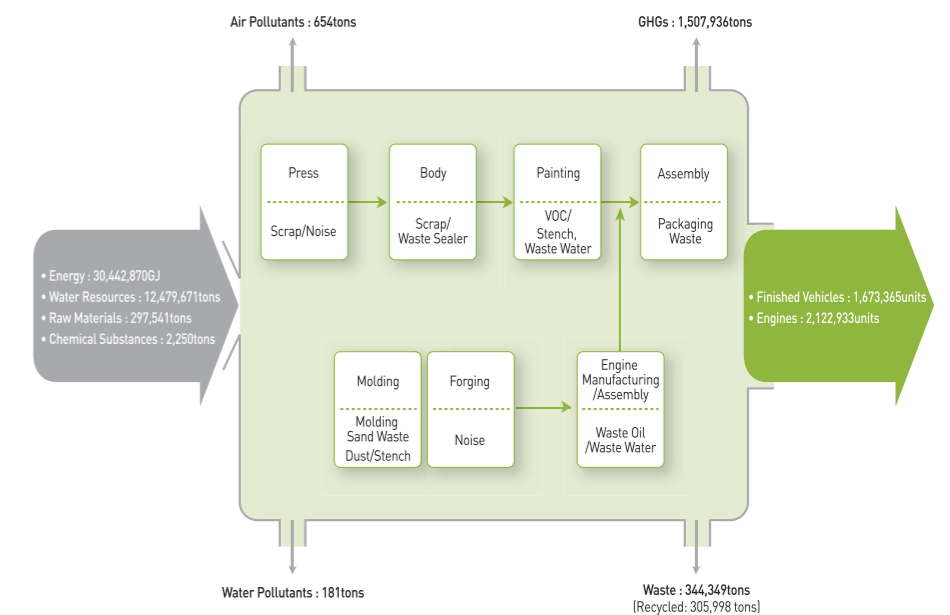
make the automobile industry more earth-positive by establishing a green production system spanning the entire production process, which is not limited to activities in plants that manufacture and assemble finished cars but also extends to the activities of partner firms.

Material Balance

HMC strives to maintain a material balance between the input and output of automobile production. In 2008, the input at HMC business sites in Korea were 298,000 tons of raw materials, 30.4 million GJ in energy consumption, 12.5 million tons of water, and 2,250 tons of chemical substances. The output included 1.673 million finished cars and 2.123 million engines. The byproducts were 1.508 million CO₂ equivalent tons of greenhouse gases, 654 tons of air pollutants, 181 tons of water pollutants, and 344,000 tons of waste materials..

Automobile production involves the consumption of raw materials, energy and water. During the course of production, byproducts are generated in the form of waste heat, wastewater, gas emissions, waste materials and odor. Accordingly, a cleaner production system that optimizes resource usage and minimizes the discharge of pollutants is essential. HMC is helping to

Material Balance at Domestic Plants (2008)



Cleaner Production - Minimizing Pollutant Emissions

Internal pollution standards, which are stricter than the legal requirement, coupled with pollutant monitoring system.

Minimizing Pollutant Emissions

HMC observes internal standards on air and water pollutants generated during automobile production which are stricter than legal requirements. We have also set up monitoring systems to track pollutant discharge levels to control and reduce emissions at the source. Our wide range of activities to minimize environmental pollution include efficiency and toxicity assessments of microbe treatment to deal with high concentration wastewater that is difficult to treat and measures to reduce waste paint sludge.

Air Pollutant Management Standards				
	Unit	Domestic Legal Standards	Internal Standards	Actual range of emissions
SOx	ppm	500	150	50 ~ 65
dust	mg/sm ³	10(Induction Melting Furnace) ~100(Others)	Induction Melting Furnace: 3 Cupola: 15 Other Facilities: 30	2 ~ 3 12 ~ 15 12 ~ 15
HCl	ppm	6.0(Smelting Furnace)	1.2	0.3 ~ 0.6

Air Pollutants (Domestic)

■ Air Pollutant Emissions (Unit: ton)



● Air Pollutants

Air pollutants from automobile manufacturing consist mainly of volatile organic compounds (VOCs) generated when painting the car body exterior including paint particles and dust from material plants that use molding sand.

Air pollutant emission from HMC facilities in Korea rose by 2.3% year-on-year to 654 tons in 2008, largely due to increased emission of dust (PM). Dust increased due to the additional installation of sandblast facilities at the molding shop in Ulsan and a surge in engine output at our Jeonju site. Dust amounted to 651 tons or 99.5% of total emissions. On the other hand, carbon monoxide (CO), nitrogen oxide (NOx) and sulfur oxide (SOx) accounted for merely 0.5% of the total, as the switch from cast iron molding to light alloy molding at Ulsan plant led to the shut-down of the cupola furnace and incinerator operation was suspended at Asan plant.

HMC is installing more dust collectors to reduce dust and taking other steps to reduce air pollutants from its production sites in Korea. The molding shop at the Ulsan plant installed a system that raises the reaction efficiency of sulfur dioxide (SO₂, a hardening agent) and shortens the hardening time. This has resulted in decreased usage of SO₂, a substance that produces foul odor and poses a risk to human health.



• Dissolved Air Flotation Facility ¹
Aeration Tank ²

● Water Pollutants

A considerable quantity of water is used in the course of producing vehicles, including water for cooling and heating purposes. This leads to the generation of wastewater. HMC places much emphasis on effective management of wastewater and has set stringent internal standards on water pollutants that exceed legal limits. We manage water pollutants according to the following categories: biochemical oxygen demand (BOD), chemical oxygen demand (COD), suspended solids (SS), and mineral oil (n-H).

We are continuously engaging in activities to reduce the volume of wastewater, which is mainly attributable to vehicle cleaning, paint dust collection procedures in paint shops, and engine gear parts manufacturing, as well as sewage from our work-sites. Ulsan plant operates two unified sewage/wastewater treatment facilities, one

wastewater treatment facility, and seven sub-treatment facilities. It also installed a system to recycle electro-coating rinse water which lowered wastewater generation by 33%. Asan and India plants adopted a zero wastewater discharge system, which has shaped the two into cleaner production plants.

According to the policies of the Ministry of Environment, we have been sending water treated at the Ulsan plant to the Bangeojin Sewage Treatment Plant (run by Ulsan city) since 2007. The concentration levels of discharged wastewater were raised to enable efficient processing at the treatment plant. Accordingly, water pollutant discharged from our domestic plants went up 45% to 187 tons in 2007.

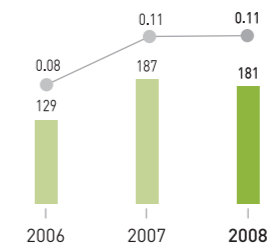
Domestic water pollutants in 2008 amounted to 181 tons, a decrease of approximately 3.3% from the previous year.

Water Pollutant Management Standards

	Unit	Domestic Legal Standard	Internal Standard
COD	mg/l	90	40
BOD	mg/l	80	30
SS	mg/l	80	30
n-H	mg/l	5	2

Water Pollutants (Domestic)

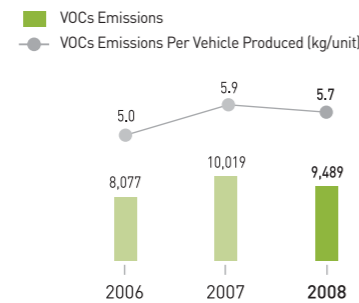
■ Total Water Pollutants (ton)
● Water Pollutants Per Vehicle Produced (kg/unit)



● **Volatile Organic Compounds (VOCs)**

Mainly used in the painting process, VOCs have an impact on the environment and human health. HMC has consistently engaged in activities to decrease the use of VOCs. The new painting shop for Genesis in Ulsan is an eco-friendly facility designed to minimize the use of paint and thinner. A regenerative thermal oxidizer (RTO) was installed to treat oven exhaust so that VOC elements are completely incinerated. In addition, conversion to water-based paint has lowered the amount of organic solvent used per electro-coating area of a vehicle, while

VOCs Emissions (Domestic)

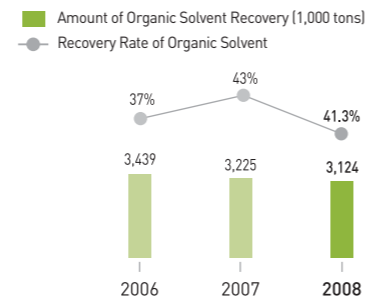


the use of booths trimmed the amount of VOCs discharged into the atmosphere during the coating process.

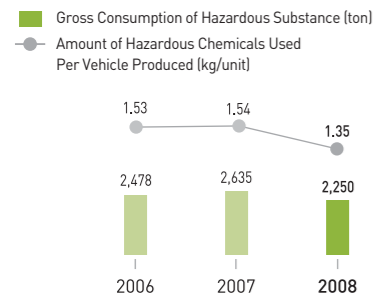
VOCs from our plants in Korea increased 24% to 10,019 tons in 2007, pushed up by a sharp rise in vehicle production volume. In 2008, the figure slid 5.3% to 9,489 tons and VOCs per vehicle fell 3.4% to 5.7kg.

The majority of recovered organic solvent is thinner for washing, and the recovery rate climbs in tandem with usage. Recovered organic solvent decreased 3% year-on-year to 3,124 tons in 2008. The recovery rate slid by 6% to 41% as a decline in vehicle output reduced thinner usage.

Solvent Recovery Rate (Domestic)



● **Consumption of Hazardous Chemical Substances (Domestic)**



● **Hazardous Chemical Substances**

Hazardous chemical substances, which include toxic chemicals, pose a risk to human health and the environment. Developed countries are tightening chemical related regulations, which have emerged as a major issue for exporting companies and international trade. For instance, the EU enacted the Registration, Evaluation, and Authorization of Chemicals (REACH) regulation in June 2008. HMC is taking steps to identify and comply with obligations under REACH including the related registration procedures.

Material Safety Data Sheets (MSDS) have been registered under i-ESH (environment, safety and health system) for all chem-

ical substances handled by HMC plants. When a new substance is introduced to a plant, a systematic review is conducted to decide on handling restrictions and prohibitions, toxic chemical bans, and to encourage the use of substitutes. Substances already in use are also monitored as part of ongoing efforts to reduce hazardous chemicals usage at our facilities. In the second half of 2008, we launched a computer system that comprehensively manages hazardous substances by interfacing with Value Advanced Automotive Trade Zone (VAATZ), a purchasing system. Our wide-ranging efforts led to a 14.6% year-on-year reduction in hazardous substance usage to 2,250 tons at our domestic production sites in 2008, with per unit consumption decreasing by 12.9%.

Cleaner Production - Minimizing Waste

Contributing to recycling industrial waste for resource circulation.



Waste Paint Injury Facilities ¹
Waste Paint Compressing Facilities ²

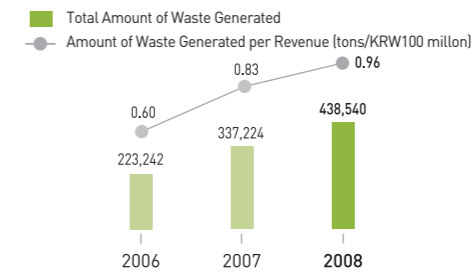
● **Minimizing Waste**

HMC pursues various activities to minimize waste and promote efficient use of resources at our production plants. Development of technology to recycle waste paint sludge, use VOCs as fuel, and re-use molding sand are a few examples of our contribution toward recycling waste from automobile production.

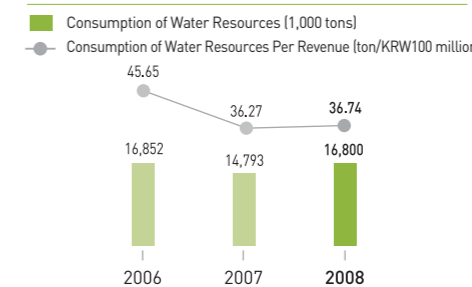
● **Waste Recycling**

HMC classifies waste paint and waste oil from painting shops as designated waste that is harmful to the environment and human health, and categorizes waste molding sand and waste plastic generated during engine material production at molding shops as general waste. Metal scrap and waste paper, all of which are recycled, have been managed separately since 2004. Total waste materials from all HMC domestic and over-

Total Wastes (Domestic and Overseas)



Water Resources (Domestic and Overseas)



seas worksites rose by 30% to 438,540 tons in 2008. The main reason behind the increase was a surge in construction waste related to the launch of our plant in the Czech Republic and expansion of the transmission factory in Ulsan. However, the recycling rate went up to 78% compared to 61% in 2007 as we recycled 343,546 tons of waste by drawing on technology to recycle molding sand and installing waste paint compressors. We made diverse efforts throughout the year to minimize waste incineration and send less waste to landfills and into the sea.

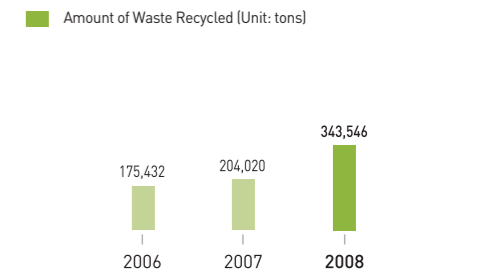
● **Water Recycling**

Total water consumption by our domestic and overseas worksites in 2008 reached 16.8 million tons. Consumption relative to revenue equaled 36.74 tons/KRW100 million. The figures represent respective growth rates of 13.6% and 1.3% over 2007. A total of 1.2 million tons of water was recycled, which was equivalent to 7.2% of water consumption.

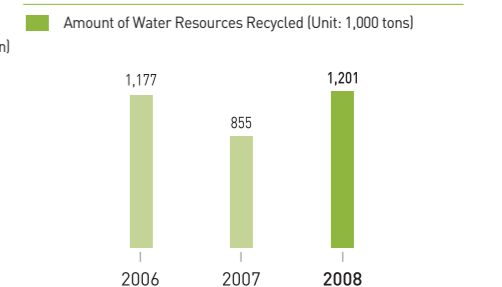
● **Electro-Coating Rinse Water Recycling System**

A wide range of activities are pursued to reduce water usage and wastewater generation during pre-treatment washing at the painting shop and the painting process. The painting shop of Ulsan installed a rinse water recycling system to reduce the amount of electro-coating rinse water used in the washing process. This led to lower concentration levels of wastewater, higher recovery of electro-coat paints, and a 33% decline in wastewater generation.

Waste Recycled (Domestic and Overseas)



Water Resources Recycled (Domestic and Overseas)



Cleaner Production - Environmental Cost

Reducing environmental cost through a preventative approach.



Asan Plant

The essence of environmental management lies in preventing the generation of pollutants to protect the environment and preserving corporate assets to build a stronger company. Environmental costs include costs for treating waste materials and pollutants and installing pollution prevention facilities, as well as expenses for energy consumption and addressing demands from the government and other

stakeholders concerning the environment. High environmental costs pose a risk for all businesses. HMC promotes eco-friendly practices with a well-organized environmental management system as a means of sharpening its competitive edge.

We compile environmental costs from our Ulsan, Asan and Jeonju plants. These costs are classified into five categories: direct costs related to environmental equipment, indirect costs for employee training and activities on the environment, environmental risk management costs to abide by pertinent laws and regulations, waste treatment and recycling costs, and social environmental costs. In 2008, total environmental costs from domestic plants (Ulsan, Asan, and Jeonju) reached KRW62.4 billion, whereas recycling gains from the disposal of waste was KRW34.9 billion. Preparations are underway to adopt an environmental accounting system which will be used to manage environmental costs.

Total Environmental Expenditure of HMC's Three Domestic Plants in 2008		(Unit: KRW1,000)
	Main Items	Total Amount
Environmental Expenditures	Direct Expenditures for Environment Pollution Reduction	34,679,191
	Indirect Expenditures for Environment Pollution Reduction	16,651,441
	Environmental Risk Management Expenditures	135,942
	Disposal and Recycling Expenditures	8,884,282
	Social Environmental Activity Expenditures	3,211,017
	Sub-Total	62,398,484
Environmental profits	Profit from Recycling (Profit from Selling Waste)	34,924,078

Cleaner Production - Production Environment Management System

Our newly established environmental monitoring system ensures our compliance with regulation.

● Production Comprehensive Environmental Management System

Environmental performance indicators related to manufacturing activities are monitored to respond to the climate pact, regulations on chemical substances and other pertinent rules. In September 2008, we opened our production environment management system to address environmental risks based on analysis of past performance and future projections.

The system tracks data for each plant related to emissions of GHG, air pollu-

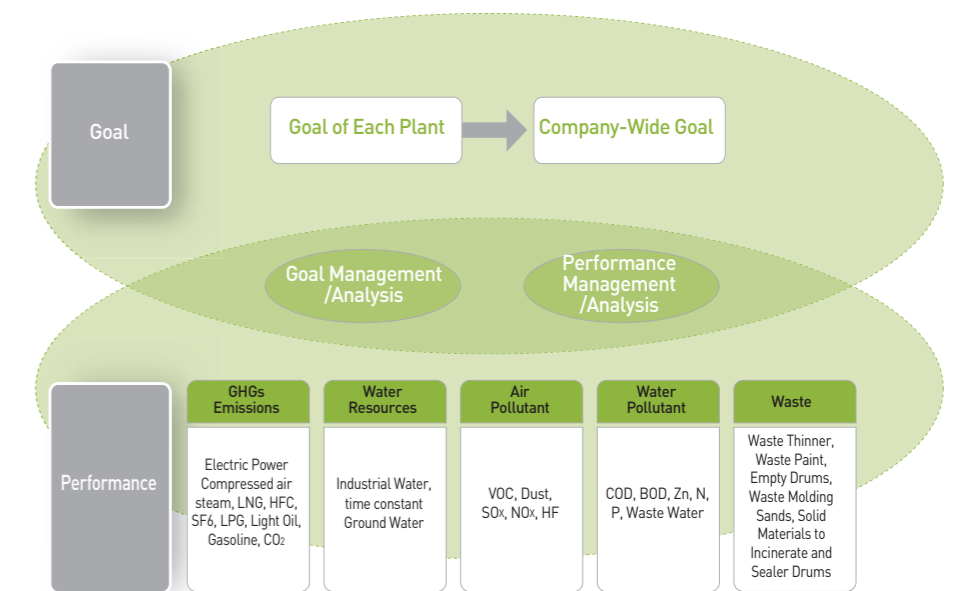
tants and water pollutants, the amount of waste discharged, and the volume of water consumed during production. The data serves as reference to support activities to meet reduction targets.

The environmental performance indicators have been standardized and are assessed on a monthly basis. Reflecting our preventative stance, hazardous chemicals are linked to the purchasing stage. A list of these chemicals has been drawn up, specifying which chemicals are banned or restricted.

Gauges have been installed for each stage of production to measure energy consumption and the collected data is converted to GHG emissions for efficient GHG inventory management. We provide annual disclosure of our environmental performance data to stakeholders.

We plan to upgrade our management system for integrated control over production-related environmental performance from all of our plants in Korea and abroad. This will strengthen our ability to enhance our global environmental performance and effectively answer the related international regulations.

Environmental Production Management System



Founded on People

Creating enriching happiness

We are working to make a beautiful life for all

Building a corporate culture we take pride in.

With 78,000 employees across the world, HMC is a global automaker setting industry standards through aggressive worldwide operations. It is estimated that we create several hundreds of thousands of jobs when including indirect employment. Under the belief that happy employees make a happy workplace, we offer our people the opportunity to grow and attain a sense of accomplishment by cultivating a workforce that embraces challenges, creativity, cooperation, passion and has a global mindset. To create a fun and productive workplace, we provide an environment that is beneficial to employees' mind and body by ensuring a high quality of life through performance-based rewards, implementing a fair HR system and caring for employee welfare.

Employee Status

Doing our part as a corporate citizen by creating jobs and nurturing professionals

• Number of Employees

Jobs at HMC are largely classified into four categories: administration, manufacturing, R&D, and sales and services. We have been contributing to employment stability by continuously creating jobs every year. As of December 2008, our employees totaled 78,270 (56,204 domestic and 22,066 overseas), up 1.76% from the previous year.

Domestic Employees							(Unit: Persons)
	Total	Administration	R&D	Production & Maintenance	Sales	Others	
No. of Employees	56,204	11,239	6,069	32,260	6,341	295	

• Local Hiring

We are realizing our vision of global management through aggressive worldwide operations. By hiring local talents, our overseas worksites are helping to build local capabilities and support economic growth. Moreover, we emphasize standardized hiring practices and do not discriminate on the basis of nationality, cultural background, ethnic origin and religion. The number of local employees increased by 4.97% from the previous year to 20,765, accounting for 27% of total HMC employees.

Employees at Overseas Regions							(Unit: Persons)
	Total	North America	China	India	Europe	Others	
No. of Employees	22,066	6,596	5,101	5,457	4,694	218	

• Equal Opportunity

HMC is working to increase the ratio of our female employees which is low due to the auto industry's job characteristics. In order to improve working conditions for our female workers, we offer such benefits as; a daily leave every month, 90-day maternity leave and childcare services (Ulsan Plant Hyundai Motor Childcare Center, etc). In 2008, the proportion of female employees among our new recruits reached 9.4%. The number of our female employees in Korea increased by 0.5% compared to the previous year to stand at 2,284, accounting for 4.06% of the total workforce as of the end of 2008.

Increase in Domestic Female Employees							(Unit: Persons)
Year	2003	2004	2005	2006	2007	2008	
No. of Employees	2,229	2,193	2,230	2,236	2,270	2,284	



Employees - Building Trust

Win-win Labor Relations.



Labor-Management Agreement

Creating a Mutually Beneficial Labor and Management Culture

The HMC Labor Union was established in 1987 under the Korean Metal Workers' Union. The labor union has under its wing union business units and regional committees. Employee representative bodies are also in operation at our overseas sites such as the Labor-Management Consultation Committee at Hyundai Motor India (HMI) and the Public Assembly of Beijing Hyundai Motor Company (BHMC).

Some uncertainties remain surrounding current domestic labor issues due to the HMC Labor Union's symbolic status as Korea's largest labor union. However, labor and management representatives are working together to amend unfair labor practices and develop forward-looking relations. For stronger competitiveness and partnership, HMC has formulated a roadmap to improve labor-management trust, implement a viable system and cultivate employees' global mindset. Through these efforts, we hope to attain competitiveness comparable to leading overseas auto makers. We are pursuing a long-term relationship that is mutually beneficial to both labor and management through regular management brief, employee events, labor negotiations and various activities and training to promote greater awareness among employees.

HMC Roadmap for Labor-Management



In 2008, labor and management agreed on volume transfer and mixed-model production, aimed at enhancing manufacturing flexibility to cope with the increased production of compact cars. The two sides also decided to join forces to respond to rapidly changing business and market environments by forming the Permanent Special Labor-Management Council.

Employees - Human Rights Protection

In 2001, we established the HMC ethic Code of Conduct and declared our commitment to uphold the rights of each employee. It stipulates the formation of the labor union and other representative bodies in accordance with applicable domestic and international laws. The Code also states our dedication to job security through various means such as collective bargaining. Furthermore, we opened the Employee Grievance Remedy Committee and Employee Grievance Consultation Center to resolve difficulties facing our employees in a fair and swift manner. Our overseas worksites also comply with the human rights laws of each country we operate in and operate employee protection programs relevant to the cultures of each country and region.

Fair HR Management and Performance Rewards

The basic hiring practice at HMC is open recruitment, with the corporate hiring manual and evaluation standards guiding all recruitment procedures to ensure fairness. Every assessment, reward and promotion for individual employees is carried out in a fair and transparent manner in accordance with internal evaluation standards and regulations. We also prohibit any form of discrimination in personnel management. Equal opportunities also apply to all local hires working overseas and they take an active part in business operations.

Employees - Education, Welfare

Helping employees grow personal capabilities and reach their full potential.

Total Education Hours by Job Group and Annual Average Education Hours Per Person

	Total Education Hours	Average Education Hours Per Person
Administration	1,154,745	106
Production	872,150	29
Sales	221,405	35
Maintenance	96,414	40
R&D	443,252	76
Total	2,787,966	50

- No. of persons taking courses : regular workers
- Total education hours = No. of persons taking courses X education hours
- Average education hours per person = Total education hours / No. of persons

2008 Educational Plans and Focuses

- Building Corporate Culture**
 - Spreading Value to Be Shared (Conducting Education of New Recruits and Newly Appointed Employees)
 - Conducting Common Issue Education
 - Improving Educational System for Employees in the Production Sector
- Contributing to Create Performances**
 - Strengthening Education of Excellent Human Resources (Developing and Managing Courses by Type)
 - Expanding own Program
 - Evaluating Practical Application of Education (Methods to Measure Educational Effects)
- Strengthening Global Capabilities**
 - Expanding Education for Overseas Specialists (Employees at HMC's Overseas Corporations, Language Specialists and Regional Specialists)
 - Building Educational System for Overseas Corporations of HMC
- Establishing Capability-Enhancing Education**
 - Establishing Education by Job Class (Core Common, Leadership and Job-Related Courses)
 - Strengthening Job-Oriented Education (Education by Job Groups and Jobs)

Leadership and Learning

HMC supports employees in building their professional careers and capabilities through thoughtfully designed learning programs. In 2008, the focus of our education program was on building a strong organizational culture, generating performance, strengthening global capabilities, and implementing competency training. We pursued qualitative growth of our learning programs by developing a curriculum that incorporates management and employee needs, changes in business environment and socio-cultural trends.

Employees receive two types of training; universal and functional skills programs. The universal program includes courses that target competency building, business management, executives and top talents. Functional skills offer in-depth job training for such functions as research, production, sales and maintenance. In 2008, each employee received an average of 50 hours of training. Compared to the previous year, training hours increased for production and sales divisions.

Hyundai-Kia Learning Center

Hyundai-Kia Learning Center is our online learning platform, offering educational contents that match cyber colleges in terms of scale and quality. In 2008, a total of 280 courses (177 foreign language, 93 on-the-job and MBA classes) were provided in eight different sessions. Over 30,000 employees signed up for foreign language classes that were open to all applicants.

In 2009, we plan to expand our reach to include group affiliates and overseas locations and increase the impact of our courses

on employee performance and development by diversifying programs according to content, goal and subject.

Global Competency Building

Foreign language education has been expanded to further build global competency of our employees. We extend learning support by offering more online foreign language courses that are linked with offline intensive classes. We also bring in internal and external experts for specialized programs designed to enhance our employees' skills.

For structured training and professional development of our overseas employees, the Global Human Resource Development Standard (GHRDS) was set up in 2008. Moreover, we are focusing on nurturing regional experts through increased training of employees dispatched overseas. For local talent, we offer diverse opportunities to visit plants and worksites in Korea as part of a cultural and learning experience.

Employee Welfare

HMC provides systematic support to our people so they can enjoy enriching and secure lives. In addition to the legally required welfare benefits including National Pension, Employment Insurance, Health Insurance and Industrial Accident Compensation Insurance, we offer such corporate welfare programs as housing and living support, health and medical assistance and personal development opportunities. Overseas business sites also provide flexible benefits to their employees, according to local culture and laws and regulations.

Welfare for Employees

- Support for Employees' Lives | Financial Support for Family Events and Education of Employees' Families and Education Programs for Them
- Support for Housing | Giving Housing Allowances and Offering Dormitories and etc.
- Health and Hygiene Support | Offering Medical Fees and Uniforms
- Cultural Support | Support for Cultural Activities of Employees' Clubs, Weekend Farms for Employees' Families, Summer Camps, Cultural Centers and etc.

Employees - Health and Safety

Ensuring employee health and safety.



ESH activities

Employee Health and Safety

Due to the characteristic of the auto industry, HMC employees face a higher risk of being exposed to industrial accidents. At HMC, we take a proactive and systematic approach to assure employee health and well-being. Our initiatives include industrial safety training, accident prevention activities, operation of industrial safety and health center, health check-ups and safety facility investment. In 2008, we launched projects to improve facility safety levels and physically demanding processes, create a pleasant

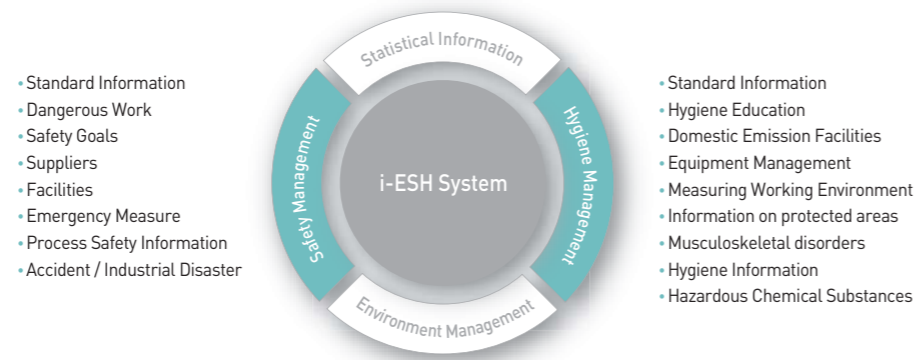
working environment, strengthen safety training and promote fitness.

The industrial accident rate at HMC has been on the decline since 2004. In 2008, the rate inched down to 1.54% from the previous year's 1.68%. However, it is still higher than the average industrial accident rate of Korea's manufacturing industry.

Results of Safety Health Activities in 2008

- Enhancement of Facility Safety / Improve physically demanding processes
 - Check/improvement of risk factors in machinery equipment (1,989 units)
 - Improvement in physically demanding process (264 cases)
 - Evaluation/award of safety management index (79.2 points)
- Forming Good Working Environment
 - Measurement of working environment (8,012 cases)
 - Reinforcement of comprehensive hazardous chemicals management system (reviewed 838 chemical products)
- Strengthen safety training and promote fitness
 - Company-wide adoption of physical exercises (100% diffusion of CYS program),
 - Establishment of voluntary safety management and promotion of safety mind (99.7% participation in safety training)

i-ESH System



• Integrated ESH System(i-ESH)

i-ESH, an integrated environment, safety and health system is available via HMC intranet (<http://iesh.hmc.co.kr>) for efficient operations of ISO 14001 environmental management system. The integrated system presents updates on the ESH status of each domestic worksite and relevant information. The

information is subsequently repackaged into various forms of statistical data to be used by employees working in related fields. It also facilitates employee access to ESH information by featuring educational materials and other resources like ESH related laws and technology standards.



Ulsan Plant's Fitness Center

• Rigorous Safety Management System

Each business unit at HMC operates a separate ESH team for rigorous safety control. We also have in place a safety health team staffed with qualified professionals. A physician is hired to offer health consultation and coaching to employees. Meanwhile, the company's ESH policies and key issues are handled by the Industrial Safety and Health Committee, comprising the same number of labor and management representatives.

• Advanced Industrial Accident Prevention and Medical Support

Cutting-edge medical facilities, innovative industrial accident prevention program and 24-hour emergency clinics are testament to HMC's firm commitment to promote employee health and wellness. Our Industrial Medical Center is a general hospital equipped with a physical therapy room, clinical laboratory and radiation room. Employees working

at HMC and its suppliers can receive such medical services as prevention, diagnosis and treatment of various diseases. The center also conducts annual regular check-ups and special check-ups for employees working in hazardous environments. The health check-up program which focuses on industrial accident prevention is helping to maintain employee health and increase productivity. Other benefits include promoting family happiness through good health, raising health awareness and providing motivation for employees to remain in good physical condition. In particular, the special check-up is designed to raise employee awareness of cerebrovascular and cardiovascular diseases.

Since the introduction of a follow-up management system, the number of employees receiving health consultations is on the rise every year. In 2008, 108,645 employees from HMC and its suppliers visited the Industrial Medical Center.

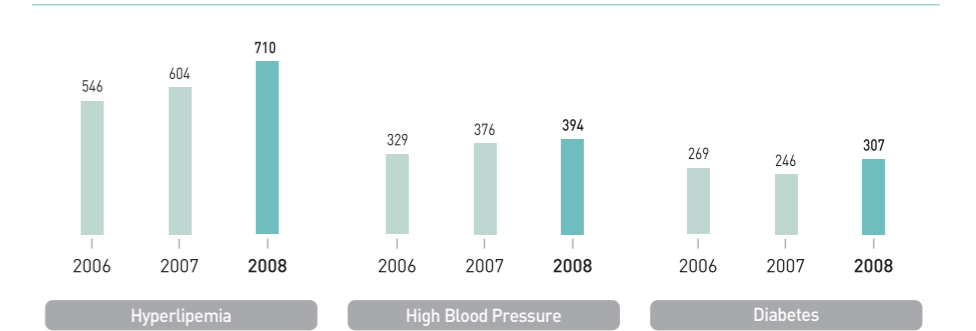
Diagnoses at Ulsan Plant Industrial Health Center

[Unit: Persons]

Condition	Hyperlipemia			High Blood Pressure			Diabetes		
	2006	2007	2008	2006	2007	2008	2006	2007	2008
Much Better	546 54.6%	604 55.1%	710 58.1%	329 43.3%	376 42.2%	394 36.7%	269 42.8%	246 32.0%	307 36.2%
Better	446 44.6%	474 43.2%	489 40.0%	373 49.1%	457 51.3%	616 57.3%	326 51.9%	459 59.8%	478 56.4%
No Improvement	8 0.8%	19 1.7%	24 2.0%	58 7.6%	57 6.4%	65 6.0%	33 5.3%	63 8.2%	62 7.3%
Total Number of People	1,000	1,097	1,223	760	890	1,075	628	768	847

Management by Industrial Medical Center at Ulsan Plant

[Unit: Persons]



Customers - Customer First Management

Dedicated to raising customer satisfaction.



Certificate for Top Position in Passenger Car/RV Category in 2008

Promoting customer satisfaction is a top priority for all companies. HMC is also dedicated to fulfilling its social function of raising the quality of life by producing quality vehicles. We take great pride in this role and are always striving to deliver greater satisfaction to customers through our products and services. We shifted the focus of our mid- to long-term growth strategy from "Innovation for Humanity" to "Customer-first management" to reflect our intent to realize greater customer value and qualitative growth by enhancing our brand and emotional appeal. Our customer-first approach applies to all areas of our business, from R&D to manufacturing, and sales and maintenance. Going forward, we will endeavor to meet the ever changing needs of our customers.

An unswerving commitment to quality and technology powered our growth into a global automaker. Our wide portfolio of compact to luxury cars, including the Accent, Elantra, Sonata, Azera and Genesis, has been recognized the world over for superior performance by various media and assessment agencies.

Improving Customer Satisfaction

• Customer Satisfaction

HMC came 1st in the passenger and recreational vehicle (RV) categories of the 2008 National Customer Satisfaction Index (NCSI) survey carried out by the Korea Productivity Center (KPC). It was the 8th year in a row that HMC topped the passenger vehicle category and the 3rd consecutive year in the RV category as customers gave high marks to our con-

stant efforts to upgrade vehicle quality and services. In the Korean Customer Satisfaction Index (KCSI) survey conducted by the Korea Management Association Consulting (KMAC), we topped both the passenger car category for the 15th consecutive year and the RV category for five years (first introduced in 2004).

Recognition also came from overseas. Genesis was named the 2009 North American Car of the Year while US-based Consumer Report tapped the Elantra as its Top Pick in small sedans for the 2nd straight year. HMC will continue to develop products of higher quality that maximize customer value while making efforts to improve customer service and brand image.

• Hyundai Customer Satisfaction Index (HCSI)

In 1996, we introduced the Hyundai Customer Satisfaction Index survey to measure satisfaction levels in the purchase of new Hyundai cars, their maintenance, post-sale customer service and disposal of used cars. Every year, about 3,000 customers who purchased Hyundai cars are interviewed in-depth. The results are reflected in internal policies to remove possible factors for customer complaints and an analysis of customer needs is used as basic data to map out customer satisfaction strategies.

• Customer Data Protection

With the increasing importance of personal information and growing occurrences of data leaks, HMC is making various efforts to reinforce protection of customer information. Customer data is managed according to rigorous internal security regulations while the use of such data is strictly limited by purpose and scope. Outside companies on consignment are required to abide by personal informational protection guidelines and once the consignment duties are concluded, customer data is fully retrieved and destroyed to avoid any privacy leaks. Personnel working in the department in charge of managing customer information and users of operations systems receive relevant education at least once every quarter. HMC also has in place a Database Secure System (DSS) to ensure tighter protection of personal information on the Internet.



• Car Maintenance Class for Owner Drivers (Theory)¹
Car Maintenance Class for Owner Drivers (Practice)²

• Unrivalled Customer Consultation Service

HMC aims to be a customer-value partner that provides unrivalled consultation services. Our cyber consultation corner on our website (www.hyundai.com) is operated in real-time while a one-stop service (080-600-6000) offers solutions to customer complaints. The one-stop service delivers greater user convenience than our previous Interactive Voice Response (IVR) system. We operate a helper system for consultants so that they can provide callers with more diverse and accurate information regarding vehicles. In recognition of these efforts, HMC ranked no.1 among auto industry players in the 2009 Korean Service Quality Index (KSQI) survey conducted by KMAC.

• Voice of Customers

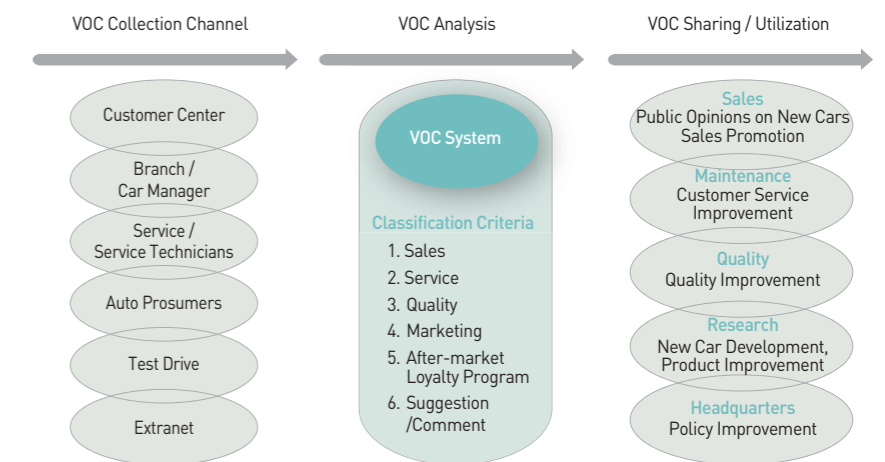
We introduced industry-leading customer satisfaction service and computer telephony integration (CTI) system to swiftly respond to customer voices. Every week, we designate a Voice of Customer (VOC) day to share information on customer satisfaction

and complaint cases in order to improve customer relationships. In this way, measures are quickly taken to address problems and thank-you letters are sent to customers who provide opinions. Additionally, we introduced the Premiere Lounge for our VIP customers (Equus and Genesis owners) to bring them differentiated services from our most experienced consultants.

• Owner Maintenance Class

The Owner Maintenance Class provides customers with useful tips on how to check their vehicles and cope in emergency situations. The program is intended to prevent vehicle problems and promote safer driving and roads. Individuals and groups wishing to take the class may register through our homepage. The two-hour class comprises theory education and hands-on practice at the service center or other location of customers' choice. Since the program was introduced in 2004, approximately 80,000 people have signed up for the class. Feedback has been particularly positive from novice and women drivers.

VOC Management System



Introducing trendy marketing strategies and advanced customer services.



Improved Integrated Homepage

Marketing & Customer Service

• Brand and Marketing Strategies

In an effort to become one of the world's top five automakers, HMC created a Brand Identity (BI) program in 2005 complete with a detailed action plan and brand evaluation system. In 2009, we devised a localized strategy and execution program tailored to each country to reinforce BI and brand value. We formulated short-, mid- and long-term strategies to respond to the changing marketplace in a dynamic and systematic manner. The long-term strategy includes measures to secure competitive products, formulate bold and localized marketing activities, strengthen global brand value, and develop green, people-friendly products. We are also implementing a five-year mid-term strategy and annual strategy that both reflect changing marketing elements and trends.

• Auto Prosumer Initiative

HMC's Auto Prosumer, which boasts 15,000 online participants, is a system designed to incorporate customer opinions in our marketing activities. We were the first domestic auto maker to introduce the initiative which is praised as one of the best examples of customer-first management philosophy. In 2008, auto prosumers participated in 15 surveys that included assessments of exterior vehicle design, reaction to advertising campaign, changes in purchasing intent and opinions on development of various products and specifications. We polled consumers on the Genesis Coupe exterior, Genesis ads, intent to purchase LPi-hybrid and preference for specs like audio, navigation, power outlet, and wireless LAN.



UEFA EURO 2008

• Customer-Centered Webpage

HMC's global webpage is getting a new facelift with greater focus on customers, sales and global marketing capability. The main page highlights the sales function with detailed vehicle descriptions. Information about the company, career opportunities, IR and promotions moved to a separate promotional webpage to deliver greater visitor convenience. We also unified the design and layout of the website to improve brand value. The webpage dedicated to our vehicles offers in-depth information so that visitors can enjoy an actual showroom-like product experience. We also raised customer accessibility through a unified domain using new technologies.

• US Assurance Program

HMA launched the new Hyundai Assurance Program for American consumers reflecting uncertain economic times. It allows consumers to return their vehicle without having to worry about negative equity if they cannot make loan or lease payments due to life-altering circumstances like accidents, involuntary unemployment or bankruptcy one year after buying the vehicle. The program is receiving positive response from consumers by delivering the message of working together to overcome the financial crisis.

• Sports Marketing

Since first partnering with the Union of European Football Association (UEFA) and the Federation of International Football Association (FIFA) in 1999, we have been the official sponsor of international football tournaments like the 2006 World Cup in Germany and UEFA Euro 2008. During UEFA Euro 2008 held in June 2008, we were able to increase brand recognition through signage exposure and electronic advertising. The tournament attracted an average number of 37,000 spectators per match for a total of 1.14 million people. In addition, more than eight billion viewers from 180 countries around the world tuned in for the matches. As the official sponsor of FIFA, we plan to launch such popular programs as Goodwill Ball Road Show and Football Stunt Contest during the 2010 World Cup in South Africa.



• BLU Service¹
Before Service²

• BLU Service

HMC operates a total premium membership service called BLU for domestic consumers. Members can receive comprehensive and systematic services including vehicle maintenance, integrated point system, customized information and affiliated lifestyle programs.

• Going the Extra Mile with Before Service

For the first time in the automobile industry, Hyundai Motor Company introduced Before Service in 2006, a new concept that offers maintenance services before a prob-

lem arises. As of now, we operate 32 Before Service Teams that go the extra mile to offer proactive and quality service to our customers across the country. For even greater customer convenience, we have been receiving consumer requests for services via our webpage (http://www.hyundai.com/Service/BeforeService_Cover.aspx) since September 2008. Customer surveys conducted after the launch of Before Service showed 95% satisfaction levels. Buoyed by such favorable response, we are now extending the service to our global customers.

(http://www.hyundai.com/Service/BeforeService_Cover.aspx)

Before Service

	2007		2008	
	Times	Units	Times	Units
Weekday Before Service	4,146	149,910	5,527	172,504
Weekend Before Service	1,148	99,811	1,205	94,611
Total	5,294	249,721	6,732	267,115

• Special Maintenance Service

As part of our CSR activities and commitment to customer satisfaction, we offer a wide range of special car care services. Free check-ups are provided to vehicles damaged by torrential rains and typhoons, and at highway rest areas and through our nationwide service network during major

holidays and vacations. We also make frequent visits to disability-related organizations, islands and other remote areas around Korea to offer free repair and maintenance services. We intend to fulfill our responsibility as a good corporate citizen by continuing to offer these services.

Special Inspection Service

		2007		2008		
		Times	Units	Times	Units	
Special	Visits to Urban	First Half	15	596	20	631
	/ Rural Areas	Second Half	12	581	20	671
Inspection of	Spring		86	2,642	102	2,809
	Autumn		118	4,317	101	3,124
Private Delivery Vans	Special Holiday	Section	212	6,146	92	5,113
	Service	N/W	-	130,293	-	163,752
Summer Vacation	Special Service	Section	210	6,469	119	4,632
	Service	N/W	-	93,239	-	128,105
Special	Private-Owned Taxi			7,840		4,993
	Company-Owned Taxi			35,031		21,884
Special Service for	Disaster-Hit Vehicles		48	567	-	41
Total			701	287,729	454	335,755

Customers- Safe Cars & Traffic Safety

Creating a convenient and safe driving environment for our customers.

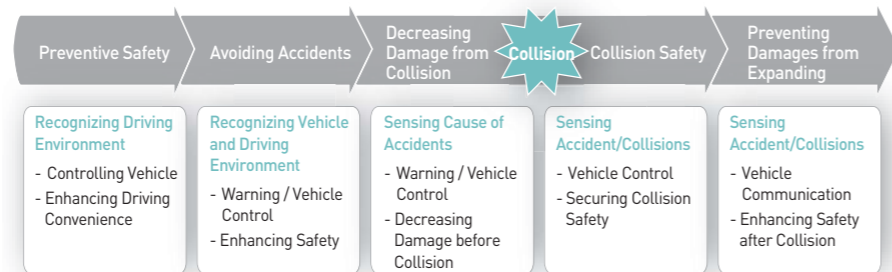


Intelligent Safe Vehicles

Technology for Customer Safety

Automobile safety technology is evolving from preventive and passive technologies that focus on minimizing damages from accidents such as airbags, seat belts and ultra high strength auto body to proactive technologies that communicate important information intuitively. To this end, cars are equipped with systems that think ahead and prevent possible

Advanced Safety Vehicle



• Safety Features

As a responsible corporate citizen, we are committed to developing cutting edge technologies to further enhance comfort, convenience and driving safety. Our efforts to develop safe cars that can offer greater protection and deliver an excellent driving experience led to the development of such innovations as Pre-safe Seatbelt (PSB), Low Risk Deployment Passenger Airbag and Heated Steering wheels.

Pre-safe Seatbelt

Various sensors mounted inside and outside the car communicate with the vehicle to detect the risk of a crash and protect the driver and passengers by automatically tightening the seatbelt before the collision. Its safety functions include full restriction, dynamic support, haptic warning, slack removal and seatbelt parking.

Low Risk Deployment Passenger Airbags

To reduce the impact of airbag deployment and related injuries for front seat passengers, we apply gas flow type or uniquely shaped airbags.

accidents to protect drivers, passengers and pedestrians. In line with the today's consumer expectations, HMC is leveraging Korea's global leading electronic control and IT technologies to develop and adopt safety features that deliver a convenient and safe driving environment to customers.

• Intelligent Safe Vehicle

Forward-looking radar is used in 2008 Genesis' Smart Cruise Control system which adjusts vehicle speed to maintain distance from the vehicle ahead in the same lane. The new 2009 Equus model features the Departure Warning System which issues an audible warning if the car deviates from the driving lane without signaling and Collision Damage Mitigation System that automatically applies the brakes and seatbelt upon detecting a collision risk. In addition, we are developing a wide range of advanced safety features such as traffic congestion support system to reduce the burden of driving in heavy traffic, rear parking assist system and night vision system which makes driving at night easier and safer.



Vehicle Collision Test

Vehicle Safety Evaluation

Safety always comes first at HMC. Our efforts to develop safe cars and offer greater protection for occupants have helped us earn a global reputation as a maker of some of the safest vehicles in Korea and the world.

In 2008, HMC's compact model i-30 and mid-size luxury brand Genesis received the highest marks for safety in the New Car Assessment Program (NCAP) conducted by Korea's Ministry of Land, Transport and Maritime Affairs. In Europe, i-30 along with Kia Cee'd won the top honor in the European New Car Assessment Program's adult occupant

protection category. In the US, Sonata was awarded the 5-star crash rating by the National Highway Traffic Safety Administration (NHTSA)'s New Car Assessment Program. Most notably, Genesis, which received the "Good" rating in frontal, side and rear collisions, obtained the 2008 Top Safety Pick award from the Insurance Institute for Highway Safety (IIHS) along with Santa Fe, Veracruz and Entourage. These achievements are the culmination of HMC's long-time efforts to ensure the highest level of safety for our cars. We employ computer simulations from the initial stages of car development to predict crash safety performance and conduct actual multi-directional car crash tests at Namyang R&D center.

Collision Test at Home and Abroad

Model Name in U.S	Ministry of Land, Transportation and Maritime Affairs		NHTSA		EuroNCAP
	Front	Side	Front	Side	Adult Protection
Accent	4★/4★*	4★*	5★/5★	4★/3★	4★*
Elantra	5★/5★*	4★*	5★/5★	4★/4★	-
i-30	5★/5★	4★	5★/5★*	4★/4★*	5★
Sonata	5★/5★	5★	5★/5★	5★/5★	4★
Azera	5★/5★	5★	4★/4★	5★/5★	4★*
Genesis	5★/5★	5★	5★/5★	5★/5★	-
Tucson	5★/4★	5★	5★/5★	5★/5★	4★
Santa Fe	5★/5★	5★*	5★/5★	5★/5★	4★
Veracruz	5★/5★*	5★*	5★/5★	5★/5★	-

The * mark means tests conducted by HMC.



Traffic Safety Campaign

Traffic Safety Culture

HMC believes our corporate social responsibility extends to creating pleasant and safer roads for everyone. To this end, we have been conducting diverse programs since 2002 to raise awareness about the importance of traffic safety and promote safe traffic practices. They include holding traffic safety classes for children, supporting TBS Radio's Traffic Safety Campaign, distributing traffic safety training materials and tools, and publishing traffic accident prevention newsletters. In 2006, we staged the production of a children's musical titled the "No-no story." A story about No-no and his friend Appo who navigate various traffic dangers, the musical drew over 500,000 people since the

first performance and received the award for best promotion of advanced traffic culture from the Ministry of Public Administration and Safety for three consecutive years from 2006 to 2008. To provide greater protection for children when they get on and off the school bus, we launched a campaign in October 2008 to equip schools buses with stop arms which activate when the bus doors open.

To extend support for surviving family members of traffic fatalities and raise public awareness regarding traffic accidents, we initiated the "Looking for Three-Leaf Clover" program in 2005. Under the program, HMC employees volunteer to grant the wishes of children who lost parents or suffered serious injuries to traffic accidents. We plan to take the program global in 2009.

Attaining a Sound Society

Sharing a beautiful tomorrow

Aiming to be a global corporate citizen
that honors the spirit of community

Growing together with our partner firms through mutually beneficial partnerships.

HMC is pursuing a strategy of developing mutually beneficial partnerships with suppliers in order to strengthen core competencies, stabilize business foundations, and improve the global response and second-tier supplier support systems. To offer systemized support, we have in place the internal mutually beneficial partnership promotion team, the external Foundation of Korea Automotive Parts Industry Promotion and the mutual partnership working-level committee which serves the role of arbitration. Since first pursuing Mutually Beneficial partnership in 2003, we solidified the foundation for collaboration in 2005 and expanded mutual cooperation in 2008. We will continue to formulate policies and support systems to enjoy mutually beneficial partnership with our suppliers.

Strengthen Suppliers' Core Competency

• Fair Trade Agreement with Suppliers

In September 2008, HMC signed a fair trade agreement with approximately 2,400 suppliers, the largest of its kind in Korea. At the signing ceremony, HMC and suppliers expressed their firm commitment to fair trade and joint growth through win-win partnerships. HMC introduced the three-point guidelines for transactions with suppliers.

HMC-Supplier Mutually Beneficial Program

Management Support Program	- Financial Support for Research and Development of Environment-Friendly Green Car: KRW10 Billion (New)
	- Credit Loan for Operation Funds: A Total of KRW100 Billion in Loans and KRW20 Billion in Deposits
	- Mutually-Beneficial Cooperation Fund to Give Financial Support for Management Innovation: KRW30 Billion (New)
Quality and Technology Promotion Program	- Donation to Foundation of Korea Automotive Parts Industry Promotion/ Support for R&D costs/100% cash payments/Network loan
	- Guest Engineer System/Benchmarking Advanced Technology Technology Exhibition and New Technology Seminar - Operation Venture Plaza for Suppliers (New)
Education and Training Program	- Running Job Training Consortium / Holding Seminar for Future Entrepreneurs (Once a Year)
	- Education of Employees of Suppliers at Overseas Plants (New)
	- Running Intensive Language Programs for Employees at Suppliers
Other Support Programs	- Joint Procurement / Joint Advancement into Overseas Markets
	- Summer (Winter) School: English Study Programs for Children of Employees of Suppliers (New)
	- Prizes for Mutually-Beneficial Cooperation : Prizes for Excellent Cases of Cooperation with Suppliers.



Ceremony for Fair Trade Agreement

Suppliers - Partnership

They include contract signing, supplier selection/operations and internal review committee operations. Our aim is to expand win-win partnership programs on quality, technology development and training to strengthen supplier competencies. We also plan to come up with effective policy provisions and action plans to further mutual cooperation and introduce measures to support suppliers in such areas as finance, technology and training.

- **Five-Star Quality Assessment System**

The purpose of the 5-Star System is to help suppliers enhance the quality of vehicle parts and improve their competitiveness. Suppliers who obtain 5 stars in the objective quality assessment can join the 5-Star System and receive various benefits like cash payments, recognition plaque, credit rating upgrade, recommendation for national rewards and use of HMC logo. The system has helped suppliers improve their product quality, as their average grade rose from 3 stars (63.6 points) in 2002 to 4 stars (80 points) in 2008. The same year, we helped our Russian suppliers adopt the system to secure quality and implement a structured supply process.

- **Guest Engineer System**

Under the Guest Engineer System, we invite engineers of our suppliers to take part in joint research projects. In 2008, 254 engineers from 61 partner firms were dispatched to HMC to participate in the initial conception phase of parts design to identify and solve potential problems. With the Guest Engineer System, we are working to foster a competent engineering workforce, transfer design expertise, shorten the product development cycle, and minimize design failures of our suppliers.

- **Technology Development Support**

HMC, which is partnering with suppliers to identify competitors' new technology trends, is offering to tear down parts to suppliers free of charge. In addition, we hosted the 2008 R&D Supplier Tech Day in September with the goal of reinforcing R&D collaboration with suppliers and improving their global competitiveness. A total of 27 companies attended the event and introduced 96 new innovations. They also shared R&D information and exchanged technologies through exhibitions and seminars.

- **Foundation of Korean Automotive Parts Industry Promotion**

To promote the automotive parts industry, HMC, Hyundai Mobis and 164 suppliers co-founded the Foundation of Korean Automotive Parts Industry Promotion (FKAPIP) under the Ministry of Knowledge Economy in July 2002. Since the foundation, our funding to FKAPIP has increased by KRW 5 billion every year. The foundation has two programs - Quality Technology Volunteer Group and the Supplier Supporters- operating under its wing.

The Quality Technology Volunteer Group is a scheme in which a HMC executive is dispatched to a supplier as a resident technology instructor. The number of participating suppliers increased from 112 in 2007 to 120 in 2008. Under the program, the FKAPIP also provides suppliers with on-the-job training, access to parts database, technology seminars and donations of used equipments. The Supplier Supporters Group is a program in which HMC's former executives are dispatched to a supplier to offer advice on overall business management free of charge. In 2008, 67 suppliers took part in the program, double the number from the previous year.



Technological Training

Suppliers - Support Global Operations

Supporting the global operations and competitiveness of suppliers.



- Overseas customer consultation (India distributor)¹
- Operation of Human Resources Development Programs²

Strengthen system for global joint response

- **Joint Entry into Overseas Market**

HMC leverages its international plants as a solid foothold for overseas ventures by suppliers. As of 2008, a total of 238 suppliers, up 38 from the previous year, operate in China, India, US and other countries. The collaboration produces a win-win situation for both HMC and suppliers as it enables us to secure optimal global procurement from leading auto-parts companies while suppliers gain a platform for sustainable growth and global competitiveness.

- **Global HR Program**

HMC's global HR program for our partner firms is geared towards enhancing employee competency and honing their competitive edge in the global marketplace. It is a prime opportunity for employees at partner firms to gain professional knowledge and skills in a wide range of subjects including quality, technology, labor-management issues, security and ethical management. In 2008, a total of 5,432 employees took part in the training program that included 69 professional technology courses and 18 cyber courses.

Support Suppliers' Business Stability

- **Information Sharing and Joint Purchase**

The Value Advanced Automotive Trade Zone (VAATZ) system is HMC's information sharing system which enables us to share information on production plans and design blueprints with our suppliers in real-time. Harnessing our purchasing power, we actively assist suppliers' joint procurement which results in cost cuts. Joint procurement amounted to KRW67.6 billion in 2007 and is expected to reach KRW100 billion in 2008. The scope of joint purchases will also be expanded to include raw materials such as stainless steel as well as general supplies.

- **Increased Support for second-tier Suppliers**

We offer various assistance measures to second-tier suppliers that are facing growing difficulties due to their weak capital base. Our support programs range from improving payment conditions to expanding joint procurement participation and operating the Vocational Training Consortium program which started in 2006. We also provide grade-based SQ certification for secondary suppliers involved in manufacturing auto parts that influence the overall quality of our vehicles. In 2008, 2,714 secondary suppliers successfully obtained the certification and a total of 415 completed the SQ certification evaluator course at SQ Certification Assessment Center.

Suppliers - Green Management Support

Pursuing cleaner and eco-friendly auto manufacturing by supporting suppliers' green management.



Support for Environmental Management of Suppliers

Support for Suppliers' Environmental Management

With tightening environmental regulations around the world, it is vital that businesses closely track regulatory changes and quickly take the necessary steps to ensure compliance. Although green and sustainable management has emerged as a top priority for HMC and its suppliers, the characteristics of the auto industry, comprised of numerous parts, makes it challenging to put related suppliers under one network and communicate effectively about key environmental issues. However, we are firm in our belief that growing with our suppliers is our best option to realize sustainable management.

To this end, we will continue to improve communication with suppliers and make significant efforts to create new opportunities by pursuing green management through such programs as Supply Chain Eco-Partnership.

● Supply Chain Eco-Partnership Pilot Project

The Supply Chain Eco-Partnership (SCEP) is a multiparty project involving the Ministry of Knowledge Economy and HMC suppliers. Under the program, HMC's primary suppliers transfer green management practices to second and third-line suppliers. HMC is setting a stage for suppliers' green management by providing guidance in building green management systems, managing hazardous materials, improving processes and reducing energy consumption. It uses the existing Supply Chain Environmental Management (SCEM) network to promote communication among suppliers and raise efficiency of each supplier's green management operations. We also plan to improve the SCEM network system by introducing such useful functions as self assessment of hazardous substance control and encouraging suppliers to actively use these functions.

● Environmental Management Transfer Model

One of the key focuses of our SCEP project is the environmental management transfer model, built on the experiences we gained from the SCEM project since 2003. It classifies suppliers into 18 modules and transfers different green management practices to suppliers. The model enables us to categorize suppliers by sector (parts and materials), size (large, medium and small), and environmental management level (high, middle and low), and transfer customized green management practices applicable to each supplier. The model also offers guidelines to help suppliers to take the initiative to go green. Moving forward, we will expand the model to all suppliers.

Suppliers - Carbon Footprint

Building a carbon footprint management system using green partnership and helping suppliers manage greenhouse gas emissions.



Ceremony to Start Carbon Footprint Project

Carbon Footprint Management System

Carbon footprint is the total set of greenhouse gas (GHG) emissions caused directly and indirectly by an individual, organization or product. It refers to the total GHG emissions generated during the entire life-cycle of a product or service and measures the amount of carbon dioxide that is created from the manufacturing, transportation, sale, consumption and disposal of a product. Carbon footprint appraisals and labeling for the entire life-cycle of a product is expanding across the world and to the automobile industry.

HMC has created a GHG inventory for all our domestic worksites and launched Total Energy Management System (TEMS). However for our suppliers, it is not easy to formulate and implement a structured and organic GHG management system in response to international GHG regulations.

Accordingly, HMC initiated a program to help suppliers build a carbon footprint management system using green partnership. The program launched in collaboration with the Ministry of Knowledge Economy is a part of a government effort to make energy and resource recycling technologies accessible to all businesses. In 2008, 10 suppliers received the support which will continue until September of 2010.

● Support Suppliers Using Green Network

On the strength of the successful implementation of Green Partner Initiatives (SCEM, SCEP) while maintaining organic partnership with suppliers, we are in the process of devising a plan to reduce and manage CO₂ emissions in connection with supplier operations. Our plan is to build a pilot product carbon footprint management system that will help suppliers achieve 5% reduction in CO₂ emissions per unit and decrease GHG emissions throughout all processes. These efforts will enhance the cost efficiency and environmental performance of suppliers, and as a result, raise the overall competitiveness of the auto industry.

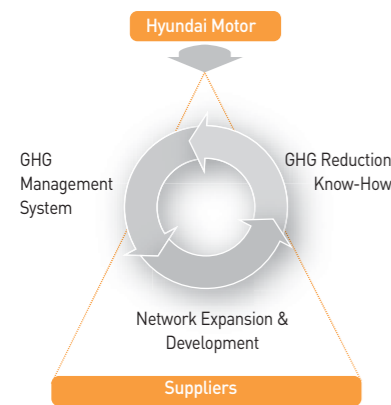
Suppliers - Carbon Footprint

• Unified GHG Management System

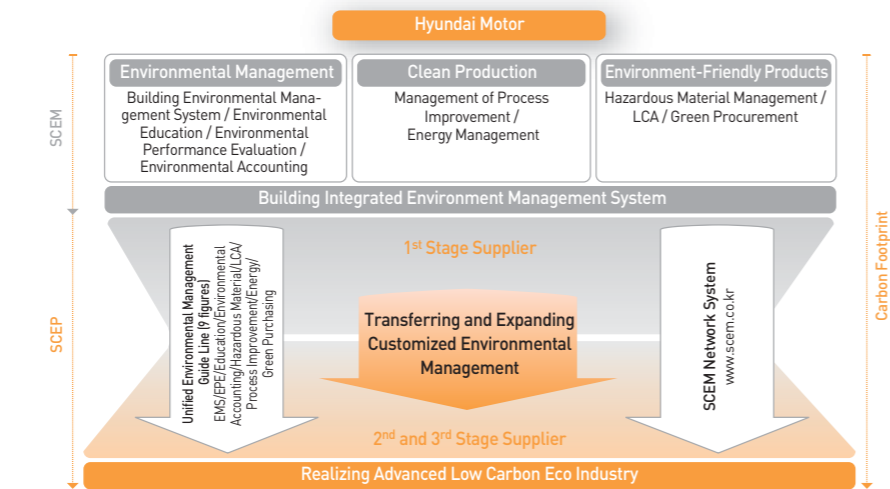
By September 2009, HMC will build GHG inventories and carbon footprint framework for our suppliers. The pilot system for carbon footprint management is slated to be completed by September 2010. To encourage suppliers' GHG reduction, we plan to set up and enforce a plan for a unified GHG management system. Under the scheme, we will first formulate measures on GHG manage-

ment training, create a map of GHG emissions, build a GHG inventory and establish ways to cut energy costs and achieve a reduction in GHG emissions. Afterwards, we will calculate GHG emissions in each stage of a product life-cycle and establish a pilot carbon footprint management plan for our main product models. Going forward, we will continue to support our suppliers and help create a unified GHG reduction management system for the domestic auto industry.

Support for Suppliers Greenhouse Gas Management



Realizing Advanced Low Carbon Eco Industry





• Green Purchasing

Green purchasing refers to the acquisition of eco-friendly products that most effectively minimize negative environmental impacts. They include products and services that have received environmental accreditation and the Good Recycling (GR) mark, reduced hazardous materials and waste, and

obtained energy efficiency mark. HMC was one of the initial industry participants of the voluntary Green Purchasing campaign promoted by the Ministry of Environment since September 2005. In 2008 alone, our green purchases amounted to KRW1.5301 trillion or 5.3% of total purchases (KRW29.1 trillion).

Green Purchasing

Item	Procurement in 2007		Procurement in 2008	
	Number of Items	Amount	Number of Items	Amount
Environment Mark Certified Products 	87	83	35	82
Excellent Recycled Products (GR Mark) 	9	440	9	454
Hazardous Substance Reduced Products (Lead, Mercury, Cadmium and Chrome)	35	15,170	63	14,765
Total	131	15,693	107	15,301

Social Contribution - Overview

Moving the world together with the global community as a faithful corporate citizen



• CSR Symbol and Slogan

The CSR slogan of 'Moving the World Together' expresses our dedication to improving the world by sharing love with our neighbors. 'Moving' reflects our commitment to continuous change and growth, while 'The World' represents the global nature of HMC's social activities and 'Together' emphasizes our harmonious partnership with society.

Social Contribution Overview

Under the slogan "Moving the World Together," HMC is working to create a better world for all. In April 2008, we launched the Social Contribution committee and strength-

ened communication with our stakeholders through the publishing of the global Social Contribution whitepaper and newsletters. For the past four years, we have been operating the social welfare public proposal project to stay up-to-date on relevant social welfare issues and offer tailored support to a wide range of social welfare initiatives. We also engage in Social Contribution activities that highlight our business as an auto manufacturer by focusing on projects defined by the four "Moves": Easy Move, Safe Move, Green Move and Happy Move. Our reach also extends to supporting key areas of education, the sciences, arts and culture, as well as sports. HMC's community works are pursued in a systematic manner through three major platforms; Social Contribution committee, Global Social Contribution Network and Social Contribution website.

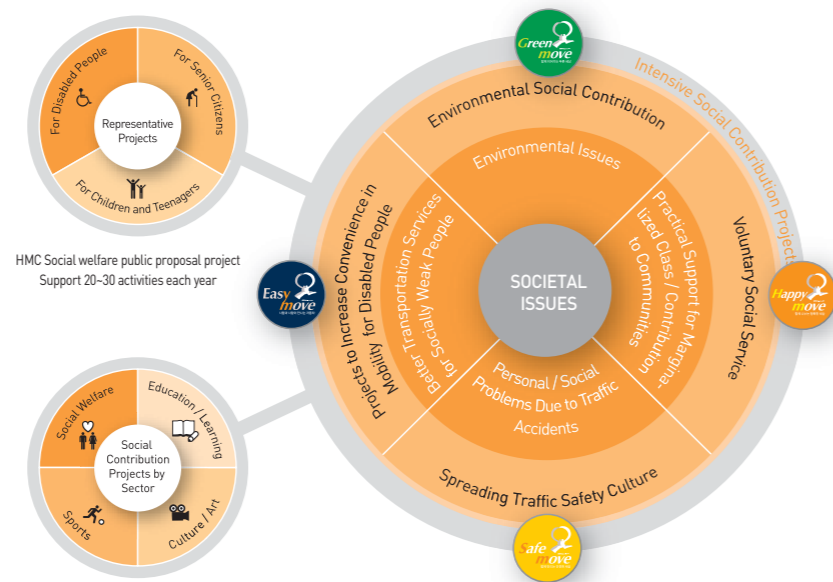


Since 2001, our Social Contribution roadmap has been guiding our every action to deliver real change. We unified various programs that were dispersed across the organization and coordinated company-wide volunteer efforts to address various social needs. As a global automaker, our ultimate

goal is to become an admired company that helps our world grow into a stronger and healthier community. To this end, we will continue to expand the infrastructure to improve the quality of our Social Contribution initiatives and fulfill our role as a sound and responsible member of society.

Social Contribution - Activities in Korea

Domestic Social Contribution Project Structure



HMC Social welfare public proposal project Support 20-30 activities each year



Grand Starex Easy Move vehicle ¹
Kids Auto Park ²

Social Contribution Initiatives in Korea

• Social Welfare Public Proposal Project

HMC has been operating the social welfare public proposal project since 2005 in order to provide systematic, specialized support to a wide range of social welfare initiatives. Going beyond extending donations, we invite companies and groups to submit proposals for social welfare programs in three areas- the disabled, the elderly, and children and youths. A panel of outside experts offer impartial evaluation of the entries and select projects that are necessary

but are stalled due to lack of budget and personnel. Once a project is selected, the designated group and HMC communicate regularly to ensure the project's success. By offering such tailored assistance, the program promotes advancement of social welfare services and maximizes the project's effectiveness.

In 2008, a total of 29 social welfare public proposal projects were conducted in the areas of the disabled, the elderly, and children and youths. We plan to increase the program budget to KRW 500 million in 2009 and offer more professional and structured support.

Statues of Projects by Group

	Handicapped	Elderly	Children & Youths	Other	Total	Supported Funds
2005	6	6	6	4	22 Projects	KRW300 million
2006	7	6	6	-	19 Projects	KRW300 million
2007	11	7	8	-	26 Projects	KRW300 million
2008	13	7	9	-	29 Projects	KRW300 million
Total	37	26	29	4	96 Projects	KRW1.2 billion



Green Move ¹
Happy Move ²
Hope Engine School ³
Social Contribution Activities in Farming Towns ⁴
Support for Sports ⁵

• Easy Move

To provide greater mobility to the transportation-disadvantaged like the disabled and elderly, HMC launched the Easy Move campaign. As a part of the campaign, we developed the Grand Starex Easy Move in 2008, equipped with a wheelchair slope, wheelchair lift and electric swivel seat.

Also, we are building special indoor playground at welfare centers around the country to create safe play environments for children with special needs. Meanwhile, we plan to invest KRW50 billion to expand application of the Easy Move system to ten car models by 2010.

• Safe Move

HMC launched the Safe Move campaign in the hopes of creating roads that are safe and enjoyable for children. We grant the wishes of children who are victims of traffic accidents through the "Looking for Three-Leaf Clover" initiative while college student volunteers forge one-on-one ties with these children to provide emotional support. For greater protection for children when they get on and off the school bus, we launched a campaign in October 2008 to equip schools buses with stop arms and staged the production of children's musical titled the "No-no story" to raise traffic safety awareness.

• Green Move

For a cleaner and greener planet, HMC is conducting the Green Move campaign. In particular, we are pursuing a global CSR project called Hyundai Green Zone to preserve our earth and the environment. In Korea, our focus is on restoring Taehwa River's natural habitat. From 2007 to 2009, we dedicated our efforts in bringing back the Korean Rose Bitterling and Taehwa River crab. The Myungju butterfly (Seriginus Swallowtail butterfly) will be our next project from 2010 to 2014. All three are designated as near-extinct, endangered species. The

habitat restoration project involves Ulsan City which provides an area for the project and HMC supplying general resources and technology to facilitate the success of the program. We expect great improvement in the river's biodiversity once the restoration is completed.

• Happy Move

HMC's 115 volunteer groups comprised of employees and their families are reaching out to neighbors through Happy Move campaign. In July 2008, we created the Happy Move Global Youth Volunteer Corps, the biggest private overseas volunteer group in Korea. Members are working in five countries including China and India to offer help in environmental projects, local community works and medical services. Meanwhile, HMC volunteers took part in the home maintenance program and carried out home repairs such as flooring, wallpapering and sink replacement in 776 households.

• Other Programs

HMC is an active sponsor of academia, arts and culture, social projects and sports. We operate Hope Engine School to offer online learning programs and educational materials to schools in remote farming and fishing villages. In 2008, we supported 15 branch schools across the country. Under the "one company, one rural village campaign," our employees engaged in activities such as helping with farming, in addition to servicing vehicles and farm machines. We also held a farmer's market and raised over KRW4 billion in proceeds. In sports, we have been sponsoring the Korea Archery Association for the past 25 years. We also launched H.art (Hyundai Motor Art), an independent brand of HMC that represents the company's support for culture and arts in 2008. It offers a wide range of assistance including support for Seoul Arts Center and Seoul International Dance Festival.

Social Contribution Activities Around the World

Delivering hope around the world with global community works.



• Contribution to Pediatric Cancer Research Center ¹
 • Contribution of Chairs, Desks and Educational Materials ²

Global Initiatives

As a global corporate citizen, HMC is working to make our world a better place through a wide range of community projects. We are moving the world together with people around the globe and spreading the spirit of sharing across five continents.

• USA

Hope on Wheels (HOW) | Hope on Wheels is a national program initiated by Hyundai Motor America (HMA) to combat pediatric cancer. Since 2004, we have donated more than USD9 million to 70 pediatric cancer research centers.

Jimmy Fund Walk | In 1998, HMA partnered up with the Dana-Farber Cancer Institute in Boston and launched the Jimmy Fund Walk. It is a 26.2 mile walk in which over 7,000 people participate to increase awareness of and raise funds for pediatric cancer research. Celebrating its tenth year anniversary in 2008, the Jimmy Fund Walk increased its funding and expanded programs.

Habitat for Humanity at Hyundai Motor Manufacturing Alabama | As an active

supporter of Habitat for Humanity, Hyundai Motor Manufacturing Alabama (HMAA) employees have been volunteering to build houses for those in need like the disabled, elderly and multi-child families. Their work also includes home repairs like painting and roofing. HMAA is also sponsoring the Alabama Shakespeare Festival, the largest cultural event in Montgomery, home to HMMA.

• India

In 2006, Hyundai Motor India (HMI) established the Hyundai Motor India Foundation (HMIF) to contribute to advancing the local community. For every car we sell in India, 100 rupees are donated to HMIF. The foundation uses the funds to offer hands-on help tailored to the community's needs such as healthcare services at medical camps, traffic safety campaign, relief works and provision of desks/chairs and other educational materials to schools in Thandalam region.

• Turkey

Hyundai Assan Otomotiv Sanayi (HAOS) is investing in the future of Turkey through Hyundai Torches. The project provides scholarships for outstanding students who face difficulties in completing their studies due to poverty. In the first year, 52 students benefitted from the grants and many others were able to enter colleges through various assistance. Right now, 61 students are receiving the scholarship. The company also engages in CSR activities like traffic safety training, tree planting, and vehicle donations to welfare centers to address the community's diverse needs.



• Giving Funds to Recover Damages from Earthquake ¹
 • Donkeys with Reflector ²

• China

HMC is dedicated to offering relief to global communities hit by natural disasters such as Tsunami and earthquakes. In May 2008, we extended a helping hand to the victims of Sichuan earthquake. HMC donated CNY12.6 million (approx. USD1.8 million) to the earthquake-torn areas. BHMC and Hyundai Mobis employees showed their support by donating CNY5 million (approx. USD731,000) and CNY500,000 (USD73,000), respectively, to the Red Cross Society of China. Meanwhile five Tuscan vehicles were offered to be used in relief works. HMC will continue to take part in rebuilding efforts and dispatch Youth Volunteers Corps to help China recover from earthquake damage.

• Sudan

In Sudan, Hyundai Motor Africa regional headquarters launched the campaign to attach reflectors to donkey carts in 2008. Donkey carts are an important form of transportation in the country's capital of Khartoum. To curb frequent road accidents caused by donkey carts at night, we came up with the idea of attaching reflectors to the donkey carts as part of the Safe Move initiative. In South Africa, we sponsor the Harry Gwala Secondary School. With the money raised through car sales, we provide school materials and build sports facilities. We also plan to invite the region's school choruses to perform in Europe so that students can gain cultural experience.



In the Passing Lane

Fulfilling our accountability obligations

Advancing economic growth by raising brand value through global marketing and transparent management



Sharing the Fruits of Growth.

Creating value for our stakeholders is HMC's major goal in sustainable development. At HMC, we believe that it is our economic responsibility to share the profits with not only shareholders and investors but with all stakeholders including customers, employees, suppliers, governments and local communities. We are striving to improve corporate as well as national value and grow into a global auto brand by continuing our legacy of innovation and transformation.

Economic Profit Sharing with Stakeholders

CUSTOMERS

Sales
KRW32,189.8 billion

EMPLOYEE

Labor Expense
KRW4,739.3 billion

GOVERNMENT & SOCIETY

Income Tax Expense,
Tax and Dues and Donation
KRW423.7 billion

SUPPLIERS

Purchasing Amount of Parts
and Raw Materials
KRW18,564.4 billion

SHAREHOLDERS & INVESTORS

Dividend and Interest Expense
KRW419.1 billion



Build Product Lineup by Global Markets



Key Business Performance - Earnings

We recorded high performance despite the global economic crisis.

Economic Performance

• Revenue and Operating Profit

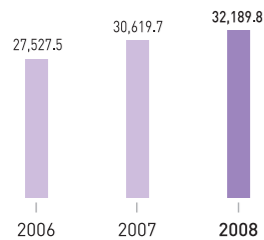
Despite sluggish domestic sales amid the global economic recession, strong exports and a weak won helped HMC post 2008 sales of KRW32.19 trillion, up 5.1% from the previous year. In 2008, HMC's domestic sales fell 8.7% as demand for automobiles waned in the Korean market. In contrast, exports inched up 2.1% thanks to strong sales in Europe.

Operating profit dropped slightly to KRW1.88 trillion while operating margin fell 0.52%p from the year before to record 5.83%. Net profit plunged 13.9% year-on-year to KRW1.45 trillion. HMC's total assets rose 8.7% from a year earlier to KRW32.17 trillion in 2008.

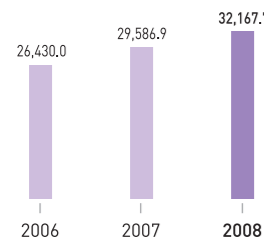
• Number of Units Sold

In 2008, HMC sold 2,780,000 units (domestic & exports: 570,000 units, overseas markets: 2,210,000 units) worldwide, a 6.9% increase from a year earlier. In the domestic market, sales stayed steady at the previous year's level despite overall demand for automobiles posting negative growth for the first time in four years. We were also able to secure a stable demand foundation with the successful launching of Genesis. The Genesis Coupe is also gaining a favorable response from consumers while Elantra once again proved its strength as a global bestseller, exceeding the 5 million mark in sales. In 2008, we exported 1.1 million units, accounting for 39.5% of total units sold. Hyundai cars are sold in 180 nations worldwide. Our dependency on any single market is relatively low as exports are fairly evenly distributed across the globe.

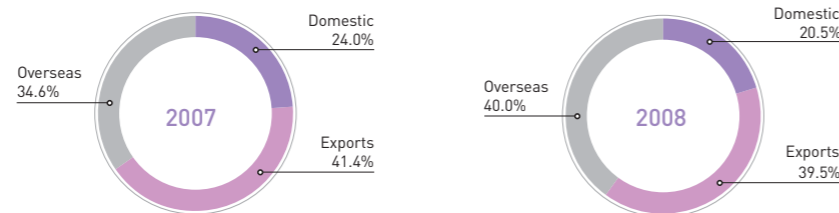
Sales Revenue [Unit : KRW in billions]



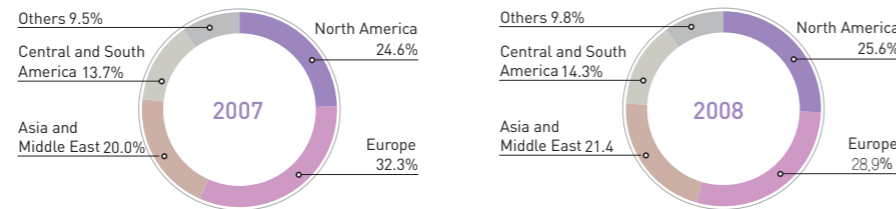
Total Assets [Unit : KRW in billions]



Sales Volume [Unit : %]



Export Portions by Region [Unit : %]



Research activities at R&D Center

• Labor & Interest Expenses

In 2008, HMC's total labor cost amounted to KRW4.74 trillion, up 4.8% from KRW4.5223 trillion in 2007. This amount includes wages, provision for severance benefits and welfare expense recorded under the accounts of production cost, SG&A expense, development cost and non-operating expenses. Meanwhile, the interest expense went up to KRW183.4 billion from KRW158.4 billion in 2007 due to the increase in short and long term borrowings.

	[Unit: KRW in billions]		
	2006	2007	2008
Labor Expenses	3,875.7	4,522.3	4,739.2
Interest Expenses	154.6	158.4	183.4

• R&D Investment

HMC spent KRW1.587 trillion in R&D in 2008 for an increase of 7.7% year-on-year. The proportion of R&D investment to net income was 109.6%, up 22%, from the year before. We are concentrating our resources on developing vehicles, engines and green cars which are expected to drive future growth. Electrical and electronics engineering is another area of interest for us. We have expanded research staff in line with our investment focus on related technology.

	[Unit: KRW in billions]		
	2006	2007	2008
R&D Investments (A)	146.8	147.3	158.7
Net Income (B)	152.6	168.2	144.8
R&D to Net Income [A/B]	96.20%	87.60%	109.60%

• Tax

Our tax expense for 2008 amounted to KRW347.1 billion, marking a reduction of KRW192.5 billion from the previous year. This was due to a decrease in corporate tax stemming from reduced net income.

• Shareholder Dividends

We are firmly devoted to maximizing shareholder returns by raising corporate value. Every year, we have been paying cash dividends to shareholders. In 2008, HMC declared cash dividends of KRW850 per share. Total dividend payout was KRW235.7 billion, down 14.6% from the year before.

However, the dividend payout ratio was maintained at the 16% level, with 16.3% recorded in 2008 and 16.4% in 2007.

	2006	2007	2008
Total Dividend (KRW in billions)	275.4	276.0	235.7
DPS (In KRW)	1,000	1,000	850
Dividend Rate (%)	20.0	20.0	17.0
Payout Ratio (%)	18.0	16.4	16.3

※ DPS is based on common shares

Key Business Performance - Goals and Outlook

Turning crisis into opportunity, we are gearing up for a bold global push.



Cars Waiting to Be Exported at Harbor

2009 Management Plan

The global economic downturn had a severe impact on the domestic and international car markets in 2009. Although a slight increase in domestic sales is projected with the launch of new models and various government stimulus measures such as individual consumption tax cuts and tax breaks on old cars, sluggish demand in domestic and overseas markets will likely lead to a decrease in production.

Demand for automobiles will either stagnate or decline in the advanced auto markets like US and Europe as well as emerging markets. We also expect to face more intense competition at home upon Toyota's entry into the market.

In this very tough environment, we will move boldly to improve sales and our core competencies to turn crisis into opportunity and attain sustainable growth as a global leading company.

- **Strengthen Market-Specific Product Lineup & Manufacturing Flexibility**

On top of achieving balanced development across the board from production, sales, service and R&D to marketing, we accomplished very meaningful achievements in 2008. Our goal in 2009 is to continue to build on these successes to maintain a strong brand image around the world. We plan to maximize profits by taking a conservative approach to foreign exchange operations and implementing a strategy to avoid risks.

Under the management policy of "overcoming crisis through aggressive sales and securing basis for sustainable growth through aggressive sales," we will focus on stabilizing a global production system and securing competitiveness of our automotive plants. Our flexible manufacturing system which allows us to supply cars with specifications tailored to each region will enable us to turn crisis into opportunity in the rapidly changing market landscape.

- **Marketing Activities Geared for Specific Market Conditions**

We will launch aggressive global marketing campaigns geared to specific market conditions in order to improve HMC's brand recognition in the world auto market. Based on our strong market specific product lineup, we will add to HMC's unique reputation as a maker of high quality yet economical cars. In the global market, we will pursue creative and effective ways to expand sales and lead the market by supplying cars equipped with specifications tailored to each region's customer needs one step ahead of the competition.

Through our new Equus, as well as follow-up models to Sonata and Elantra LPi Hybrids, we will further increase our leading edge in quality.

- **Enhancing Corporate Value through Green Management**

2009 will be the year our green management kicks into full gear. We plan to solidify our reputation as the leading brand in eco-friendly cars by facilitating supply of independently-developed hybrids. Through increased R&D investment, we will also improve our ability to produce next-generation vehicles. The launch of Elantra LPi Hybrid in July of 2009 followed by high-efficient gasoline hybrids and plug-in hybrids will help our effort to care for the environment and secure new growth drivers while keeping in line with the government's low-carbon, green growth initiative. We believe these endeavors will allow us to increase our profitability and secure a platform for sustainable growth by enhancing the quality of our cars and corporate value. With our eco-friendly cars, we will propel forward-looking changes to become a leading green company.

Key Business Performance - External Results

Raising brand value with Continuous differentiation strategy.

Increased Brand Value

- **Awards**

Hyundai Genesis, Azera, Sonata, Elantra and Accent were selected as best in class by leading media publications and rating firms around the world for their excellence in quality and technology.

- **Brand Value**

HMC's brand value has been climbing for three consecutive years, from USD3.5 billion in 2005 to USD4.1 billion in 2006, USD 4.5 billion in 2007 and USD4.8 billion in 2008. Of 11 auto makers ranked in the world's top 100 brands, HMC ranked higher Porsche, Lexus and Ferrari to come in 8th (overall ranking: 72) place. Among popular car brands, we recorded the highest brand value growth of 9%, making significant strides in each car class amid tough market conditions.

Top 100 Brands of 2008, Automotive Sector
(Unit: US\$ 100 million)

Ranking	Brand	Brand Value	Change
1	Toyota	340	6%
2	Mercedes Benz	256	9%
3	BMW	233	9%
4	Honda	191	6%
5	Ford	79	-12%
6	Volkswagen	70	8%
7	Audi	54	11%
8	Hyundai	48	9%
9	Porsche	46	9%
10	Lexus	36	7%
11	Ferrari	35	-









- **Improved International Credibility**

HMC undergoes assessment by such global credit rating firms as Standard & Poor's and Moody's on a regular basis. Our efforts to improve our international credibility and competitive edge in the global marketplace resulted in solid earnings that surpassed industry results and allowed us to maintain an international credit rating of BBB.

Credit Ratings

	Corporate Bonds	Commercial Paper
Domestic	Korea Investors Service	AA
	Korea Ratings	AA
	National Information & Credit Evaluation	AA
Overseas	Moody's	Baa3
	S&P	BBB-

List of Overseas Prizes and Awards

 <p>Genesis</p> <ul style="list-style-type: none"> • 2009 North American Car of the Year • US Insurance Institute for Highway Safety (IIHS) : 2009 Top Safety Pick • US Consumer Report : Top-rated upscale sedan of 2009 	 <p>Sonata</p> <ul style="list-style-type: none"> • US IntelliChoice.com: Best Overall Value of 2009 in large car segment • US American Council for an Energy-Efficient Economy (ACEEE) : Greener Choices of 2008 Honors 	 <p>Accent</p> <ul style="list-style-type: none"> • India automotive market research institute (TNS) : TNS Voice of the Customer 2008 award • US JD Power : Best subcompact car in 2008 Vehicle Dependability Study (VDS) 	 <p>Santa Fe</p> <ul style="list-style-type: none"> • US IIHS : Top Safety Pick for 2nd consecutive year • US automotive research company, Strategic Vision : Best Small SUV in 2008 Total Quality Study (TQS) for 2nd consecutive year
 <p>Azera</p> <ul style="list-style-type: none"> • US automotive site, Edmunds.com : 2008 Consumers' Top Rated Vehicle Award • US Consumer Report : Most Overlooked Car 	 <p>Elantra</p> <ul style="list-style-type: none"> • US Consumer Report : Top Picks for 2008 in small sedans for 2nd consecutive year • China Association for Quality : No.1 in 2008 Customer Satisfaction Survey • US Consumer Report : First Korean car to be included in Best of 2008 Top 100 List 	 <p>Veracruz</p> <ul style="list-style-type: none"> • US IIHS : Top Safety Pick for 2nd consecutive year • US AutoPacific : 2008 Vehicle Satisfaction Award (VSA) 	 <p>Tucson</p> <ul style="list-style-type: none"> • US The Car Book : 2008 Best Bet • US Kelly Blue Book : 2008 Best New Family Vehicles • US Consumer Guide Automotive : 2009 Best Buy and Recommended Awards

Global Operations

Moving a step forward to become the best automobile company in the world.



HMC RACES AHEAD IN EMERGING MARKETS

Global Management Strategy

In 2008, HMC laid the foundation to become a global leader by reaching our management goals of "Customer first" and "Stabilizing global management" in the midst of the global economic crisis. In particular, securing a global marketing edge on the strength of customer trust and quality management led to our solid performance in overseas markets.

Capitalizing on HMC's Creative Quality Management, we will get through these difficult times by staying the course in 2009 to gain global competitiveness. To this end, we have implemented the "GQ(Global Quality)-3o3o5o5" action plan which refers to our goal to rank among the global top three in product quality within three years and the global top five in brand recognition within five years.

Global Market Share

In a stark contrast to the decline in market share for most global automakers, HMC enjoyed a rise in market share on the back of innovative marketing and successful launch of new models. Our global market share gained 0.5%p y-o-y to 4.4% in 2008. We were able to offset slow sales in key markets like the US, EU and Korea with a demand

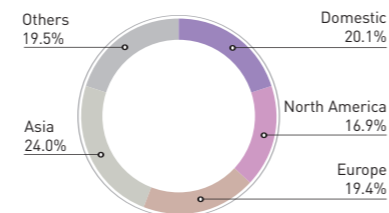
surge in emerging markets of China and India. In fact, for the first six months of 2009 our global market share reached 5%, a first for Hyundai Motor Company. Our strength in emerging markets is expected to continue into the second half of 2009 along with improved performance in key markets.

Market Diversification and Strengthened Sales Ability

HMC has a well-balanced presence in Korea, US, Europe, Asia and other regions thanks to our extensive global production and sales network. Our diversified production base not only increases demand but allows us to come up with different strategies to address risk factors in hedge and monetary policies. From finished products to core parts, our global operations are guided by a three-phase plan. The first stage of the plan is pursuing domestic production /exports; the second stage is building local production/sales facility; and the third stage is establishing local R&D facilities and expanding our distribution network.

In 2009, we plan to launch creative and effective marketing measures in the global market and make greater inroads in key markets through a customized sales strategy that swiftly responds to market changes. Most notably, we will pursue increased sales in emerging markets like China and India that have vast growth potential and a solid foundation.

Geographically Diversified Market Portfolio



Global Management Examples

US

The US market is recording steady growth in sales. Through our Dealer Enhancement Program, we provided better service to customers and improved dealership facilities, sparking qualitative growth in the region. In particular, the designation of the Genesis sedan as the 2009 North American Car of the Year is helping to reinforce our position as a manufacturer of high-end vehicles.

EU

Our eco-friendly "i" premium compact car series - i10, i20 and i30 - is taking the European market by storm with their excellent fuel efficiency. We will continue to increase sales in Europe by introducing cars that offer greater economic savings and fuel efficiency.

India

2008 marked the 12th year since we first ventured into India. We now stand as the undisputable number one in automobile exports and number two in domestic sales. The second Indian plant for the i-series started production in February 2008 with an annual capacity of 600,000 units. The plant is our hub for manufacturing compact cars and the leading outpost for exports. The i-series scored high marks in customer satisfaction levels and sales volume surged 49.6% y-o-y, bucking the global economic downturn.



Indian People Riding Hyundai Cars

China

Since first entering China in 2002, we have grown into one of the country's leading automakers. Our second plant started operations in April 2008, contributing to a year-on-year increase of 27.2% in total sales volume. Located in Beijing, the new plant is capable of producing 600,000 units annually. After spending KRW65 billion and 13 months on R&D, we launched the Chinese version of Elantra (local name: Yuedong) targeting China's entry mid-size market. Our strategy of being prepared for changing customer demand paid off as we enjoyed sales growth and the model ranked second in customer satisfaction among new cars introduced in China in 2008. The Chinese plant can flexibly respond to changing market conditions as it can simultaneously churn out four different models. Going forward, we will continue to supply strategic models like the Elantra (Yuedong) and i30 to achieve sustainable growth in the market.

Stable Supply through Global Production Base

In 2008, HMC completed a global production network spanning Asia, North America and Europe by building automotive plants in China, India and Czech Republic. Following the start of operations at India's second plant, China's second plant and the Czech plant, we began the construction of our Russian plant in June to ensure efficient supply to customers around the world.

The Nosovice Plant in Czech Republic has been providing a stable supply of i30 models to Europe since November 2008. In 2009, we will further advance our global operations with full-scale running of new plants and secure the manufacturing flexibility to supply cars that are best tailored to each market.

Czech Plant

We will swiftly respond to the diverse demands of European consumers and contribute to the local economy.

On November 3, 2008, Hyundai Motor Manufacturing Czech (HMMC) entered the first phase of operations. Work on the plant had begun on June 25 2006 and total investment amounted to EUR1.1 billion. Located in Nosovice near the city of Otstrava in the northeastern region of Czech Republic, HMMC is initially running at 200,000 unit capacity and will gradually increase to its full capacity of 300,000 units annually. The plant is rolling out i30 hatch back and wagons tailored exclusively for the European market. In the second phase of operations, the plant will manufacture compact mini-vans developed specifically to appeal to European consumers. We are confident that the plant will

grow into one of Europe's leading automotive plants, combining HMC's vast expertise and the superior craftsmanship and diligence of the local workforce. It will also serve as the platform for driving our localization strategy as we strive to meet diverse demands of European consumers and make the Hyundai brand more recognizable.

Overview of Czech Plant

Date of establishment	2006. 3
Start of mass production	2008.11.3
No. of employees	2,000
Production capacity	200,000 units/year (target of 300,000 units/year)
models in production	i30



INTERVIEW

A Corporate Citizen of the Czech Republic that Contributes to Economic and Social Development

Eok-Jo Kim / President of HMMC

Since construction began in 2006, HMMC has been striving to do its part as a responsible corporate citizen of the Nosovice community and Czech Republic. We believe we have been able to build solid partnerships based on mutual trust by engaging in active communication with our local stakeholders and delivering accurate information. HMMC will play a key role in HMC's drive to make further inroads into the European market by supplying parts, design and marketing activities tailored to the region. We will continue to provide stakeholders with detailed and useful information on HMMC operations and vehicles produced at the plant to fulfill our obligation as a member of the local community and contribute to the region's development by creating more jobs.



First mass-produced car from Czech Plant



Full View of Czech Plant

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		4.5	Linkage between compensation for members of the upper management and the organization's performance		
		4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided		
		4.7	Process for determining the qualifications and expertise of the members of the highest governance body		
		4.8	Internally developed statements of mission and principles	16, 17	
		4.9	Procedures of the highest governance body for overseeing the management of economic, environmental, and social performance		
		4.10	Processes for evaluating the highest governance body's own performance		
	Commitments to external initiatives	4.11	Explanation of whether and how precautionary approach or principle is addressed	16, 17, 59	
		4.12	Externally developed charters to which the organization subscribes	0, 17	
		4.13	Memberships in associations or International/international advocacy organizations		
	Stakeholder Engagement	4.14	List of stakeholder groups engaged by the organization	9, 12-15	
		4.15	Basis for identification and selection of stakeholders with whom to engage	12	
		4.16	Approaches to stakeholder engagement, including frequency of engagement	12-15, 22, 23, 56-59, 60-63, 65, 67-72, 74-77	
		4.17	Key concerns that have been raised through stakeholder engagement	12-15, 36, 37, 55-77	
Economic	Management Approach	5.1	Management Approach and Performance Indicators	16, 17	
		EC1	Core	Direct economic value generated and distributed	74-77, 79
	Economic Performance	EC2	Core	Financial implications for the organization's activities due to climate change	25-35
		EC3	Core	Coverage of the organization's defined benefit plan obligations	
		EC4	Core	Significant financial assistance received from government	

Profile					Reference
Market Presence	EC5	Add	Range of ratios of standard entry level wage compared to local minimum wage		
	EC6	Core	Policy, practices, and proportion of spending on locally-based suppliers		
	EC7	Core	Procedures for local hiring and proportion of local senior management		55
Indirect Economic Impacts	EC8	Core	Development and impact of infrastructure investments and services provided		36, 37, 74-77
	EC9	Add	Understanding and describing significant indirect economic impacts		55, 67-71, 84, 85
Environmental	Management Approach	5.2	Management Approach and Performance Indicators		20, 21
	Materials	EN1	Core	Core Materials used by weight or volume	47
		EN2	Core	Percentage of materials used that are recycled input materials	44, 45
	Energy	EN3	Core	Direct energy consumption by primary energy source	34, 35
		EN4	Core	Indirect energy consumption by primary source	34, 35
		EN5	Add	Energy saved due to conservation and efficiency improvements	35
		EN6	Add	Reductions in energy requirement as a result of energy-efficient or renewable energy initiatives	25-31
		EN7	Add	Initiatives to reduce indirect energy consumption and reductions achieved	34, 35
	Water	EN8	Core	Total water withdrawal by source	51
		EN9	Add	Water sources significantly affected by withdrawal of water	
		EN10	Add	Percentage and total volume of water recycled and reused	51
	Biodiversity	EN11	Core	Location and size of areas of high biodiversity value	
		EN12	Core	Description of significant impacts of activities on biodiversity	
		EN13	Add	Habitats protected or restored	
		EN14	Add	Strategies, current actions, and future plans for managing impacts on biodiversity	
		EN15	Add	Number of IUCN Red List species and national conservation list species	
	Emissions, Effluents and Waste	EN16	Core	Total direct and indirect greenhouse gas emissions by weight	35
		EN17	Core	Other relevant indirect greenhouse gas emissions by weight	35
		EN18	Add	Initiatives to reduce greenhouse gas emissions and reductions achieved	26-35
		EN19	Core	Emissions of ozone-depleting substances by weight	43
		EN20	Core	NOx, SOx, and other significant air emissions by type and weight	48
		EN21	Core	Total water discharge by quality and destination	49
		EN22	Core	Total weight of waste by type and disposal method	51
		EN23	Core	Total number and volume of significant spills	
		EN24	Add	Weight of exported, imported, transported, or treated hazardous waste under the terms of Basel Convention Annex	
		EN25	Add	Identity, size, and protected status of water bodies and related habitats	
	Products and Services Compliance	EN26	Core	Initiatives to mitigate environmental impacts of products and services	26-33, 40, 41
		EN27	Core	Percentage of products sold and their packaging materials	44-46
		EN28	Core	Monetary value of significant fines for noncompliance with environmental regulations	
	Transport	EN29	Add	Significant environmental impacts of transporting products and other goods	
Overall	EN30	Add	Total environmental protection expenditures and investments	52	
Social Labor Practices and Decent Work	Management Approach	5.3	Management Approach and Performance Indicators		16, 17, 22, 23, 73
	Employment	LA1	Core	Total workforce by employment type, employment contract, and region	55
		LA2	Core	Total number and rate of employee turnover by age group, gender, and region	
		LA3	Add	Benefits provided to full-time employees	57
	Labor / Management Relations	LA4	Core	Percentage of employees covered by collective bargaining agreements	
		LA5	Core	Minimum notice period(s) regarding operational changes	
	Occupational Health and Safety	LA6	Add	Percentage of total workforce represented in formal joint management-worker health and safety committees	
		LA7	Core	Rates of injury, occupational diseases, lost days, absenteeism, and fatalities	58
		LA8	Core	Programs to assist workforce members, their families, or community members regarding serious diseases	59
		LA9	Add	Health and safety topics covered in formal agreements with trade unions	59

Profile					Reference	
Training and Education	LA10	Core	Average hours of training per year per employee		57	
	LA11	Add	Programs for skills management and lifelong learning			
	LA12	Add	Percentage of employees receiving regular performance and career development reviews			
Diversity and Equal Opportunity	LA13	Core	Composition of governance bodies and breakdown of employees per category		18, 55	
	LA14	Core	Ratio of basic salary of men to women by employee category			
Human Rights	Investment and Procurement Practices	HR1	Core	Percentage and total number of significant investment agreements that include human rights clauses		
		HR2	Core	Percentage of significant suppliers that have undergone screening on human rights and actions taken		
		HR3	Add	Total hours of employee training on policies/procedures concerning aspects of human rights		
Non-Discrimination	HR4	Core	Total number of incidents of discrimination and actions taken	56		
Freedom of Association and collective bargaining	HR5	Core	Operations identified in which the right to exercise freedom of association and collective bargaining	56		
Child Labor	HR6	Core	Operations identified as having risk for incidents of child labor and measures taken	17		
Forced and Compulsory Labor	HR7	Core	Operations identified as having risk for incidents of forced or compulsory labor and measures taken	17		
Security Practices	HR8	Add	Percentage of security personnel trained in the organization's policies or procedures			
Indigenous Rights	HR9	Add	Total number of violations involving rights of indigenous people and actions taken			
Society	Community	SO1	Core	Effectiveness of any programs/practices that assess and manage the impacts of operations	36, 37, 73-77	
	Corruption	SO2	Core	Total number of business units analyzed for risks related to corruption	22	
		SO3	Core	Percentage of employees trained in organization's anti-corruption policies	17, 22	
		SO4	Core	Actions taken in response to incidents of corruption		
	Public Policy	SO5	Core	Public policy positions and participation in public policy development and lobbying	35, 68, 70-72	
		SO6	Add	Total value of financial and in-kind contributions to political parties/politicians related institutions		
	Anti-Competitive Behavior	SO7	Add	Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practice and their outcomes		
	Compliance	SO8	Core	Monetary value of significant fines for noncompliance with regulations		
	Product Responsibility	Customer Health and Safety	PR1	Core	Life cycle stages in which health and safety impacts of products and services are assessed for improvement	63-65
			PR2	Add	Total number of non-compliance incidents with regulations concerning health and safety	22
Product and Service Labeling		PR3	Core	Type of product and service information required by procedures	60-65	
Marketing	Labeling	PR4	Add	Total number of non-compliance incidents with regulations concerning products and services information & Labeling	22	
		PR5	Add	Practices related to customer satisfaction including survey results on satisfaction	60, 61, 83	
	PR6	Core	Programs for adherence to standards and voluntary codes related to marketing communications	22, 62, 65		
Communications	PR7	Add	Total number of non-compliance incidents with regulations concerning marketing communications	22		
Customer Privacy	PR8	Add	Total number of substantiated complaints regarding customer privacy and data losses	60		
Compliance	PR9	Core	Monetary value of significant fines for non-compliance with laws concerning the provision and use of products and services			

HMC 2009 Sustainability Report Review Committee



Committee Head
Byoung Doo Lee



Committee Member
Jason Perks



Committee Member
Han-kyun Rho



Committee Member
Young Jae Ryu



Committee Member
In Mog Yang

Hyundai Motor Company ("HMC"), with a view to enhancing cooperation and communication with a wide range of its stakeholders, has engaged with external assurance service providers to assure its sustainability reports from 2003, operated an External Review Committee for Sustainability Report in 2007 and undertook stakeholder dialogues in 2008. Starting 2009, HMC took a step further to raise the credibility and authenticity of its sustainability report. It asked the External Review Committee (hereinafter referred to as "Committee") comprising outside experts to conduct an in-depth review of the contents, report writing process and sustainability management system specified in the report.

Principles and Main Focus of the Committee Review

The Committee performed a review focusing on the three principles of the AccountAbility 1000 Accountability Principles Standard (AA1000APS): materiality, responsiveness and inclusivity, while checking for systematic implementation of the report writing process and sustainability management.

The Committee laid emphasis on the five following areas during review:

- Whether the report covers issues that stakeholders view as most important
- Whether the report effectively responds to the concerns of stakeholders on those issues
- Whether the internal report writing process HMC has in place was properly followed
- Whether the report contents properly reflect the results of the sustainability management system
- Whether HMC has provided sufficient information for the Committee to carry out its review, as well as assistance to ensure efficient review activities.

Operation and Activities of the Committee

All activities of the Committee were undertaken in line with the terms of reference for committee operation. (Link) The Committee was operated in an independent manner by the Business Institute for Sustainable Development which acted as a facilitator, and the members of the Committee offered their views in their capacity as individual experts not as

representatives of their affiliated organizations. The Committee did not pursue and is not providing assurance on any aspects of the report but the depth and breadth of the review process was of a similar nature to an assurance engagement. The Committee advises that the purpose and the terms of reference of the Committee be refined further and that recommendations for its operation be fully reflected in the future so as to ensure more effective functioning of the Committee.

The Committee reviewed a draft report in May 2009 and put forth its opinion at the first meeting of the Committee. Based on the follow-up review after the first meeting, we performed on-site review with 20 teams across 8 divisions of HMC, including its head office, research center and Ulsan factory, and conducted top management and operational interviews. During site visits, we verified the report writing process, parts of factual data in the report along with the company's underlying sustainability management system. We arranged the second meeting of the Committee afterwards to discuss and reach a consensus on the findings of the review exercise. With the consensus in place, each member of the Committee was asked to submit their final opinion on the final version of the report, which were then compiled and consolidated at a high level. Committee members provided their additional input one last time before the review statement of this Committee was finalized.

Findings and Recommendations from the Committee

• General Comments for Sustainability Report

The 2009 sustainability report of HMC shows significant progress from that of last year in that it is concise in its overall composition yet covers contents in a structured and detailed manner. Key issues are summarized thoroughly in the report as well. HMC carried out media research and stakeholder engagement to systematically discover issues that are important to the stakeholders, then prioritized the issues identified to respond to the needs of the stakeholders effectively. We expect HMC to further expand and deepen its relations with various groups representing a wider range of interest. We recognize that while climate change and environmental man-

agement were dealt with in an exhaustive manner among the key issues, there is still room for improvement in covering other issues as well in more depth.

This year's report continues to extensively illustrate sustainability management and environmental management strategy of HMC with details. However, there is a need to systematically align the strategies for sustainability and environmental management with the corporate philosophy and vision in the future. Moreover, such strategies must be continuously updated to maintain their relevance amidst the evolving business landscape. When it comes to the issue of governance, the report gives adequate details about the structure and activities of the board, but relatively lacks coverage in addressing the expertise and independence of the board members.

With regards to the report writing process, it is vitally important for all relevant departments involved to clearly understand what it is they aim to achieve through reporting before they produce an accurate, meaningful set of data and information needed for the report. That is why we proposed that HMC intensify its existing pre-training program for reporting, and further disseminate its guiding philosophy and underlying processes for sustainability management to drive the sustainability process in a more structured manner.

• Economic Performance

Given the present business environment around the world, HMC's financial performance is relatively strong- which we perceive to be largely attributable to its growing market presence in the emerging economies. As such, the report needs to go beyond showing the benefits of such market expansion. Indeed, we recognize a need for in-depth analysis and clarification to understand how a surge in vehicle demand in the emerging markets would impact society and the environment from the perspective of sustainability.

• Climate Change

The 2009 report carries detailed descriptions on the roles and responsibilities of HMC on climate change issues. In particular, its total greenhouse gas emissions are displayed in charts and graphs for increased clarity and visibility, and its efforts for developing eco-friendly vehicles and mitigating greenhouse gas emissions are adequately

explained. In particular, it was impressive to find their improved results of vehicle safety evaluation, progress to date on fuel cell vehicle development and abatement drive for greenhouse gas emissions initiated by plants.

We advised HMC that more specific figures could be used to enhance clarity and effectiveness in communicating their progress, e.g., regarding the scope and outcomes of the company's carbon footprint and recent significant achievements on greener car development. Furthermore, we asked HMC to give a more extensive coverage on their mitigation efforts for greenhouse gas emissions through carbon footprint programs, especially from a lifecycle assessment perspective.

Going forward, HMC needs to take a multifaceted, analytical approach towards looking into not only the applicable regulations as are presently covered in the report, but also its cost structure, market and the impact this issue will have on its corporate image. Such a holistic analysis will go a long way towards helping the company identify strategic opportunities across enterprise.

• Activities for Addressing Environmental Impact

We are pleased that HMC adopted a value chain approach in managing its environmental issues. We are especially encouraged by the fact that HMC is implementing lifecycle assessments on the vehicles it produces as they comprise a large number of materials and components. We expect that future reports will more rigorously address logistics, marketing, sales and service aspects of the value chain in the report.

As marketing and sales is part and parcel of customer communication, we believe that proactive promotion and expansion of "Blue Drive", the eco-friendly brand ambitiously launched by the company, will help deliver the image of HMC as a pioneer in leading the way of greener vehicles. Moreover, further description of the criteria used for lifecycle assessments and utilization of assessment results would help HMC demonstrate various approaches it is exploring to create a healthier environment across the board

• Labor-Management Collaboration

We acknowledge that HMC's roadmap for stabilizing labor relations is a step in the right direc-

tion towards effectively managing labor-management issues. The Committee suggested such endeavors for building harmony between labor and management be fully integrated in a system and translated into tangible action to boost productivity and competitiveness in the mid- to long-term. We further expect HMC to broaden the opportunities for interactive communication between other stakeholders and workers, and further incorporate the results of such communication into the report.

• Enhancement of Consumer Satisfaction

A systematic approach that HMC has taken towards consumer satisfaction has been received positively both at home and abroad. However, the Committee suggested that if their dedication to consumer satisfaction is to be correctly and effectively conveyed to relevant stakeholders, the report would have to include more details about the process for improving consumer satisfaction on top of the outcomes of such initiatives.

• Co-prosperity with Business Partners

Driving co-prosperity with business partners is no doubt one of the most critical issues of sustainability and much more so in the future. As such, HMC took systematic measures starting 2003 onwards to transfer and disseminate environmental management practices to its suppliers and further stepped up its effort in 2008 for a wider roll-out. In addition, we highly commend the strong dedication HMC has demonstrated to help build a stable business environment across its supply chain - e.g. via financial assistance, IT support and co-purchasing. We proposed that HMC redefine the scope of its supply chain to extend beyond its immediate parts suppliers to embrace general suppliers as well so that everyone benefits from partnership.

Conclusions

The Committee highly commends the commitment that HMC has made to contributing towards building a sustainable society and establishing trust with stakeholders. We expect that HMC, by leveraging its insight on sustainability, to fully cascade and embed its corporate sustainability strategy in the operation of its business in the future.

Byoung Doo Lee | KPMG vice chairman

Jason Perks | Two Tomorrows CEO

Han-kyun Rho | Kookmin University, Professor

Young Jae Ryu | Sustainvest, CEO

In Mog Yang | Ecosian, Director

Appendix

Published Report

- 2001 Environment Report
- 2002 Environment Report
- 2002/2003 Sustainability Report
- 2003/2004 Sustainability Report
- 2005 Sustainability Report
- 2006 Sustainability Report
- 2007 Sustainability Report
- 2008 Sustainability Report



Others

- 2006 Business Report
- 2007 Business Report
- 2008 Business Report
- 2007 PR Report
- 2008 PR Report
- 2009 PR Report
- 2006 Hyundai Motor Group Society Contribution White Paper
- 2005 Hyundai-Kia Motor Group Society Contribution White Paper
- 2006 Hyundai-Kia Motor Group Society Contribution White Paper
- 2007 Ulsan Plant Society Contribution White Paper
- 2008 Hyundai Motor Group Society Contribution White Paper

Domestic and Foreign Public Website

Category	Site	Domain
Homepage	KOREAN	www.hyundai.com
	INTERNATIONAL	worldwide.hyundai.com
Ethical management		audit.hyundai.com
Representative vehicle	Other	ad.hyundai-motor.com/catalog
Society contribution	HMC Society contribution	csr.hyundai.com
	HKMG Society contribution	www.hyundai-kiamotors.com
Service	blue-members	blu.hyundai.com
	glbal service way	www.globalserviceway.com
Motor show		pr.hyundai.com/

Category	Site	Domain
Club	Main	club.hyundai.com
	Azera	club.hyundai.com/club/gog
	Sonata	club.hyundai.com/club/soc
	Tuscani	club.hyundai.com/club/tog
	Elantra	club.hyundai.com/club/j2
	Accent	club.hyundai.com/club/vinside
	Atoz	club.hyundai.com/club/amg
	Santa Fe	club.hyundai.com/club/santafe
	Terracan	club.hyundai.com/club/khan
Sports	Soccer team	www.hyundai-motorsfc.com
	Euro 2008	euro2008.hyundai-motor.com
	Snow festival	ski.hyundai-motor.com
ETC	Marketing forum	marketingforum.hyundai.com
	Young Hyundai	young.hyundai.com
	Woman Hyundai	woman.hyundai.com

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